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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt about any aspect of this prospectus or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this prospectus and the accompanying PAL (as defined) and EAF (as defined) to the purchaser(s) or transferee(s) or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

A copy of this prospectus, together with copies of the PAL and the EAF, and (where applicable) the document specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix III to this prospectus have been registered by the Registrar of Companies in Hong Kong as required under Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as defined). The Registrar of Companies in Hong Kong, the Stock Exchange and the SFC (as defined) take no responsibility as to the contents of any of these documents.

Subject to the granting of the listing of and permission to deal in the nil-paid Rights Shares (as defined) and the Rights Shares (as defined) on the Stock Exchange (as defined) as well as compliance with the stock admission requirements of HKSCC (as defined), the nil-paid Rights Shares and the Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS (as defined) with effect from the respective commencement dates of dealings in the nil-paid Rights Shares and the Rights Shares or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS (as defined) and CCASS Operational Procedures (as defined) in effect from time to time.

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

Dealing in securities of the Company, the nil-paid Rights Shares and the Rights Shares may be settled through CCASS and you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The attention of Shareholders (as defined) with registered addresses in, and investors who are located or residing in, any of the jurisdictions outside Hong Kong or holding shares on behalf of Beneficial Owners (as defined) with such addresses is drawn to the paragraph headed "Non-Qualifying Shareholders" in the "Letter from the Board" in this prospectus.

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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)**

### RIGHTS ISSUE OF RIGHTS SHARES AT THE RIGHTS ISSUE PRICE OF HK\$0.10 PER RIGHTS SHARES ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY FIVE (5) EXISTING SHARES HELD ON THE RECORD DATE

Financial adviser to the Company



Guotai Junan Capital Limited

Underwriters to the Rights Issue



Guotai Junan Securities (Hong Kong) Limited

China Energy Conservation and  
Environmental Protection (Hong Kong) Investment  
Company Limited

Mr. Xu Shengheng

Ms. Chan Wai Kay Katherine

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Shares have been dealt with on an ex-rights basis from Thursday, 15 June 2017. The Rights Shares will be dealt with in their nil-paid form from Wednesday, 28 June 2017 to Wednesday, 5 July 2017 (both days inclusive). Any person dealing in Shares or Rights Shares between the date of this prospectus and the date the Rights Issue becomes unconditional will bear the risk that the Rights Issue may not become unconditional and may not proceed.

It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriters by notice in writing to the Company at any time prior to the Latest Time for Termination to terminate the obligations of the Underwriters thereunder on the occurrence of certain events including force majeure. These events are set out in the section headed "Termination of the Underwriting Agreement" set out on pages 9 to 10 in this prospectus. If the Underwriters terminate the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional upon all conditions set out in the paragraph headed "Underwriting Agreement – Conditions" under the section headed "Letter from the Board" in this prospectus being fulfilled or waived (as applicable). If such conditions have not been satisfied or waived (as applicable) in accordance with the Underwriting Agreement on or before the time and dates specified therein, the Underwriting Agreement shall terminate and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save in respect of certain rights or obligations under the Underwriting Agreement including rights of the parties thereto in respect of any antecedent breach)

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Monday, 10 July 2017. The procedure for acceptance of and payment or transfer of the Rights Shares is set out in the sub-section headed "Procedures for acceptance and payment or transfer" in the section headed "Rights Issue" of the letter from the Board set out in this prospectus.

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## NOTICES

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The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed, in which case, a further announcement will be made by the Company at the relevant time. It should be noted that the existing Shares have been dealt in on an ex-rights basis from Thursday, 15 June 2017, and the nil-paid Rights Shares will be dealt in from Wednesday, 28 June 2017 to Wednesday, 5 July 2017 (both days inclusive). Such dealings will take place when the conditions of the Rights Issue remain unfulfilled. Any person dealing in the securities of the Company up to the date on which such conditions are fulfilled and any person dealing in the nil-paid Rights Shares from Wednesday, 28 June 2017 to Wednesday, 5 July 2017 (being the first and last day of dealings in the nil-paid Rights Shares, respectively) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares and/or the nil-paid Rights Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

**EXCEPT AS OTHERWISE SET OUT HEREIN, THE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO SHAREHOLDERS WITH REGISTERED ADDRESSES IN JURISDICTIONS OUTSIDE HONG KONG AND NEITHER IS THE RIGHTS ISSUE BEING MADE TO INVESTORS WHO ARE LOCATED OR RESIDING IN ANY OF THE JURISDICTIONS OUTSIDE HONG KONG, UNLESS AN OFFER OF RIGHTS SHARES AND NIL-PAID RIGHTS SHARES INTO SUCH JURISDICTIONS COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER LEGAL OR REGULATORY REQUIREMENTS OR THE OFFER IS MADE IN RELIANCE ON ANY EXEMPTION OR WHERE COMPLIANCE IS NOT UNDULY BURDENSOME.** This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to the nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. None of the nil-paid Rights Shares, the fully-paid Rights Shares, this prospectus, the PAL and the EAF will be registered under the securities laws of any of the jurisdictions other than in Hong Kong and none of the nil-paid Rights Shares, the fully-paid Rights Shares, this prospectus, the PAL and the EAF will qualify for distribution under any of the relevant securities laws of any of the jurisdictions outside Hong Kong (other than pursuant to any applicable exceptions as agreed by the Company). Accordingly, the nil-paid Rights Shares and the fully-paid Rights Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any of the jurisdictions outside Hong Kong absent registration or qualification under the respective securities laws of such jurisdictions, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

Shareholders with registered addresses in, and investors who are located or residing in, any of the jurisdictions outside Hong Kong or who hold Shares on behalf of persons with such addresses should refer to the paragraph headed “Non-Qualifying Shareholders” under the section headed “Letter from the Board” of this prospectus.

Each person acquiring the nil-paid Rights Shares and/or Rights Shares under the Rights Issue will be required to confirm, or be deemed by his acquisition of the nil-paid Rights Shares and/or Rights Shares to confirm, that he is aware of the restrictions on offers and sales of the nil-paid Rights Shares and/or Rights Shares described in this prospectus.

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## NOTICES

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For a description of certain restrictions regarding the taking up of the nil-paid Rights Shares for, and the offering and sale of, the Rights Shares, see the notices below.

### **FORWARD-LOOKING STATEMENTS**

All statements in this prospectus other than statements of historical fact are forward looking statements. In some cases, forward-looking statements may be identified by the use of words such as “might”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “illustration”, “projection” or similar expressions and the negative thereof. Forward-looking statements in this prospectus include, without limitation, statements in respect of the Group’s business strategies, product offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Group operates, financial and economic developments, legal and regulatory changes and their interpretation and enforcement.

The forward-looking statements in this prospectus are based on management’s present expectations about future events. Management’s present expectations reflect numerous assumptions regarding the Group’s strategy, operations, industry, developments in the credit and other financial markets and trading environment. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any assumptions underlying forward-looking statements prove to be incorrect, the Group’s actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Group or that the Group does not currently consider material could also cause the events and trends discussed in this prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realised.

Prospective investors are cautioned that forward-looking statements speak only as at the date of publication of this prospectus. Except as required by applicable law, the Group does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this prospectus, be it as a result of new information, future events or otherwise.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings:*

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 12 April 2017, in relation to, among other things, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
“Beneficial Owner(s)”	any beneficial owner(s) of Shares whose Shares are registered as shown in the register of members of the Company in the name of a registered Shareholder
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CECEP Group”	China Energy Conservation and Environmental Protection Group (中國節能環保集團公司), a stated-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of State Council of the PRC
“CECEP (Hong Kong)”	China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited, a company incorporated in Hong Kong with limited liability and as at the Latest Practicable Date, is a wholly-owned subsidiary of CECEP Group
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time

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## DEFINITIONS

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“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
“Despatch Date”	26 June 2017, being the date of despatch of the Prospectus Documents
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application issued for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriters
“Excluded Shareholder(s)”	Overseas Shareholder(s) whom the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges, consider it necessary or expedient to exclude from the Rights Issue
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“GTJA Securities”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation to carry on business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Irrevocable Undertakings”	the irrevocable undertakings dated 12 April 2017 given by CECEP (Hong Kong), Mr. Xu and his spouse, Ms. Chan and her spouse in favour of the Company and the Underwriters
“Last Trading Day”	12 April 2017, being the last trading day of the Shares on the Stock Exchange prior to the issue of the Announcement
“Latest Practicable Date”	20 June 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Monday, 10 July 2017 or such later time or date as may be agreed between the Company and the Underwriters, being the latest time for acceptance of the offer of Rights Shares and if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on such day at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be postponed to the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m.
“Latest Time for Termination”	4:00 p.m. on the next Business Day after the Latest Time for Acceptance, or such later time or date as may be agreed between the Company and the Underwriters
“Listing Committee”	the listing committee of the Stock Exchange
“Mr. Xu”	Mr. Xu Shengheng, an executive Director and the joint Chairman of the Company
“Ms. Chan”	Ms. Chan Wai Kay Katherine, an executive Director of the Company
“Non-Qualifying Shareholder(s)”	(i) those Overseas Shareholder(s) and (ii) those Shareholders and Beneficial Owners who are known by the Company to be residents of places outside Hong Kong, in respect of whom the Directors, based on relevant enquiries, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the Laws of the relevant place in which the Shareholder or Beneficial Owner (as the case may be) is located or any requirement of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong



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## DEFINITIONS

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“PAL(s)”	the renounceable provisional allotment letter(s) issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC” or “China”	the People’s Republic of China, which for the purpose of this prospectus, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus Documents”	this prospectus, the PAL(s) and the EAF(s) proposed to be despatched to the Qualifying Shareholders on the Despatch Date and any such supplementary prospectus to be despatched to the Qualifying Shareholders (if required)
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholders (if any)
“Record Date”	Friday, 23 June 2017 or such other date as may be agreed between the Company and the Underwriters in accordance with the relevant regulations or requirements, the record date to determine entitlements to the Rights Issue
“Rights Issue”	the issue by the Company of 1,150,550,046 Rights Shares at the Rights Issue Price on the basis of two Rights Shares for every five existing Shares held on the Record Date payable in full on acceptance on the terms and conditions as set out in this prospectus
“Rights Issue Price”	the rights issue price of HK\$0.10 per Rights Share under the Rights Issue
“Rights Share(s)”	the new Share(s) to be issued and allotted under the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of issued Share(s)
“Share Option(s)”	share options granted by the Company pursuant to the Share Option Scheme which entitled the holders to subscribe for new Shares
“Share Option Scheme”	the share option scheme adopted by the Company on 28 July 2010

