

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



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 100% EQUITY INTEREST IN TARGET COMPANY

THE DISPOSAL

The Board is pleased to announce that on 15 May 2020 (after trading hours), Hangzhou Yunqi as purchaser and HYY Investment (a wholly owned subsidiary of the Company) as vendor entered into the Equity Transfer Agreement, pursuant to which, HYY Investment has conditionally agreed to sell, and Hangzhou Yunqi has conditionally agreed to purchase, the Target Company Interest at the consideration of RMB143,992,700.

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 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 5 June 2020.

THE DISPOSAL

The Board is pleased to announce that on 15 May 2020, Hangzhou Yunqi as purchaser and HYY Investment (a wholly owned subsidiary of the Company) as vendor entered into the Equity Transfer Agreement, pursuant to which, HYY Investment has conditionally agreed to sell, and Hangzhou Yunqi has conditionally agreed to purchase, the Target Company Interest at the consideration of RMB143,992,700.

THE EQUITY TRANSFER AGREEMENT

Date

15 May 2020

Parties

- (1) HYY Investment (as vendor)
- (2) Hangzhou Yunqi (as purchaser)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hangzhou Yunqi is a state-owned enterprise under the supervision of the West Lake District People's Government of Hangzhou City. Therefore, Hangzhou Yunqi and its ultimate beneficial owner are Independent Third Parties.

Key Terms

The key terms of the Equity Transfer Agreement are as follows:

Disposal of Target Company Interest

HYY Investment, a wholly owned subsidiary of the Company, shall sell, and Hangzhou Yunqi shall purchase, the Target Company Interest and the Land & Property held by Target Company at the Consideration.

Conditions Precedents

Completion is subject to the following conditions precedent being satisfied:

- (i) The Agreement has been approved at shareholders' meeting of the Company in accordance with the GEM Listing Rules and obtained the written consent of other stakeholders. When the conditions precedent being fulfilled, the vendor shall deliver the purchaser a "Notice of Fulfillment of Conditions Precedents".

- (ii) The purchaser's superior authority has reviewed and approved the Agreement. When the conditions precedent being fulfilled, the purchaser shall deliver the vendor a "Notice of Fulfillment of Conditions Precedents".

The Equity Transfer Agreement takes effect on the date when all the above two conditions precedent being fulfilled. The date on which all conditions precedents are fulfilled refers to the date on which the latest one of the two "Notice of Fulfillment of Conditions Precedents" is served. The Agreement will not be effective if the above conditions precedents are not fulfilled on or before 15 July 2020, neither party shall constitute a breach of contract and shall not bear the liability for breach of contract. The vendor shall refund the deposit received to the purchaser within ten working days from the date when the conditions precedent being confirmed to be unsatisfied.

Consideration and its basis

The Consideration is RMB143,992,700. The Consideration was determined after arm's length negotiations between the parties with reference to, among others, (i) the Target Company's unaudited net asset value of approximately RMB122,009,000 as at 31 March 2020; and (ii) the value of the Land & Property held by the Target Company approximately RMB140,500,000 (as assessed by an independent valuer as at 31 December 2019).

Payment of Consideration

The Consideration shall be satisfied:

- (a) Within five working days from the date of signing of the Agreement, the Purchaser shall pay a deposit of RMB30,000,000 to the vendor.
- (b) After the Agreement taking effect, the purchaser shall pay the Consideration to the vendor as follows:
 - (i) Within ten working days from the effective date of the Agreement, the purchaser shall pay RMB70,794,890 to the vendor, together with the deposit of RMB30,000,000 to be converted into Consideration, to complete the payment of 70% of the Consideration, representing RMB100,794,890 (the "**First Instalment**").
 - (ii) The vendor shall complete the equity delivery matters within 60 working days from the date of receiving the First Instalment. Within seven working days from the date of completion of the equity delivery matters, the purchaser shall pay RMB35,998,175 to the vendor and shall complete the payment of 95% of the Consideration, representing RMB136,793,065 (the "**Second Instalment**"), and provide the "Equity Transaction Voucher".

