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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in China Geothermal Industry Development Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 IN RELATION TO DISPOSAL OF PROPERTY USAGE RIGHT AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening an Extraordinary General Meeting of China Geothermal Industry Development Group Limited to be held at 8/F., Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong on Thursday, 24 September 2020 at 11:00 a.m. is set out on pages 33 to 34 of this circular. A proxy form for use at the Extraordinary General Meeting is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" section of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from the date of its posting.

#### **PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING**

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the Extraordinary General Meeting of the Company:

- (1) Compulsory body temperature checks and health declarations
- (2) Wearing of surgical face mask
- (3) No distribution of corporate gift or refreshment

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. The Company reminds shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“2016 Disposal”	the disposal of the property usage right of floor area of 2,253.98 square metres by HYY to Sibolian pursuant to the property usage right transfer agreement dated 30 December 2016
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Beijing Property”	buildings with gross floor area of 5,720.35 sq.m. erected at the Environmental System Industrial Base for Central Liquid Heating/Cooling Energy located at No. 80 Xingshikou Road, Haidian District, Beijing City
“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 wholly-owned by CECEP
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Company”	China Geothermal Industry Development Group Limited, Shares of which are listed on the GEM
“Directors”	directors of the Company
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at 8/F., Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong on 24 September 2020 at 11:00 a.m.
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries
“HK\$” and “HK cent(s)”	Hong Kong dollars and cent(s) respectively, the lawful currency of Hong Kong

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HYY”	Ever Source Science and Technology Development Group Co., 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
“Latest Practicable Date”	25 August 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, Taiwan and the Macau Special Administrative Region
“Property Usage Right “	the usage right of the Beijing Property
“Property Usage Right Transfer Agreement” or “Right 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
“Right Disposal”	the disposal of the Property Usage Right by HYY to Sibolian pursuant to the Property Usage Right Transfer Agreement
“Right Disposal Consideration”	the total consideration of RMB114,407,000 for the Disposal pursuant to the Property Usage Right Transfer Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution of the Company passed on 28 July 2010

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## DEFINITIONS

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“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
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States of America
“%”	percent

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Xu Shengheng  
Ms. Wang Yan  
Ms. Chan Wai Kay, Katherine  
Mr. Wang Manquan  
Ms. Hao Xia  
Mr. Daiqi

*Registered office:*

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

*Non-executive Directors:*

Mr. Yang Wei  
Mr. Wang Michael Zhiyu (*Ms. Liu Ening being his  
alternate Director*)  
Mr. Zhang Yiying

*Head office and principal place of  
business in Hong Kong:*

8/F., Chung Hing Commercial Building,  
62-63 Connaught Road Central,  
Central, Hong Kong

*Independent non-executive Directors:*

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

27 August 2020

*To the Shareholders, and for information only,  
the holders of the share options*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO  
DISPOSAL OF PROPERTY USAGE RIGHT  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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## LETTER FROM THE BOARD

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### 1. INTRODUCTION

The purpose of this circular, among other matters, is to provide you with the relevant information regarding the major transaction in respect of the Right Disposal and to give you the notice of EGM.

### 2. THE RIGHT DISPOSAL

Reference is made to the announcement of the Company dated 29 March 2020. As announced by the Board in such announcement, 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.

### 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, People's Government of Sijiqing Township of Haidian District of Beijing City\* (北京市海澱區四季青鄉人民政府), are Independent Third Parties.

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 Right Disposal Consideration.

The Beijing 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 Mingxin Aviation Technology Co., Ltd.\* (深圳市鳴鑫航空科技有限公司) ("**Mingxin Aviation**") respectively. The lease signed with Baolan Company by HYY covering a lease term of 20 years from November 2013 to November 2033 with the leased area of approximately 3,031.52 sq.m. which are mainly the two floors of Block A6, in which the facility room of approximately 641.86 sq.m. should not be included in the calculation of rental as this is an ancillary building. The current monthly rental of the lease with Baolan Company is approximately of RMB120,900. Besides, the lease signed with Mingxin Aviation by HYY covering a lease term of 10 years from September 2014 to August 2024 with the leased area of approximately 2,688.83 sq.m. which are mainly the whole Block A3. The current monthly rental of the lease with Mingxin Aviation is approximately of RMB218,600.



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## LETTER FROM THE BOARD

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To our best knowledge, information and belief having made all reasonable enquiries, the beneficial owners of Baolan Company are Fan Xuebing (凡學兵) with holding of 47.89% together with approximately 64 natural persons with each one has effective holding of less than 5% of the equity interests of Baolan Company. The beneficial owners of Mingxin Aviation are Li Kecheng (李克澄) with effective holding of 41.98% together with approximately 59 natural persons and two governmental bodies with each one has effective holding of less than 5% of the equity interests of Mingxin Aviation.

There is no relationship among Sibolian, Baolan Company, Mingxin Aviation and each of their respective ultimate beneficial owners and the Company and its connected person pursuant to the GEM Listing Rules.

To our best knowledge, information and belief having made all reasonable enquiries, there is no arrangement, understanding or undertaking (whether formal or informal and whether express or implied) among any of Sibolian, Baolan Company, Mingxin Aviation and each of their respective ultimate beneficial owners and the Company and its connected person except that the existing leases entered into between Baolan Company, Mingxin Aviation and HYY respectively. Pursuant to the Property Usage Right Transfer Agreement, Sibolian and HYY agreed that all the rights and interests in the leases signed by the HYY and Baolan Company and Mingxin Aviation will be transferred to the Sibolian from the effective date of the Property Usage Right Transfer Agreement. Therefore, a tri-party agreement will be signed by HYY for transfer the lease obligations in Baolan Company and Mingxin Aviation respectively to Sibolian from the effective date of the Property Usage Right Transfer Agreement.

### *Right Disposal Consideration and its basis*

The Right Disposal Consideration is RMB114,407,000 which is calculated based on the pricing of RMB20,000 per sq.m. and the gross floor area of the Beijing Property of 5,720.35 sq.m..