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## DEFINITIONS

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“Share Registrar”	The Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company at office Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriters”	collectively, CECEP (Hong Kong), Mr. Xu, GTJA Securities and Ms. Chan
“Underwriting Agreement”	the underwriting agreement dated 12 April 2017 entered into between the Company and the Underwriters in relation to the underwriting arrangement in respect of Rights Issue
“Underwritten Shares”	The 586,257,646 Rights Shares, being all Rights Shares (other than those Rights Shares to be taken up under the Irrevocable Undertakings) underwritten by the Underwriters pursuant to the Underwriting Agreement
“Whitewash Waiver”	a waiver granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of CECEP (Hong Kong) to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by CECEP (Hong Kong) and the parties acting in concert with it which may otherwise arise as a result of the subscription of the Underwritten Shares by CECEP (Hong Kong) pursuant to the Underwriting Agreement and/or the subscription of the Rights Shares by CECEP (Hong Kong) pursuant to any application for any excess Rights Shares accepted by the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“US\$”	United States dollar, the lawful currency of the United States
“%”	percentage

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## EXPECTED TIMETABLE

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*The expected timetable for the Rights Issue is set out below:*

**2017**

First day of dealing in nil-paid Rights Shares . . . . .	Wednesday, 28 June
Latest time for splitting nil-paid Rights Shares . . . . .	4:30 p.m. on Friday, 30 June
Last day of dealing in nil-paid Rights Shares . . . . .	Wednesday, 5 July
Latest time for acceptance of and payment for the Rights Shares and application for excess Rights Shares . . . . .	4:00 p.m. on Monday, 10 July
Latest time for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Tuesday, 11 July
Announcement of the results of the Rights Issue to be posted on the Stock Exchange's and the Company's websites . . . . .	Monday, 17 July
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares to be despatched on or before . . . . .	Tuesday, 18 July
Share certificates of Rights Shares to be posted on or around . . . . .	Tuesday, 18 July
Dealing in fully-paid Rights Shares commences . . . . .	9:00 a.m. on Wednesday, 19 July

All times and dates in this prospectus refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this prospectus are indicative only and may be extended or varied by the Company and the Underwriters. Any consequential changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as appropriate.

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES**

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no.8 or above, or a "black" rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 10 July 2017. Instead the Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

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## EXPECTED TIMETABLE

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- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 10 July 2017. Instead the Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on Monday, 10 July 2017, the dates mentioned herein may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## SUMMARY OF THE RIGHTS ISSUE

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*The following information is derived from, and should be read in conjunction with and, subject to, the full text of this prospectus.*

### RIGHTS ISSUE

A summary of the Rights Issue is set out below:

Basis of the Rights Issue	:	two (2) Rights Shares for every five (5) existing Shares held on the Record Date by the Qualifying Shareholders
Number of existing Shares in issue as at the Latest Practicable Date	:	2,876,375,117 Shares
Number of Rights Shares	:	1,150,550,046 Rights Shares
Rights Issue Price	:	HK\$0.10 per Rights Share
Underwriters	:	(i) CECEP (Hong Kong); (ii) Mr. Xu; (iii) GTJA Securities; and (iv) Ms. Chan.
Enlarged issued share capital upon completion of the Rights Issue	:	4,026,925,163 Shares

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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### Termination of the Underwriting Agreement

If, prior to the Latest Time For Termination:

- (i) in the opinion of the Underwriters, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the signing of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriters, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
  - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
  - (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (ii) there is any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this Clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which, in the reasonable opinion of the Underwriters, makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) any material breach of any of the warranties or undertakings contained in Clause 10 of the Underwriting Agreement comes to the knowledge of the Underwriters,

the Underwriters shall be entitled, by notice in writing to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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**If the Underwriters terminate the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save in respect of certain rights or obligations under the Underwriting Agreement including rights of the parties thereto in respect of any antecedent breach).**

**A further announcement will be made if the Underwriting Agreement is terminated by the Underwriters.**

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. An Yi (*Joint Chairman*)  
Mr. Xu Shengheng (*Joint Chairman*)  
Ms. Chan Wai Kay, Katherine (*Deputy Chairman*)  
Mr. Wang Manquan (*Chief Executive Officer*)  
Mr. Zang Yiran (*Chief Financial Officer*)  
Mr. Daiqi

*Non-executive Director:*

Mr. Zhao Youmin

*Independent non-executive Directors:*

Mr. Wu Desheng  
Mr. Jia Wenzeng  
Mr. Wu Qiang  
Mr. Guo Qingui

*Registered office:*

P.O. Box 31119,  
Grand Pavilion,  
Hibiscus Way,  
802 West Bay Road  
Grand Cayman KY1-1205,  
Cayman Islands

*Head office and principal place of*

*business in Hong Kong:*

Units 3709-10, 37/F,  
The Center,  
99 Queen's Road Central,  
Central, Hong Kong

26 June 2017

*To the Qualifying Shareholders,*

*and, for information purposes only, the Non-Qualifying Shareholders (if any)*

Dear Sir or Madam,

**RIGHTS ISSUE OF RIGHTS SHARES  
AT THE RIGHTS ISSUE PRICE OF HK\$0.10 PER RIGHTS SHARES  
ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY  
FIVE (5) EXISTING SHARES HELD ON THE RECORD DATE**

**INTRODUCTION**

As mentioned in the Announcement, subject to the satisfaction of certain conditions, the Company proposed to raise about HK\$115.1 million before expenses by way of a rights issue of 1,150,550,046 Shares, on the basis of two Rights Shares for every five existing Shares held on the Record Date, at the Rights Issue Price of HK\$0.10 per Rights Share. The Rights Issue is fully underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement.



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## LETTER FROM THE BOARD

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The Underwriting Agreement is conditional on, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. On 12 June 2017, the Executive granted the Whitewash Waiver which was subject to, among other things, the approval of the Independent Shareholders by way of poll at the EGM. At the EGM, the resolution in respect of the Whitewash Waiver was duly passed by the Independent Shareholders by way of poll. In compliance with the Takeovers Code, Shareholders who were involved in or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver (including CECEP (Hong Kong), Mr. Xu, Mr. Xu's spouse, Ms. Chan and Ms. Chan's spouse) had abstained from voting on such resolution at the EGM.

The purpose of this prospectus is to provide you with details of the Rights Issue.

### RIGHTS ISSUE

#### Rights Issue statistics

Basis of the Rights Issue	:	two (2) Rights Shares for every five (5) existing Shares held on the Record Date by the Qualifying Shareholders
Number of existing Shares in issue as at the Latest Practicable Date	:	2,876,375,117 Shares
Number of Rights Shares	:	1,150,550,046 Rights Shares
Rights Issue Price	:	HK\$0.10 per Rights Share
Underwriters	:	(i) CECEP (Hong Kong); (ii) Mr. Xu; (iii) GTJA Securities; and (iv) Ms. Chan
Enlarged total number issued share capital upon completion of the Rights Issue	:	4,026,925,163 Shares

As at the Latest Practicable Date, there are outstanding Share Options pursuant to the Share Option Scheme, to subscribe for an aggregate of 433,020,000 new Shares.

As at the Latest Practicable Date, save for the outstanding Share Options as detailed above, the Company has no other outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into or confer any right to subscribe for Shares.

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## LETTER FROM THE BOARD

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The 1,150,550,046 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 40.0% of the existing issued share capital of the Company and approximately 28.57% of the enlarged issued share capital of the Company immediately upon completion of the Rights Issue.

### **Rights Issue Price**

The Rights Issue Price is HK\$0.10 per Rights Share and is payable in full when a Qualifying Shareholder accepts the provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the relevant Rights Shares.

The Rights Issue Price represents:

- (a) a discount of approximately 25.93% to the closing price of approximately HK\$0.135 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 58.33% to the closing price of approximately HK\$0.240 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 57.45% to the average closing price of approximately HK\$0.235 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 55.36% to the average closing price of approximately HK\$0.224 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 79.38% to the audited consolidated net asset value attributable to equity holders of the Company per Share as at 31 December 2016 of approximately HK\$0.485 (based on the audited consolidated net assets of the Group of approximately HK\$1,395,847,000 and 2,876,375,117 Shares in issue as at the Latest Practicable Date); and
- (f) a discount of approximately 50.00% to the theoretical ex-rights price of approximately HK\$0.200 based on the closing price of approximately HK\$0.240 per Share as quoted on the Stock Exchange on the Last Trading Day (assuming no outstanding Share Options being exercised on or before the Record Date).

The Rights Issue Price was determined by the Directors with reference to the amount of fund targeted to be raised by the Company, the market price of the Shares under the prevailing market conditions and the current financial position of the Group. The Directors consider that the discount on the Rights Issue Price is appropriate and the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole as the Company will be able to raise funds whilst at the same time, the Rights Issue gives the Qualifying Shareholders an equal opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares.

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## LETTER FROM THE BOARD

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### **Basis of provisional allotments**

Two (2) Rights Shares (in nil-paid form) for every five (5) existing Shares held by Qualifying Shareholders on the Record Date. Any holdings (or balance of holdings) of less than five (5) Shares will not entitle their holders to be provisionally allotted two (2) Rights Shares. Please refer to the arrangement as referred to in the paragraph headed “Fractional entitlements” below.

Application for all or any part of a Qualifying Shareholder’s provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Hong Kong branch share registrar and transfer office by the latest time for payment for and acceptance of the Rights Shares.

### **Status of the Rights Shares**

The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid in respect thereof on or after the date of allotment and issue of such Rights Shares.

