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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)

**CONTINUING CONNECTED TRANSACTIONS:
THE SP FRAMEWORK AGREEMENT**

THE SP FRAMEWORK AGREEMENT

The 2019 SP Framework Agreement expired on 31 December 2021 and the Company and CECEP wish to enter into an agreement to renew the principal terms of the 2019 SP Framework Agreement. As a result, the Board announces that on 18 January 2022 (after trading hours), the Company entered into the SP Framework Agreement with 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, subject to the terms and conditions provided therein for the period from 1 January 2022 to 31 December 2024. The proposed Supply Annual Caps shall not be more than the amounts prescribed pursuant to the SP Framework Agreement.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, CECEP (through its wholly-owned subsidiary CECEP (HK)) is a substantial Shareholder and is interested in 1,190,000,000 Shares, representing approximately 26.29% of the total issued share capital of the Company. Therefore, CECEP is a connected person of the Company pursuant to the GEM Listing Rules.

The entering into the SP Framework Agreement with CECEP for the Supply Transactions contemplated thereunder constitutes continuing connected transactions on the part of the Company pursuant to Chapter 20 of the GEM Listing Rules. In view of all the applicable percentage ratios for the Supply Annual Caps are less than 5%, therefore the transactions contemplated under the SP Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

THE SP FRAMEWORK AGREEMENT

Date:

18 January 2022 (after trading hours)

Parties:

1. the Company (as vendor); and
2. CECEP (as purchaser)

Term:

For the period commencing from 1 January 2022 to 31 December 2024.

Description of the Supply Transactions:

The Company and its subsidiaries have conditionally agreed to sell, and CECEP and its subsidiaries have conditionally agreed to purchase, the Products and the Services during the term of the SP Framework Agreement, subject to the terms and conditions stated therein.

Products and Services:

The Group has an innovation known as “HYY single-well circulation for heat exchange geothermal energy collection technology”, which is utilizing shallow geothermal energy as alternative energy for heating/cooling, resulting in products known as, “HYY ground source energy heat pump environmental system”, “HYY ground energy heating device” and “HYY multi-source distributed energy stations”.

The Group also provides operational services, including but not limited to, the control of energy-saving optimization of the product operation, repair, maintenance and supervision services, in relation to the sale and installation of the Products.

Proposed Supply Annual Caps:

The Company proposed the Supply Annual Caps from 1 January 2022 to 31 December 2024 as follows:

	From 1 January 2022 to 31 December 2022	From 1 January 2023 to 31 December 2023	From 1 January 2024 to 31 December 2024
The Supply Transactions	RMB8,000,000	RMB8,000,000	RMB8,000,000

Basis of the selling price of the Products and the Services:

The actual selling price of the Products and the Services is to be determined after arm's length negotiations between the parties and having considered the market conditions and official guidelines and which shall be fair and reasonable for the Company and its Shareholders as a whole. Such selling price will not be less than the average price at which the Products and the Services are sold and provided by the Company and its subsidiaries to any third parties.

Basis of the proposed Supply Annual Caps:

The proposed Supply Annual Caps for the Supply Transactions for the period from 1 January 2022 to 31 December 2024 are determined by references to (a) the current price of the Products and Services; (b) the historical transaction amounts for the year ending 31 December 2019 to 2021; and (c) the projects currently under negotiation.

Internal control for Continuing Connected Transactions

The personnel in the finance department of the Group in the PRC is/are responsible for reviewing, calculating or approving the selling price offered and the contracts with CECEP. Each of them is required to strictly follow the pricing procedures set out in the section of "Basis of the Selling Price of the Products and the Services" as described above, for the purpose of ensuring that the transactions contemplated under the SP Framework Agreement will be conducted on normal commercial terms and on terms similar to the independent customers which are not less favorable to the Company under similar circumstances. Such information will then be included in a report to be submitted to the chief financial officer of the Company for review, verification and approval for the purpose of entering into the relevant contracts.

Furthermore, the chief financial officer of the Company will also keep all records and monitor the accumulated amount of Supply Transactions. Prior to entering into any specific definitive contract with CECEP after the said review, the chief financial officer of the Company will also cross check the contract sum, the accumulated amount of the Supply Transactions and the proposed Supply Annual Caps to ensure the proposed Supply Annual Caps will not be exceeded after the entering of the proposed specific contract. The chief financial officer would warn against the Company to enter into any contract with CECEP that exceeds the proposed Supply Annual Caps.