The Right Disposal Consideration is determined (i) with reference to the value of the Beijing Property of RMB65,370,000 as of 31 December 2019 (“**2019 Valuation**”) as assessed by an independent professional property valuer (who assessed such value by income approach method); (ii) with reference to the unit price of RMB20,000 per sq.m. pursuant 2016 Disposal and (iii) after arm’s length negotiations between the parties.

Based on the valuation report as at 31 December 2019 performed by independent professional property valuer, Peak Vision Appraisals Limited, the valuation of usage right of the subject property (and not the property itself), the income approach is used. Following are the assumptions and parameters used in the valuation:

Valuation assumptions includes:

- The contractual parties of the agreements will act in accordance with the terms and conditions of the agreements and understandings between the parties;
- For HYY to continue as a going concern, HYY will successfully carry out all necessary activities for the development of its business;

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## LETTER FROM THE BOARD

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- The availability of finance will not be a constraint on the forecast growth of the operations of HYY in accordance with the business plans and the projections;
- Market trends and conditions where HYY operates will not deviate significantly from the economic forecast in general;
- Key management, competent personnel, and technical staff will all be retained to support the ongoing operations of HYY;
- There will be no material changes in the business strategy of HYY and its operating structure;
- Interest rates and exchange rates in the localities for the operations of HYY will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where HYY operates or intends to operate will be officially obtained and renewable upon expiry during the economic life of the Usage Rights unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which HYY operates or intends to operate, which would adversely affect the revenues and profits attributable to HYY using the Usage Rights.

Adopted the income approach, the valuer considered the with-and without method is the most appropriate method, which involves comparing the forecast profit stream or cash flows that would be earned by a business using the Usage Right with those that would be earned by a business that does not use the Usage Rights. The forecasted incremental profits or cash flows achievable through the use of the Usage Rights are then computed and capitalized through use of either a suitable discount factor or suitable capitalization multiple.

Parameters include:

- The pre-tax discount rate considered appropriate for the valuation as at the valuation date was 8%.
- The rental rate adopted after the expiry of the current tenancy agreement was RMB3.48 per sq.m. per day as at the Valuation Date.
- The economic life of the Usage Right was approximately 44 years as at the Valuation Date.

With respect to the unit price of RMB20,000 determined in 2016 Disposal was (i) making reference to the value of the property of RMB46,206,000 (“**2016 Valuation**”) as assessed by an independent professional property valuer (by income approach method) and (ii) on arm’s length negotiations between the parties. Based on the 2016 Valuation, the average unit price of property was approximately RMB20,500 per sq.m.

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## LETTER FROM THE BOARD

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Based on the 2019 Valuation, the average unit price of property was approximately RMB11,428 per sq.m. Although, the unit price as per 2019 Valuation is much lower than that of 2016 Valuation, after arm's length negotiation, Sibolian still agreed with the Company to use the same pricing of RMB20,000 of 2016 Disposal for this disposal for which the Directors considered the pricing is in the best interest of the Company. As HYY only owned the usage right of the buildings in the Base and there's no transaction recorded in the surrounding area for selling or purchasing similar property usage right, therefore, no comparables could be found. The Company considered that the pricing for the Right Disposal was determined with reference to the valuation as well as the pricing of 2016 Disposal which is fair and reasonable and in the best interest of the Company.

### ***Payment of Right Disposal Consideration***

The Right Disposal Consideration shall be satisfied:

- (a) RMB45,762,800, being 40% of the Right Disposal Consideration, will be paid to the Vendor within 5 working days from the effective date of the Right Agreement;
- (b) RMB34,322,100, being 30% of the Right Disposal Consideration, will be paid to the Vendor within 25 working days from the effective date of the Right Agreement;
- (c) RMB34,322,100, being the remaining amount of the Right Disposal Consideration, will be paid to the Vendor within 45 working days from the effective date of the Right Agreement.

As stated above, the first two instalments of the Right Disposal Consideration shall be paid to the Vendor within 5 and 25 working days from the effective date of the Right Agreement and the effective date shall be the date upon which the Right Agreement be approved by the shareholders of the Company, therefore, the first two instalments of the Right Disposal Consideration did not fall due for payment in accordance with the terms of the Right Agreement. However, as at the Latest Practicable Date, HYY has received the Right Disposal Consideration of RMB77,745,526.92.

### ***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.

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## LETTER FROM THE BOARD

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### INFORMATION ON BEIJING PROPERTY

HYY and Sibolian has firstly entered into a co-operation memorandum in 2006, pursuant to which, both parties agreed to co-operate to develop the land site located at No. 80 Xingshikou Road, Haidian District, Beijing City as 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”). During 2006-2011, Sibolian and HYY were in the process of seeking all required governmental approval for the construction project of the Base and the Base has been commenced its construction from 2011 and completed in 2013. According to the co-operation framework, Sibolian, as the owner of land use right, was responsible to provide the land whereas HYY was responsible for provision of fund for the construction of the Base. After completion of the construction, the total gross floor area of the buildings would be shared between Sibolian and HYY. The total gross floor area of the buildings constructed at the Base was approximately 49,290 sq.m. and HYY obtained the property usage right of the buildings with a total gross floor area of 24,012.88 sq.m. after the share of buildings upon completion of the construction. The initial construction costs borne by HYY was RMB147,671,000. HYY sold the property usage right of approximately 14,911.67 sq.m. and approximately 2,253.98 sq.m. of the buildings in the Base to Sibolian in 2013 and 2016 respectively. In 2013, there was also a disposal of the property usage right of floor area of approximately 1,126.88 sq.m. to an independent third party who is an individual not related to Sibolian. The Beijing Property as disposed under the Property Usage Right Transfer Agreement mainly covers the property usage right of 5 floors of Block A3 and 2 floors of Block A6 whereas Block A3 and Block A6 are separate 5-storey buildings. The Base is designed and built for multiple purposes and includes buildings for office use and industrial plant use. Before the Right Disposal, HYY owns the property usage right of 5,720.35 sq.m. of the gross floor area of the Base which has been entirely leased to Baolan Company and Wuxin Aviation. After the Right Disposal, the Company does not own any property usage right in the Base.