### **Fractional Entitlements**

The Company will not provisionally allot and will not accept applications for any fractions of Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number) and all nil-paid Rights Shares arising from such aggregation will be sold in the market and the proceeds will be retained by the Company for its own benefit, if a premium (net of expenses and stamp duty) can be obtained. Any such unsold aggregated fractions of nil-paid Rights Shares will be made available for excess application by the Qualifying Shareholders. No odd lot matching services will be provided.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only on Monday, 26 June 2017. Subject to the advice of the Company’s legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send copies of the prospectus to each of the Excluded Shareholders for their information only. Please take special note that the Company will send the PAL and EAF to the Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder or an investor must be: (i) registered as a member of the Company on the Record Date; and (ii) not be an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, Qualifying Shareholders must lodge any transfer of Shares (with the relevant title documents) for registration with the Hong Kong branch share registrar and transfer office by 4:30 p.m. on Friday, 16 June 2017. The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong of Shops 1712- 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

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## LETTER FROM THE BOARD

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The latest time for payment for and acceptance of the Rights Shares is expected to be at 4:00 p.m. on Monday, 10 July 2017.

Qualifying Shareholders who take up their pro rata entitlement under the Rights Issue in full will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up his, her or its entitlement in full under the Rights Issue, his, her or its proportionate shareholding in the Company will be diluted.

### **Non-Qualifying Shareholders**

The Prospectus Documents have not been and will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong.

The Company will only send the prospectus to the Non-Qualifying Shareholders for their information.

As at the Record Date and except for certain Overseas Shareholders with addresses in the PRC on the register of members of the Company, none of the Shareholders as recorded on the register of members of the Company had address(es) which is/are outside Hong Kong.

In compliance with Rule 17.41(1)(a) of the GEM Listing Rules, the Company has made enquiries with its PRC legal advisers regarding the possibility of extending the Rights Issue to Shareholders in the PRC. Based on the legal opinion obtained from the Company's PRC legal advisers, there is no legal restriction on extending the Rights Issue to Shareholders in the PRC or requirements for (i) obtaining approval from any governmental or other authorities in the PRC or (ii) the registration or filing of the Prospectus Documents in the PRC in respect of the Rights Issue under the applicable laws of the PRC. Accordingly, the Board has decided that the Rights Issue will be available to those Shareholders in the PRC and there will be no Non-Qualifying Shareholders for the purpose of the Rights Issue.

### **PROCEDURES FOR ACCEPTANCE AND PAYMENT OR TRANSFER**

#### **Subscription for all Rights Shares provisionally allotted**

For each Qualifying Shareholder, a PAL is enclosed with this prospectus which entitles the Qualifying Shareholder to whom it is addressed to subscribe for the number of the Rights Shares shown on the PAL. If the Qualifying Shareholder wishes to exercise his/her/its right to subscribe for all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed on the PAL, together with a remittance for the full amount payable on acceptance, with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Monday, 10 July 2017. All remittances must be made in Hong Kong dollars and must be forwarded either by cheques drawn on an account with, or cashier's orders issued by, a licensed bank in Hong Kong and made payable to "**China Ground Source Energy Industry Group Limited – PAL**" and crossed "**Account Payee Only**".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged with the Share Registrar by 4:00 p.m. on Monday, 10 July 2017, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder

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## LETTER FROM THE BOARD

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will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

### **Transfer and splitting of nil-paid Rights Shares**

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. Friday, 30 June 2017 to the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, which will cancel the original PAL and issue new PAL in the denominations required, which will be available for collection at the same place on the second business day after the surrender of the original PAL. This process is commonly known as “splitting” the nil-paid Rights Shares. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

Having “split” the nil-paid Rights Shares, a Qualifying Shareholder who wishes to accept the provisional allotment of Rights Shares represented by a new PAL should do so in accordance with the instructions given above.

If a Qualifying Shareholder wishes to transfer all of his/her/its nil-paid Rights Shares under a PAL (or a split PAL, as the case may be) to another person, he/she/it should complete and sign the registration information in the PAL and hand the PAL to the person to or through whom he/she/it is transferring his/her/its nil-paid Rights Shares. The transferee must then complete and sign the registration details in the PAL and lodge the PAL intact, together with a remittance for the full amount payable on acceptance with the Share Registrar by no later than 4:00 p.m. on Monday, 10 July 2017. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

The PAL contains full information regarding the procedures to be followed if a Qualifying Shareholder wishes to accept a number of Rights Shares different from his/her/its assured entitlement and the procedures to transfer the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholder.

All cheques and cashier’s orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the cheque or cashier’s order is dishonoured on first presentation is liable to being rejected, and in that event the provisional allotment and all rights under the provisional allotment will be deemed to have been declined and will be cancelled.

If the Underwriters exercise the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination and/or if any of the conditions to which the Rights Issue is subject is not fulfilled in accordance with the paragraph headed “Underwriting Agreement – Conditions” below, the application monies will be refunded, without interest, by sending cheques made out to the applicants (or in the case of joint applicants, to the first named applicant) through ordinary post at the risk of the applicants on or before Tuesday, 18 July 2017.

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## LETTER FROM THE BOARD

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No receipt will be issued in respect of any application monies received.

### **Application for excess Rights Shares**

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the enclosed EAF in accordance with the instructions printed on the EAF and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Share Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Monday, 10 July 2017. All remittances must be made in Hong Kong dollars and must be forwarded either by cheques drawn on an account with, or cashier’s orders issued by, a licensed bank in Hong Kong and made payable to “China Ground Source Energy Industry Group Limited – EAF” and crossed “Account Payee Only”.

All cheques and cashier’s orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which the cheque or cashier’s order is dishonoured on first presentation is liable to being rejected.

If no excess Rights Shares are allotted to a Qualifying Shareholder, a refund cheque for the full amount tendered on application is expected to be despatched by ordinary post to the Qualifying Shareholder at his/her/its own risk on or before Tuesday, 18 July 2017. If the number of excess Rights Shares allotted to the Qualifying Shareholder is less than that applied for, a cheque for the surplus application monies is expected to be despatched by ordinary post to the Qualifying Shareholder at his/her/its own risk on or before Tuesday, 18 July 2017. If the Underwriters exercise the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination and/or if any of the conditions to which the Rights Issue is subject is not fulfilled in accordance with the paragraph headed “Underwriting Agreement – Conditions” below, the monies received in respect of applications for excess Rights Shares will be returned without interest to the relevant Qualifying Shareholders and, in the case of joint applicants, to the registered address of the first-mentioned person by means of cheques to be despatched by ordinary post at their own risk on or before Tuesday, 18 July 2017.

No receipt will be issued in respect of any application monies received.

### **Share certificates and refund cheques for the Rights Issue**

Subject to the fulfillment of the condition of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by Tuesday, 18 July 2017 by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted by Tuesday, 18 July 2017 by ordinary post to the applicants at their own risk.

### **Application for listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid form. The nil-paid and fully paid Rights Shares will be traded in same board lots of 8,000.

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## LETTER FROM THE BOARD

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No part of the Shares for which listing or permission to deal is being or is proposed to be sought, is listed, or dealt in on any other stock exchange.

### **Rights Shares will be eligible for admission into CCASS**

Subject to the listing of and permission to deal in all the Rights Shares in both nil-paid and fully-paid form on the Stock Exchange being granted, the Rights Shares in both nil-paid and fully-paid form will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **Stamp duty and other applicable fees and charges**

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

### **UNDERWRITING ARRANGEMENT**

On 12 April 2017 (after trading hours), the Underwriters and the Company entered into the Underwriting Agreement in respect of the underwriting arrangement for the Rights Issue. The principal terms of the Underwriting Agreement are as follows:

Date:	12 April 2017 (after trading hours)
Underwriters:	(i) CECEP (Hong Kong); (ii) Mr. Xu; (iii) GTJA Securities; and (iv) Ms. Chan
Number of Underwritten Shares	The Underwriters have conditionally agreed pursuant to the Underwriting Agreement to underwrite the Underwritten Shares on a fully underwritten basis, being 586,257,646 Rights Shares, subject to the terms and conditions of the Underwriting Agreement
Underwriting commitment:	The Underwritten Shares shall be underwritten on the following basis:

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## LETTER FROM THE BOARD

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- (i) 40% of the Underwritten Shares by CECEP (Hong Kong);
- (ii) 40% of the Underwritten Shares by Mr. Xu;
- (iii) 15% of the Underwritten Shares by GTJA Securities; and
- (iv) 5% of the Underwritten Shares by Ms. Chan

Underwriting commission or fees: 2.5% of the aggregate subscription price in respect of the Underwritten Shares to be underwritten by GTJA Securities (for avoidance of doubt, it shall mean the maximum number of the Underwritten Shares to be underwritten by GTJA Securities, regardless whether or not it is called upon to subscribe or procure subscribers for any such Underwritten Shares)

No commission will be paid to CECEP (Hong Kong), Mr. Xu and Ms. Chan

The commission rate was determined after arm's length negotiations between the Company and the Underwriters with reference to, among other things, the scale of the Rights Issue and market rate. The Board considers that the underwriting commission rate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions: Please refer to the paragraph headed "Conditions" below.

Latest Time for Termination: 4:00 p.m. on the next Business Day following (but excluding) the Latest Time For Acceptance or such later time or date as may be agreed between the Underwriters and the Company in writing, being the latest time to terminate the Underwriting Agreement.

Termination If, prior to the Latest Time For Termination:

- (i) in the opinion of the Underwriters, the success of the Rights issue would be materially and adversely affected by:
  - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriters materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or



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## LETTER FROM THE BOARD

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- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the signing of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriters, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
  - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
  - (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (ii) there is any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this Clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which, in the reasonable opinion of the Underwriters, makes it inexpedient or inadvisable to proceed with the Rights Issue; or
  - (iii) any material breach of any of the warranties or undertakings contained in Clause 10 of the Underwriting Agreement comes to the knowledge of the Underwriters,

the Underwriters shall be entitled, by notice in writing to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Company has attempted to procure an independent third party underwriter to fully underwrite the Underwritten Shares, but it expressed no interest. The existing underwriting arrangement was reached after arm's length negotiation and commercial dealings between the Company and the Underwriters, which have

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## LETTER FROM THE BOARD

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taken into account the trading volume of the Company and the benefits and risks of being an Underwriter. The Directors consider that the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Information on the Underwriters**

CECEP (Hong Kong) is a company incorporated in Hong Kong with limited liability.

