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中國地熱能產業發展集團有限公司
CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

**CONNECTED TRANSACTIONS
IN RELATION TO
(A) RECEIVING FINANCIAL ASSISTANCE
(B) ENTERING INTO OF GUARANTEE SERVICE AGREEMENT
AND
(C) GRANTING OF COUNTER GUARANTEE**

In order to refinance an existing loan owing by HYY, HYY (an indirect wholly-owned subsidiary of the Company) intends to apply for the Facility in the principal amount of RMB400,000,000 from the Bank under the Facility Agreement.

Pursuant to the requirements of the Bank, the Guarantee from CECEP to secure the repayment obligations of HYY in favour of the Bank is required for the application of the Facility.

On 16 December 2019, CECEP and HYY entered into the Guarantee Service Agreement, pursuant to which, in consideration of HYY's provision of the Guarantee Fee, CECEP agreed to provide the Guarantee Service to HYY.

As requested by CECEP, on 16 December 2019, HYY entered into the Counter Guarantee Agreement in favour of CECEP against all amounts which may be incurred by CECEP under the Guarantee.

As at the date of this announcement, CECEP (through its wholly-owned subsidiary, CECEP (HK)) is a substantial shareholder and is interested in 1,190,000,000 Shares, representing approximately 26.29% of the total issued share capital of the Company. Therefore, CECEP is a connected person of the Company pursuant to the GEM Listing Rules. Accordingly, the receiving of financial assistance by way of the Guarantee, the entering into of the Guarantee Service Agreement and the granting of the Counter Guarantee (including the Additional Pledge) constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

A circular which contains, among other information, (1) a letter from the Board containing, among other things, further details of the transactions contemplated under the Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge); (2) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the transactions contemplated under the Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge); (3) a letter from the independent financial adviser to the Independent Board Committee in respect of the transactions contemplated under the Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge); (4) a notice of convening the EGM; and (5) other information as required under the GEM Listing Rules, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules on or before 9 January 2020.

INTRODUCTION

In order to refinance an existing loan owing by HYY, HYY (an indirect wholly owned subsidiary of the Company) intends to apply for the Facility in the principal amount of RMB400,000,000 from the Bank under the Facility Agreement.

Pursuant to the requirements of the Bank, the Guarantee from CECEP to secure the repayment obligations of HYY in favour of the Bank is required for the application of the Facility.

On 16 December 2019, CECEP and HYY entered into the Guarantee Service Agreement, pursuant to which, in consideration of HYY's provision of the Guarantee Fee, CECEP agreed to provide the Guarantee Service to HYY.

As requested by CECEP, on 16 December 2019, HYY entered into the Counter Guarantee Agreement in favour of CECEP against all amounts which may be incurred by CECEP under the Guarantee.

The proposed terms of the Facility Agreement and the Guarantee Contract, and the principal terms of the Guarantee Service Agreement and the Counter Guarantee Agreement are set out below.

PROPOSED TERMS OF THE FACILITY AGREEMENT

Lender	:	the Bank
Borrower	:	HYY
Facility amount	:	RMB400,000,000
Interest rate	:	not exceeding 5% per annum
Term	:	no less than 1 year

Purpose : the Facility shall be applied and used by HYY for its general working capital purpose including repayment of an existing loan owing by HYY

PROPOSED TERMS OF THE GUARANTEE CONTRACT

Guarantor : CECEP

Lender : the Bank

Scope and amount of the Guarantee : The scope of the Guarantee under the Guarantee Contract includes the loan principal of RMB400,000,000, interests (including default interests and compound interests), default payment, liquidated damages, any monies payable by HYY to the Bank, and any incurred cost and expenses for realising the creditor's right and guarantee interest under the Facility Agreement.

Term of the Guarantee : The term of the Guarantee shall expire three years after the expiration of the term for performance of obligations under the Facility Agreement

PRINCIPAL TERMS OF THE GUARANTEE SERVICE AGREEMENT

Date : 16 December 2019

Parties : (1) CECEP; and
(2) HYY

Guarantee Service : Subject to the fulfilment of conditions under the Guarantee Service Agreement, CECEP agreed to provide the Guarantee to the Bank pursuant to the Guarantee Contract.

Guarantee Fee : HYY shall pay to CECEP the Guarantee Fee at 1% per annum on any outstanding principal amount of the Facility under the Facility Agreement. The Guarantee Fee is payable within ten (10) days after the Facility is granted by the Bank and on the corresponding day each year thereafter.

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

Conditions : The Guarantee Service Agreement takes effect upon, among other things, the Guarantee Contract being executed by CECEP, the Guarantee becoming effective and approval from the Independent Shareholders at the EGM being obtained.

