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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)

**GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES,
RE-ELECTION OF DIRECTORS,
PROPOSED CHANGE OF COMPANY NAME
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an Annual General Meeting of China Ground Source Energy Industry Group Limited to be held at Units 3709-10, 37/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Monday, 14 May 2018 at 11:00 a.m. is set out on pages 16 to 19 of this circular.

A proxy form for use at the Annual General Meeting 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, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the Annual General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the Annual General Meeting 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.

11 April 2018

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

	<i>Page</i>
Definitions	1
 Letter from the Board	
Introduction	4
General Mandates to Repurchase and Issue Shares	5
Re-election of Directors	6
Proposed Change of Company Name	6
Annual General Meeting	7
Responsibility Statement.	8
Recommendation	8
General	8
Appendix I – Explanatory Statement	9
Appendix II – Details of Directors Proposed to be Re-elected	12
Notice of Annual General Meeting	16

DEFINITIONS

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

“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held at Units 3709-10, 37/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on 14 May 2018 at 11:00 a.m.
“AGM Notice”	the notice of the AGM dated 11 April 2018
“Articles of Association”	the Memorandum and Articles of Association of the Company
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday or public holiday) on which banks in Hong Kong are generally open for the transaction of normal business
“CECEP”	China Energy Conservation and Environmental Protection Group* (中國節能環保集團公司), 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 wholly-owned by CECEP
“Company”	China Ground Source Energy Industry Group Limited, Shares of which are listed on the GEM
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	directors of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM as amended, supplemented or otherwise modified from time to time
“General Mandate”	the general mandate to issue Shares of the Company which will be proposed to be granted to the Directors at the AGM
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$” and “HK cent(s)”	Hong Kong dollars and cent(s) respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	6 April 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“PRC”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, Taiwan and the Macau Special Administrative Region
“Proposed Change of Company Name”	the proposed change of the name of the Company from “CHINA GROUND SOURCE ENERGY INDUSTRY GROUP LIMITED 中國地能產業集團有限公司” to “CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED 中國地熱能產業發展集團有限公司”
“Repurchases Code”	the Hong Kong Code on Share Repurchases
“Repurchase Mandate”	the general mandate to repurchase Shares of the Company which will be proposed to be granted to the Directors at the AGM
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution of the Company passed on 28 July 2010
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States of America

DEFINITIONS

“%”

percent

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

Registered office:

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

Non-executive Director:

Mr. Zhao Youmin

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

Independent non-executive Directors:

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

11 April 2018

*To the Shareholders, and for information only,
the holders of the share options*

Dear Sir or Madam,

**GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES,
RE-ELECTION OF DIRECTORS,
PROPOSED CHANGE OF COMPANY NAME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular, among other matters, is to provide you with the relevant information regarding the granting of the General Mandate and the Repurchase Mandate, the re-election of Directors, the Proposed Change of Company Name and to give you the notice of AGM.

LETTER FROM THE BOARD

GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES

At the adjourned annual general meeting of the Company held on 5 July 2017, ordinary resolutions were passed to grant to the Directors general unconditional mandate (i) to repurchase Shares of the Company on GEM or on any other exchange on which the Shares have been or may be listed and recognised for this purpose by the SFC and the Stock Exchange under the Repurchases Code, which does not exceed 10 per cent. of the total number of the issued Shares of the Company on the date of passing the relevant resolution; and (ii) to allot, issue and otherwise deal with Shares of the Company up to the limit of 20 per cent. of the total number of the issued Shares of the Company on the date of passing such resolution. No Shares has been repurchased pursuant to the repurchase mandate granted on 5 July 2017.

These general mandates will lapse at the conclusion of the forthcoming Annual General Meeting of the Company which will be held at Units 3709-10, 37/F, The Center, 99 Queen's Road Central, Central, Hong Kong at 11:00 a.m. on 14 May 2018. At the AGM, ordinary resolutions will be proposed:

- (i) to grant the Repurchase Mandate to the Directors to enable them to repurchase Shares of the Company on GEM or on any other exchange on which the Shares have been or may be listed and recognised for this purpose by the SFC and the Stock Exchange under the Repurchases Code, which does not exceed 10 per cent. of the total number of the issued Shares of the Company on the date of passing such resolution to grant the Repurchase Mandate;
- (ii) to grant the General Mandate to the Directors to enable them to allot, issue and otherwise deal with Shares of the Company up to the limit of 20 per cent. of the total number of the issued Shares of the Company (i.e. a maximum of 805,385,032 new Shares) on the date of passing such resolution to grant the General Mandate; and
- (iii) to increase the number of Shares to be allotted, issued and dealt with under the General Mandate by an additional number representing such number of Shares repurchased under the Repurchase Mandate.