CECEP (Hong Kong) is principally engaged in the investment in the Hong Kong, Singapore and other capital markets focusing equity investment in energy conservation and environmental protection industry and engaged in environmental consultancy services as well as financing and capital services. Its ordinary course of business does not include underwriting.

As at the Latest Practicable Date, CECEP (Hong Kong) holds 850,000,000 Shares (representing 29.55% of the existing issued share capital of the Company) and therefore a substantial shareholder of the Company.

Mr. Xu is the joint chairman of the Board and an executive Director and is interested in aggregate of 509,021,000 Shares (representing 17.70% of the existing issued share capital of the Company).

Ms. Chan is an executive Director and is interested in aggregate of 51,710,000 Shares (representing 1.80% of the existing issued share capital of the Company).

GTJA Securities is a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO.

To the best of the Director' knowledge, information and belief having made all reasonable enquiries, GTJA Securities and its associates are third parties independent of and not connected with (within the meaning under GEM Listing Rules), the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries and their respective associates.

### **Conditions**

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint and several) and conditional upon the fulfilment or waiver (as the case may be) of the following conditions:

- (a) the approval by the Independent Shareholders of the Whitewash Waiver by way of poll at the EGM in accordance with the Takeovers Code;
- (b) the grant by the Executive, and not having withdrawn or revoked such grant, of the Whitewash Waiver, and the fulfilment of all conditions, of any, attached to it;
- (c) the listing committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms);

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## LETTER FROM THE BOARD

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- (d) the filing and registration of all documents relating to the Rights Issue, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and where necessary, the filing of all documents relating to the Rights Issue with the Registrar of Companies in the Cayman Islands in accordance with the Companies Law of the Cayman Islands;
- (e) the posting of the prospectus to the Shareholders on the Company's registrar of members on the Record Date and the posting of provisional allotment letter and form of application for excess Rights Shares to the Qualifying Shareholders;
- (f) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
- (g) the Underwriters having received on or before the date of the Underwriting Agreement the Irrevocable Undertakings duly executed by each of CECEP (Hong Kong), Mr. Xu, Mr. Xu's spouse and Ms. Chan and Ms. Chan's spouse.

Neither the Company nor the Underwriters may waive the conditions (c) to (e) set out above. The Underwriters may waive conditions (f) and (g) set out above in whole or in part by written notice to the Company. CECEP (Hong Kong) may in its absolute discretion waive conditions (a) and (b) set out above by notice in writing to the Company.

Conditions (a), (b), (d), (g) above have been fulfilled. In the event that the conditions (c), (e) or (f) has not been satisfied and/or waived in whole or in part by the Underwriters (or CECEP (Hong Kong), as the case may be), by the Latest Time for Acceptance or such later date or dates as the Underwriters may agree with the Company in writing, the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed.

### **Irrevocable Undertakings**

As at the Latest Practicable Date, (i) CECEP (Hong Kong) is interested in 850,000,000 Shares (representing approximately 29.55% of the existing issued share capital of the Company); (ii) Mr. Xu and his spouse are interested in an aggregate of 509,021,000 Shares (representing approximately 17.70% of the existing issued share capital of the Company); and (iii) Ms. Chan and her spouse are interested in an aggregate of 51,710,000 Shares (representing approximately 1.80% of the existing issued share capital of the Company). CECEP (Hong Kong), Mr. Xu and his spouse, and Ms. Chan and her spouse have executed the Irrevocable Undertakings in favour of the Company and the Underwriters, pursuant to which, among other things, each of CECEP (Hong Kong), Mr. Xu and his spouse, and Ms. Chan and her spouse irrevocably undertaken that the Shares beneficially owned by them on the date of the Irrevocable Undertakings will remain beneficially owned by them on the Record Date and each of them has irrevocably undertaken to lodge application and pay for their respective provisional allotments of the Rights Shares under the Rights Issue (being an aggregate of 564,292,400 Rights Shares). Each of Mr. Xu and Ms. Chan has further irrevocably and unconditionally undertaken to the Company and the Underwriters that they would not exercise any of Share Option vested to each of them on or before the Latest Time for Acceptance.

## LETTER FROM THE BOARD

Save for the Irrevocable Undertakings, the Company has not obtained undertakings from any other Shareholders that they will subscribe for any or all of the Rights Shares to be provisionally allotted to them.

### CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming all Shareholders take up their respective entitlements to the Rights Shares in full		Immediately after completion of the Rights Issue assuming no Shareholder (other than CECEP (Hong Kong), Mr. Xu and his spouse, Ms. Chan and her spouse taking up 564,292,400 Shares pursuant to the Irrevocable Undertakings) takes up any of the Underwritten Shares and all Underwritten Shares are taken up by the Underwriters	
	Number of Shares held	%	Number of Shares held	%	Number of Shares held	%
CECEP (Hong Kong)	850,000,000	29.55%	1,190,000,000	29.55%	1,424,503,058	35.37%
Mr. Xu and his spouse ( <i>Note 1</i> )	509,021,000	17.70%	712,629,400	17.70%	947,132,459	23.52%
Ms. Chan and her spouse ( <i>Note 2</i> )	51,710,000	1.80%	72,394,000	1.80%	101,706,882	2.53%
Sub-total	1,410,731,000	49.05%	1,975,023,400	49.05%	2,473,342,399	61.42%
GTJA Securities ( <i>Note 3</i> )	–	–	–	–	87,938,647	2.18%
Other Shareholders	1,465,644,117	50.95%	2,051,901,763	50.95%	1,465,644,117	36.40%
<b>Total</b>	<b>2,876,375,117</b>	<b>100.0%</b>	<b>4,026,925,163</b>	<b>100.0%</b>	<b>4,026,925,163</b>	<b>100.0%</b>

*Notes:*

- Mr. Xu is an executive Director and the joint Chairman of the Company and is directly interested in 508,319,000 Shares. Mr. Xu's spouse is directly interested in 702,000 Shares.
- Ms. Chan is an executive Director and is directly interested in 41,636,000 Shares. Ms. Chan's spouse is directly interested in 10,074,000 Shares.
- In circumstances where the Rights Issue has become unconditional and GTJA Securities, as one of the Underwriters, is obliged to take up all its commitment to the relevant number of Underwritten Shares in accordance with the Underwriting Agreement, its underwriting commitment would amount to a stake of approximately 2.18% of the share capital of the Company as enlarged by the issue of the Rights Shares.

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## LETTER FROM THE BOARD

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4. As a result of the completion of the Rights Issues and assuming no Shareholder (other than CECEP (Hong Kong), Mr. Xu and his spouse, Ms. Chan and her spouse taking up 564,292,400 Shares in aggregate pursuant to the Irrevocable Undertakings) takes up any of the Underwritten Shares and all Underwritten Shares are taken by the Underwriters, Mr. Xu's shareholding interest in the Company would be 20% or more and hence he would be presumed to be a party acting in concert with CECEP (Hong Kong) (which also holds 20% or more of Shares in the Company) under the presumption in class 1 of the definition of "acting in concert" under the Takeovers Code (the "Class 1 Presumption"), unless such presumption is rebutted. An application was made by the Company to rebut the Class 1 Presumption and on 24 February 2017, the Executive issued a ruling that based on the information provided and representations made in the application by the Company, the Class 1 Presumption was rebutted.

### **WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES**

**It should be noted that the Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriters by notice in writing to the Company at any time prior to the Latest Time for Termination to terminate the obligations of the Underwriters thereunder on the occurrence of certain events including force majeure. These events are set out in the section headed "Termination of the Underwriting Agreement" set out on pages 9 to 10 in this prospectus. If the Underwriters terminate the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. In addition, the Rights Issue is conditional upon all conditions set out in the paragraph headed "Underwriting Agreement – Conditions" under the section headed "Letter from the Board" in this prospectus being fulfilled or waived (as applicable). If such conditions have not been satisfied or waived (as applicable) in accordance with the Underwriting Agreement on or before the time and dates specified therein, the Underwriting Agreement shall terminate and neither party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save in respect of certain rights or obligations under the Underwriting Agreement including rights of the parties thereto in respect of any antecedent breach).**

**Shares have been dealt with on an ex-rights basis from Thursday, 15 June 2017. The Rights Shares will be dealt with in their nil-paid form from Wednesday, 28 June 2017 to Wednesday, 5 July 2017 (both days inclusive). Any person dealing in Shares or Rights Shares between the date of this prospectus and the date the Rights Issue becomes unconditional will bear the risk that the Rights Issue may not become unconditional and may not proceed.**

**Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in Shares and nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

### **REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

The Company is an investment holding company, whose subsidiaries are 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.

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## LETTER FROM THE BOARD

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The estimated net proceeds from the Rights Issue (after deducting all estimated expenses) will be approximately HK\$112.1 million which will be used for the general working capital of the Group. This covers two major aspects: (i) approximately 40%-50% will be used on the payment of operational expenses, such as payment of salaries and rents, general operational expenses etc., and (ii) approximately 50%-60% will be used on project-based related expenses, including but not limited to purchasing equipment for the project implementation and construction.

Having considered other fund raising alternatives for the Group, including issuance of debt securities and Share placements and taking into account the benefit and costs of each alternative, the Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

The estimated expenses of the Rights Issue are about HK\$3.0 million, which include underwriting commission and professional fees payable to the financial advisers, lawyers, financial printer and other parties involved in the Rights Issue and will be borne by the Company. The net Subscription Price per Rights Share (assuming no outstanding Share Options being exercised and no Shares being repurchased by the Company on or before the Record Date) is expected to be approximately HK\$0.10.