Governing law : PRC laws

PRINCIPAL TERMS OF THE COUNTER GUARANTEE AGREEMENT

Date : 16 December 2019

Parties : (1) HYY as grantor; and
(2) CECEP as grantee

Counter Guarantee : Subject to the fulfilment of conditions under the Counter Guarantee Agreement, HYY shall grant the Counter Guarantee to CECEP for the principal amount of the Facility together with interests, penalty and other related fees and expenses which may be payable by CECEP under the Guarantee to the Bank.

Joint liability guarantee : HYY shall provide guarantee to CECEP by way of joint liability guarantee for payment by CECEP under the Guarantee to the Bank.

Additional pledge and counter guarantee (the “**Additional Pledge**”) : (1) HYY shall enter into a pledge counter guarantee agreement in favour of CECEP in respect of HYY's interest in China Asset Management – Ever Source Overseas-Oriented Asset Management Plan* (華夏基金－恆有源海外定向資產管理計劃);

- (2) HYY shall procure Ever Source Investment Management Company Limited* (恆有源投資管理有限公司) (an indirect wholly-owned subsidiary of the Company) to enter into a pledge counter guarantee agreement in favour of CECEP in respect of its 4.9997% equity interest in Beijing Life Insurance Co., Ltd.;
- (3) HYY shall procure shareholder(s) of Goodway (Hangzhou) Biotechnology Ltd.* (嘉德威 ((杭州) 生物科技有限公司) (“**Hangzhou Goodway**”) (an indirect wholly-owned subsidiary of the Company) to (i) enter into pledge counter guarantee agreement(s) in favour of CECEP in respect of their respective equity interests in Hangzhou Goodway and; (ii) undertake not to lease, dispose of or mortgage any of the lands and buildings of Hangzhou Goodway (as particularised in the Counter Guarantee Agreement); and
- (4) HYY shall procure shareholder(s) of Heng Run Feng Reality (Dalian) Company Ltd.* (恆潤豐置業(大連)有限公司) (an indirect wholly-owned subsidiary of the Company) (“**HRF**”) to (i) enter into pledge counter guarantee agreement(s) in favour of CECEP in respect of their respective equity interests in HRF and; (ii) undertake not to lease, dispose of or mortgage any of the lands and buildings of HRF (as particularised in the Counter Guarantee Agreement).

Undertakings : HYY undertakes and agrees throughout the continuance of the Counter Guarantee Agreement that it and its subsidiaries will not, save with CECEP’s prior written consent,

- (i) provide any form of guarantee to any third parties by further pledging any of the assets, properties and equity interests under the Additional Pledge;
- (ii) provide any credit guarantee; or
- (iii) lease or attempt to lease any of the lands and buildings of Hangzhou Goodway and HRF (as particularised in the Counter Guarantee Agreement)

Conditions	:	The Counter Guarantee Agreement takes effect upon, among other things, obtaining approval from the Independent Shareholders at the EGM.
Term	:	The term of the Counter Guarantee shall expire (i) two (2) years after CECEP (on behalf of HYY) fulfills all repayment obligations under the Facility Agreement; or (ii) on the date whereupon CECEP's obligations under the Guarantee are fully discharged for whatever reasons (in the event that CECEP (on behalf of HYY) has not fulfilled all repayment obligations under the Facility Agreement), whichever is earlier.
Governing law	:	PRC laws

REASONS FOR AND BENEFITS OF THE GUARANTEE CONTRACT, GUARANTEE SERVICE AGREEMENT AND COUNTER GUARANTEE AGREEMENT

The Company is in need of the Facility from the Bank to refinance an existing loan owing by HYY, and the Guarantee to be provided by CECEP is requested by the Bank as a condition for granting the Facility to HYY. Having considered that (i) the Facility is expected to be provided by the Bank to HYY on normal commercial terms or better; (ii) the risk exposure of CECEP in providing the Guarantee Service; and (iii) the Counter Guarantee and the Additional Pledge are provided on the condition that CECEP shall provide the Guarantee in favour of the Bank for the purpose of facilitating the application of Facility by HYY, the Board (excluding Ms. Wang Yan, Mr. Zang Yiran, Mr. Dai Qi and Mr. Yang Wei who have abstained from voting at the relevant Board meeting, and the Independent Board Committee who shall form their view after considering the advice of the independent financial adviser) considers that terms of the Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge) are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

None of the Directors has any interest in the transactions contemplated under the Guarantee Contract, Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge). However, as Ms. Wang Yan, Mr. Zang Yiran, Mr. Dai Qi and Mr. Yang Wei were nominated by CECEP as Directors, in particular, Ms. Wang Yan, Mr. Zang Yiran and Mr. Yang Wei are also employees of CECEP and/or its subsidiaries, therefore for the sake of good corporate governance as well as to avoid any potential conflict of interest, they voluntarily abstained from voting on the Board resolutions in relation to, among other things, the transactions contemplated under the Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge).

