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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)

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO THE DISPOSAL OF APPROXIMATELY 4.99965%
OF EQUITY INTERESTS IN BEIJING LIFE INSURANCE CO., LTD.**

THE DISPOSAL

On 13 November 2020 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sales Shares, representing approximately 4.99965% of equity interests in the Target Company at the Consideration of RMB237,000,000 (equivalent to approximately HK\$277,290,000) subject to the terms of the Equity Transfer Agreement. Upon completion of the Disposal, the Group shall cease to have any interest in the Target Company.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio(s) in respect of the Disposal under the Equity Transfer Agreement exceed 75%, the Disposal constitutes a very substantial disposal of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

THE DISPOSAL

On 13 November 2020 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Sales Shares, representing approximately 4.99965% of equity interests in the Target Company at the Consideration of RMB237,000,000 (equivalent to approximately HK\$277,290,000) subject to the terms of the Equity Transfer Agreement.

EQUITY TRANSFER AGREEMENT

Date: 13 November 2020

Parties: (1) Ever Source Investment, as vendor;
(2) Beijing Rungu, as purchaser.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Beijing Rungu and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the Equity Transfer Agreement, the Vendor has agreed to transfer the Sales Shares to the Purchaser or any third party assigned by the Purchaser (the “**Transferee**”) at the Consideration, and the Purchaser has agreed to acquire the Sales Shares in the name of the Purchaser or any third party assigned by the Purchaser at the Consideration. Both parties have agreed that the Purchaser has the right to assign any third party as the Transferee of the Sales Shares (the “**Assignment Right**”), provided that a written notice shall be given to the Vendor within 20 days after the date of signing the Equity Transfer Agreement and before the payment of the First Instalment and the three parties shall enter into a supplemental agreement to confirm that the third party assigned by the Purchaser shall be the Transferee of the Sales Shares. If the Vendor has not received the aforesaid written notice from the Purchaser within 20 days after the date of signing the Equity Transfer Agreement, the Purchaser shall be deemed to be the Transferee of the Sales Shares pursuant to the Equity Transfer Agreement.

If the Company shall enter into any supplemental agreement with respect to the Equity Transfer Agreement, further announcements will be made in accordance with relevant requirements as and when appropriate.

ASSETS TO BE DISPOSED OF

The Vendor holds 4.99965% equity interests in the Target Company, namely the registered capital of the Target Company of RMB142,990,000 (equivalent to approximately HK\$167,298,000), and the total number of shares is 142,990,000 with par value of RMB1 each. The Sales Shares are currently pledged to CECEP as counter guarantee for its guarantee over the Group's banks loans.

Upon completion of the Disposal, the Group shall cease to have any interest in the Target Company.

CONDITIONS PRECEDENT

Both parties agreed that it is a condition precedent for the Equity Transfer Agreement becoming effective that the Equity Transfer Agreement has been approved at the general meeting of the Company in accordance with the GEM Listing Rules.

Unless affected by the approval from regulatory authorities and other force majeure factors, both parties agreed that the general meeting of the Company shall be convened on 30 December 2020 for the purpose of considering and approving the Equity Transfer Agreement. If the general meeting

failed to be convened as scheduled due to the reasons of the Purchaser or the Transferee, the Purchaser or the Transferee shall pay the Vendor the remaining balance of the Consideration of RMB37,000,000 (equivalent to approximately HK\$43,290,000) on 30 December 2020.

CONSIDERATION AND TERMS OF PAYMENT

Pursuant to the Equity Transfer Agreement, the Consideration for the Disposal is RMB237,000,000 (equivalent to approximately HK\$277,290,000), which will be paid in cash in the following manner:

- (1) The Deposit of RMB100,000 (equivalent to approximately HK\$117,000) shall be paid by the Purchaser within 3 days after signing the Equity Transfer Agreement. If the Purchaser exercises the Assignment Right, the Vendor shall return the Deposit to the Purchaser upon receiving the First Instalment from the third party assigned by the Purchaser.
- (2) A total amount of RMB200,000,000 (equivalent to approximately HK\$234,000,000) shall be paid by the Transferee within 20 days after signing the Equity Transfer Agreement (the “**First Instalment**”).
- (3) The Vendor shall complete the registration procedures regarding the release of the pledge of the Sales Shares within 15 days after receiving the First Instalment from the Transferee.
- (4) The Vendor undertakes that it will jointly complete the procedures for change of shareholders of the Sales Shares and the industrial and commercial filing procedures regarding the articles of association of the Target Company with the Transferee within 30 days from the date on which the Equity Transfer Agreement becomes effective and the pledge of the Sales Shares is released.
- (5) Unless the general meeting failed to be convened on 30 December 2020 for reasons attributable by the Purchaser or the Transferee, in which case the Purchaser or the Transferee shall pay RMB37,000,000 (equivalent to approximately HK\$43,290,000) to the Vendor on 30 December 2020, otherwise the Purchaser or the Transferee shall pay the remaining balance of the Consideration of RMB37,000,000 (equivalent to approximately HK\$43,290,000) to the Vendor within 10 days after the shareholders of the Sales Shares have been changed to the Transferee and the completion of the filing procedures regarding the articles of association of the Target Company.