Set out below are the profits before and after taxation attributable to the Beijing Property for the three years ended 31 December 2019:

	<b>For the year ended 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	4,063	4,063	4,063
Profits before taxation	4,063	4,063	4,063
Profits after taxation	3,047	3,047	3,047

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

The net book value of the Beijing Property as at 29 February 2020 was approximately RMB68,039,000 as set out in the unaudited management accounts of HYY for the period ended 29 February 2020.

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## LETTER FROM THE BOARD

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The capital gain expected to accrue to the Company as a result of the Right Disposal is expected to be approximately RMB46,250,000 (before taxation) and this gain is calculated on the basis of the difference between the Right Disposal Consideration and the carrying value of the Beijing Property and estimated direct expenses for the Disposal. The proceeds from the Right Disposal will be applied as the general working capital of the Group, including but not limited to the repayment of loan.

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

The Board considers that the Right Disposal is a good opportunity for the Group to realize its assets and investment held and will improve the liquidity of the Group. Due to the impacts of the outbreak of COVID-19 epidemic, the business has been significantly influenced resulting to the decrease in revenue of the Group. We expect the overall world economy including the PRC will be gradually deteriorating in the year, in particular the real estate market in the PRC. We find these are excellent opportunities for the Company, particularly in the economic downturn situation, to realize more cash from the disposals so that we can reserve more sufficient fund to support further business development of the Group. Besides, we could lock in the gain from these disposals and avoid the possible price fall of the property market. Furthermore, in consideration of the debt level of the Group, cash generated from the disposals can be utilized for repayment of loan which will reduce the Company's overall debt level and decrease the finance cost incurred by the loan, thereby profitability of the Group can be enhanced. The Company will seize every opportunities based on the market conditions and try to realize the value of assets and investments held by the Company at the best time possible. As at the Latest Practicable Date, save as disclosed, there is no concrete negotiation on any other asset disposal.

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 Right Disposal is in the interest of the Company and the Shareholders as a whole.

### **INFORMATION ABOUT THE GROUP AND SIBOLIAN**

#### **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.

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## LETTER FROM THE BOARD

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### **Sibolian**

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**

As the highest applicable percentage ratio(s) (as defined in Chapter 19 of the GEM Listing Rules) in respect of the Right Disposal exceed 25% but are less than 75%, the Right 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 Latest Practicable Date, none of the Shareholders or any of their respective associates have a material interest in the Right 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 Right Disposal.

### **3. EGM**

A notice convening the EGM is set out on pages 33 to 34 of this circular, ordinary resolutions will be proposed to approve the Right Disposal.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the EGM shall be voted by poll.

### **4. RECOMMENDATION**

The Directors considered that the approval of the Right Disposal at the EGM are in the best interest of the Company and the Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the EGM.

Yours faithfully,

For and on behalf of

**CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED**

**Xu Shengheng**

*Joint Chairman & Executive Director*

**(I) FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019 and the financial information for the six months ended 30 June 2020 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cgseenergy.com.hk>):

- annual report of the Company for the year ended 31 December 2017 published on 29 March 2018 (pages 40 to 130);
- annual report of the Company for the year ended 31 December 2018 published on 29 March 2019 (pages 42 to 158);
- annual report of the Company for the year ended 31 December 2019 published on 31 March 2020 (pages 43 to 152); and
- interim report of the Company for the six months ended 30 June 2020 published on 12 August 2020 (pages 7 to 45) .

**(II) STATEMENT OF INDEBTEDNESS****Borrowings – Secured**

As at 30 June 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had a secured and unguaranteed interest-bearing bank borrowings of approximately RMB5,500,000 which was secured by property. In addition, the Group had a secured and guaranteed interest-bearing bank borrowings of RMB400,000,000 of which guarantee was provided by CECEP and in turn our assets including certain investments and equity interests of an indirect wholly-owned subsidiary were pledged to CECEP as counter-guarantee.

**Capital Commitments**

As at 30 June 2020, the Group had capital commitments, which were contracted but not provided for, in respect of properties under development and investment in an associated company of approximately RMB9,710,000 and RMB4,000,000 respectively.

**Pledged Assets**

As at 30 June 2020, bank borrowings was secured by property with a carrying amount of approximately RMB8,140,000 and certain investments and equity interests with a total carrying amount of approximately RMB378,677,000.

**Contingent Liabilities**

As at 30 June 2020, the Group had no significant contingent liabilities arising in the ordinary course of business.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, at 30 June 2020, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities.

**(III) SUFFICIENCY OF WORKING CAPITAL**

The Directors, after due and careful consideration, 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 circular 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 Disposal.

**(IV) FINANCIAL AND TRADING PROSPECT OF THE GROUP**

The development and exploitation of geothermal energy with its characteristics of stable and renewable, by scientific utilization can reduce greenhouse gas emissions, effectively control smogs and improve the ecological environment and people's quality of life. Therefore, China has clearly planned to focus on the promotion of geothermal energy, as the clean energy, for its future industrial development, and continuously increase the proportion of geothermal energy in the energy structure. In the past decade, the direct utilization of geothermal energy has increased at a rate of 10% per year, showing huge potential in the market. President Xi Jinping also clearly emphasized that northern clean heating in winters related to the public how they get through the cold winter with warmth, therefore, this is an industry that is related to people's livelihood. This indicates that our nation will firmly pursue the direction of low-carbon energy in development, and will create a better living environment for us with cleaner energy.

At the beginning of 2020, due to the outbreak of novel coronavirus pneumonia and the epidemic has severely affected the overall economic activities, the Company's employees could not return to work normally after the Spring Festival holidays, and all sales staff could not travel freely, this has directly made an impact on the business of the Company. Therefore, we anticipate there will be impacts on the business in the first and second quarters. It is believed that 2020 will be a challenging year for enterprises. During the epidemic period, we have been on guard and prepared and initiated HYY 2020 quarterly "Double Assurance for the Epidemic". In the first quarter, we assure epidemic prevention and safety for the employees, and we assure operation of heating. In the second quarter, we assure epidemic prevention and safety for the employees, and we assure resumption of normal operation for businesses and vigorous development of alternative heating energy market. In the third quarter, we assure epidemic prevention and safety for the employees, and we assure operation of cooling in the summer and operation of businesses is normal. In the fourth quarter, we assure epidemic prevention and safety for the employees, and we assure completion of heating projects are on time to ensure normal operation of heating in the new heating season.



