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**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)**

## **CONNECTED TRANSACTION**

### **GUARANTEE SERVICE AGREEMENT**

On 15 September 2016 (after trading hours), CECEP and HYY (an indirect wholly owned subsidiary of the Company) entered into the Guarantee Service Agreement, pursuant to which, CECEP agreed to provide guarantee for the Loan granted to HYY by the Fund Company (through Huishang Bank as its lending agent) pursuant to the Loan Agreement.

### **GEM LISTING RULES IMPLICATIONS**

As at the date of this announcement, CECEP (through its wholly-owned subsidiary CECEP (HK)) is a substantial Shareholder and is interested in 850,000,000 Shares, representing approximately 29.55% of the total issued share capital of the Company. Thus, CECEP is a connected person of the Company under the GEM Listing Rules and the Guarantee Service Agreement constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratios of the Guarantee Fee payable by HYY to CECEP for the Guarantee Service under the Guarantee Service Agreement is less than 5%, the Guarantee Service is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules.

### **GUARANTEE SERVICE AGREEMENT**

**Date:**

15 September 2016

**Parties:**

- (1) CECEP
- (2) HYY

CECEP is a company incorporated with limited liability in the PRC and is principally engaged in research and development of energy conservation, environmental protection and new energy technology, investments in projects and construction operation.

**Key Terms:**

Pursuant to the Guarantee Service Agreement, CECEP agreed to provide guarantee for the 3-year term Loan in the amount of RMB400 million granted to HYY by the Fund Company (through Huishang Bank as its lending agent) pursuant to the Loan Agreement dated 13 September 2016 entered into between the Fund Company as lender, Huishang Bank as the lending agent of the Fund Company, and HYY as borrower. The Loan is fully exempt under Rule 20.88 of the GEM Listing Rules.

HYY shall pay to CECEP the Guarantee Fee at the rate of 2% per annum on the amount of the Loan. The Guarantee Fee is payable annually on the first, second and third anniversary of the date of the Guarantee Service Agreement.

The Guarantee Fee is agreed between HYY and CECEP after arm's length negotiations and is determined with reference to the relatively large amount of the Loan in the sum of RMB400 million, the term of the Loan of 3 years, the risk exposure of CECEP in providing the Guarantee Service and the rate of guarantee fee for obtaining similar guarantee service in the PRC market.

**REASONS FOR AND BENEFITS OF ENTERING INTO THE GUARANTEE SERVICE AGREEMENT**

The Company is an investment holding company and the Group is principally engaged in businesses for the promotion of application and its technology of utilization of shallow ground source energy as alternative energy for heating (cooling).

The Group is in need of the Loan from the Fund Company to re-financing its existing loan which is due and repayable, and the guarantee provided by CECEP is requested by the Fund Company and its lending agent Huishang Bank as a condition precedent of granting the Loan to HYY. Having considered the relatively large amount of the Loan in the sum of RMB400 million for a 3-year period and the risk exposure of CECEP in providing the Guarantee Service, the Board considers that the amount of Guarantee Fee at the rate of 2% per annum is reasonable.



“CECEP”	China Energy Conservation and Environmental Protection Group* (中國節能環保集團公司), a state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“CECEP (HK)”	China Energy Conservation Environmental Protection (Hong Kong) Investment Co., Limited (中國節能環保(香港)投資有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by CECEP
“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
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	the directors of the Company
“Fund Company”	Zhong Jie Neng Hua Yu Fund Management Company Limited* (中節能華禹基金管理有限公司), a company incorporated with limited liability in the PRC and a subsidiary of CECEP
“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
“Guarantee Fee”	the guarantee fee of 2% per annum on the amount of the Loan payable by HYY to CECEP under the Guarantee Service Agreement
“Guarantee Service”	the provision of guarantee by CECEP for the Loan granted to HYY by Fund Company (through Huishang Bank as its lending agent) under the Loan Agreement
“Guarantee Service Agreement”	the guarantee service agreement dated 15 September 2016 entered into between CECEP and HYY for provision of the Guarantee Service
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Huishang Bank”	Huishang Bank Hefei Sui Qi Road branch* (徽商銀行合肥濉溪路支行), a commercial bank incorporated with limited liability in the PRC
“HYY”	Ever Source Science and Technology Development Group Ltd.* (恒有源科技發展集團有限公司), a company incorporated with limited liability in the PRC which is a wholly owned subsidiary of the Company
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Loan”	the loan of RMB400 million granted to HYY by the Fund Company (through Huishang Bank as its lending agent) pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement dated 13 September 2016 entered into between the Fund Company as lender, Huishang Bank as the lending agent of the Fund Company, and HYY as borrower for the granting of the Loan
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent

By order of the Board  
**China Ground Source Energy Industry Group Limited**  
**Xu Shengheng**  
*Joint Chairman & Executive Director*

Hong Kong, 15 September 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 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 at [www.hkgem.com](http://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.cgseenergy.com.hk](http://www.cgseenergy.com.hk).*

*\* For identification purpose only*