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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Ground Source Energy Industry Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSED CHANGE OF AUDITOR
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening the EGM to be held at Units 3709-10, 37/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Friday, 8 December 2017 at 11:00 a.m. is set out on pages 5 to 6 of this circular.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you intend to attend the meeting in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" section of the GEM website (www.hkgem.com) for at least 7 days from the date of its posting and on the website of the Company at (www.cgseenergy.com.hk).

15 November 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“Articles of Association”	the Memorandum and Articles of Association of the Company
“Board”	the board of Directors
“Company”	China Ground Source Energy Industry Group Limited (中國地能產業集團有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for, among other matters, approving the proposed change of auditor
“EGM Notice”	the notice of the EGM dated 15 November 2017
“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
“PRC”	the People’s Republic of China which, for the purposes of this Circular, excludes the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules

* *For identification purposes only*

In case of any discrepancy between the English version and the Chinese version of this circular, the English version shall prevail.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. An Yi
Mr. Xu Shengheng
Ms. Chan Wai Kay, Katherine
Mr. Wang Manquan
Mr Zang Yiran
Mr. Daiqi

Non-executive Director:

Mr. Zhao Youmin

Independent non-executive Directors:

Mr. Jia Wenzeng
Mr. Wu Desheng
Mr. Wu Qiang
Mr. Guo Qingui

Registered office:

Grand Pavilion,
Hibiscus Way,
802 West Bay Road,
P.O. Box 31119,
Grand Cayman KY1-1205,
Cayman Islands

Head office and principal place of

business in Hong Kong:

Units 3709-10, 37/F,
The Center,
99 Queen's Road Central,
Central, Hong Kong

15 November 2017

To the Shareholders,

Dear Sir or Madam,

PROPOSED CHANGE OF AUDITOR

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the proposed change of auditor and to give all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the Ordinary Resolution relating to the appointment of auditor.

PROPOSED CHANGE OF AUDITOR

As set out in the announcement of the Company dated 9 November 2017, the Board was informed by SHINEWING (HK) CPA Limited (“SHINEWING”) that, after careful consideration and taking account of various factors (including their internal resources corresponding to the Group's current business development), SHINEWING decided to resign as the auditor of the Group with effect from 9 November

LETTER FROM THE BOARD

2017. The Board considered that, as the Company's business is expanding speedily and in order to meet the Group's business development, an international audit firm may be able to provide better international support and more ancillary services for the Group to cope with its future business development.

SHINEWING confirmed that there were no matters and circumstances connected with its resignation which it considered should be brought to the attention of the Shareholders. The Board confirmed that there is no disagreement between SHINEWING and the Company, and there are no matters in respect of the change of the auditor that need to be brought to the attention of the Shareholders.

The Board has proposed, with the recommendation from the audit committee of the Company, to appoint Ernst & Young as new auditor of the Group (the "**Proposed Appointment**") subject to the approval of the Shareholders, to fill the casual vacancy following the resignation of SHINEWING and to hold office until the conclusion of the next annual general meeting of the Company. Pursuant to the Articles of Association, the Directors shall as soon as practicable convene an EGM to allow the Shareholders to approve the Proposed Appointment by an ordinary resolution.

The Board confirmed that SHINEWING has not yet commenced any audit work on the accounts of the Group for the year ending 31 December 2017. It is expected that the change of auditor will not have any significant impact on the annual results for the year ending 31 December 2017 provided that the required Shareholders' approval at the EGM for the Proposed Appointment is duly obtained.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on pages 5 to 6 of this circular, ordinary resolution will be proposed at the EGM to approve the Proposed Appointment.

A proxy form for use at the EGM is enclosed with this circular. Whether or not a Shareholder intend to attend the EGM in person, such Shareholder is requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding of the EGM (or any adjournment thereof).

Completion and return of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM (or any adjournment thereof) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the EGM shall be voted by poll.

RESPONSIBILITY STATEMENT

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries,

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confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

RECOMMENDATION

The Board consider that the proposed appointment of Ernst & Young as auditor of the Group to fill the vacancy following the resignation of SHINEWING as set out in the EGM Notice is in the best interest of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the Ordinary Resolution to be proposed at the EGM.

Yours faithfully,

For and on behalf of

China Ground Source Energy Industry Group Limited

Xu Shengheng

Joint Chairman & Executive Director

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Ground Source Energy Industry Group Limited (the “**Company**”) will be held at Units 3709-10, 37/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on Friday, 8 December 2017 at 11 a.m for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT Ernst & Young be and is hereby appointed as auditor of the Company and its subsidiaries to fill the vacancy following the resignation of SHINEWING (HK) CPA Limited and to hold office until the conclusion of the next annual general meeting of the Company, and that the board of directors of the Company be and is hereby authorized to fix their remuneration.”

Yours faithfully,

For and on behalf of

China Ground Source Energy Industry Group Limited

Xu Shengheng

Joint Chairman & Executive Director

Hong Kong, 15 November 2017

* *For identification purposes only*

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, in the event of a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. The register of members of the Company will be closed from Tuesday, 5 December 2017 to Friday, 8 December 2017, both days inclusive, during which period no transfer of shares of the Company can be registered. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 4 December 2017.

As at the date hereof, the Board comprises Mr. An Yi, Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine, Mr. Wang Manquan, Mr. Zang Yiran and Mr. Daiqi as executive Directors, Mr. Zhao Youmin as non-executive Director, Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang and Mr. Guo Qingui as independent non-executive Directors.