- (iii) The remaining 5% of the Consideration, i.e. RMB7,199,635, will be used as the vendor's performance deposit. Within 12 months from the date of providing the "Property Transaction Voucher", if there are no contractual obligations that should be performed by the vendor but not performed, the purchaser shall pay the remaining balance of the Consideration to the vendor within 5 working days from the date of expiration of the 12-month period.

Equity Delivery Matters

Within 60 working days after the vendor receives the First Instalment from the purchaser, it shall complete the discharge of all creditors' right and liabilities of the Target Company, release all external guarantees, mortgages, guarantees of the Target Company, and transfer the relevant financial or information of the Target Company to the purchaser. Both parties shall jointly complete the industrial and commercial registration procedures to register the Target Company's equity under the name of the purchaser.

Other Major Terms

The vendor and the purchaser agree that all the creditors' right and liabilities of the Target Company incurred before the date of the change of equity registration shall be borne by the vendor.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. The Target Company mainly holds the Land & Property.

Set out below the unaudited financial information of the Target Company for the two years ended 31 December 2019 prepared in accordance with the Hong Kong Financial Reporting Standards:

| | For the year ended | |
|-------------------|---------------------------|-----------------|
| | 31 December/as at | |
| | 2018 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Revenue | 231 | 40 |
| Profit before tax | 4,911 | 7,974 |
| Profit after tax | 1,851 | 5,719 |

INFORMATION ABOUT LAND & PROPERTY HELD BY THE TARGET COMPANY

The Land & Property held by the Target Company is located at No. 6 Zhuantang Science and Technology Economic Zone, Zhuantang Jie Dao, Xihu District, Hangzhou City, Zhejiang Province, the PRC with a site area of approximately 29,976 square meters on which three blocks of industrial/ ancillary office buildings were erected with a total gross floor area of approximately 24,320 square meters. The land use rights was granted for industrial use.

FINANCIAL EFFECT OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

Based on the unaudited management accounts of the Group as at 31 March 2020, the carrying value of the Target Company was approximately RMB136,991,000. It is estimated that the Group will realise an unaudited gain from the Disposal of approximately RMB7,002,000 (without deduction of expenses related to the Disposal). The proceeds from the Disposal will be used as general working capital of the Group including repayment of loan.

Upon Completion, the Company will cease to have any equity interest in the Target Company and the Target Company will cease to be subsidiary of the Company. Accordingly, the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Board considers that the Disposal is a good opportunity for the Group to realize its assets held and will improve the liquidity of the Group.

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

- (a) the terms and conditions of the Equity 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 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.

Hangzhou Yunqi

Hangzhou Yunqi is a is a limited liability company registered in PRC and is mainly engaged in the development, construction and services of Zhuantang Industrial Zone.

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 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 5 June 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 |
| “Consideration” | the total consideration of RMB143,992,700 for the Disposal pursuant to the Equity Transfer Agreement |
| “Directors” | the directors of the Company |
| “Disposal” | the disposal of the Target Company Interest by HYY Investment to Hangzhou Yunqi pursuant to the Equity Transfer Agreement |

| | |
|--|--|
| “Equity Transfer Agreement” or the “Agreement” | the equity transfer agreement dated 15 May 2020 for the sale and purchase of the Target Company Interest between HY Y Investment and Hangzhou Yunqi |
| “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 |
| “Hangzhou Yunqi” | Hangzhou Yunqi Town Development Co., Ltd.* (杭州雲棲小鎮開發有限公司), a limited liability company registered in PRC |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “HY Y Investment” | HY Y Investment Management Co., Ltd.* (恒有源投資管理有限公司), an indirectly wholly owned subsidiary of the Company |
| “Independent Third Party(ies)” | third party(ies) independent of and not connected with the Company and its subsidiaries and its connected persons |
| “PRC” | the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “RMB” | Reminbi, the lawful currency of the PRC |
| “Shareholders” | the holders of the shares of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiaries” | has the meaning ascribed to it under the GEM Listing Rules |
| “Target Company” | Goodway (Hangzhou) Biotechnology Ltd.* (嘉德威(杭州)生物科技有限公司), a limited liability company registered in PRC |

“Target Company Interest” 100% equity interests of the Target Company

“%” per cent

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

Hong Kong, 15 May 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 GEM website with the domain name of www.hkgem.com on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the website of the Company at www.cgsenergy.com.hk.

* *For identification purposes only*