### TAXATION

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders (if any), their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### RISK FACTORS

The Directors believe that there are certain risks involved in the operations of the Group, which includes but are not limited to, the following:

#### **Business risk relating to the Group**

As at the Latest Practicable Date, the Group's business is organised in four operating and reportable segments, namely (i) shallow ground source energy; (ii) air conditioning heat pump; (iii) securities investment and trading; and (iv) property investment and development.

(i) *Shallow ground source energy*

The projects undertaken by the Group are awarded on a project-by-project basis through tendering. As such, we have no long-term contracts with our major customers. Revenue of the Group derived from such projects is mainly project-based which is not recurring in nature. The Group must complete competitive bidding or quotation procedure to obtain new project and sign construction

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## LETTER FROM THE BOARD

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contract for it only if the bid is successful. The tenderer sets its own assessment process and selection criteria over which the Group has limited control or influence. As such, we cannot assure that every bid submitted by us in the tenders will be successful.

Our results of operations will continue to depend on (i) our ability to continue to secure projects from our customers; and (b) the financial condition of our major customers. We cannot assure that our major customers will be able to continue to maintain strong financial position. If their financial condition significantly deteriorates, they may reduce the number and scale of new projects, thereby reducing business opportunities to us. Furthermore, we cannot assure that we will be able to maintain or improve business relationships with our existing customers and any of them may terminate their respective business relationships with us at any time. Any material difficulty in securing projects from our customers, termination or significant reduction in the number or contract value of the projects secured from them could cause our revenue and profit to decrease significantly. If any of the foregoing events occurs, our financial conditions and results of operations may be materially and adversely affected.

Furthermore, our contract prices of the projects we bid for are mainly determined by reference to our tender documents and are substantially fixed at the time a project is awarded to the Group. The Group is responsible for our own costs, and our ability to achieve our target profitability on any project is dependent on our ability to accurately estimate and control these costs. The total costs we incur on each project could be affected by a variety of factors, including fluctuations in the price of raw materials, variations in labour costs during the term of a contract and changes in project conditions. If our costs for a project exceed the contracted price, we may incur losses on the project, which could materially and adversely affect our financial conditions and results of operations.

The Group's shallow ground energy business is also relatively influenced by national policies. The current focuses of the PRC government is on managing smog and promoting environmental protection. These policies support the Group's business. The Group's business also benefits from the PRC preferential treatment and subsidies on relevant projects. If there is a change in the policies of promoting environmental protection or the preferential treatment and subsidies, there may be a negative impact on the Group's business, thereby affecting our performance.

***(ii) Air conditioning heat pump***

The market of air conditioning heat pump is a mature and highly competitive market and we expect this fierce competition will continue. This increased competition may bring pricing pressure to our products which could reduce our earnings and profitability. There is no guarantee that we will be able to compete effectively with existing competitors or new competitors, which might in turn affect our profitability.

***(iii) Securities investment and trading***

The Group is exposed to share price risk for the investment in listed equity securities and funds under the available-for-sale investments and trading investments. The share price is also affected by the stock market index and economic fluctuations, such as the decline in stock prices which will also lead to investment losses, thus affecting the company's revenue and profitability.

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## LETTER FROM THE BOARD

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*(iv) Risks relating to property investment business*

The property investment business affected by the economic conditions and performance of the property market in PRC. Any downturn in the economic conditions or outlook of the property market may therefore adversely affect the Group's performance. Also, the performance may be influenced by fluctuations of supply and demand in the property market, which may, in turn, be affected by the general state of the economy and other factors, such as government policies. Any economic downturn or over-supply of properties could result in a slowdown in property sales or leases or downward pressure on property prices or rents. Any adverse development in the real estate market in PRC could also have a material adverse effect on the Group's business.

### **Financial risks relating to the Group**

The risks associated with the Group's major financial instruments include trade receivables and other receivables, bank balances, trade payables, accruals and other payables are summarised below.

*i) Market risk (currency risk)*

The Group has exposure to currency risk as the Group's income, expenditure, assets and liabilities are mainly engaged in Renminbi and HK\$. Currently, the Group has not experienced any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate and no hedging transaction or forward contract arrangement was made by the Group.

*ii) Credit risk*

The Group's exposure to credit risk would be due to failure to discharge an obligation by the counterparties on the carrying amounts of the trade receivables and other receivables.

*iii) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and borrowings. The Group currently does not have an interest rate hedging policy.

*iv) Liquidity risk*

The cash flows of the Group may sometimes be fluctuated for the operations of the Group. The Group keeps to monitor the level of cash and bank balance to finance the Group's operations.

### **Economic and political risks**

The business operations of the Group are primarily based in the PRC and Hong Kong, any significant change in the general economic and political developments in the PRC and Hong Kong may adversely affect the Group's operations and financial position.



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## LETTER FROM THE BOARD

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### EQUITY FUND RAISING EXERCISE OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for the Rights Issue, there have been no funds raised on any issue of Shares in the 12 months immediately preceding the Latest Practicable Date.

### POSSIBLE ADJUSTMENT TO SHARE OPTIONS

As a result of the Rights Issue, it is expected that the exercise prices, and/or the number of Shares, of the outstanding Share Options will be adjusted in accordance with the terms and conditions of the Share Option Scheme. The Company will engage the Company's auditors to review and determine the relevant adjustments and make further announcements on the appropriate adjustments and the date they are expected to take effect in due course.

### GENERAL

This prospectus containing, among other things, details of the Rights Issue is expected to be despatched by the Company to the Qualifying Shareholders on the Despatch Date. The PALs and the EAFs will also be sent to the Qualifying Shareholders on the same date. A copy of this prospectus will also be made available on the websites of the Company ([www.cgsenergy.com.hk](http://www.cgsenergy.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company will send copies of this prospectus to the Non-Qualifying Shareholders, as well as to the holders of the Share Options for their information only but will not send any PAL or EAF to them.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this prospectus.

Yours faithfully,  
For and on behalf of  
**China Ground Source Energy Industry Group Limited**  
**Xu Shengheng**  
*Joint Chairman & Executive Director*

**1. SUMMARY OF FINANCIAL INFORMATION**

Financial information of the Group for the three years ended 31 December 2016 and the three months ended 31 March 2017 are disclosed in the annual report of the Company for the year ended 31 December 2016 (pages 29 to 134) (<http://www.hkexnews.hk/listedco/listconews/GEM/2017/0403/GLN20170403335.pdf>), the annual report of the Company for the year ended 31 December 2015 (pages 29 to 132) (<http://www.hkexnews.hk/listedco/listconews/GEM/2016/0401/GLN20160401067.pdf>), the annual report of the Company for the year ended 31 December 2014 (pages 33 to 136) (<http://www.hkexnews.hk/listedco/listconews/GEM/2015/0331/GLN20150331149.pdf>) and the first quarterly report for the three months ended 31 March 2017 (pages 6 to 15) (<http://www.hkexnews.hk/listedco/listconews/GEM/2017/0515/GLN20170515231.pdf>) respectively, which are also published on the Company's designated website ([www.cgseenergy.com.hk](http://www.cgseenergy.com.hk)).

**2. INDEBTEDNESS**

As at the close of business on 31 May 2017, being the latest practicable date for the purpose of this indebtedness statement, the Group had an unsecured loan of RMB400,000,000 (equivalent to approximately HK\$451,473,000) from Zhong Jie Neng Hua Yu Fund Management Company Limited (中節能華禹基金管理有限公司), a related party connected to the Group, through Huishang Bank (徽商銀行).

As at the close of business on 31 May 2017, the Group had no contingent liability arising in the ordinary course of business.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 May 2017, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans (secured, unsecured, guaranteed or not), bank overdrafts or other similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, finance lease commitments, mortgages, charges, guarantees or other material contingent liabilities. The Directors confirm that the Group does not have any external financing plans as at the Latest Practicable Date.

**3. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that the Group has sufficient working capital for its present requirements and for at least 12 months from the date of this prospectus in the absence of any unforeseeable circumstances after taking into account its present internal resources and available banking facilities together with the estimated net proceeds of the Rights Issue.

**4. MATERIAL ADVERSE CHANGE**

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

## 5. BUSINESS REVIEW, TREND AND FINANCIAL AND TRADING PROSPECTS

### Business review

The Company is an investment holding company, whose subsidiaries are 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.

Total revenue from operations for the year ended 31 December 2016 was approximately HK\$619.053 million as compared with HK\$319.354 million for the year ended 31 December 2015. Revenue from the traditional shallow ground source energy utilisation systems had increased during the year due to the fact that the Group promoted renewable energy heating in northern China vigorously, and obtained coal to electricity projects in the Beijing and the surrounding areas. The Group also strengthened sale and promotion, more sales staff were recruited, hence, the Group secured additional projects. In addition, the Group commenced the trading business of air conditioning heat pump products. Thus, the revenue increased during the year. During the year ended 31 December 2016, the Group recorded a net loss of approximately HK\$31.629 million compared with net loss of approximately HK\$48.106 million for the year ended 31 December 2015.

For the three months ended 31 March 2017, the Group's revenue amounted to approximately HK\$101,607,000 which was mainly contributed by shallow ground source energy utilisation business as compared with that of approximately HK\$137,668,000 for the corresponding period last year. The revenue decreased by approximately HK\$36,061,000 as compared with that of corresponding period last year. Profit for the three months ended 31 March 2017 was approximately HK\$2,850,000, whereas it was HK\$2,436,000 for the corresponding period in last year.

### Financing and Trading Prospect

During the 14th meeting of the Central Leading Group on Financial and Economic Affairs (中央財經領導小組第十四次會議) in December 2016, President Xi Jinping emphasised to address 6 major concerns in the country's long-term development, top of which is to achieve clean heating in winters of North China.

Clean heating in North China not only means efficient heating in winters, but also contributes to substantial reduction of smoggy days in North China. This composes an important chapter of the revolution in energy generation and consumption, and the upgrading of rural livelihood.