The Group will continue to adopt “safety first, standards as the core, lay a solid foundation, make all strategies practicable, do everything responsibly, work happily every day” as the code of conduct. In existing model of business divisions, professional companies and engineering center, we will continue to strengthen regional development and promotion with engineering center as the core to develop an integrated development model of construction, operation, and maintenance as a whole. Besides, system establishment and quantitative assessment measures shall be continuously enhanced to achieve goals and evaluations for every task through transparency to ensure fairness. Refined management around “full budget, assessment, and openness” shall continuously be carried out. Facing different regions, different objects and different needs, the Group will rely on the strategic cooperation of product production and agencies in different regions, and rely on partner channels and Internet channels to firmly develop the business divisions and the “three agents”. Classified management based on the business divisions and type of agency to establish a targeted market expansion mechanism which is of high efficiency, flat management, unified internal and external standards so as to exploring a development path with characteristics of Chinese geothermal energy company.

*The following is the text of a letter and property valuation report prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the Property Usage Right as at 31 May 2020.*



**Peak Vision  
Appraisals Limited**

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27 August 2020

The Board of Directors  
China Geothermal Industry Development Group Limited  
8<sup>th</sup> Floor  
Chung Hing Commercial Building  
62-63 Connaught Road Central  
Central  
Hong Kong

Dear Sirs,

**Re: Usage Rights of No.3 experimental building (also known as Block A3), portions of ancillary office building (also known as Block A6) and equipment room located at No. 80 Xingshikou Road, Haidian District, Beijing, the People's Republic of China**

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In accordance with the instruction from China Geothermal Industry Development Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for us to value the captioned property located in the People's Republic of China (the “**PRC**”), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of the usage rights of the property as at 31 May 2020 (the “**Valuation Date**”) for public documentation purpose.

This letter, forming part of our valuation report, identifies the property being valued, explains the basis and methodology of our valuation and lists out the assumptions and title investigations, which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation is our opinion of market value which is defined to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the usage rights of the property, which is held for investment by the Group, we have attributed no commercial value to the property as proper title certificates for the property had not been obtained as at the Valuation Date.

Our valuation of the usage rights of the property exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the usage rights of the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have been provided by the Group with copies of documents in relation to the title and the usage rights of the property located in the PRC. We have not examined the original documents to verify ownership and to ascertain the existence of any amendments which do not appear on the copies handed to us. In the course of our valuation, we have relied on the advice given by the Group and the legal opinions prepared by Beijing Mingda Law Firm, the Group's legal adviser on the PRC law (the "**PRC Legal Adviser**"), regarding the title and the usage rights of the property.

The property was previously inspected during December 2019 by Mr. Tony M. W. Cheng, a manager of our firm who has over 10 years of experience in the inspection of properties in Hong Kong and the PRC. We are unable to conduct physical re-inspections of the property since our previous site visit in December 2019 due to the outbreak of Coronavirus Disease (COVID-19). In our previous inspections, we inspected the exterior and, where possible, the interior of the property. As agreed with the Group, we have conducted our valuation on desktop basis and have confirmed with the Group that there have been no material changes to the physical attributes or the surrounding environment of the property or the nature of the interest being valued. We have also made reference to recent photos of the property provided by the Group. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the property but have assumed that the site and floor areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached property valuation report are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Group and the PRC Legal Adviser regarding the title and the usage rights of the property, we have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, site and floor areas and all other relevant materials regarding the usage rights of the property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view,

and we have no reason to suspect that any material information has been withheld. The management of the Company has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

In valuing the usage rights of the property, we have complied with all the requirements set out in Chapter 8 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, The HKIS Valuation Standards 2017 issued by the Hong Kong Institute of Surveyors, the International Valuation Standards (Effective 31 January 2020) published by the International Valuation Standards Council, where applicable, and under generally accepted valuation procedures and practices.

Peak Vision Appraisals Limited has previously been involved in the valuation of the property and Mr. Nick C. L. Kung has been the signatory to the valuation since 2012. The proportion of total fees payable by the Group during the preceding year relative to the total fee income of Peak Vision Appraisals Limited is minimal. For the subject valuation, Peak Vision Appraisals Limited does not yet adopt a rotation policy, and instead, our valuation will be periodically reviewed by another member of the Hong Kong Institute of Surveyors.

Our valuation has been prepared based on economic, market and other conditions as they existed on, and information made available to us as of the Valuation Date only. It has come to our attention that since the Valuation Date, the outbreak of Coronavirus Disease (COVID-19) has caused significant disruption to economic activities around the world. It is uncertain how long the disruption will last and to what extent it will affect the economy and it may cause volatility and uncertainty that the input parameters and assumptions adopted in our valuation may change significantly and unexpectedly over short period of time. It should therefore be noted that any market violation, policy, geopolitical and social changes or other circumstances after the Valuation Date may affect the value of the property after the Valuation Date.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

We hereby confirm that we have no material connection or involvement with the Group, the property or the value reported herein and that we are in a position to provide an objective and unbiased valuation.

Our property valuation report is enclosed herewith.

Yours faithfully,  
For and on behalf of  
**Peak Vision Appraisals Limited**  
**Nick C. L. Kung**

*MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer, MCIREA  
Director*

*Note:* Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in Hong Kong and the PRC.

