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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF PROPERTY USAGE RIGHT

THE DISPOSAL

On 30 December 2016 (after trading hours of the Stock Exchange), Sibolian as purchaser and HYY (a wholly owned subsidiary of the Company) as vendor entered into the Property Usage Right Transfer Agreement, pursuant to which, HYY agreed to sell, and Sibolian agreed to purchase, the Property Usage Right at the consideration of RMB45,079,600 (equivalent to approximately HK\$50,263,700).

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined in Chapter 19 of the GEM Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

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THE PROPERTY USAGE RIGHT TRANSFER AGREEMENT

Date

30 December 2016

Parties

- (1) HYY (as vendor)
- (2) Sibolian (as purchaser)

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.

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

Key Terms

The key terms of the Property Usage Right Transfer Agreement are as follows:

Disposal of Property Usage Right

HYY, a wholly owned subsidiary of the Company shall sell, and Sibolian shall purchase, the Property Usage Right at the Disposal Consideration.

Disposal Consideration and its basis

The Disposal Consideration is RMB45,079,600 (equivalent to approximately HK\$50,263,700) and is based on the pricing of RMB20,000 (equivalent to approximately HK\$22,300) per square metre and the gross floor area of the Property of 2,253.98 square metres.

The Disposal Consideration is determined (1) with reference to the market value of the Property of RMB46,206,600 (equivalent to approximately HK\$51,520,300) as of 23 December 2016 as assessed by an independent professional property valuer (who assessed such value by market comparison method); and (2) after arm's length negotiations between the parties.

Payment of Disposal Consideration

The Disposal Consideration shall be satisfied:

- (1) as to RMB15,750,000 (equivalent to approximately HK\$17,561,200), by setting off against an accounts payable that owed by a wholly owned subsidiary of the Group to Sibolian;

- (2) as to the remaining RMB29,329,600 (equivalent to approximately HK\$32,702,500) will be settled in cash by instalments as follow:-
- (a) RMB15,000,000 (equivalent to approximately HK\$16,725,000) shall be paid to HYY on or before 30 June 2017; and
 - (b) RMB14,329,600 (equivalent to approximately HK\$15,977,500) shall be paid to HYY by nine instalments at RMB1,500,000 (equivalent to approximately HK\$1,672,500) each installment and shall be payable on the 5th day of July and 5th day of January each year commencing from 1 July 2017. The tenth instalment to be paid will be RMB829,600 (equivalent to approximately HK\$925,000)

Completion

HYY shall transfer the Property Usage Right to Sibolian on or before 31 December 2016.

Breach of Property Usage Right Transfer Agreement

If Sibolian fails to fulfil the payment obligation in accordance with the payment terms, Sibolian shall pay to HYY the sum of 0.05% of the defaulted amount per each day's delay as penalty for the breach. If any payment is defaulted more than 3 months, Sibolian shall pay to HYY in addition of 0.025% of the defaulted amount per each day's delay.

INFORMATION ON PROPERTY

The Property are part of the Environmental System Industrial Base for Central Liquid Heating/Cooling Energy (中央液態冷熱源環境系統產業基地) (the "**Base**") located at No. 80 Xing Shi Kou Road, Hai Dian District, Beijing City. The Base is designed and built for multiple purposes and includes buildings for office use and industrial plant use. Before the Disposal, HYY owns 7,974.22square metres of the gross floor area of the Base. After completion of the Disposal, HYY will remain as the owner of 5,720.24 square metres of the gross floor area of the Base.

The net book value of the Property as at 30 November 2016 was RMB25,131,200 (approximately HK\$28,021,300) as set out in the unaudited management accounts of HYY for the year ended 30 November 2016.

The capital gain expected to accrue to the Company as a result of the Disposal is expected to be approximately RMB19,948,500 (equivalent to approximately HK\$22,242,600) (before taxation) and this gain is calculated on the basis of the difference between the Disposal Consideration and the carrying value of the Property and estimated direct expenses for the Disposal. The proceeds from the Disposal will be applied as the general working capital of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPERTY USAGE RIGHT TRANSFER 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 ground source energy as alternative energy for heating (cooling) supply.

The Board considers that the Disposal is a good opportunity for the Group to realize its investment in the construction of the Base and will improve the liquidity of the Group.

The Directors (including the independent non-executive Directors) consider that:

- (a) the terms and conditions of the Property Usage Right Transfer Agreement are on normal commercial terms that are fair and reasonable; and
- (b) the Disposal is in the interest of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined in Chapter 19 of the GEM Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the GEM Listing Rules
“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
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the Property Usage Right by HYU to Sibolian pursuant to the Property Usage Right Transfer Agreement

“Disposal Consideration”	the total consideration of RMB45,079,600 (approximately HK\$50,263,700) for the Disposal pursuant to the Property Usage Right Transfer Agreement
“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 dollars, 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 Ltd.* (恒有源科技發展集團有限公司), an indirectly wholly owned subsidiary of the Company
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its subsidiaries and its connected persons
“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
“Property”	buildings with gross floor area of 2,253.98 square meters erected at the Environmental System Industrial Base for Central Liquid Heating/Cooling Energy located at No. 80 Xing Shi Kou Road, Hai Dian District, Beijing City
“Property Usage Right ”	the usage right of the Property
“Property Usage Right Transfer Agreement”	the property usage right transfer agreement dated 30 December 2016 for the sale and purchase of the Property Usage Right between HYY and Sibolian
“RMB”	Reminbi, the lawful currency of the PRC
“Shareholders”	the holders of the shares of the Company
“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
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent

Conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1=HK\$1.115. 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
CHINA GROUND SOURCE ENERGY INDUSTRY GROUP LIMITED
Xu Shengheng
Joint Chairman & Executive Director

Hong Kong, 30 December 2016

As at the date of this announcement, the Board comprises Mr. Liu Dajun, Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine, Mr. Wang Manquan, Mr. Zang Yiran and Mr. Dai Qi as executive Directors, Mr. Zhao Youmin as non-executive Director, Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Zhang Honghai, Mr. Wu Qiang and Mr. Guo Qingui 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.

* for identification purpose only