Years of successful practice in this area have endowed the Group with more profound understanding of President Xi's words, as it navigates our growth. For the Group, local adaptability is the source of the technological innovation, and pollution reduction in its application areas is the guarantee for emission reduction. 1. Highly efficient use of electricity replaces coal consumption in heating, to formulate a heating chain that depends on renewable energy consumption and supported by electricity networks. This will help to formulate an industrial chain of clean heating energy that

suits north China best. 2. In the new era, i) the most efficient mode of energy consumption for households is to use ground source energy for heating and gas for cooking. ii) the third energy revolution is undergoing in the heating industry, i.e. taking renewable shallow-ground source energy as the substitute heating energy, supplemented by air-sourced energy, to achieve graded utilization of energies. iii) based on renewable energy heating network and supported by efficient power grid, a household-based heating infrastructure in rural areas is built up to greatly improve living qualities there.

Chinese government has listed shallow ground source energy heating as a measure to cure smog and promulgated its geoenergy development plan in the thirteenth Five-Year Plan. It is expected that by the year of 2020, the area heated by shallow ground energy will increase by another 700 million m<sup>2</sup>, with total market value exceeding RMB200 billion. Heating is a rigid demand. The iron-fisted measures taken by the Government in curing smog has ushered in a golden period of high-speed leap forward growth for the Group.

*For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.*

**1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company (the “Unaudited Pro Forma Financial Information”) which has been prepared by the directors of the Company in accordance with paragraph 31 of Chapter 7 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”), for the purpose of illustrating the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 31 December 2016.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company upon completion of the Rights Issue as at 31 December 2016 or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 as extracted and derived from the consolidated financial statements for the year ended 31 December 2016 included in the published annual results announcement of the Company and is adjusted for the effect of the Rights Issue.

Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 per Share	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 immediately after completion of the Rights Issue per Share
HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK cents (Note 3)	HK cents (Note 4)
930,087	112,035	1,042,122	0.323	0.259

Based on

1,150,550,046  
Rights Shares at  
Subscription Price  
of HK\$0.10 per  
Rights Share

Notes:

- 1) The amount of audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 is based on the audited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$1,395,847,000 adjusted for the goodwill of approximately HK\$465,760,000, as extracted from the published annual results announcement of the Company, for the year ended 31 December 2016.
- 2) The estimated net proceeds from the Rights Issue are based on the issuance of 1,150,550,046 right shares ("Rights Shares") as defined in this Prospectus at the subscription price of HK\$0.10 per Rights Share, after deducting the estimated underwriting commission and other related expenses of approximately HK\$3,020,000 to be incurred by the Company for the issuance of Rights Shares.
- 3) The calculation of the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 per Share is determined based on the audited consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$1,395,847,000 adjusted for the goodwill of approximately HK\$465,760,000, divided by the number of shares in issue of 2,876,375,117 as at 31 December 2016.

- 4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 immediately after the completion of the Rights Issue per Share has been arrived at on the basis that 4,026,925,163 Shares, which represent 2,876,375,117 Shares in issue as at 31 December 2016 and 1,150,550,046 Rights Shares to be allotted and issued pursuant to the Rights Issues, were in issue assuming that the Rights Issue had been completed on 31 December 2016.
- 5) No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2016.

## **2. INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from SHINEWING (HK) CPA Limited, the independent reporting accountants, in respect of the unaudited pro forma financial information of the Group as set out in this Appendix and prepared for the sole purpose of inclusion in this prospectus.*

26 June 2017

The Board of Directors  
China Ground Source Energy Industry Group Limited  
Units 3709-10, 37/F., The Centre  
99 Queen's Road Central  
Central, Hong Kong

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Ground Source Energy Industry Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016, and related notes as set out on pages II-1 to II-2 of the prospectus (the "Prospectus") in connection with the proposed rights issue of 1,150,550,046 rights shares at the subscription price of HK\$0.10 per rights share on the basis of two rights share for every five shares held on the record date by qualifying shareholders (the "Rights Issue") issued by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 and II-2.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Rights Issue on the Group's consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 as if the Rights Issue had taken place at 31 December 2016. As part of this process, information about the Group's consolidated net tangible assets of the Group attributable to owners of the Company has been extracted by the directors of the Company from the Group's audited consolidated financial statements for the year ended 31 December 2016, on which an annual results announcement has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 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") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 31(1) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.



The purpose of unaudited pro forma financial information included in the Prospectus is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Wong Hon Kei, Anthony**

Practising Certificate Number: P05591

Hong Kong

## 1. RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 prospectus 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 prospectus misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the completion of the Rights issue will be as follows:

<i>Authorised:</i>		<i>US\$</i>
<u>16,000,000,000</u>	Shares as at the Latest Practicable Date	<u>160,000,000</u>
<i>Issued and fully paid:</i>		
2,876,375,117	Shares as at the Latest Practicable Date	28,763,751.17
1,150,550,046	Rights Shares to be allotted and issued	11,505,500.46
4,026,925,163	Shares upon completion of the Rights Issue	40,269,251.63

All of the Shares and the Rights Shares in issue and to be issued (when fully paid) rank and will rank pari passu with each other in all respects, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Rights Shares in issue and to be issued are or will be listed on the Stock Exchange.

Subsequent to 31 December 2016, the end of the last financial year of the Company, and up to the Latest Practicable Date, the Company has not issued any new Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, save for the outstanding Share Options disclosed in this prospectus, none of the capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option. As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

### 3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested, or were deemed to be interested in the following long and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange:

#### Long positions and short positions in Shares and Share Options

Name of Director/ chief executive of the Company	Capacity	Number of issued Shares in the Company held and the capacity		Approximate percentage of interest in Shares	Interests under Share Option Scheme	Aggregate interests <sup>(1)</sup>	Approximate percentage of the aggregate interests
		Interest in Shares <sup>(1)</sup>					
Mr. Xu	Beneficial owner	1,017,256,859 (L)		35.37%	33,600,000 (L)	1,051,839,659 (L) <sup>(2)</sup>	36.57%
	Beneficial owner	508,300,000 (S) <sup>(3)</sup>		17.67%	-	508,300,000 (S)	17.67%
	Interest of spouse	982,800 (L)		0.03%	-		
Ms. Chan	Beneficial owner	110,411,682 (L)		3.84%	39,000,000 (L)	163,515,282 (L) <sup>(4)</sup>	5.68%
	Interest of spouse	14,103,600 (L)		0.49%	-		
Mr. Wang Manquan <sup>(5)</sup>	Beneficial owner	512,000 (L)		0.02%	27,000,000 (L)	27,512,000 (L)	0.96%
Mr. Jia Wenzeng <sup>(6)</sup>	Beneficial owner	-		-	4,300,000 (L)	4,300,000 (L)	0.15%
Mr. Wu Desheng <sup>(7)</sup>	Beneficial owner	-		-	2,800,000 (L)	2,800,000 (L)	0.10%

*Notes:*

- (1) The letters "L" and "S" denote the Directors' long position and short position in the Shares or the relevant associated corporation respectively.
- (2) These consist of (i) 508,319,000 Shares beneficially owned by Mr. Xu, (ii) 216,767,600 Rights Shares undertaken to be taken by Mr. Xu, (iii) 292,170,259 Rights Shares underwritten by Mr. Xu under the Underwriting Agreement, (iv) 33,600,000 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to the paragraph headed "Long positions under equity derivatives – the Share Option Scheme" below and (v) spousal interest of 982,800 Shares. Ms. Luk Hoi Man, the spouse of Mr. Xu, is interested in 982,800 Shares. Therefore, under the SFO, Mr. Xu is deemed to be interested in 982,800 Shares in which Ms. Luk Hoi Man is interested.
- (3) The short position in the Shares represented the pledge of Shares by Mr. Xu.

- (4) These consist of (i) 41,636,000 Shares beneficially owned by Ms. Chan, (ii) 32,254,400 Rights Shares undertaken to be taken by Ms. Chan, (iii) 36,521,282 Right Shares underwritten by Ms. Chan under the Underwriting Agreement, (iv) 39,000,000 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to the paragraph headed “Long positions under equity derivatives – the Share Option Scheme” below and (v) spousal interest of 14,103,600 Shares. Mr. Chow Ming Joe Raymond, spouse of Ms. Chan, is interested in 14,103,600 Shares. Under the SFO, Ms. Chan is deemed to be interested in 14,103,600 Shares in which Mr. Chow Ming Joe Raymond is interested.
- (5) Mr. Wang Manquan is interested in 512,000 Shares and 27,000,000 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to the paragraph headed “Long positions under equity derivatives – the Share Option Scheme” below.
- (6) Mr. Jia Wenzeng is interested in 4,300,000 Shares issuable pursuant to exercise of share options of the Company, details of which can be referred to the paragraph headed “Long positions under equity derivatives – the Share Option Scheme” below.
- (7) Mr. Wu Desheng is interested in 2,800,000 Shares issuable pursuant to exercise of share options of the Company, details of which can be referred to the paragraph headed “Long position under equity derivatives – the Share Option Scheme” below.