The independent non-executive Directors and auditors of the Company will conduct an annual review on the Supply Transactions (including the pricing basis offered by the Company to CECEP) and provide their annual confirmations in accordance with the GEM Listing Rules that, among others, the relevant transactions are conducted in the ordinary and usual course of business of the Company and in accordance with the terms of the agreement that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, on normal commercial terms or better and in accordance with the pricing policy of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SP FRAMEWORK AGREEMENT

The 2019 SP Framework Agreement expired on 31 December 2021 and the Company and CECEP wish to enter into an agreement to renew the principal terms of the 2019 SP Framework Agreement. The purpose is to continue the supply of the Products and the provision of Services by the Group to CECEP where it had enhanced the business cooperation between the Group and CECEP. As a result, the Company and CECEP entered into the SP Framework Agreement in relation to the Supply Transactions for the period from 1 January 2022 to 31 December 2024. The SP Framework Agreement, therefore, represents a continuance of the 2019 SP Framework Agreement.

The principal business of members of the Group is the sale of Products and the provision of Services. Therefore, the SP Framework Agreement entered into by the respective parties is in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors) considered that:

- (a) the terms and conditions of the SP Framework Agreement were negotiated between the parties on an arm's length basis and are on normal commercial terms, which are fair and reasonable;
- (b) such selling price will not also be less than the average price at which the Products and the Services are sold and provided by the Company and its subsidiaries to any third parties;
- (c) the proposed Supply Annual Caps in respect of the Supply Transactions for the period from 1 January 2022 to 31 December 2024 as referred to above are fair and reasonable; and
- (d) the transactions contemplated therein will be conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

HISTORICAL TRANSACTION AMOUNTS

The relevant aggregated transaction amounts under the 2019 SP Framework Agreement for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 were approximately RMB357,000, RMB0, RMB0, respectively.

INFORMATION ON CECEP

CECEP is a company incorporated with limited liability in the PRC and is principally engaged in the research and development of energy conservation, environmental protection and new energy technology, investments in projects and construction operation.

INFORMATION ON 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.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, CECEP (through its wholly-owned subsidiary CECEP (HK)) is a substantial Shareholder and is interested in 1,190,000,000 Shares, representing approximately 26.29% of the total issued share capital of the Company. Therefore, CECEP is a connected person of the Company pursuant to the GEM Listing Rules.

The entering into the SP Framework Agreement with CECEP for the Supply Transactions contemplated thereunder constitutes continuing connected transactions on the part of the Company pursuant to Chapter 20 of the GEM Listing Rules. In view of all the applicable percentage ratios for the Supply Annual Caps are less than 5%, therefore the transactions contemplated under the SP Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

None of the Directors has any interest in the transactions contemplated under the SP Framework Agreement. However, as Ms. Wang Yan, Ms. Hao Xia, Mr. Dai Qi and Mr. Yang Wei were nominated by CECEP as Directors, in particular, Ms. Wang Yan and Mr. Yang Wei are also employees of CECEP and/or its subsidiaries, therefore for the sake of good corporate governance as well as to avoid any potential conflict of interest, they voluntarily abstained from voting on the Board resolutions in relation to the SP Framework Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have meanings set out below:

“2019 SP Framework Agreement”	the framework agreement dated 24 May 2019 for the sale and purchase of the Products and Services entered into between the Company and CECEP
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“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 is wholly-owned by CECEP
“Company”	China Geothermal Industry Development Group Limited (中國地熱能產業發展集團有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	the directors 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 from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HYY”	Ever Source Science and Technology Development Group Co., Ltd.* (恆有源科技發展集團有限公司), a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Products”	products using “HYY single-well circulation for heat exchange geothermal energy collection technology”, an original innovation of the Group as a focus, and using shallow geothermal energy as an alternative energy for heating/cooling, including but not limited to, “HYY ground source energy heat pump environmental system”, “HYY ground energy heating device” and “HYY multi-source distributed energy stations”

“RMB”	Renminbi, the lawful currency of the PRC
“Services”	operational services, including but not limited to, the control of energy-saving optimization of the product operation, repair, maintenance and supervision services, in relation to the sale and installation of the Products
“Shareholders”	the holders of the Shares
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“SP CCT”	the continuing connected transactions for the Services and Products between the Company and CECEP
“SP Framework Agreement”	the framework agreement dated 18 January 2022 for the sale and purchase of the Products and the provision of Services entered into between the Company and CECEP
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“Supply Annual Caps”	the annual caps for the SP CCT for each of the years ended 31 December 2022, 31 December 2023 and 31 December 2024 of RMB8,000,000
“Supply Transactions”	the supply of the Products and the provision of Services under the SP Framework Agreement
“%”	per cent

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

Hong Kong, 18 January 2022

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 Yiying and Ms. Liu Ening as non-executive Director, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Wu Qiang, Mr. Guo Qingui and Mr. Guan Chenghua as independent non-executive Directors.

This announcement, for which the Directors 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.