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**中國地能有限公司**  
**CHINA GROUND SOURCE ENERGY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8128)**

**FURTHER INFORMATION IN RELATION TO  
A VERY SUBSTANTIAL ACQUISITION  
AND  
DISCLOSEABLE TRANSACTION IN RELATION TO SIGNING OF  
A COOPERATION FRAMEWORK AGREEMENT**

Reference is made to the announcement of China Ground Source Energy Limited (the “Company”) dated 27 December 2012 in relation to the successful bidding for a piece of land (the “Land”) situated at Xiao Yao Bay of Jin Zhou Xin Qu in Dalian City (大連市金州新區小窯灣) in China at the consideration of RMB954,000,000 (the “Acquisition”). The total area of the Land is 284,345 square meters which is divided into six plots.

After negotiation with the Government and the Management Committee of Jinzhou New Area (金州新區政府及管理委員會), the Company intends to construct a China Energy-saving Buildings•Geothermal Energy for Heating (Cooling) Demonstration Zone on the Land. The main constructions on the Land include five-star hotels, famous shopping malls, energy saving and environmental protection showrooms and scientific research centers, multi-source distributed energy station, apartment and residential buildings etc. All buildings will be built at the national three-star green building standards.

The board of directors (the “Board”) of the Company is pleased to announce that on 21 February 2013, a strategic co-operation framework agreement (the “Cooperation Framework Agreement”) was entered into between the Company and Accord Sunny Investments Limited (和熙投資有限公司) pursuant to which preliminary cooperation framework in relation to the acquisition of the Land and the investment of the construction has been agreed.

**COOPERATION FRAMEWORK AGREEMENT**

**Date:** 21 February 2013

**Parties:** (1) China Ground Source Energy Limited  
(2) Accord Sunny Investments Limited (“Accord Sunny”)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Accord Sunny and its ultimate beneficial owners are third party independent of the Company and its connected persons (as defined in the GEM Listing Rules).

### **Major terms of the Cooperation Framework Agreement**

- 1) The consideration for acquisition of the Land shall be paid by Accord Sunny or its wholly-owned subsidiary.
- 2) The Company is committed to invest not less than HK\$120 million (the "Investment") and the investment period is three years. The Company will be entitled to a fixed annual return of 10% on its total investment in the form of cash which will be paid by Accord Sunny or its project company before January 31 of each year for the previous year's fixed investment return. Within 10 days upon the expiry date of the Investment, Accord Sunny or its project company will pay the Company the aggregate principal amount of the Investment and the outstanding investment income by one installment. Definitive agreement will be agreed and signed by both parties for the details of the Investment.
- 3) Accord Sunny has agreed to charge in favour of the Company part of the shares of the offshore holding company of the project company as security before the Company recovers all of its investment amount and the investment income. Both parties will agree and sign separate pledge agreement with detailed terms stipulated therein.
- 4) In addition to receiving the fixed investment return, the Company will oversee the implementation of the construction of the demonstration zone by using the ground source energy as alternative energy for heating/cooling. However, the Company will not participate in the construction and management of real estate projects in the demonstration zone. Accord Sunny will be responsible for raising the funds required for investment in the land development and construction, the Company will not bear or pay any costs.
- 5) Accord Sunny or project company will be fully responsible for the development, construction, sales and operations of the real estates on the Land according to the land planning requirements including but not limited to, project planning, design, construction, sales and operations etc.
- 6) Both parties agreed that the Company will be the sole supplier of the energy for heating/cooling for all buildings in the demonstration zone, including but not limited to the investment, construction, operation, maintenance and income of the relevant facilities by using ground source energy for heating/cooling. All property rights of equipment and facilities for provision of heating and cooling shall be owned by the Company.
- 7) Both parties agreed that the rights entitled from the preferential policies and subsidies in relation to the utilization of ground source energy shall be entitled by the Company whereas the rights entitled from the preferential policies and subsidies in relation to the building and construction shall be entitled by Accord Sunny.

## **REASONS AND BENEFIT FOR ENTERING INTO THE COOPERATION FRAMEWORK AGREEMENT**

In view of the fact that the amount of investment for the acquisition of the Land and the construction thereon will be huge, the Company introduces Accord Sunny which will be responsible for the consideration for acquisition of the Land and the investment for the future development and construction of the Land, thereby reducing the funding pressure on the Company and avoiding for any fund-raising activities by the Company for the funds required. After arm's length negotiations between the Company and Accord Sunny and having considered the financial resources of the Company, the size of the land development project and the return of income, the Company committed to invest not less than HK\$120 million for the purpose of earning a fixed investment income of 10% per annum in the form of cash which will bring a fixed income for the Company in future. On the other hand, the Company will be the sole supplier of the energy for heating/cooling for all buildings in the demonstration zone and it will enhance the future revenue for the Company. Upon completion of the demonstration zone, it will further promote the utilization of ground source energy as alternative energy for heating/cooling. The directors of the Company considered that the cooperation is in the interests of the Company and its Shareholders as a whole.

## **FUNDS FOR THE INVESTMENT**

The funds required for the Investment shall be satisfied by the internal resource of the Group.

## **INFORMATION ABOUT THE COMPANY AND ACCORD SUNNY**

The Company is principally engaged in environmental protection and new energy business with marketing modality of pursuing integrated services including investment, system installation and operation in promoting the ground source energy as alternative energy for heating/cooling.

Accord Sunny is a company registered in the British Virgin Islands and is mainly engaged in the businesses of investment and management consulting.

## **GEM LISTING RULES IMPLICATION**

Pursuant to the transaction contemplated under the Cooperation Framework Agreement and based on the initial commitments of the investment amount of not less than HK\$120 million, the relevant percentage ratio for the Investment exceeds 5% but is less than 25%. In accordance with Chapter 19 of the GEM Listing Rules, it constituted a discloseable transaction for the Company. The investment with specific amounts and specific terms shall be subject to further negotiations between the parties.

## **OTHER INFORMATION**

The Company has received a confirmation in relation to the tender from the Bureau of Land Resource and Housing of Jin Zhou Xin Qu of Dalian City (大連市國土資源和房屋局金州新區).

In relation to the very substantial acquisition as announced by the Company on 27 December 2012, the Company is in the process of arranging the Government and the Management Committee of Jinzhou New Area to have the formal sale and purchase agreement for the acquisition of the Land to be signed by the project company of Accord Sunny as the purchaser in substitution of the Company. If materialised, the aforesaid very substantial acquisition will no longer be applicable.

Any further progress of the acquisition of land and the Investment, the Company will make further announcement in accordance with the requirements of the GEM Listing Rules as and when necessary.

**The shareholders of the Company and potential investors should note that formal agreement for the Land acquisition and the Investment with specific terms and conditions are still under negotiations between the parties. Formal agreement may or may not be entered into. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board of  
**China Ground Source Energy Limited**  
**Zheng Qiyu**  
*Chairman*

Hong Kong, 21 February 2013

*As at the date of this announcement, the Board comprises Mr. Zheng Qiyu, Ms. Chan Wai Kay, Katherine and Mr. Xu Shengheng as executive Directors, Ms. Wu Xiaohua, Ms. Xu Genhong and Mr. Zang Yiran as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Hu Zhaoguang 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 Growth Enterprise Market 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](http://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](http://www.cgsenergy.com.hk).*