BASIS OF DETERMINING THE CONSIDERATION

The Consideration was determined after arm’s length negotiations between the parties with reference to, among others, (i) the Sales Shares’ investment cost of RMB142,990,000 (equivalent to approximately HK\$167,298,000) in 2017; and (ii) the carrying amount of the Sales Shares of approximately HK\$179,732,000 as set out in the audited financial statements of the Company as at 31 December 2019.

OTHER MAJOR TERMS

The Purchaser guarantees that the Transferee shall be eligible to become the qualified shareholder of the Target Company. If the change of shareholders of the Target Company and the filing procedures with the industrial and commercial registration authority cannot be completed or is delayed for reasons related thereto, the rights of the Vendor in the transfer of Sales Shares shall not be affected and the Purchaser shall still be required to pay the corresponding Consideration to the Vendor in full and in time based on the transaction principles stipulated in the Equity Transfer Agreement.

Both parties have agreed that taxes incurred by transfer of Sales Shares shall be borne by the Vendor and the Transferee respectively according to the laws.

Both parties have agreed that the transfer date of shareholders' rights shall be the date of change of industrial and commercial registration in relation to the transfer of Sales Shares. The shareholders' rights shall be exercisable and owned by the Vendor before the completion date of filing procedures regarding the articles of association of the Target Company and shall be exercisable and owned by the Transferee upon the completion date of filing procedures regarding the articles of association of the Target Company.

LIABILITY FOR BREACH OF CONTRACT

If the Vendor fails to release the pledge registration of the Sales Shares or complete the procedures for change of shareholders of the Sales Shares within the time limit specified in the Equity Transfer Agreement, both parties shall otherwise negotiate the transfer completion time of the Sales Shares. Save where the conditions precedent fail to be fulfilled, if the Equity Transfer Agreement cannot be effected due to reasons attributable by the Vendor only, the Vendor shall pay the Purchaser or the Transferee 10% of the total Consideration as punitive liquidated damages.

If the Purchaser or the Transferee fails to pay the Consideration in time and in full within the time limit specified in the Equity Transfer Agreement, the Purchaser or the Transferee shall pay the Vendor liquidated damages at the daily rate of 0.05% of the outstanding Consideration payable per each overdue day, provided that if the delay in payment by the Purchaser or the Transferee is due to the Vendor's failure to perform its prior obligations, the Purchaser or the Transferee's payment time shall be extended accordingly. However, if the Equity Transfer Agreement cannot be effected due to reasons attributable by the Purchaser or the Transferee, including but not limited to the failure of the Transferee to meet the eligibility for the shareholder of an insurance company, the Purchaser or the Transferee shall pay the Vendor 10% of the total Consideration of the Sales Shares as punitive liquidated damages in addition to the above-mentioned liquidated damages.

REPRESENTATION AND GUARANTEES OF THE PURCHASER

The Purchaser guarantees that the Transferee shall meet the necessary qualifications of shareholders of insurance companies under the requirements of laws and regulations and regulatory authorities and comply with the requirements regarding transfer of shares of the Target Company to non-existing shareholders set out in the articles of association of the Target Company and the Transferee who is not a competitor of the Target Company can become a qualified shareholder of the Target Company.

The Purchaser guarantees that the Purchaser or the Transferee and its ultimate beneficial owners as well as its respective associates are Independent Third Parties (as defined in GEM Listing Rules).

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and its registered capital is RMB2,860,000,000 (equivalent to approximately HK\$3,346,200,000). The total number of shares is 2,860,000,000 with par value of RMB1 each. The Target Company is mainly engaged in ordinary insurance including life insurance and annuity insurance; health insurance; accidental injury insurance; dividend insurance; universal insurance; the reinsurance business of the above mentioned businesses; fund application businesses as permitted by national laws and regulations and other businesses as approved by CBIRC.