As at the Latest Practicable Date, the authorised share capital of the Company was US\$160,000,000 divided into 16,000,000,000 Shares, of which 4,026,925,163 Shares were in issue. There were 486,182,851 outstanding options under the share option schemes, to subscribe up to 486,182,851 Shares.

On the basis of 4,026,925,163 existing Shares in issue as at the Latest Practicable Date and assuming that no Shares are repurchased or further issued before the AGM, the Directors would be authorised to repurchase up to 402,692,516 Shares which represent 10 per cent. of the 4,026,925,163 existing Shares in issue as at the Latest Practicable Date.

The Repurchase Mandate allows the Company to make repurchase only during the period from the date of the passing of the relevant resolution until the earliest of the conclusion of next annual general meeting of the Company, the date by which the next annual general meeting of the Company is required by the articles of association of the Company, or any applicable law of the Cayman Islands to be held and the date upon which the Repurchase Mandate is revoked or varied by an ordinary resolution of shareholders of the Company in general meeting.

LETTER FROM THE BOARD

In accordance with the GEM Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to renew the grant to the Directors of the Repurchase Mandate. Such explanatory statement is set out in Appendix I to this circular.

RE-ELECTION OF DIRECTORS

In accordance with Article 85 of the Articles of Association of the Company, Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine, Mr. Zang Yiran and Mr. Jia Wenzeng shall retire at the AGM and who, being eligible, will offer themselves for re-election. Details of Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine, Mr. Zang Yiran and Mr. Jia Wenzeng are set out in Appendix II to this circular.

Pursuant to paragraph A.4.3 of Appendix 15 of the GEM Listing Rules, any further appointment of an Independent Non-Executive Director serving more than 9 years should be subject to a separate resolution to be approved by shareholders. Mr. Jia Wenzeng is an Independent Non-Executive Director serving on the Board for more than 9 years. A separate resolution will be proposed for his re-election at the Annual General Meeting. Mr. Jia has confirmed his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board considers that Mr. Jia continues to be independent as he has satisfied all the criteria for independence set out in Rule 5.09 of the GEM Listing Rules.

PROPOSED CHANGE OF COMPANY NAME

Reference is made to the Company's announcement dated 28 March 2018 in relation to the Proposed Change of Company Name. The Board proposes to change the name of the Company from "CHINA GROUND SOURCE ENERGY INDUSTRY GROUP LIMITED 中國地能產業集團有限公司" to "CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED 中國地熱能產業發展集團有限公司".

Proposed Change of Company Name

In view of the "Notification on Accelerating the Development and Utilization of Shallow Geothermal Energy to Promote the Reduction and Replacement of Coal in the Northern Heating Area" jointly issued by the National Development and Reform Commission, Ministry of Land and Resources, Ministry of Environmental Protection, Ministry of Housing and Urban-Rural Development, Ministry of Water Resources, National Energy Board on 29 December 2017 and the "single-well heat exchange geothermal energy collection technology" originally developed and owned by the Group, the Board considers that the Proposed Change of Company Name is to reflect the Company's full coverage in promoting the development and utilization of geothermal energy as an alternative energy for buildings' heating and to reflect the Company's determination to speed up the development in the emerging industry of integrated heating and cooling with geothermal energy. Accordingly, the Directors are of the opinion that the Proposed Change of Company Name is in the interests of the Company and the shareholders of the Company as a whole.

LETTER FROM THE BOARD

Conditions of the Proposed Change of Company Name

The Proposed Change of Company Name is subject to following conditions being satisfied:

- (a) the passing of a special resolution by the Shareholders approving the Proposed Change of Company Name at an AGM of the Company to be convened and held; and
- (b) the Registrar of Companies in the Cayman Islands granting approval for the Proposed Change of Company Name and the new name being entered in the register of companies by the Registrar of Companies in the Cayman Islands.

