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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF 100% EQUITY INTEREST IN TARGET COMPANY

THE DISPOSAL

The Board is pleased to announce that on 26 March 2021 (after trading hours), Xinyi Gaoxin as purchaser and HYY (a wholly owned subsidiary of the Company) as vendor entered into the Equity Transfer Agreement, pursuant to which, HYY has agreed to sell, and Xinyi Gaoxin has agreed to purchase, the Target Company Interest at the consideration of RMB25,830,800.

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 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company which shall be subject to the reporting and announcement but exempt from shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

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THE EQUITY TRANSFER AGREEMENT

Date

26 March 2021

Parties

- (1) HYY (as vendor)
- (2) Xinyi Gaoxin (as purchaser)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Xinyi Gaoxin is a state-owned enterprise under the supervision of the People's Government of Xinyi City. Therefore, Xinyi Gaoxin 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, a wholly owned subsidiary of the Company, shall sell, and Xinyi Gaoxin shall purchase, the Target Company Interest and the Land held by Target Company at the Consideration.

Consideration and its basis

The Consideration is RMB 25,830,800. The Consideration was determined after arm's length negotiations between the parties with consideration to, among others, (i) the unaudited net asset value of the Target Company as at 28 February 2021 of approximately RMB24,420,000; (ii) the Company has no plans to develop the Land, but the government has issued the "Idle Land Identification Letter" and the "Idle Land Status Notification"; (iii) the Disposal can secure the best interests of the Company.

Payment of Consideration

The purchaser shall pay the Consideration to the vendor as follows:

- (i) Within 3 days from the effective date of the Agreement (i.e. the date of the Agreement), the purchaser shall pay RMB18,081,600 to the vendor (the "**First Instalment**").
- (ii) Within 3 days from the Completion Date or within 15 days from the effective date of the Agreement (whichever is earlier), the purchaser shall pay RMB7,749,200 to the vendor. However, if the payment made by the purchaser is delayed due to the vendor's failure to perform its obligations as stipulated in the Agreement, the payment by the purchaser can be postponed correspondingly.

Other Major Terms

Within 10 days after the vendor receives the First Instalment from the purchaser, the vendor shall complete the settlement of other receivables and other payables of the Target company (“Financial Matters”) which amounted to RMB20,186,573.99 and RMB8,528,468.71 respectively (these other receivables and other payables are mainly the inter-company balances within the Group and tax payable, the details of which are listed in the appendix of the Agreement).

At the time of signing the Agreement, there’s an amount of RMB1,584,200 (the “Refunded Amount”) shall be refunded by the Xiyi High-tech Zone Management Committee (the “Management Committee”) to the Target Company, which has yet to refund. The purchaser agreed to be responsible for coordinating the Management Committee to refund the full Refunded Amount to the Target Company within 3 days from the effective date of the Agreement. If the Management Committee fails to return the amount as scheduled, the purchaser agrees to pay the Target Company the Refunded Amount within 5 days from the effective date of the Agreement.

Both parties agreed that upon completion of the Financial Matters and receipt of the Refunded Amount, both parties will cooperate to process the industrial and commercial registration procedure for the change of equity of the Target Company and shall complete it within 15 days from the effective date of the Agreement. The date of change of the industrial and commercial registration for the purchaser as registered shareholder of the Target Company will be regarded as the completion date (the “Completion Date”).

The vendor agreed to transfer to the Purchaser all the assets, licenses and certificates information and management rights of the Target Company within 3 days from the Completion Date.

Both parties agreed that all the creditor rights and debts of the Target Company shall be borne by the vendor before the date of change of equity registration of the industrial and commercial.

Breach of the Agreement

If the purchaser fails to pay the Consideration and the Refunded Amount (if applicable) as agreed, they shall pay the vendor the sum of 0.05% of the defaulted amount per each day’s delay as penalty for the breach.

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.

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 31	
December	
2019	2018
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

Revenue	0	0
Loss before tax	(1,305)	(776)
Loss after tax	(1,069)	(790)

INFORMATION ABOUT LAND HELD BY THE TARGET COMPANY

The Land held by the Target Company is located at western side of Minjiang Road, northern side of Taishan Road, Wuxi-Xinyi Industrial Park, the PRC with a site area of approximately 421.1 Mu. 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 28 February 2021, the net assets value of the Target Company was approximately HK\$29,262,000 (equivalent to RMB24,420,000). It is estimated that the Group will realise an unaudited gain from the Disposal of approximately HK\$1,678,000 (without deduction of expenses and tax related to the Disposal). The proceeds from the Disposal will be used for possible future new investment opportunities.

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 Land held by the Target Company was acquired by the Target Company from the local government in phases during the years between 2014 and 2017. The Group originally planned to invest in the construction of an integrated heating and cooling with geothermal energy industrial park on the Land. However, due to the development of surrounding area of the Land has been slower than expected and the impact of the pandemic, the Land has not been developed or constructed. In early February 2021, the Target Company received the “Idle Land Identification Letter” and the “Idle Land Status Notification” issued by the Xinyi Natural Resources and Planning Bureau which basically stated that the Land held by the Target Company was identified as idle land and will be dealt with in accordance with the “Management of Idle Land”. After negotiation with the local government, the relevant company intends to purchase all the equity interests of the Target Company, including the

Land, held by the Group. Since the Target Company has no development plan for the Land for the time being and the Land cannot remain idle, therefore, the Group is willing to sell all the equity interests of the Target Company, including the Land, to the relevant company in order to protect the best interests of the Group.

Having considered by the Directors that (i) the Disposal is profitable; (ii) it may damage the Target Company's interest in the Land if the government takes action to recover the Land; (iii) the Disposal will not have any negative impacts on the operation of the Group; (iv) The proceeds from the Disposal can supplement the cash flow 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.

Xinyi Gaoxin

Xinyi Gaoxin is a limited liability company registered in PRC and is mainly engaged in the different kind of engineering construction activities, general contracting of housing construction and municipal infrastructure projects (projects subject to approval in accordance with the law, business activities as approved by relevant departments, and specific business projects are subject to the approval results), land remediation services, non-residential real estate leasing, corporate headquarters management, municipal facilities management, urban greening management, urban and rural appearance management, commercial complex management services, project planning and public relations services, park management services, housing leasing, landscaping engineering construction, engineering construction, general cargo storage services (excluding hazardous chemicals and other items that require approval), bidding agency services, sales of building materials, domestic cargo transportation agency, sewage treatment and recycling, etc.

GEM LISTING RULES IMPLICATIONS

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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 RMB25,830,800 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 to Xinyi Gaoxin pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement” or the “Agreement”	the equity transfer agreement dated 26 March 2021 for the sale and purchase of the Target Company Interest between HYY and Xinyi Gaoxin
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“HYY”	Ever Source Science and Technology Development Group Co., Ltd.* (恒有源科技發展集團有限公司), 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”	HYY Science and Technology Development Group Xinyi Co., Ltd.* (恒有源科技發展集團新沂有限公司), a limited liability company registered in PRC
“Target Company Interest”	100% equity interests of the Target Company
“Xinyi Gaoxin”	Xinyi Gaoxin Construction Development Group Co., Ltd. (新沂高新建發展集團有限公司), a limited liability company registered in PRC
“%”	per cent

By Order of the Board of
China Geothermal Industry Development Group Limited
Xu Shengheng
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine, Ms. Wang Yan, Mr. Wang Manquan, Ms. Hao Xia and Mr. Dai Qi as executive Directors, Mr. Yang Wei, Mr. Zhang Yiyi and Ms. Liu Ening 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*