Based on the audited financial statements of the Target Company, the Target Company recorded (i) loss before and after taxation of approximately RMB52,434,000 (equivalent to approximately HK\$61,348,000) and RMB52,275,000 (equivalent to approximately HK\$61,162,000) respectively; and (ii) loss before and after taxation of approximately RMB113,797,000 (equivalent to approximately HK\$133,142,000) and RMB112,680,000 (equivalent to approximately HK\$131,836,000) respectively for each year ended 31 December 2019 and 2018. As at 31 December 2019 and 2018, net assets of the Target Company amounted to approximately RMB2,698,870,000 (equivalent to approximately HK\$3,157,678,000) and RMB2,750,670,000 (equivalent to approximately HK\$3,218,284,000), respectively.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Based on the audited financial statements of the Group as at 31 December 2019, the carrying value of the Sales Shares was approximately HK\$179,732,000. It is estimated that the Group will realise an unaudited gain from the Disposal of approximately HK\$97,558,000 (before taxation and without deduction of expenses related to the Disposal). The unaudited gains are calculated by minus the carrying amount of the Sales Shares approximately HK\$179,732,000 from HK\$277,290,000 (conversion of the Consideration of RMB237,000,000 into HK\$ at the exchange rate of 1.17 announced today). The net proceeds from the Disposal, after deduction of taxes in relation to the Disposal, will be used to repay loans of the Group.

The above financial effect is for illustrative purposes only. The final gain or loss arising from the Disposal to be recorded by the Company is subject to audit, which will be assessed upon completion.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Board considers that the Disposal is a good opportunity for the Group to realize its assets held and the net proceeds will be used to repay loans, which will help reduce overall debt level of the Group, thereby improving the overall financial conditions of the Group.

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

- (1) the terms and conditions of the Equity Transfer Agreement are on normal commercial terms that are fair and reasonable; and
- (2) the Disposal is in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company

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.

Beijing Rungu

Beijing Rungu, a company incorporated in the PRC with limited liability, is mainly engaged in investment management; economic and trade consultation; sales of daily necessities, hardware and electrical appliances and building materials; organisation of cultural and artistic exchange activities (excluding shows); exhibition service; educational consultation; economic and trade consultation; business management consultation; health consultation, etc.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio(s) in respect of the Disposal under the Equity Transfer Agreement exceed 75%, the Disposal constitutes a very substantial disposal of the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

An extraordinary general meeting will be convened and held by the Company for the Shareholders to consider and, if thought fit, approve (among others) the Disposal.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, none of the Shareholders have a material interest in the Disposal, thus no Shareholder is required to abstain from voting for the resolution to approve the Disposal at the extraordinary general meeting.

A circular containing, amongst other things, information on the Equity Transfer Agreement, further details of the Disposal, the notice convening the extraordinary general meeting, and any other information as required by the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 4 December 2020.

Completion of the Disposal is subject to the fulfillment of the conditions contained in the section headed "CONDITIONS PRECEDENT" in this announcement and the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

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

"Beijing Rungu" or "Purchaser"	Beijing Rungu Investment Co., Ltd. (北京潤古投資有限公司), a company incorporated in the PRC with limited liability
"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
"CBIRC"	China Banking and Insurance Regulatory Commission
"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 RMB237,000,000 (equivalent to approximately HK\$277,290,000) for the Disposal pursuant to the Equity Transfer Agreement
"Directors"	the directors of the Company

“Disposal”	the disposal of 4.99965% equity interest of the Target Company
“Equity Transfer Agreement”	the equity transfer agreement dated 13 November 2020 entered into between the Vendor and the Purchaser for the Disposal
“Ever Source Investment” or “Vendor”	Ever Source Investment Co., Ltd.* (恒有源投資管理有限公司), an indirect wholly owned subsidiary of the Company
“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 People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its subsidiaries and its connected persons
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Shares”	4.99965% equity interests in the Target Company, namely the registered capital of the Target Company of RMB142,990,000 (equivalent to approximately HK\$167,298,000) with the capital contribution of RMB1 per share
“Shareholders”	holders of 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”	Beijing Life Insurance Co., Ltd., a company incorporated in the PRC with limited liability
“%”	percent

Conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1=HK\$1.17. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at such or any other rates or at all.

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

Hong Kong, 13 November 2020

As at the date of this announcement, the Board comprises Mr. Xu Shengheng, Ms. Wang Yan, Ms. Chan Wai Kay, Katherine, Mr. Wang Manquan, Ms. Hao Xia and Mr. Dai Qi as executive Directors, Mr. Yang Wei, Mr. Zhang Yiying and Mr. Wang Michael Zhiyu (Ms. Liu Ening being his alternate Director) as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Guo Qingui and Mr. 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 “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.cgsenergy.com.hk.