### Long positions under equity derivatives

#### *The Share Option Scheme*

On 28 July 2010, the Company, by a shareholders’ resolution, conditionally adopted the Share Option Scheme for a period of ten years from the date on which the Share Option Scheme became unconditional. On 7 August 2010, the Share Option Scheme became unconditional and effective. Pursuant to the Share Option Scheme, the Board was authorised, at its absolute discretion, to grant options to eligible participants, including Directors, as defined in accordance with the terms of the Share Option Scheme, to subscribe for Shares under the terms of the Share Option Scheme. As at the Latest Practicable Date, the following Directors and chief executive of the Company were interested in the following options under the Share Option Scheme:

Name of Director/ chief executive of the Company	Date of grant	Exercise period	Exercise price per Share HK\$	Number of share options outstanding as at the Latest Practicable Date
Mr. Xu	9 December 2010	9 September 2010 to 8 September 2020	0.426	11,600,000
	8 December 2016	8 December 2016 to 31 December 2020	0.300	22,000,000
Ms. Chan	9 December 2010	9 September 2010 to 8 September 2020	0.426	17,000,000
	8 December 2016	8 December 2016 to 31 December 2020	0.300	22,000,000

Name of Director/ chief executive of the Company	Date of grant	Exercise period	Exercise price per Share HK\$	Number of share options outstanding as at the Latest Practicable Date
Mr. Wang Manquan	9 September 2010	9 September 2011 to 8 September 2020	0.426	1,666,667
		9 September 2012 to 8 September 2020	0.426	1,666,667
		9 September 2013 to 8 September 2020	0.426	1,666,666
	8 December 2016	8 December 2016 to 31 December 2020	0.300	22,000,000
Mr. Jia Wenzeng	9 September 2010	9 September 2010 to 8 September 2020	0.426	1,500,000
		8 December 2016	8 December 2016 to 31 December 2020	0.300
Mr. Wu Desheng	8 December 2016	8 December 2016 to 31 December 2020	0.300	2,800,000

Save as disclosed in this prospectus, as at the Latest Practicable Date, none of the Directors and chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

#### 4. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at the Latest Practicable Date, as far as the Directors are aware, the following persons had a long position or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

**Long positions and short positions in Shares and equity derivatives**

Name	Capacity	Number of issued Shares in the Company held and the capacity		Approximate percentage of interest in Shares	Interests under equity derivatives	Aggregate interests <sup>(1)</sup>	Approximate percentage of the aggregate interests
		Interest in Shares <sup>(1)</sup>					
CECEP (Hong Kong)	Beneficial owner	1,482,170,258 (L)		51.53%	-	1,482,170,258 (L) <sup>(2)</sup>	51.53%
CECEP Group <sup>(3)</sup>	Interest of controlled corporation	1,482,170,258 (L)		51.53%	-	1,482,170,258 (L)	51.53%
Ms. Luk Hoi Man	Beneficial owner	982,800 (L)		0.03%	-		
	Interest of spouse	1,017,256,859 (L)		35.37%	33,600,000 (L)	1,051,839,659 (L)	36.57%
		508,300,000 (S) <sup>(5)</sup>		17.67%	-	508,300,000 (S)	17.67%

*Notes:*

- (1) The letter "L" denotes the person's long position in the Shares or the relevant associated corporation. The letter "S" denotes the person's short position in the Shares or the relevant associated corporation.
- (2) These consist of (i) 850,000,000 Shares beneficially owned by CECEP (Hong Kong); (ii) 340,000,000 Rights Shares undertaken to be taken by CECEP (Hong Kong); and (iii) 292,170,258 Right Shares underwritten by CECEP (Hong Kong) under the Underwriting Agreement.
- (3) CECEP (Hong Kong) is a wholly-owned subsidiary of CECEP Group. Therefore, under the SFO, CECEP Group is deemed to be interested in 1,482,170,258 Shares.
- (4) These consist of (i) 702,000 Shares beneficially owned by Ms. Luk Hoi Man; (ii) 280,800 Rights Shares undertaken to be taken by her, and (iii) 1,017,256,859 spousal interest. Mr. Xu, spouse of Ms. Luk Hoi Man, is interested in 1,017,256,859 Shares and 33,600,000 Shares issuable pursuant to exercise of share options of the Company. Under the SFO, Ms. Luk Hoi Man is deemed to be interested in 1,017,256,859 Shares in which Mr. Xu is interested.
- (5) The short position of the Share represented the pledge of Shares by Mr. Xu, the spouse of Ms. Luk Hoi Man.

Saved as disclosed above, as at the Latest Practicable Date, the Directors or chief executive of the Company were not aware of any other person (other than Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

**5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS**

As at the Latest Practicable Date, there were no contracts or arrangements in which a Director was materially interested and significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors had, directly or indirectly, any interest in any assets which have since 31 December 2016 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**6. EXPERT**

The following is the qualifications of the expert who has given opinions or advice, which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
SHINEWING (HK) CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, SHINEWING (HK) CPA Limited did not have any direct or indirect shareholdings in any member of the Group, or any right (whether legal enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to any member of the Group, respectively, since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

SHINEWING (HK) CPA Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion herein of its reports and references to its name in the form and context in which they appear.

**7. SERVICE CONTRACTS**

As at the Latest Practicable Date, no Director had a service contract with the Company or any of its subsidiaries which is for a duration that may exceed 3 years or which requires the Company to, in order to terminate such contract, give a notice period of more than 1 year or pay compensation or make other payments equivalent to more than 1 year's emoluments.

**8. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## 9. MATERIAL CONTRACTS

The following contracts were entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (1) On 30 December 2016, Ever Source Science and Technology Development Group Co., Ltd. (恒有源科技發展集團有限公司), an indirectly wholly owned subsidiary of the Company (“HYY”) and Beijing Sibolian General Mechanical New Technology Company (北京市四博連通用機械新技術公司) (“Sibolian”) entered into a property usage right transfer agreement, pursuant to which HYY agreed to sell, and Sibolian agreed to purchase, the property usage right of the 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 at the consideration of RMB45,079,600, as disclosed in the announcement of the Company dated 30 December 2016.
- (2) On 30 December 2016, Hangzhou Ever Source Energy and Technology Ltd. (杭州恒有源能源科技有限公司) (an indirect wholly owned subsidiary of the Company, “HYY Hangzhou”), Hong Kong Goodway International Holdings Limited (“HK Goodway”), Mr. Chen Zaixian and HYY Investment Management Ltd. enter into a supplemental agreement to vary the terms of a sale and purchase agreement (“S&P Agreement”) dated 31 December 2014 entered into between HYY Hangzhou, HK Goodway and Mr. Chen Zaixian (“Supplemental Agreement”). Pursuant to the Supplemental Agreement, the consideration for the acquisition under the S&P Agreement is reduced from RMB93,000,000 to RMB65,100,000 and the transferee of the equity interests transfer of Goodway (Hangzhou) Biotechnology Ltd. (嘉德威(杭州)生物科技有限公司) shall be changed to HYY Investment Management Ltd., as disclosed in the announcement of the Company dated 30 December 2016;
- (3) On 21 January 2016, a share transfer agreement was entered into between the Company’s indirect wholly owned subsidiary, Beijing Enterprises Ever Source Technology Development Co., Ltd. (北京北控恒有源科技發展有限公司) (“Beijing Ever Source”) and Beijing Sibolian General Mechanical New Technology Company (北京市四博連通用機械新技術公司) (“Sibolian”), pursuant to which Beijing Ever Source agreed to purchase and Sibolian agreed to sell, the 5.387% equity interest in Ever Source Science and Technology Development Group Co., Ltd. (恒有源科技發展集團有限公司) at the consideration of RMB15,750,000, as disclosed in the announcement of the Company dated 21 January 2016.
- (4) the Irrevocable Undertakings; and
- (5) the Underwriting Agreement.



**10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHT ISSUE**

<b>Registered office of the Company</b>	P.O. Box 31119 Grand Pavilion Hibiscus Way 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	Unit 3709-10, 37/F, the Center 99 Queen's Road Central Central Hong Kong
<b>Authorised representatives</b>	Mr. Xu Shengheng Unit 3709-10, 37/F, the Center, 99 Queen's Road Central, Central, Hong Kong  Ms. Wong Lai Yuk Unit 3709-10, 37/F, the Center, 99 Queen's Road Central, Central, Hong Kong
<b>Company secretary</b>	Ms. Wong Lai Yuk Associate member of The Hong Kong Institute of Chartered Secretaries
<b>Legal advisers to the Company in relation to the Rights Issue as to laws of Hong Kong</b>	Li & Partners 22/F, World-Wide House Central, Hong Kong
<b>Auditors</b>	SHINEWING (HK) CPA Limited <i>Certified Public Accountants</i> 43/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Principal share registrar and transfer office in the Cayman Islands</b>	SMP Partners (Cayman) Limited Royal Bank House – 3rd Floor 24 Shedden Road, P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands

<b>Branch share registrar and transfer office of the Company in Hong Kong</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
<b>Principal bankers</b>	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong  The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
<b>Underwriters</b>	Mr. Xu Shengheng Units 3709-10, 37/F, The Center, 99 Queen's Road Central, Central, Hong Kong  Ms. Chan Wai Kay Katherine Units 3709-10, 37/F, The Center, 99 Queen's Road Central, Central, Hong Kong  China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited Room 2302-03, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong  Guotai Junan Securities (Hong Kong) Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
<b>Financial adviser to the Company</b>	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

**11. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT****(a) Biography of our Directors***Executive Directors***Mr. An Yi**

Mr. An Yi, aged 48, is the joint chairman of the Board and the executive Director since 30 March 2017. He graduated from Central University of Finance and Economics with a degree of infrastructure finance and credit in 1991. He is a doctoral candidate and senior researcher economist. He holds an Executive Master of Business Administration from University of Texas at Arlington. Since July 1991, he worked as an officer in Ministry of Aviation and Aerospace Industry, the deputy director of the Board of China Aviation Industry Corporation (China National Space Administration) and the director of China Aerospace Science & Industry Corporation. Since 2004, he served, in chronological order, Aerospace Science & Technology Finance Company Limited as the standing deputy general manager (director) and the general manager (director), as a full-time member of China Aerospace Science & Industry Corporation Supervision Committee and vice chairman of Aerospace Securities Company Limited. He joined China Energy Conservation Investments Company Limited in July 2008 as a general manager assistant and the head of financial department. He worked as a general manager assistant and the head of financial management department in China Energy Conservation and Environmental Protection Group since April 2010. Currently, he is the deputy general manager of China Energy Conservation and Environmental Protection Group, and the chairman of CECEP Capital Holdings Limited, the chairman of CECEP Finance Company Limited and the chairman of Sino-British Low Carbon Venture Capital Limited.

**Mr. Xu Shengheng**

Mr. Xu Shengheng, aged 54, is the joint chairman of the Board since 12 May 2015 and the executive Director since 6 February 2009. He holds a Master degree of Business Administration from the International EMBA from Hong Kong University of Science and Technology. Mr. Xu has long been engaged in the field of heating provision. Prior to year 2000, he mainly engaged in the combustion-based heating. Since year 2000, he is committed to non-combustion heating. The original renewable shallow ground source energy collection technology developed by Mr. Xu has realized the industrialization development and is the core technology of the integrated heating/cooling emerging industry of the Group. Mr. Xu is also a director of most of the subsidiaries of the Company.

