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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)**

**MAJOR TRANSACTION**  
**DISPOSAL OF PROPERTY USAGE RIGHT**

**THE DISPOSAL**

The Board is pleased to announce that on 29 March 2020, Sibolian as purchaser and HYY (a wholly owned subsidiary of the Company) as vendor entered into the Property Usage Right Transfer Agreement, pursuant to which, HYY agreed to sell, and Sibolian agreed to purchase, the Property Usage Right at the consideration of RMB114,407,000 (equivalent to approximately HK\$125,000,000).

**GEM LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio(s) (as defined in Chapter 19 of the GEM Listing Rules) in respect of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, none of the Shareholders or any of their respective associates have a material interest in the Disposal, thus no Shareholder is required to abstain from voting for the resolution if the Company were to convene a general meeting to approve the Disposal.

A circular of the Company containing, amongst other things, details of the Disposal, the notice convening the general meeting together with proxy form, and any other information as required by the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 23 April 2020.

## **THE DISPOSAL**

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## **THE PROPERTY USAGE RIGHT TRANSFER AGREEMENT**

### **Date**

29 March 2020

### **Parties**

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

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

### **Key Terms**

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

#### ***Disposal of Property Usage Right***

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

The Property is currently leased to Baolan Property Services Co., Ltd.\* (寶藍物業服務股份有限公司) (“**Baolan Company**”) and Shenzhen Wuxin Aviation Technology Co., Ltd. \* 深圳市鳴鑫航空科技有限公司, (“**Wuxin Aviation**”) respectively. Both parties agreed that all the rights and interests in the leases signed by the vendor and Baolan Company and Shenzhen Wuxin Aviation will be transferred to the purchaser from the effective date of the agreement.

#### ***Consideration and its basis***

The Consideration is RMB114,407,000 (equivalent to approximately HK\$125,000,000) and is based on the pricing of RMB20,000 (equivalent to approximately HK\$21,852) per square metre and the gross floor area of the Property of 5,720.35 square metres.

The Consideration is determined (1) with reference to the market value of the Property of RMB65,370,000 (equivalent to approximately HK\$71,423,000) as of 31 December 2019 as assessed by an independent professional property valuer (who assessed such value by market comparison method); and (2) after arm's length negotiations between the parties.

### ***Payment of Consideration***

The Consideration shall be satisfied:

- (a) RMB45,762,800 (equivalent to approximately HK\$50,000,000), being 40% of the Consideration, will be paid to the Vendor within 5 working days from the effective date of the Agreement
- (b) RMB34,322,100 (equivalent to approximately HK\$37,500,000), being 30% of the Consideration, will be paid to the Vendor within 25 working days from the effective date of the Agreement
- (c) RMB34,322,100 (equivalent to approximately HK\$37,500,000), being the remaining amount of the Consideration, will be paid to the Vendor within 45 working days from the effective date of the Agreement

### ***Completion***

Completion of the Disposal is subject to the Shareholders' approval at the general meeting.

If the above condition is not fulfilled, the vendor shall refund the consideration (without interest or compensation) in full to the purchaser within 3 working days after the resolution of the shareholders' meeting.

### ***Breach of Property Usage Right Transfer Agreement***

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

## **INFORMATION ON PROPERTY**

The Property are part of the Environmental System Industrial Base for Central Liquid Heating/Cooling Energy (中央液態冷熱源環境系統產業基地) (the "**Base**") located at No. 80 Xingshikou Road, Haidian District, Beijing City. The Base is designed and built for multiple purposes and includes buildings for office use and industrial plant use. Before the Disposal, HYY owns 5,720.35 square metres of the gross floor area of the Base.

## **FINANCIAL EFFECT OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS**

The net book value of the Property as at 29 February 2020 was approximately RMB68,039,000 (approximately HK\$74,339,000) as set out in the unaudited management accounts of HYY for the period ended 29 February 2020.

The capital gain expected to accrue to the Company as a result of the Disposal is expected to be approximately RMB46,250,000 (equivalent to approximately HK\$50,533,000) (before taxation) and this gain is calculated on the basis of the difference between the Consideration and the carrying value of the Property and estimated direct expenses for the Disposal. The proceeds from the Disposal will be applied as the general working capital of the Group.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE PROPERTY USAGE RIGHT TRANSFER AGREEMENT**

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

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

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

## **INFORMATION ON THE GROUP AND THE PURCHASER**

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.

Sibolian is a PRC registered enterprise under collective ownership and is principally engaged in complete chemical engineering, water pump station engineering, mechanical valve, industrial automation and control equipment, computer hardware and software, communications equipment technology development, technical services etc.

## **GEM LISTING RULES IMPLICATIONS**

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To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, none of the Shareholders or any of their respective associates have a material interest in the Disposal, thus no Shareholder is required to abstain from voting for the resolution if the Company were to convene a general meeting to approve the Disposal.

A circular of the Company containing, amongst other things, details of the Disposal, the notice convening the general meeting together with proxy form, and any other information as required by the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 23 April 2020.

## **DEFINITIONS**

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

“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	China Geothermal Industry Development Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the Property Usage Right by HYY to Sibolian pursuant to the Property Usage Right Transfer Agreement
“Consideration”	the total consideration of RMB114,407,000 (approximately HK\$125,000,000) for the Disposal pursuant to the Property Usage Right Transfer Agreement
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HYY”	Ever Source Science and Technology Development Group Ltd.* (恒有源科技發展集團有限公司), an indirect wholly owned subsidiary of the Company
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its subsidiaries and its connected persons
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	buildings with gross floor area of 5,720.35 square meters erected at the Environmental System Industrial Base for Central Liquid Heating/Cooling Energy located at No. 80 Xingshikou Road, Haidian District, Beijing City
“Property Usage Right “	the usage right of the Property
“Property Usage Right Transfer Agreement” or “Agreement”	the property usage right transfer agreement dated 29 March 2020 for the sale and purchase of the Property Usage Right between HYY and Sibolian
“RMB”	Reminbi, the lawful currency of the PRC
“Shareholders”	the holders of the shares of the Company
“Sibolian”	Beijing Sibolian General Mechanical New Technology Company* (北京市四博連通用機械新技術公司), a PRC registered enterprise under collective ownership
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent

*Conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1=HK\$1.0926. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at such or any other rates or at all.*

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

Hong Kong, 29 March 2020

*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, Mr. Zhang Yiying and Mr. Wang Michael Zhiyu (Ms. Liu Ening being his alternate Director) as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Guo Qingui and Guan Chenghua as independent non-executive Directors.*

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company at [www.cgsenergy.com.hk](http://www.cgsenergy.com.hk).*