## Property Valuation Report

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 May 2020
Usage Rights of No.3 experimental building (also known as Block A3), portions of ancillary office building (also known as Block A6) and equipment room located at No. 80 Xingshikou Road, Haidian District, Beijing, the PRC	<p>E-Park Cultural and Creative Industry Base (“<b>E-Park</b>”) is an industrial base, bounded by the southern and southwestern sides of Xingshikou Road near its junction with Jushan Road within Haidian District, Beijing.</p> <p>A portion of E-Park (the “<b>Development</b>”) comprises an industrial complex erected on an irregular-shaped site with a site area of approximately 51,819.704 sq.m. accommodating 6 blocks of 5-storey industrial/ancillary office buildings with basement (the “<b>Buildings</b>”). The total gross floor area of the Buildings is approximately 48,010.27 sq.m. (excluding 1,283.72 sq.m. for equipment room) (<i>See Note vi) below</i>)</p> <p>As advised by the Group, the property comprises the usage rights of the whole of No.3 experimental building (also known as Block A3) and various portions of ancillary office building (also known as Block A6) of the Buildings and a portion of equipment room of the Development with a total gross floor area of approximately 5,720.35 sq.m., all completed in about 2013. (<i>See Note i) below</i>)</p>	As at the Valuation Date, the property was subject to two tenancy agreements described in Notes vii) and viii) below.	No commercial value  <i>(See Note x) below)</i>

*Notes:*

- i) Details of the gross floor area breakdown of the property are listed as follows:

<b>Building</b>	<b>Approximate Gross Floor Area (sq.m.)</b>
No.3 experimental building (also known as Block A3)	2,688.83
Various portions of ancillary office building (also known as Block A6)	2,389.66
A portion of equipment room	641.86
<b>Total:</b>	<b><u>5,720.35</u></b>

- ii) Pursuant to the Construction Land Use Ratification Certificate No. Shi (Xian) 2008 Jing Guo Tu Hai Jian Zi Di 007 issued by the People's Government of Haidian District, Beijing dated 22 September 2008 and supplementary document issued by Beijing State-owned Land Resources Bureau, Haidian Branch dated 19 October 2010, the construction rights of the Development, having a site area of 51,819.704 sq.m., have been granted to Beijing Sibolian General Mechanical New Technology Company ("Sibolian") for a term expiring on 22 September 2011 for industrial use. The salient details of the Construction Land Use Ratification Certificate and the supplementary document are summarized as follows:

- (a) Location : No. 80 Xingshikou Road, Sijiqing Town, Haidian District
- (b) Site area : 51,819.704 sq.m.
- (c) Land ownership : Collective
- (d) Land use : Industrial

- iii) Pursuant to Rural Construction Planning Permit No. Xiang Zi Di 110108201100002 2011 Gui (Hai) Xiang Jian Zi 0002 issued by Beijing Planning Committee dated 25 January 2011, approval has been granted to Sibolian to develop 9 blocks of buildings within the Development with a total gross floor area of 43,515 sq.m. (including 9,860 sq.m. for basement). Details of the permit are summarized as follows:

Building	No. of storey	Approximate Gross Floor Area (sq.m.)
New product research workshop (including basement area of 8,500 sq.m.)	5 with 2-level basement	27,181
Ancillary office building (including basement area of 1,300 sq.m.) (also known as Block A6)	4 with 1-level basement	5,702
No. 1 experimental building	4	4,120
No. 2 experimental building	4	3,102
No. 3 experimental building (also known as Block A3)	4	2,084
No. 4 experimental building	4	1,165
Guard room	1	25
Transformer room	1	30
Pump room (including basement area of 60 sq.m.)	1 with 1-level basement	106
<b>Total:</b>		<b>43,515</b>

iv) Pursuant to the Construction Works Commencement Permit No. 2011 Shi Hai Jian Zi 0156 dated 16 September 2011, construction works of the Buildings with a total gross floor area of 43,515 sq.m. have been permitted.

v) Pursuant to the cooperation agreement and the supplementary agreement (together, the “**Agreements**”) entered into between Sibolian and Ever Source Science and Technology Development Group Co., Ltd (“**Ever Source**”), an indirect wholly owned subsidiary of the Company, dated 28 August 2011 and 6 March 2013 respectively, both parties agreed to jointly develop the Buildings with a total gross floor area of 43,515 sq.m. The salient details of the Agreements are summarized as follows:

- (a) Location : No. 80 Xingshikou Road, Haidian District
- (b) Gross floor area to be constructed : 43,515 sq.m.
- (c) The development site shall be contributed by Sibolian for development;
- (d) Construction cost for the Buildings shall be contributed by Ever Source;
- (e) According to the Agreements, Sibolian shall remain the holder of the ownership of the Buildings;
- (f) According to the Agreements, Sibolian and Ever Source shall each enjoys 50% of the usage rights of the Buildings.

vi) As advised by the Group and according to the Survey Report dated 10 May 2013 on surveying the gross floor areas of the Buildings, the total gross floor area of the Buildings is approximately 48,010.27 sq.m. Details of the total gross floor area breakdown are summarized as follows:

<b>Building</b>	<b>No. of storey</b>	<b>Approximate Gross Floor Area (sq.m.)</b>
New product research workshop (including basement area of 8,318.95 sq.m.)	5 with 2-level basement	27,534.39
Ancillary office building (including basement area of 1,325.61 sq.m.) (also known as Block A6)	5 with 1-level basement	7,038.63
No. 1 experimental building	5	5,276.33
No. 2 experimental building	5	3,950.83
No. 3 experimental building (also known as Block A3)	5	2,688.83
No. 4 experimental building	5	1,521.26
<b>Total:</b>		<b><u>48,010.27</u></b>
vii) Pursuant to the tenancy agreement entered into between Ever Source and Shenzhen Mingxin Aviation Technology Co., Ltd. dated 28 April 2017, No. 3 experimental building (also known as Block A3) of the property was subject to a tenancy for a term of 10 years from 1 September 2014 to 31 August 2024 yielding a total annual rental of RMB1,960,157.07 for year 1 (rent free from 1 September 2014 to 30 November 2014), RMB2,649,841.97 for years 2 to 3, RMB2,782,334.06 for years 4 to 6, RMB2,921,696.12 for years 7 to 9 and RMB3,067,928.14 for year 10.		
viii) Pursuant to the tenancy agreement and supplementary agreement entered into between the Ever Source and Baolan Property Services Co., Ltd. on 21 October 2011 and 22 November 2013 respectively, the ancillary office building (also known as Block A6) (excluding Level 4 and basement air defense area) of the property with a total gross floor area of approximately 4,643.64 sq.m. is leased to Baolan Property Services Co., Ltd. for terms of 20 years from 25 November 2013 to 24 November 2033 ( <i>See Note ix) below</i> ). Details of rental terms breakdown of the tenancy agreement and supplementary agreement are summarized as follows:		
<b>Lease term</b>		<b>Daily rental (per sq.m.)</b>
25 November 2013 to 24 November 2023 (rent free for 25 November 2013 to 24 March 2014)		1.50
25 November 2023 to 24 November 2026		1.80
25 November 2026 to 24 November 2029		1.89
25 November 2029 to 24 November 2032		1.98
25 November 2032 to 24 November 2033		2.08
ix) On 30 December 2016, Ever Source and Sibolian entered into the building use rights transfer agreement to transfer the usage rights of Levels 2 to 3 of the ancillary office building (also known as Block A6) with a total gross floor area of approximately 2,253.98 sq.m. to Sibolian. As such, the total gross floor area for the remaining portion of the usage rights of the ancillary office building (also known as Block A6) as held by Ever Source and leased to Baolan Property Services Co., Ltd. as at the Valuation Date amounted to approximately 2,389.66 sq.m.		



