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中國地能產業集團有限公司

CHINA GROUND SOURCE ENERGY INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

DISCLOSEABLE TRANSACTION INVESTMENT IN LIMITED PARTNERSHIP

The Board is pleased to announce that on 19 November 2014, the Partnership Agreement was entered into between HYY and Beiguotou. Pursuant to the Partnership Agreement, HYY and Beiguotou agreed to set up the Limited Partnership in Shanghai of PRC. HYY (as the limited partner) will contribute RMB100,000,000 (equivalent to approximately HK\$126,700,000) payable in cash and Beiguotou (as the general partner) will contribute RMB100,000 (equivalent to approximately HK\$126,700) payable in cash.

As the relevant percentage ratios (as defined under the GEM Listing Rules) exceed 5% but are less than 25%, the Partnership Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

THE INVESTMENT

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The Company intends to fund the Investment by internal resources of the Group.

MAJOR TERMS OF THE PARTNERSHIP AGREEMENT

Date: 19 November 2014

Parties: (1) HYY, as limited partner

(2) Beiguotou, as general partner

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

Contribution Time:	Each partner shall make their full capital contribution to the designated account of the Limited Partnership within 5 days from the effective date of the Partnership Agreement.
Term:	The term of the Limited Partnership will be one year from the date of the establishment of the Limited Partnership. Upon the term expired, the limited partner can agree to extend the term for further one year. During the extended period, the relevant rights and obligations shall be executed in accordance with that of the Partnership Agreement. The date of the contribution made by the limited partner to the designated account of the Limited Partnership shall be regarded as the date of establishment of the Limited Partnership. After the three months of the establishment of the Limited Partnership, limited partner has the option to withdraw all or part of their Investment. After the expiry of the term and the extended period, further extension of the term shall be agreed by all partners and new agreement shall be made by both parties.
Management of the Limited Partnership:	The management, investment, operation and policy of the Limited Partnership shall be vested exclusively to the general partner.
Management fee:	An annual management fee of 0.5% of the capital contribution by the limited partner shall be paid to the general partner by the Limited Partnership.
Distribution:	The Limited Partnership shall distribute the income to the limited partner at an amount equal to an annualized rate of return of 12.5% on the contribution of the limited partner. After making the above distribution, any remaining income shall be distributed to the general partner.
Share of loss:	The loss of the Limited Partnership shall be shared by all the partners in proportion to their capital contributions. When the loss exceeds the total contribution of all partners, limited partner shall not assume losses exceeding their capital contribution, whereas the general partner shall bear losses exceeding their capital contribution and shall be liable to the unlimited joint liability.

Restriction on transfer of interest: The limited partner may transfer its interest in the Limited Partnership. However, if the transfer is made to a party other than the partner(s) of the Limited Partnership, a notice shall be given to the other partner(s) in advance, and the other partner(s) has a right of first refusal.

The general partner shall not transfer of its interest in the Limited Partnership without consent of all partners.

REASONS FOR AND BENEFITS OF THE INVESTMENT

The Group is principally engaged in the research, development and promotion of shallow ground source energy as 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 ground source energy.

Beiguotou is a private equity investment fund under Beijing International Trust Co., Ltd. focusing on equity investment and financing and assets management, among of which, they are now actively organizing several equity investment and financing projects for the industrial parks.

The Investment made primarily aim to improve the Group's capital efficiency and to maximize the value of the fund assets through the professional management and use of fund assets by the general partner. At the same time, the projects promoted by the general partner, especially for equity investment and financing projects of the industrial park and its construction, will benefit the Group in the promotion of the shallow ground source energy system which, we believe, will bring the business opportunity for the Group in the promotion of shallow ground source energy as alternative energy to provide heating for buildings. Hence, the Directors believe that the Investment will be beneficial to the Company in the promotion of its business and provide the Group with a stable return.

The Directors believe that the terms of the Partnership Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable, and the Investment is in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the relevant percentage ratios (as defined under the GEM Listing Rules) exceed 5% but are less than 25%, the Partnership Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Beiguotou”	Beiguotou (Shanghai) Equity Investment Fund Management Co., Ltd.* (北國投(上海)股權投資基金管理有限公司)
“Board”	the board of Directors
“Company”	China Ground Source Energy Industry Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the GEM
“Directors”	The directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HYY”	Ever Source Science and Technology Development Group Ltd.* (恒有源科技發展集團有限公司), a subsidiary indirectly-owned by the Company as to its 94.58% equity interests
“Independent Third Party”	a third party independent of the Company and its connected persons (as defined under the GEM Listing Rules)
“Investment”	the investment in the Limited Partnership by HYY
“Limited Partnership”	Shanghai Zhantian Investment Management Center (Limited Partnership)* (上海展天投資管理中心(有限合伙)), a limited partnership established and registered in Shanghai, PRC
“Partnership Agreement”	the limited partnership agreement dated 19 November 2014 and entered into between HYY and Beiguotou
“PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 19 November 2014

As at the date of this announcement, the Board comprises Mr. Zheng Qiyu, Ms. Chan Wai Kay, Katherine, Mr. Xu Shengheng and Mr. Zang Yiran as executive Directors, Mr. Zhao Youmin and Mr. Daiqi as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Zhang Honghai 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 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.