

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)

DISCLOSEABLE TRANSACTION ACQUISITION OF 5.387% EQUITY INTEREST IN HYY

THE ACQUISITION

The Board is pleased to announce that, on 22 January 2016 (after trading hours), Beijing Ever Source, as Purchaser, (as at the date of this announcement, an indirect wholly owned subsidiary of the Company) and Sibolian, as Seller, entered into the Share Transfer Agreement, pursuant to which, Beijing Ever Source agreed to purchase and Sibolian agreed to sell, the 5.387% equity interest in HYY at the consideration of RMB15,750,000 (equivalent to approximately HK\$18,900,000). As at the date of this announcement, HYY is owned as to 94.613% and 5.387% by Beijing Enterprises Energy, an indirect wholly owned subsidiary of the Company, and Sibolian respectively.

GEM LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements under the GEM Listing Rules.

THE ACQUISITION

The Board is pleased to announce that, on 22 January 2016 (after trading hours), Beijing Ever Source, as Purchaser, (as at the date of this announcement, an indirect wholly owned subsidiary of the Company) and Sibolian, as Seller, entered into the Share Transfer Agreement, pursuant to which, Beijing Ever Source agreed to purchase and Sibolian agreed to sell, the 5.387% equity interest in HYY at the consideration of RMB15,750,000 (equivalent to approximately HK\$18,900,000). As at the date of this announcement, HYY is owned as to 94.613% and 5.387% by Beijing Enterprises Energy, an indirect wholly owned subsidiary of the Company, and Sibolian respectively.

The Share Transfer Agreement

The key terms of the Share Transfer Agreement are as follows:

Date: 22 January 2016

Parties:

- (1) Beijing Ever Source (an indirect wholly owned subsidiary of the Company, as Purchaser)
- (2) Sibolian (as Seller)

Sibolian is a PRC registered enterprise under collective ownership and is principally engaged in complete chemical engineering, water pump station engineering, mechanical valve, industrial automation and control equipment, computer hardware and software, communications equipment technology development, technical services etc. As at the date of this announcement, Sibolian owns approximately 5.387% equity interest in HYY.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save as disclosed above, Sibolian and its ultimate beneficial owners are Independent Third Parties.

Interests to be acquired

Pursuant to the Share Transfer Agreement, Beijing Ever Source agreed to purchase and Sibolian agreed to sell the 5.387% equity interest in HYY (as at the date of this announcement and immediately before the Acquisition, HYY is owned as to 94.613% equity interest by Beijing Enterprises Energy, an indirect wholly owned subsidiary of the Company). Upon completion of the Acquisition, HYY will become the indirect wholly-owned subsidiary of the Company.

The consideration and its basis

The consideration of the Acquisition is RMB15,750,000 (equivalent to approximately HK\$18,900,000) which is determined after arm's length negotiations between the parties. The consideration is fixed with reference to the valuation of the total equity of HYY of approximately RMB302,518,000 (equivalent to approximately HK\$363,022,000) as of 31 December 2014 as assessed by an independent professional valuer.

Payment terms

The consideration of the Acquisition of RMB15,750,000 (equivalent to approximately HK\$18,900,000) will be payable in the following manner:

- (a) within 30 working days after the effective date of the Share Transfer Agreement, the Purchaser will pay to the Seller RMB11,025,000 (equivalent to approximately HK\$13,230,000);
- (b) within 10 working days upon completion of the formalities for change of the company's registration of HYY, the Purchaser will pay to the Seller the remaining amount of RMB4,725,000 (equivalent to approximately HK\$5,670,000).

The Consideration will be satisfied by the internal resources of the Company.

Completion

Completion of the Acquisition will take place upon completion of the formalities for change of the company's registration of HYY.

Other Major Terms

The Seller and the Purchaser agreed that prior to and after the completion of the Acquisition which is the date of completion of the formalities for change of the company's registration of shares transfer of HYY, all the obligations and liabilities shall be borne by the Purchaser.

INFORMATION ABOUT HYY

HYY is a company incorporated in PRC with the registered capital of RMB189,188,502 (equivalent to approximately HK\$227,026,202) and paid-up capital of RMB189,188,502 (equivalent to approximately HK\$227,026,202). As at the date of this announcement, HYY is owned as to 94.613% and 5.387% by Beijing Enterprises Energy, an indirect wholly owned subsidiary of the Company, and Sibolian respectively. HYY is the industrial headquarters of the Company and is mainly engaged in research, development and production of new heating and cooling system, heating and cooling equipment engineering, installation and provision of technical, consultancy, technology transfer and technical training services for self-produced products, sale of self-produced products.

Set out below is the financial information of HY Y for the two financial years ended 31 December 2013 (unaudited) and 31 December 2014 (audited):

	For the financial year ended 31 December	
	2014 (audited) RMB'000	2013 (unaudited) RMB'000
Net loss before taxation	(45,027)	(2,830)
Net loss after taxation	(46,255)	(3,355)
Net assets value	183,928	162,738

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the research, development and promotion of shallow ground source energy as alternative energy to provide heating for buildings and is committed to the industrialization development of the original technology which can accelerate the all-around upgrade and transformation of the traditional heating industry with combustion, emissions and pollution to an emerging industry of combustion-free integrated heating and cooling system with shallow ground source energy.

As HY Y is the main businesses operation unit of the Company, the Board considered that the Acquisition enables HY Y to be wholly-owned by the Company for the further development of the utilization of shallow ground source energy (heat) as alternative energy to provide heating (cooling) for buildings which we believed will be more beneficial for further development of the Company. The Directors (including the independent non-executive Directors) considered that the terms of the Acquisition is on normal commercial terms and fair and reasonable, and the Acquisition is in the interests of the Company and its shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements under the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Acquisition” the acquisition of the 5.387% equity interest in HY Y at a consideration of RMB15,750,000 (equivalent to approximately HK\$18,900,000)

“Beijing Enterprises Energy”	Beijing Enterprises Ever Source Energy Ltd. (北控恒有源能源有限公司), a limited company incorporated in the BVI and is an indirect wholly-owned subsidiary of the Company
“Beijing Ever Source”	Beijing Enterprises Ever Source Technology Development Co., Ltd.* (北京北控恒有源科技發展有限公司), a limited company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	China Ground Source Energy Industry Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HYY”	Ever Source Science and Technology Development Group Co., Ltd.* (恒有源科技發展集團有限公司), a limited company incorporated in the PRC and as at the date of this announcement and immediately before the Acquisition, is owned as to 94.613% equity interest by Beijing Enterprises Energy, an indirect wholly owned subsidiary of the Company
“Independent Third Party”	a third party independent of the Company and its connected persons (as defined under the GEM Listing Rules)
“PRC”	the People Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Share Transfer Agreement”	the share transfer agreement dated 22 January 2016 entered into between Beijing Ever Source and Sibolian

“Sibolian”	Beijing Sibolian General Mechanical New Technology Company*(北京市四博連通用機械新技術公司), a PRC registered enterprise under collective ownership
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

Conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1 = HK\$1.20. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at such or any other rates or at all.

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

Hong Kong, 22 January 2016

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.