x) We understand that proper title certificates of the property had not been obtained as at the Valuation Date and as a result, we have attributed no commercial value to the property. However, we have been instructed by the Group to conduct valuation on the special assumptions that the state-owned land use rights of property had been granted to Ever Source with all requisite land premiums had been fully paid without any additional costs, if any, and proper title certificates had been obtained for the property as at the Valuation Date. Thus, based on the special assumptions as mentioned above and for reference purpose only, by adopting the Investment Method and taking into account the current rent(s) passing and the reversionary income potential of the property or, where appropriate, the Direct Comparison Method by making reference to comparable sale evidence as available in the relevant markets, we are of the opinion that the market value of the property as at the Valuation Date was in the sum of RMB67,400,000.

xi) In our valuation, we have adopted an average market rent of approximately RMB106 per sq.ft per month for the property. The reversionary yield of the property is about 8%.

We have made reference to the prevailing monthly rental transaction comparables in the vicinity as at the Valuation Date. The market rental comparables as at the Valuation Date were about RMB90 to RMB150 per sq.ft per month. The unit rate adopted by us is consistent with the said rental transaction references after due adjustments. Due adjustments to those rental transaction comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

xii) We have been provided with a legal opinion on the usage rights of the property by the PRC Legal Adviser, which contains, inter alia, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:

- a) The Agreements should be legal and valid;
- b) Sibolian has the rights to develop and construct the Buildings;
- c) Ever Source entitles 50% of the usage rights of the Buildings after the completion of the construction of the Buildings;
- d) The usage rights include the rights to lease out; and
- e) The usage rights entitled by Ever Source can be transferred to Sibolian upon mutual agreement by both parties.

**(I) RESPONSIBILITY STATEMENT**

This circular, 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 circular 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 circular misleading.

**(II) DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES**

As at the Latest Practicable Date, the interests and short positions held by the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

**(a) Long Positions in Shares and Underlying Shares**

Name of Directors	Nature of interest	Number of Shares	Number of underlying Shares pursuant to		Percentage of total issued Shares <sup>(1)</sup>
			share options	share awards	
Mr. Xu Shengheng	Beneficial owner	711,646,600	37,725,148	4,000,000	16.66%
	Interest of spouse	982,800			
Ms. Chan Wai Kay Katherine	Beneficial owner	58,290,400	43,788,119	4,000,000	2.65%
	Interest of spouse	14,103,600			
Mr. Wang Manquan	Beneficial owner	716,800	30,314,851	10,000,000	0.91%
Mr. Wang Michael Zhiyu <sup>(2)</sup>	Beneficial owner			2,000,000	5.57%
	Interest of spouse	250,000,000			
Ms. Liu Ening <sup>(2)</sup>	Beneficial owner	250,000,000			5.57%
	Interest of spouse			2,000,000	
Mr. Zhang Yiyang	Beneficial owner	504,000		2,000,000	5.58%
	Interest of Controlled Corporation <sup>(3)</sup>	250,000,000			
Mr. Jia Wenzeng	Beneficial owner		4,827,920	2,000,000	0.15%
Mr. Wu Desheng	Beneficial owner		3,143,762	2,000,000	0.11%
M. Wu Qiang	Beneficial owner			2,000,000	0.04%
M. Guo Qingui	Beneficial owner			2,000,000	0.04%
M. Guan Chenghua	Beneficial owner			2,000,000	0.04%

*Notes:*

- (1) The calculation is based on (i) the aggregate number of Shares and, if any, underlying Shares pursuant to share options and share awards; and (ii) the total number of 4,526,925,163 Shares in issue as at the Latest Practicable Date.
- (2) Mr. Wang Michael Zhiyu is the spouse of Ms. Liu Ening.
- (3) Universal Zone Limited, which is wholly owned by Mr. Zhang Yiying, holds 250,000,000 Shares.

**(b) Long Positions under Equity Derivatives***The Share Option Scheme*

On 28 July 2010, the Company, by a shareholders' resolution, conditionally adopted a new share option scheme (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 of directors was authorized, at its absolute discretion, to grant share options to eligible participants, including directors of the Company or any of its subsidiaries, as defined in accordance with the terms of the Share Option Scheme, to subscribe for shares in the Company under the terms of the Share Option Scheme. As at Latest Practicable Date, the following directors of the Company were interested in the following share options under the Share Option Scheme:

Name of Director	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options outstanding as at Latest Practicable Date
Mr. Xu Shengheng	9 September 2010	9 September 2010 to 8 September 2020	0.379	13,024,158
	8 December 2016	8 December 2016 to 31 December 2020	0.267	24,700,990
Ms. Chan Wai Kay Katherine	9 September 2010	9 September 2010 to 8 September 2020	0.379	19,087,129
	8 December 2016	8 December 2016 to 31 December 2020	0.267	24,700,990
Mr. Wang Manquan	9 September 2010	9 September 2011 to 8 September 2020	0.379	1,871,288
		9 September 2012 to 8 September 2020	0.379	1,871,288
		9 September 2013 to 8 December 2016	0.379	1,871,285
	8 December 2016	8 December 2016 to 31 December 2020	0.267	24,700,990

Name of Director	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options outstanding as at Latest Practicable Date
Mr. Jia Wenzeng	9 September 2010	9 September 2010 to 8 September 2020	0.379	1,684,158
	8 December 2016	8 December 2016 to 31 December 2020	0.267	3,143,762
Mr. Wu Desheng	8 December 2016	8 December 2016 to 31 December 2020	0.267	3,143,762

Save as disclosed above, as at Latest Practicable Date, none of the directors and chief executive of the Company or their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short position which they were taken or deemed to have taken under such provisions of the SFO), or which were required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

### **(III) DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP**

A lease agreement dated 30 March 2020 was entered into between China Ground Source Energy (Hong Kong) Limited, a wholly owned subsidiary of the Company, as tenant, and Beijing Elite Investments Limited, as landlord, a company held as to 50% equity interests by Ms. Chan Wai Kay, Katherine, Deputy Chairman and an executive Director of the Company, for a lease of office at 8/F., Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong for a term of two years commencing from 1 April 2020 at a monthly rental rate of HK\$65,000.