Subject to the satisfaction of the conditions set out above, the Proposed Change of Company Name will take effect upon the date on which the Registrar of Companies in the Cayman Islands issues a Certificate of Incorporation on Change of Name confirming that the new name has been registered. The Company will then carry out all necessary filing procedures with the Companies Registry in Hong Kong.

Effect of the Proposed Change of Company Name

The Proposed Change of Company Name will not affect any of the rights of the Shareholders. All existing share certificates in issue bearing the Company's existing name shall continue to be evidence of legal title and valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of existing share certificates for new share certificates bearing the new names of the Company. Once the Proposed Change of Company Name becomes effective, share certificates of the Company will be issued in the new name of the Company and the securities of the Company will be traded on GEM under the new names. It is expected that, after the Proposed Change of Company Name has become effective, new English and Chinese stock short names will be used accordingly, subject to the confirmation of The Stock Exchange of Hong Kong Limited.

ANNUAL GENERAL MEETING

A notice convening the AGM is set out on pages 16 to 19 of this circular, ordinary resolutions will be proposed to approve the General Mandate, the Repurchase Mandate, the re-election of Directors and special resolution will be proposed to approve the Proposed Change of Company Name.

A proxy form for use at the AGM is enclosed with this circular. Whether or not you intend to attend the AGM 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, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

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 AGM shall be voted by poll.

LETTER FROM THE BOARD

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, 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 Directors believe that an exercise of the General Mandate may enable the Company to take advantage of market conditions to raise additional capital for the Company and the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share.

The Directors consider that the approval of the Repurchase Mandate, the General Mandate, the re-election of the Directors and the Proposed Change of Company Name at the AGM are in the best interest of the Company and the Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the relevant resolutions to be proposed at the AGM.

GENERAL

Further announcement(s) will be made by the Company to inform the Shareholders of the results of the AGM, the effective date of the Proposed Change of Company Name, the new stock short names of the Company for trading of its shares on GEM and other relevant information as and when appropriate.

Yours faithfully,

For and on behalf of

CHINA GROUND SOURCE ENERGY INDUSTRY GROUP LIMITED

Xu Shengheng

Joint Chairman & Executive Director

The following is the explanatory statement required to be sent to the Shareholders under the GEM Listing Rules in connection with the proposed general mandate for repurchases of Shares to be passed by the Shareholders by an ordinary resolution at the Annual General Meeting.

(1) REASONS FOR REPURCHASES

The Directors believe that it is in the best interest of the Company and its Shareholders for the Directors to have a general authority from Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share.

(2) FUNDING OF REPURCHASES

The Directors wish to state that repurchases pursuant to the Repurchase Mandate would be financed entirely from the Company's available cash flow or working capital facilities and any repurchases will only be funded out of funds of the Company legally available for the purposes in accordance with its memorandum of association and articles of association and the laws of the Cayman Islands.

The Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(3) IMPACT OF REPURCHASES

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its latest published audited accounts for the year ended 31 December 2017) in the event that the proposed repurchases were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(4) EXERCISE OF THE REPURCHASE MANDATE

As at the Latest Practicable Date, the authorised share capital of the Company was US\$160,000,000 divided into 16,000,000,000 Shares, of which 4,026,925,163 Shares were in issue. There were 486,182,851 outstanding options under the Company's share option schemes, to subscribe up to 486,182,851 Shares.

On the basis of 4,026,925,163 existing Shares in issue as at the Latest Practicable Date and assuming that no Shares are repurchased or further issued before the AGM, the Directors would be authorised to repurchase up to 402,692,516 Shares which represent 10 per cent. of the 4,026,925,163 existing Shares in issue as at the Latest Practicable Date.

(5) DISCLOSURE OF INTEREST

Rule 13.11(2) of the GEM Listing Rules prohibit a company from knowingly repurchasing its shares on GEM from a core connected person (as defined in the GEM Listing Rules) and a core connected person is prohibited from knowingly selling his/her/its shares to the company on GEM.

None of the Directors and, to the best of their knowledge, having made all reasonable enquiries, none of their respective close associates, have any present intention, if the Repurchase Mandate is approved by the Shareholders of the Company, to sell any Shares to the Company or its subsidiaries.

As at the Latest Practicable Date, no core connected persons (as defined in the GEM Listing Rules) of the Company have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Company is authorised to make repurchases of the Shares.