INFORMATION ABOUT THE COMPANY, THE GROUP AND CECEP

The Company and the Group

The Company is an investment holding company, whose subsidiaries are principally engaged in the research, development and promotion of shallow geothermal energy as an 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 geothermal energy.

CECEP

CECEP, a company incorporated with limited liability in the PRC, is a state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC, and is principally engaged in research and development of energy conservation, environmental protection and new energy technology, investments in projects and construction operation.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, CECEP (through its wholly-owned subsidiary CECEP (HK)) is a substantial shareholder and is interested in 1,190,000,000 Shares, representing approximately 26.29% of the total issued share capital of the Company. Therefore, CECEP is a connected person of the Company pursuant to the GEM Listing Rules. Accordingly, the receiving of financial assistance by way of the Guarantee, the entering into of the Guarantee Service Agreement and the granting of the Counter Guarantee (including the Additional Pledge) constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules, and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

GENERAL

The EGM will be held to consider and, if thought fit, pass the ordinary resolution(s) to approve, among other things, the transactions contemplated under the Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge).

A circular which contains, among other information, (1) a letter from the Board containing, among other things, further details of the transactions contemplated under the Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge); (2) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the transactions contemplated under the Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge); (3) a letter from the independent financial adviser to the Independent Board Committee in respect of the transactions contemplated under the

Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge); (4) a notice of convening the EGM; and (5) other information as required under the GEM Listing Rules, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules on or before 9 January 2020.

DEFINITIONS

In this announcement the following expressions have the following meanings unless the context requires otherwise:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Bank”	A licensed commercial bank incorporated with limited liability in PRC
“Board”	the board of Directors
“CECEP”	China Energy Conservation and Environmental Protection Group* (中國節能環保集團有限公司), a state-owned enterprise under the supervision of State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“CECEP (HK)”	China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited (中國節能環保(香港)投資有限公司), a company incorporated in Hong Kong with limited liability and is wholly-owned by CECEP
“Company”	China Geothermal Industry Development Group Limited (中國地熱能產業發展集團有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Counter Guarantee”	the counter guarantee granted by HYY to CECEP under the Counter Guarantee Agreement
“Counter Guarantee Agreement”	the counter guarantee agreement dated 16 December 2019 and entered into between HYY, as grantor, and CECEP, as grantee, in respect of the Counter Guarantee
“Director(s)”	director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened for, among other matters, approving the transactions contemplated under the Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge)
“Facility”	a facility in the principal amount of RMB400,000,000 to be granted by the Bank to HYY under the Facility Agreement
“Facility Agreement”	a facility agreement to be entered into between the Bank and HYY for the Facility
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“Guarantee”	a guarantee to be provided by CECEP pursuant to the Guarantee Contract in favour of the Bank to secure the repayment obligations of HYY under the Facility Agreement
“Guarantee Contract”	a guarantee contract to be entered into between CECEP as guarantor and the Bank as lender in relation to the Guarantee
“Guarantee Fee”	the guarantee fee of 1% per annum on any outstanding amount of the Facility payable by HYY to CECEP under the Guarantee Service Agreement
“Guarantee Service”	the provision of the Guarantee by CECEP in favour of the Bank pursuant to the Guarantee Contract to secure the repayment obligations of HYY under the Facility Agreement
“Guarantee Service Agreement”	the guarantee service agreement dated 16 December 2019 entered into between CECEP and HYY for provision of the Guarantee Service
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HYY”	Ever Source Science and Technology Development Group Co., Ltd.* (恆有源科技發展集團有限公司), an indirect wholly-owned subsidiary of the Company

“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang and Mr. Guo Qingui, established to advise the Independent Shareholders in respect of the transactions contemplated under the Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge)
“Independent Shareholders”	Shareholders, excluding CECEP (HK) and its associates, and any other persons who are required to abstain from voting on the respective resolutions on approving the transactions contemplated under the Guarantee Service Agreement and the Counter Guarantee Agreement (including the Additional Pledge)
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holders of the Shares
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent

* *For identification purpose only*

By order of the Board of
China Geothermal Industry Development Group Limited
Xu Shengheng
Joint Chairman & Executive Director

Hong Kong, 16 December 2019

As at the date of this announcement, the Board comprises Mr. Xu Shengheng, Ms. Wang Yan, Ms. Chan Wai Kay, Katherine, Mr. Wang Manquan, Mr. Zang Yiran and Mr. Dai Qi as executive Directors, Mr. Yang Wei and Mr. Wang Michael Zhiyu (Ms. Liu Ening being his alternate Director) as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Wu Qiang and Mr. Guo Qingui as independent non-executive Directors.

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

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