Save as disclosed, as at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant in relation to the business of the Group.

**(IV) DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts, excluding contract expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation), between any of the Directors of the Company and any member of the Group.

**(V) COMPETITION AND CONFLICT OF INTERESTS**

As at the Latest Practicable Date, none of the Directors, substantial Shareholders or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

**(VI) INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS' INTEREST**

So far as is known to the Directors, as at Latest Practicable Date, persons (other than directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

**Long Positions in Shares and Underlying Shares**

Name	Nature of interest	Number of Shares	Number of underlying Shares pursuant to		Percentage of total issued Shares <sup>(1)</sup>
			share options	share awards	
CECEP (HK) <sup>(2)</sup>	Beneficial interest	1,190,000,000			26.29%
CECEP <sup>(2)</sup>	Interest of controlled corporation	1,190,000,000			26.29%
Ms. Luk Hoi Man	Beneficial interest	982,800			16.66%
	Interest of spouse	711,646,600	37,725,148	4,000,000	
Universal Zone Limited	Beneficial owner	250,000,000			5.52%

Notes:

- (1) The calculation is based on (i) the aggregate number of Shares and, if any, underlying Shares pursuant to share options and share awards and (ii) the total number of 4,526,925,163 Shares in issue as at the Latest Practicable Date.
- (2) CECEP (HK), a wholly-owned subsidiary of CECEP, holds 1,190,000,000 Shares.

Save as disclosed above, as at Latest Practicable Date, the Directors 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 and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(VII) MATERIAL ADVERSE CHANGE**

Save as disclosed in this circular, up to and including the Latest Practicable Date, the Directors have not been aware of any material adverse change in the financial or trading position of Group since 31 December 2019, being the date to which the latest published audited financial statements of Group were made up to.

**(VIII) MATERIAL LITIGATION**

As at the Latest Practicable Date, none of the members of the Group was engaged in any material litigations or claims and no litigations or claims of material importance were pending or threatened by or against any member of the Group.

**(IX) QUALIFICATION AND CONSENT OF EXPERT**

<b>Name</b>	<b>Qualification</b>
Peak Vision Appraisals Limited	Professional valuer

- (i) The above expert had no shareholding, directly or indirectly, in the Company or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any member of the Group as at the Latest Practicable Date;
- (ii) As at the Latest Practicable Date, the above expert has given and has not withdrawn their written consent to the issue of this circular with the inclusion therein of their report and reference to their names in the form and context which they are included; and
- (iii) As at the Latest Practicable Date, the above expert had no direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to the Company or any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2019, the date to which latest published audited financial statements of the Group were made up.

**(X) MATERIAL CONTRACTS**

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which are or may be material:

- (a) The Sale and Purchase Framework Agreement dated 26 June 2018 entered into between Ever Source Science and Technology Development Group Co., Ltd. (恒有源科技發展集團有限公司) (“**HYY**”), a wholly-owned subsidiary of the Company, and Sichuan Changhong Air Conditioning Co., Ltd. (四川長虹空調有限公司) (“**Sichuan Changhong**”), pursuant to which, HYY and its associates intended to provide installation engineering services for air-conditioning home appliance products to Sichuan Changhong and its associates, and Sichuan Changhong and its associates intended to sell air-conditioning home appliance products to HYY and its associates, for a term commencing from the 26 June 2018 to 31 December 2020. Details of which were set out in the announcement of the Company dated 26 June 2018;
- (b) The SP Framework Agreement dated 24 May 2019 entered into between the Company and CECEP, pursuant to which, CECEP and its subsidiaries conditionally agreed to purchase, and the Company and its subsidiaries conditionally agreed to provide, the products and the services for the period from the 16 September 2019 to 31 December 2021. Details of which were set out in the announcement of the Company dated 24 May 2019;
- (c) The Guarantee Service Agreement dated 16 December 2019 entered into between HYY and CECEP, pursuant to which, in consideration of HYY’s provision of the guarantee fee, CECEP agreed to provide the guarantee service to HYY. Details of which were set out in the announcement of the Company dated 16 December 2019;
- (d) The Counter Guarantee Agreement dated 16 December 2019 entered into by HYY in favour of CECEP against all amounts which may be incurred by CECEP under the guarantee to be provided by CECEP in favour of a bank for a facility obtained by HYY. Details of which were set out in the announcement of the Company dated 16 December 2019;
- (e) The Equity Transfer Agreement dated 15 May 2020 entered into between HYY Investment Management Co., Ltd. (“**HYY Investment**”), an indirectly wholly owned subsidiary of the Company, and Hangzhou Yunqi Town Development Co., Ltd.\* (杭州雲棲小鎮開發有限公司) (“**Hangzhou Yunqi**”), pursuant to which, HYY Investment has conditionally agreed to sell, and Hangzhou Yunqi has conditionally agreed to purchase, the 100% equity interests of Goodway (Hangzhou) Biotechnology Ltd.\* (嘉德威(杭州)生物科技有限公司), an indirectly wholly owned subsidiary of the Company, at the consideration of RMB143,992,700. Details of which were set out in the announcement of the Company dated 15 May 2020; and
- (f) The Property Usage Right Transfer Agreement.