(6) DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make repurchases pursuant to the proposed resolution, if granted, in accordance with the GEM Listing Rules, the applicable laws of the Cayman Islands and the regulations set out in the memorandum and articles of association of the Company.

(7) SHARE REPURCHASE MADE BY THE COMPANY

No Shares was repurchased by the Company during the six months (whether on GEM or otherwise) preceding the Latest Practicable Date.

(8) TAKEOVERS CODE CONSEQUENCES

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, CECEP(HK) holds 1,190,000,000 Shares, representing approximately 29.55% of the issued share capital of the Company. CECEP(HK) is a wholly-owned subsidiary of CECEP, therefore CECEP is deemed to be interested in 1,190,000,000 shares that held by CECEP(HK). In the event that the Directors exercised in full the power to repurchase Shares of the Company in accordance with the terms of the Repurchase Mandate, CECEP(HK)'s proportionate interests in the voting rights of the Company would be increased to approximately 32.83% in aggregate and they would be obliged to make a mandatory offer under Rule 26 of the Takeovers Code in this respect.

Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchase pursuant to the Repurchase Mandate. Moreover, the Directors have no present intentions to exercise the Repurchase Mandate to such an extent that the obligation to make a general offer on the part of CECEP & CECEP(HK) will be triggered under the Takeovers Code. Assuming that there is no further issue of the Shares between the Latest Practicable Date and the date of repurchase, the exercise of the Repurchase Mandate in full will not result in the level of shareholdings in the Company being held by the public below the minimum public float as required under the GEM Listing Rules.

(9) SHARE PRICES

The highest and lowest prices at which the Shares were traded on GEM during each of the twelve months from 1 April 2017 to 31 March 2018 and the period from 1 April 2018 up to the Latest Practicable Date were as follows:

Shares	Highest (HK\$)	Lowest (HK\$)
2017		
April	0.237	0.170
May	0.181	0.165
June	0.170	0.105
July	0.148	0.102
August	0.114	0.101
September	0.133	0.102
October	0.175	0.125
November	0.174	0.130
December	0.150	0.130
2018		
January	0.156	0.118
February	0.131	0.115
March	0.248	0.121
April (up to Latest Practicable Date)	0.167	0.157

APPENDIX II DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

The following are the particulars of the directors proposed to be re-elected at the AGM:

Mr. Xu Shengheng (“Mr. Xu”), aged 55, the joint chairman of the Board and executive Director, the chairman of nomination committee and the deputy chairman of remuneration committee of the Company. Mr. Xu holds a Master degree of Business Administration from the International EMBA from Hong Kong University of Science and Technology and is now studying a on-job doctoral degree of Geological Engineering in China University of Geosciences. Mr. Xu has long been engaged in the field of heating provision. Prior to year 2000, he mainly engaged in the combustion-based heating. Since year 2000, he is committed to non-combustion heating. The original single-well circulation heat exchange of renewable geothermal energy collection technology developed by Mr. Xu has realized the industrialization development and is the core technology of the integrated heating/cooling emerging industry of the Group.

Mr. Xu is also the directors of various subsidiaries of the Company, namely, CGSE Ever Source Group Limited, China Ground Source Energy Industry Group (Hong Kong) Limited, China Ground Source Energy (Hong Kong) Limited, Far High International Limited, China Ground Source Energy Limited, Beijing Enterprises Ever Source (Hong Kong) Limited, Beijing Enterprises Ever Source Limited, Beijing Enterprises Ever Source Technology Limited, Beijing Enterprises Ever Source Energy Limited, China Geothermal Energy Press Limited, Sharp Bloom Investments Limited, Ample Start Investments Limited, Keyray Investments Limited, China Ground Source Energy (Hangzhou) Limited, CHYY (USA), LLC, 金恒嘉業(香港)有限公司, 金恒偉業(香港)有限公司, 恒有源科技發展集團有限公司, 北京恒有源地能熱源系統有限公司, 北京恒有源環境系統設備安裝工程有限公司, 北京恒有源西亞特科技發展有限公司, 北京北控恒有源科技發展有限公司, 北京恒有源地能熱源設備有限公司, 北京海澱區恒有源職業技能培訓學校, 恒有源投資管理有限公司, 恒有源涼山地能暖冷工程研究有限公司, 綿陽市金恒源地能科技有限公司, 貴陽供水地能有限責任公司, 燕園環境科技有限公司, 青海恒有源科技發展有限公司, 恒潤豐置業(大連)有限公司, 恒潤豐城市基礎設施建設(大連)有限公司, 大連嘉樂比溫泉度假酒店有限公司, 大連恒潤豐佳業房地產開發有限公司, 宏源地能熱寶技術有限公司, 宏源地能熱泵科技有限公司, 恒有源科技發展有限公司大連有限公司, 北京永源熱泵有限責任公司, 北京數碼恒源科技有限公司. Save as disclosed above, as at the Latest Practicable Date, Mr. Xu had not previously held any positions with the Company or its subsidiaries, does not have any relationship with any director, senior management, management shareholder, substantial shareholder or controlling shareholder of the Company, and did not have any other major appointments and professional qualifications. Save as disclosed. Mr. Xu did not hold any directorship in any public companies whose securities are listed on any securities market in Hong Kong or overseas in the past three years.

