

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



中國地能產業集團有限公司

CHINA GROUND SOURCE ENERGY INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

**VOLUNTARY ANNOUNCEMENT
CO-OPERATION WITH SICHUAN CHANGHONG AIR CONDITIONING
CO., LTD. FORMALLY COMMENCED**

This is a voluntary announcement made by the Company.

CO-OPERATION WITH SICHUAN CHANGHONG

The board of Directors (the “**Board**”) of China Ground Source Energy Industry Group Ltd. (the “**Company**”) is pleased to announce that Ever Source Science and Technology Development Group Co., Ltd. (“**HYY**”), the Company’s subsidiary, and Sichuan Changhong Air Conditioning Co., Ltd. (“**Sichuan Changhong**”, a third party independent of the Company and its connected persons) entered into a joint venture framework agreement. The establishment of the joint venture has officially commenced recently.

THE ADVANTAGES OF HYY AND ITS GROUND ENERGY HEATING DEVICE

HYY concentrates on advancing R&D in using shallow ground source energy as substitute energy to produce heating for buildings, focuses industrialization development of its original technology so as to realizing the upgrading and transforming the traditional combustion-based heating sector with combustion, emissions and pollution to an emerging industry of combustion-free integrated heating and cooling with shallow ground source energy. HYY has combined its original shallow ground source energy collection technology with mature heat pump technology which provide a strong technology guarantee for promotion of “Intelligent Heating” with shallow ground source energy.

Ever Source Science and Technology Development Group Co., Ltd., after years of efforts, has achieved industrialized development in application of its original technology, i.e., the single well circulation ground source energy collection technology which is known to be highly effective and economical in energy consumption and space occupation. Combined with the international technology of the buried-type pipeline system, the Company’s technology has managed to enable the ground source energy as a low-grade (0-25°C) heat energy to become a substitute heating energy for buildings, therefore contributing to the energy revolution in heating industry. Ground source energy

being a renewable energy of sufficient supply can well serve the goal to be a guarantee of better livelihood as advocated by traditional heating industry. By integrating with the modern internet technology, the Company gives more focuses on the end users and makes comprehensive research on the needs of users, projects, areas and government authorities as a whole. It develops an intelligent combustion-free heating modality with ground source energy to support local governments' endeavor in curbing air pollutions and implementing "energy revolution" called on by President Xi. It will also contribute to the furthering of the energy consumption revolution in heating sector, to the construction of the ecological matrix in the newly emerged industry of integrated heating and cooling with ground source energy, and to the formation of a new-type building heating energy system in the era of internet that puts the intelligent heating modality using ground source energy and clean electricity at the core and promotes balanced development of fossil energies and renewable energies.

Intelligent heating means an environmental friendly system that can not only provide heating for buildings free of combustion, but also can make responsive adjustment by perceiving surrounding information (such as temperature). The Ground Energy Heating Device invented by HYY is designed to accommodate individual heating and cooling need of every independent space. It is a key component of the independent heating products series in application of ground source energy heat pump technology. The products can well saturate the rigid demand for heating in cold areas of North China as well as the elastic demand for heating and cooling in South China.

HONGYUAN GROUND ENERGY HEATING DEVICE TECHNOLOGY CO., LTD. (虹源地能熱寶技術有限公司)

In order to boost the development of the emerging industry of integrated heating and cooling with shallow ground source energy, HYY and Sischuan Changhong has jointly established Hongyuan Ground Energy Heating Device Technology Co., Ltd. (虹源地能熱寶技術有限公司) with the registered share capital of RMB50,000,000 which will be contributed by HYY and Sischuan Changhong by cash for the amount of RMB25,500,000 and RMB24,500,000 respectively. HYY and Sischuan Changhong would own 51% and 49% of its registered share capital. Its board of directors will be formed by three directors, of which two directors will be nominated by HYY and one director will be nominated by Sischuan Changhong. The chairman will be nominated by HYY.

Hongyuan Ground Energy Heating Device Technology Co., Ltd. is aimed at promoting intelligent heating business through development of relevant application products. It focuses on development of various kinds of ground energy heating and cooling devices, as well as various types of product integrations of ground energy heating devices. The business objective of the company is to better meet the heating, cooling and domestic hot water needs by the people through further expanding the market promotion of the Ground Energy Heating Device developed by HYY which features easy measurement, customized installments and energy conservative behavior pattern.

Hongyuan Ground Energy Heating Device Technology Co., Ltd. is also a distributor for the heat pump products produced by the Hongyuan Ground Energy Heat Pump Technology Co., Ltd. (虹源地能熱泵技術有限公司) and the electronic household appliances produced by Sichuan Changhong. Taking the advantage, it can utilize both the marketing network of the Sichuan Changhong in areas

with cold winters or hot summers and the sales network of HYY in areas where heating is mandated by the national government. By establishing a complete marketing system for both ground energy heating devices and products it distributes, the company will contribute to the overall efforts of HYY in promoting combustion-free intelligent heating for buildings with shallow ground source energy, in better meeting the living needs of the people for more comforts and in realizing the goal of “intelligent heating”.

REASONS FOR AND BENEFIT OF THE CO-OPERATION

Sichuan Changhong with more than 20 years practice in cooling and air conditioning industry boasts an internationally renowned technical team of expertise and leading technologies in the air conditioning sector.

Cooperation between Sichuan Changhong and HYY can help to combine the advantages and network resources of the both sides, thus to substantially enhance the technological level of the ground energy heating and cooling equipments and devices. By setting up the joint venture, i.e., Hongyuan Ground Energy Heat Pump Technology Co., Ltd. both sides can achieve cost advantage resulted from scale production. Being a manufacturing base, the new company will achieve large scale production in a very fast pace, at a lower cost and with better quality. As a result, it will surely help to rapidly promote the advancement of newly emerged industry of integrated heating and cooling with shallow ground source energy.

GEM LISTING RULES IMPLICATION

Entering into the joint venture framework agreement does not constitute a notifiable transaction of the Company under Chapter 19 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) or a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The Company believes that entering into the joint venture framework agreement and establishment of the joint venture will be beneficial to the business development of the Company and its subsidiaries, and is in the interest of the Company and its shareholders as a whole.

By Order of the Board of
China Ground Source Energy Industry Group Limited
Liu Dajun
Joint Chairman and Executive Director

Hong Kong, 9 June 2015

As at the date of this announcement, the Board comprises Mr. Liu Dajun, Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine and Mr. Zang Yiran as executive Directors, Mr. Zhao Youmin and Mr. Daiqi as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Zhang Honghai as independent non-executive Directors.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website with the domain name of www.hkgem.com on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the website of the Company at www.cgsenergy.com.hk.