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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)

VOLUNTARY ANNOUNCEMENT

CGSE LAUNCHED THE “PROGRAM OF REPLACING COAL WITH HIGH-EFFICIENCY ELECTRICITY — HEATING FOR VILLAGES WITH GROUND SOURCE ENERGY” IN BEIJING, TIANJIN AND HEBEI PROVINCES TO BUILD UP HOUSEHOLD HEATING INFRASTRUCTURES IN RURAL AREAS

This is a voluntary announcement made by China Ground Source Energy Industry Group Limited (the “Company”, together with its subsidiaries, the “Group” or “CGSE”).

As part of the Coal-to-Electricity Engineering in Beijing, Tianjin and Hebei, Ever Source Science and Technology Development Group Co., Ltd. (the “HYY”) under the flapship of the Group, incepted its “Program of Replacing Coal with High-Efficiency Electricity — Heating for Villages with Ground Source Energy” in full swing.

For two consecutive winters, the HYY pilot programs of household heating in rural areas of Beijing, Hebei and Tianjin have achieved proven success. On the heels of it, the first whole-village no-coal transformation project in Beijing was launched by HYY on 14 August 2016, namely the Heating for Village with Ground Source Energy Project in Xizha Village of Haidian District, Beijing. The other two whole-village no-coal transformation projects undertaken by HYY in Lijiafen Village of Beijing Haidian and Yihebao Village of Huailai County of Zhangjiakou City in Hebei Province also entered into construction on 22 August 2016.

Building Household Heating Infrastructure in rural areas is supported by government fund

“Coal to Electricity” engineering is a major move taken by governments to shift energy development modality, ensure energy security and cure air pollution in Beijing, Tianjin and Hebei. Being a clean energy, utilization of shallow ground source energy is highly safe, efficient, small space occupation and cost-effective. It therefore embraces unique privileges and advantages in urban and township heating industry. HYY using its indigenous technology of “Ground Energy Heating Devices” accomplishes smart heating for rural areas free of combustion and emission. The technology can

provide winter heating and summer cooling, as well as domestic hot water with one single device. As such, it can help not only reduce carbon emission and air pollution, but also greatly enhance people's living comfort, therefore widely acknowledged and highly praised by professionals and governments.

Program of Replacing Coal with High-Efficiency Electricity — Heating for Villages with Ground Source Energy is the first engineering of this type in the new era that is mainly funded by governments to build household heating infrastructure for rural families.

HYY Ground Energy Heating Device boasts outstanding advantages in providing household heating

Program of Replacing Coal with High-Efficiency Electricity — Heating for Villages with Ground Source Energy carried out by HYY transforms the energy consumption pattern of heating industry in rural areas. It helps to complete a heating energy revolution in rural areas, shifting from traditional coal-based heating to renewable ground source energy heating as primary heating energy and complemented by electric power. With ground source energy heating, more than 60% of energy consumed is renewable shallow ground source energy with the rest being electricity. As a result, it virtually enhances utilization efficiency of electricity and beefs up the fuel combustion-based power generation efficiency to more than 111%.

The peak heating cost of the HYY Ground Energy Heating Devices in winter approximates the cost of traditional self-heating with coals of RMB800 per ton. However, since the application in rural areas focuses more on energy saving and heating is measured by rooms to encourage energy saving of behavior, the operation cost of Ground Energy Heating Devices can reach as low as 30% of traditional self-heating with coals.

Up to now, the products and technology of HYY was successfully selected in implementation of the “Coal to Electricity” engineering in Beijing, Tianjin and Hebei, which will surely lead to a great leap in its output.

By order of the Board

China Ground Source Energy Industry Group Limited

Xu Shengheng

Joint Chairman & Executive Director

Hong Kong, 30 August 2016

As at the date of this announcement, the Board comprises Mr. Liu Dajun, Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine 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 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.

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