There is a service agreement entered between Mr. Xu and the Company in respect of his appointment as an executive Director for a term of three years. Pursuant to the Company’s Articles of Association, Mr. Xu is subject to retirement by rotation and re-election at annual general meetings of the Company. Mr. Xu received a director’s emolument of HK\$2,016,000 per annum which was fixed with reference to market conditions and his duties and responsibilities with the Group.

As at the Latest Practicable Date, under the SFO, Mr. Xu is deemed to be interested in 712,629,400 Shares in which 982,800 Shares were held by Ms. Luk Hoi Man, the spouse of Mr. Xu. Mr. Xu also has 37,725,148 share options of the Company. Save as disclosed, Mr. Xu has no interests in the Shares within the meaning of Part XV of the SFO.

APPENDIX II DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

Save as disclosed above, there are no other information for Mr. Xu which are required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

Ms. Chan Wai Kay Katherine (“Ms. Chan”), aged 58, the deputy chairman of the Board and executive Director of the Company, holds a Bachelor degree of Business Administration from the University of Southern California, USA. Ms. Chan has more than 20 years of experience in financial services industry and previously held various key positions in listed companies. Ms. Chan has profound practicing knowledge in company’s strategic planning and corporate management of listed companies.

Ms. Chan is also the directors of various subsidiaries of the Company, namely, CGSE Ever Source Group Limited, China Ground Source Energy Industry Group (Hong Kong) Limited, China Ground Source Energy (Hong Kong) Limited, Far High International Limited, China Ground Source Energy Limited, Beijing Enterprises Ever Source Limited, Beijing Enterprises Ever Source Technology Limited, Beijing Enterprises Ever Source Energy Limited, Beijing Enterprises Ever Source (Hong Kong) Limited. Save as disclosed above, as at the Latest Practicable Date, Ms. Chan had not previously held any positions with the Company or its subsidiaries, does not have any relationship with any director, senior management, management shareholder, substantial shareholder or controlling shareholder of the Company, and did not have any other major appointments and professional qualifications. Ms. Chan has served as an independent non-executive director and an executive director of Skyworth Digital Holdings Limited (a company with its shares listed on the Main Board of the Stock Exchange, Stock code: 751) during the period from 27 July 2010 to 8 September 2013 and during the period from 9 September 2013 to 30 September 2016 respectively. Save as disclosed, Ms. Chan did not hold any directorship in any public companies whose securities are listed on any securities market in Hong Kong or overseas in the past three years.

There is a service agreement entered between Ms. Chan and the Company in respect of her appointment as an executive Director for a term of two years. Pursuant to the Company’s Articles of Association, Ms. Chan is subject to retirement by rotation and re-election at annual general meetings of the Company. Ms. Chan received a director’s emolument of HK\$1,920,000 per annum which was fixed with reference to market conditions and her duties and responsibilities with the Group.

As at the Latest Practicable Date, under the SFO, Ms. Chan is deemed to be interested in 72,394,000 Shares in which 14,103,600 Shares were held by Mr. Chow Ming Joe Raymond, the spouse of Ms. Chan. Ms. Chan also has 43,788,119 share options of the Company. Save as disclosed, Ms. Chan has no interests in the Shares within the meaning of Part XV of the SFO.