**Ms. Chan Wai Kay Katherine**

Ms. Chan Wai Kay Katherine, aged 58, is the deputy chairman of the Board and the executive Director since 6 February 2009. She holds a Bachelor degree of Business Administration from the University of Southern California, USA. Ms. Chan has more than 20 years of experience in financial services industry and has extensive experience in supervising initial public offerings and other fund raising exercises conducted by companies in Asia. With various key positions previously held in

listed companies, Ms. Chan has profound practicing knowledge in company's strategic planning and corporate management of listed companies. Ms. Chan is also a director of certain subsidiaries of the Company.

**Mr. Wang Manquan**

Mr. Wang Manquan, aged 54, is the chief executive officer since 13 July 2016 and executive Director since 29 December 2016. He is Senior Engineer and graduated from Beijing Municipal Committee of the CPC Party School with a bachelor's degree in Business Management in 2007. He joined in Ever Source Science and Technology Development Group Co., Limited, a wholly owned subsidiary of the Company, in 2001. Previously, Mr. Wang was the vice president of Ever Source Science and Technology Development Group Co., Ltd. and currently serves as the chief executive officer of the company and general manager of Ever Source Science and Technology Development Group Co., Ltd. Prior to joining in the Group, Mr. Wang served as the head of Beijing Haidian Sijiqing Heat Exchanger Factory. Mr. Wang has been engaged in leadership of project management for mechanical and electrical equipment installation for more than 15 years, and specializes in comprehensive application technology of geothermal energy heating system. He has extensive business management experience. Mr. Wang is also a director of certain subsidiaries of the Company.

**Mr. Zang Yiran**

Mr. Zang Yiran, aged 38, was a non-executive Director since 24 August 2012 and is the chief financial officer and executive Director since 22 March 2013. He graduated from Tianjin University of Finance & Economics with a Bachelor's degree. He commenced his career in September 1999 and worked as a director in Responsibility Accounting Centre of the Capital Operation Department of Tianjin First Center Hospital, a Business Manager of Financial Management Department of China Energy Conservation Investment Corporation ("CECIC"), an assistant to the Director of Financial Management Department of CECIC, an assistant to the Director of Financial Management Department of CECEP Group, the Deputy General Manager for CECEP (Hong Kong). Mr. Zang is also a director of certain subsidiaries of the Company.

**Mr. Dai Qi**

Mr. Dai Qi, aged 34, was a non-executive Director since 12 August 2013 and is an executive Director since 29 December 2016. He graduated from Southwest Jiaotong University with a master's degree of management. Previously, he worked at Beijing Dongcheng Branch of Shenzhen Development Bank as a senior account executive and held positions with Strategic Management Department of China Energy Conservation Investment Corporation and Strategic Management Department of CECEP Group. Besides, he acted as deputy general manager of Investment and Capital Operation Department of CECEP (Hong Kong). He has been acting as Administrative Director of the Company since September 2012. Mr. Dai is also currently the vice president of the Group and vice president of Ever Source Science and Technology Development Group Co. Ltd.

*Non-executive Director***Mr. Zhao Youmin**

Mr. Zhao Youmin, aged 45, is a non-executive Director since 12 August 2013. He graduated from Capital University of Economics and Business with a master's degree of economics. He is a senior economist. Previously, he worked as an officer of Labor and Human Resources Division of Tianjin Electric Power Construction Company and held the positions of senior operations supervisor of Human Resource Department and secretary to deputy general manager with State Development & Investment Corporation. Afterwards, he acted as secretary to general manager of China Energy Conservation Investment Corporation, deputy general manager of CECEP Solar Energy Technology Co., Ltd. and director of Cooperation and Development Department of China Energy Conservation and Environmental Protection Group. Currently, he is an executive Director and the general manager of CECEP (Hong Kong) and the chairman of CECEP Environmental Consulting Group Co., Ltd.

*Independent non-executive Directors***Mr. Jia Wenzeng**

Mr. Jia Wenzeng, aged 74, is an independent non-executive Director since 25 March 2009. He has been working on financial management since 1963 with in-depth research and practice on corporate financial management. His dissertation was awarded a second prize in the National Examination Seminar for Economy Dissertation (全國經濟論文評選會) in 1992.

**Mr. Wu Desheng**

Mr. Wu Desheng, aged 78, is an independent non-executive Director since 21 March 2012. He is the executive director of the China Committee of Heating, Ventilation and Air-Conditioning of Architectural Society of China, executive director of China Association of Refrigeration, executive director of the Civil Engineering & Architectural Society of Beijing, the Education Supervisor and Adjunct Professor of Tsinghua University, Beijing University of Civil Engineering and Architecture and Xi'an Jiaotong University. Mr. Wu graduated with a Bachelor's degree from the Department of Civil Engineering of Tsinghua University in 1963.

He worked as a technician at the Design Institute for Glass Industry of the Ministry of Construction between 1963 and 1971. Since 1971, he has been serving in various key positions at the Beijing Institute of Architectural Design, such as the Institute Head and Chief Engineer, and currently he is the Chief Consulting Engineer of the institute. Mr. Wu has obtained a number of awards, including the silver medal of the National Design Award and the National Labour Medal.

**Mr. Wu Qiang**

Mr. Wu Qiang, aged 57, is an independent non-executive Director since 29 December 2016. He graduated from China University of Geosciences, Beijing in 1991 and obtained the doctoral degree in Engineering. Mr. Wu is currently a professor of China University of Mining & Technology, Beijing and a member of China Academy of Engineering. Mr. Wu was honored with the "Li Siguang

Geological Science Award” and received many honorable titles including the leader of Chang Jiang Scholars Program of the Ministry of Education, one of ten winners of the first “Outstanding Postdoctoral Award of China”, “National Outstanding Teacher” and the State-selected candidate of the first project of “Hundreds, Thousands, and Ten Thousands of Talents for the New Century” of the Ministry of Education. In addition, he is one of the recipients of special government allowance granted by the State Council. Mr. Wu is a member of the Executive Council of International Mine Water Association (IMWA), the president of national committee of IMWA China and one of the associate editor of Mine Water and Environment, the SCI-indexed journal. He also serves as a member of China Association for Science and Technology, a member Commission of Technology under State Administration of Work Safety and the head of “Expert Panel on Hydrogeology” under the State Administration of Coal Mine Safety.

Mr. Wu has published many books and over 300 academic articles. His works were honored with two Second Class Awards of National Science and Technology Progress Award, 10 first class awards of provincial award, while nearly 40 invention patents were granted by Hong Kong and China and 27 national software copyrights were granted. He worked as the chief editor for preparation of a number of reference books, such as national technology standards and manuals. Mr. Wu has trained dozens of post-doctoral fellows and doctoral candidates. The research team under his leadership was awarded Outstanding Innovation Team of the Ministry of Education and the “Team of Safety in Mines” of China Association for Science and Technology.

#### **Mr. Guo Qingui**

Mr. Guo Qingui, aged 44, is an independent non-executive Director since 29 December 2016. He graduated from the School of Law of Zhengzhou University. Mr. Guo obtained the Master Degree of Peking University Law School in 2005 and the Executive Master of Business Administration (EMBA) degree from Tsinghua University School of Economics and Management in 2015. He was admitted as a lawyer in China in 1995. As a practicing lawyer in China he served in Grandall Law Firm (Beijing), Zhong Lun Law Firm (Beijing) and King & Wood Mallesons. He currently serves as a managing partner and a lawyer of Zhongxin Law Firm in Beijing.

The business address of all Directors are at Unit 3709-10, 37/F, the Center, 99 Queen’s Road Central Central, Hong Kong.

None of the Directors or senior management mentioned below have any relationship with each other.

#### **(b) Biography of senior management**

Mr. Wang Manquan, aged 54, is the chief executive officer of the Company since 13 July 2016. He is also an executive Director. Please refer to his biographical details in the paragraph headed “11. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT – (a) Biography of our Directors” in this appendix.

Mr. Zang Yiran, aged 38, is the chief financial officer of the Company since 22 March 2013. He is also an executive Director. Please refer to his biographical details in the paragraph headed “11. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT – (a) Biography of our Directors” in this appendix.

Mr. Dai Qi, aged 34, is the vice president of the Group. He is also an executive Director. Please refer to his biographical details in the paragraph headed “11. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT – (a) Biography of our Directors” in this appendix.

**(c) Audit Committee**

The Company has an audit committee established with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process, risk management and internal controls systems of the Group and to provide advice to the Directors. The audit Committee comprises four independent non-executive directors of the Company, namely Mr. Jia Wenzeng (the chairman of the audit committee), Mr. Wu Desheng, Mr. Wu Qiang and Mr. Guo Qingui.

**12. MISCELLANEOUS**

- (a) The English text of this prospectus shall prevail over the Chinese text in case of inconsistencies.
- (b) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong. Save and except for Renminbi, the Group has no exposure to foreign exchange liabilities.

**13. EXPENSES**

The expenses in relation to the Rights Issue (including underwriting commission, financial advisory fees, printing, registration, legal and accounting fees) are estimated to be HK\$3.0 million and will be payable by the Company.

**14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Prospectus Documents, having attached thereto, among others, the written consent referred to in the paragraph headed “Expert” in this appendix, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents for inspection during business hours on any weekday (except Saturdays, Sunday and public holidays) at the principal office of the Company in Hong Kong at Units 3709-10, 37/F, The Center, 99 Queen's Road Central, Central, Hong Kong for a period of 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Articles of Association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2016, respectively and the first quarterly report of the Company for the three months ended 31 March 2017;
- (c) the letter from SHINEWING (HK) CPA LIMITED in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;
- (d) the material contracts disclosed in the paragraph headed "Material Contracts" in this appendix;
- (e) the written consent from the expert as referred to in the paragraph headed "Expert" in this appendix; and
- (f) this prospectus.

**16. LEGAL EFFECT**

The Prospectus Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance, so far as applicable.