**(XI) GENERAL**

- (a) The registered office of the Company is at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.
- (b) The principal place of business in Hong Kong of the Company is at 8/F., Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong.
- (c) The compliance officer of the Company is Mr. Xu Shengheng, who is also an executive Director and the joint chairman of the Board.
- (d) The secretary of the Company is Ms. Wong Lai Yuk, an associate member of The Hong Kong Institute of Chartered Secretaries.
- (e) The Company's principal share registrar and transfer office in the Cayman Islands is Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.
- (f) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (g) 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 five independent non-executive directors of the Company, namely Mr. Jia Wenzeng (the chairman of the audit committee), Mr. Wu Desheng, Mr. Wu Qiang, Mr. Guo Qingui and Mr. Guan Chenghua.

**Mr. Jia Wenzeng** (“**Mr. Jia**”), aged 76, has been appointed as an independent non-executive Director of the Company since 25 March 2009. Mr. Jia is also the chairman of audit committee and members of nomination committee and remuneration committee. Mr. Jia had 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**”), aged 80, has been appointed as an independent non-executive Director of the Company since 21 March 2012. Mr. Wu is also the chairman of remuneration committee and members of nomination committee and audit committee. Mr. Wu 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, honorary 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 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 Beijing Institute of Architectural Design and Research Co., Ltd. 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**”), aged 60, has been appointed as an independent non-executive Director of the Company since 29 December 2016. Mr. Wu is also the members of remuneration committee, nomination committee and audit committee. Mr. Wu 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 the deputy chairman of International Mine Water Association (IMWA), the president of national committee of IMWA China and one of the associate editor of Mine Water and the Environment, the SCI-indexed journal. He also serves as a member of China Association for Science and Technology, a member of Commission of Technology under Former 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 three Second Class Awards of National Science and Technology Progress Award, 10 first class awards of provincial award, while nearly 50 invention patents were granted by the United States, 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. 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**”), aged 47, has been appointed as an independent non-executive Director of the Company since 29 December 2016. Mr. Guo is also the members of remuneration committee, nomination committee and audit committee. Mr. Guo 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), King & Wood Mallesons in Beijing and Zhongxin Law Firm in Beijing. He currently serves as a partner and a lawyer of Beijing

DeHeng Law offices. Mr. Guo has been appointed as an independent director of ChifengJilong Gold Mining Co., Ltd., an A-share listed company in China with stock code: 600988, from November 2018.

**Mr. Guan Chenghua** (“**Mr. Guan**”), aged 51, has been appointed as an independent non-executive Director of the Company since 28 March 2020. Mr. Guo is also the members of remuneration committee, nomination committee and audit committee. Mr. Guan graduated from Law School of Peking University in 2005 with a doctoral degree in law and holds an EMBA degree from Cheung Kong Graduate School of Business. He is currently the Dean, professor and doctoral supervisor of The Institute of Economics and Resource Management of Beijing Normal University. He had served as teaching assistant, lecturer, associate professor and Associate Dean of School of Marxism of Peking University, senior visiting scholar at Kennedy School and Law School of Harvard University, the Dean of Innovation and Entrepreneurship College of Xihua University, secretary of Beijing Changping District Committee of the Communist Party of China, and secretary of The Communist Youth League Beijing Municipal Committee. Mr. Guan is also currently the deputy director of The University Council of Beijing Normal University, the president of Capital Institute of Science and Technology Development Strategy, the director of United Nations Industrial Development Organization (UNIDO) Green Industry Platform (GIP) China Chapter, a committee member of Beijing Municipal Government Expert Advisory Board, the Dean of China Institute of Innovation and Development (CIID), Beijing Normal University, an independent director of Beijing Life Insurance Co., Ltd. etc. Mr. Guan has long been engaged in teaching and research at high-level universities, and has extensive local government work experience. He has also published a number of monographs covering different topics such as education and talent training, city innovation, green economy and development.

- (h) in the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

## **(XII) DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 8/F., Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong during normal business hours up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2017, 2018 and 2019 respectively and the interim report of the Company for the six months ended 30 June 2020;
- (c) the contracts referred to in the paragraph headed “Material contracts” in this Appendix;
- (d) the valuation report of Property Usage Right prepared by Peak Vision Appraisals Limited, the text of which is set out in Appendix II of this circular;

- (e) the written consent referred to in the section headed “Qualifications and Consents of Experts” in this Appendix;
- (f) the circular of the Company dated 21 February 2020 in relation to the connected transactions;  
and
- (g) this circular.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**Extraordinary General Meeting**”) of China Geothermal Industry Development Group Limited (the “**Company**”) will be held on Thursday, 24 September 2020 at 11:00 a.m. at 8/F., Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong for the following purposes:

### ORDINARY RESOLUTIONS

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

**“THAT:**

- (a) the entering into of the property usage right transfer agreement dated 29 March 2020 (the “**Property Usage Right Transfer Agreement**”), a copy of which has been produced to the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder and the implementation thereof be and are hereby confirmed, approved, authorised and ratified; and
- (b) any director of the Company be and is hereby authorised for and on behalf of the Company to sign and execute all such other documents, instruments and agreements and to do all such acts or things and to take all such steps as the director in his/her sole opinion and absolute discretion may consider necessary, appropriate, desirable or expedient to give effect to the Property Usage Right Transfer Agreement and the transactions contemplated thereunder.”

By order of the Board

**China Geothermal Industry Development Group Limited**

**Xu Shengheng**

*Joint Chairman & Executive Director*

Hong Kong, 27 August 2020

\* *For identification purposes only*

*As at the date hereof, the Board of Directors of the Company comprises Mr. Xu Shengheng, Ms. Wang Yan, Ms. Chan Wai Kay, Katherine, Mr. Wang Manquan, Ms. Hao Xia and Mr. Daiqi as executive Directors, Mr. Yang Wei, Mr. Zhang Yiyang 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 Mr. Guan Chenghua as independent non-executive Directors.*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more proxies to attend and, in the event of a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for the holding of the Extraordinary General Meeting or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Extraordinary General Meeting and in such event, the form of proxy shall be deemed to be revoked.
4. The register of members of the Company will be closed from Monday, 21 September 2020 to Thursday, 24 September 2020, both days inclusive, during which period no transfer of shares of the Company can be registered. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 18 September 2020.