Save as described below, there is no enterprise, company or unincorporated enterprise that has been dissolved or put into liquidation (otherwise than by a members’ voluntary winding up when the company was solvent) or bankruptcy or been the object of an analogous proceeding, or entered into any form of arrangement or composition with creditors, or had a receiver, trustee or similar officer appointed over it during the time when Ms. Chan was a director or within 12 months after her ceasing to be a director.

APPENDIX II DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

The following two companies incorporated in Hong Kong (each an indirectly wholly owned subsidiary of Natural Dairy (NZ) Holdings Limited), in which Ms. Chan was a director, were put into creditors' voluntary winding up:

1. Linfair Engineering (H.K.) Co. Ltd. (commencement of creditors' voluntary winding up on 15 September 2009); and
2. Linfair Capital Limited (commencement of creditors' voluntary winding up on 15 September 2009).

As there are no matters which cast doubt on Ms. Chan's integrity and capabilities as a director of a listed issuer, the Board does not consider the winding up of above two companies would present any negative factors in respect of her re-election.

Save as disclosed above, there are no other information for Ms. Chan which are required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Zang Yiran ("Mr. Zang"), aged 39, the chief financial officer and executive Director of the Company, graduated from Tianjin University of Finance & Economics with a Bachelor's degree. He commenced his career in September 1999 and worked as a director in Responsibility Accounting Centre of the Capital Operation Department of Tianjin First Center Hospital, a Business Manager of Financial Management Department of CECIC, an assistant to the Director of Financial Management Department of CECIC, an assistant to the Director of Financial Management Department of CECEP, the Deputy General Manager for China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Ltd., a substantial shareholder of the Company.

Mr. Zang is also the directors of various subsidiaries of the Company, namely, 恒有源科技發展集團有限公司, 燕園環境科技有限公司, 恒有源科技發展集團新沂有限公司, 恒有源科技發展集團邳州有限公司, 恒有源科技發展集團邯鄲有限公司, 恒有源科技發展集團南陽有限公司, 恒有源地能(南京)有限公司, 浙江萬合能源環境科技有限公司, 杭州恒有源能源科技有限公司, Ample Start Investments Limited, Sharp Bloom Investments Limited, China Ground Source Energy (Hangzhou) Limited, 金恒偉業(香港)有限公司, 金恒嘉業(香港)有限公司. Save as disclosed above, as at the Latest Practicable Date, Mr. Zang had not previously held any positions with the Company or its subsidiaries, does not have any relationship with any director, senior management, management shareholder, substantial shareholder or controlling shareholder of the Company. Mr. Zang has no interests in the shares of the Company within the meaning of the SFO. Save as disclosed. Mr. Zang did not hold any directorship in any listed companies in the past three years.

There is a service agreement entered between Mr. Zang and the Company in respect of his appointment as an executive Director for a term of three years. Pursuant to the Company's Articles of Association, Mr. Zang is subject to retirement by rotation and re-election at annual general meetings of the Company. Mr. Zang received a director's emolument of HK\$1,200,000 per annum which was fixed with reference to market conditions and his duties and responsibilities with the Group.

APPENDIX II DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

Save as disclosed above, there are no other information for Mr. Zang which are required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

Mr. Jia Wenzeng (“Mr. Jia”), aged 74, an independent non-executive Director, the chairman of audit committee and a member of nomination committee and remuneration committee of the Company, has been working on financial management since 1963 with in-depth research and practice on corporate financial management. His dissertation was awarded a second prize in the National Examination Seminar for Economy Dissertation (全國經濟論文評選會) in 1992.

Save as disclosed above, as at the Latest Practicable Date, Mr. Jia had not previously held any positions with the Company or its subsidiaries, does not have any relationship with any director, senior management, management shareholder, substantial shareholder or controlling shareholder of the Company, and did not have any other major appointments and professional qualifications. Save as disclosed, Mr. Jia did not hold any directorship in any public companies whose securities are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Jia has entered into an appointment letter with the Company in respect of his appointment as an independent non-executive Director for a term of two years.

Pursuant to the Company’s articles of association, Mr. Jia is subject to retirement by rotation and re-election at annual general meetings of the Company. Mr. Jia received an annual director’s fee of HK\$150,000 which is fixed with reference to market conditions and his duties and responsibilities with the Group.

As at the Latest Practicable Date, Mr. Jia has 4,827,920 share options of the Company. Save as disclosed, Mr. Jia has no interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other information for Mr. Jia which are required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders.

NOTICE OF ANNUAL 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 the annual general meeting (the “**Annual General Meeting**”) of China Ground Source Energy Industry Group Limited (the “**Company**”) will be held on Monday, 14 May 2018 at 11:00 a.m. at Units 3709-10, 37/F, The Center, 99 Queen’s Road Central, Central, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements of the Company for the year ended 31 December 2017 together with the reports of the directors of the Company (the “**Directors**”) and the auditors of the Company thereon.
2.
 - (a) To re-elect Mr. Xu Shengheng as executive Director and to authorise the board of Director to fix his remuneration;
 - (b) To re-elect Ms. Chan Wai Kay, Katherine as executive Director and to authorise the board of Director to fix her remuneration;
 - (c) To re-elect Mr. Zang Yiran as executive Director and to authorise the board of Director to fix his remuneration; and
 - (d) To re-elect Mr. Jia Wenzeng as independent non-executive Director and to authorise the board of Director to fix his remuneration.
3. To re-appoint the auditors of the Company and to authorise the Directors to fix their remuneration.

ORDINARY RESOLUTIONS

4. To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:
 - A. “**THAT:**
 - (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on the GEM (the “**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the total number of share(s) allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) any issue of shares of the Company upon the exercise of existing warrants to subscribe for shares of the Company or the exercise of options granted under any share option scheme adopted by the Company; or (iii) any scrip dividend or similar arrangement providing for allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company in force from time to time, shall not exceed 20 per cent. of the total number of the Shares of the Company in issue as at the date of passing of this resolution, and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, or any applicable law of the Cayman Islands to be held; and
- (iii) the date on which the authority given to Directors by this resolution is revoked or varied by an ordinary resolution by shareholders of the Company in general meeting.

“**Rights Issue**” means an offer of shares in the Company (“**Shares**”), or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company).”

NOTICE OF ANNUAL GENERAL MEETING

B. **“THAT:**

- (a) subject to paragraph (c) of this resolution, the exercise by the Directors during the Relevant Period (as defined above) of all the powers of the Company to repurchase its shares on GEM or any other stock exchange on which the shares of the Company have been or may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases for such purposes, and otherwise in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on GEM as amended from time to time or that of any other stock exchange, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors to procure the Company to repurchase its shares at such price as the Directors may at their discretion determine in accordance with all applicable laws and regulations;
- (c) the shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent. of the total number of the issued Shares of the Company as at the date of passing this resolution, and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purpose of this resolution, “Relevant Period” shall have the same meanings as ascribed to it under paragraph (d) of resolution numbered 4A of the notice convening this Annual General Meeting.”

- C. **“THAT** conditional upon the passing the resolutions numbered 4A and 4B as set out in the notice convening the Annual General Meeting, the total number of the Share(s) of the Company which are repurchased by the Company pursuant to and in accordance with resolution numbered 4B shall be added to the total number of the Share(s) of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with resolution numbered 4A.”

SPECIAL RESOLUTION

5. To consider and, if thought fit, pass the following resolution (with or without amendments) as special resolution:

“THAT subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands having been obtained, the name of the Company be changed from “CHINA GROUND SOURCE ENERGY INDUSTRY GROUP LIMITED 中國地能產業集團有限公司” to “CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED 中國地熱能產業發展集團有限公司”, and that any one or more of the directors or the company secretary of the Company be and are hereby authorised to do all such acts, deeds and things and execute

NOTICE OF ANNUAL GENERAL MEETING

all such documents and make all such arrangements as he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the above proposed change of company name and to attend to any necessary registration and/or filing for and on behalf of the Company.”

By order of the Board
China Ground Source Energy Industry Group Limited
Xu Shengheng
Joint Chairman & Executive Director

Hong Kong, 11 April 2018

* *For identification purposes only*

As at the date hereof, the Board of Directors of the Company 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.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting 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, a 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 Annual General Meeting 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 Annual General Meeting and in such event, the form of proxy shall be deemed to be revoked.
4. The register of members of the Company will be closed from Wednesday, 9 May 2018 to Monday, 14 May 2018, 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 Tuesday, 8 May 2018.