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中國地能有限公司
CHINA GROUND SOURCE ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8128)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “**Annual General Meeting**”) of China Ground Source Energy Limited (the “**Company**”) will be held on Thursday, 13 June 2013 at 9:30 a.m. at East Room, Mandarin Oriental Hong Kong, 23rd Floor, 5 Connaught Road, Central, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements of the Company for the nine months ended 31 December 2012 together with the reports of the directors of the Company (the “**Directors**”) and the auditors of the Company thereon.
2. To approve the distribution of final dividend.
3. To re-elect Ms. Chan Wai Kay Katherine and Mr. Xu Shengheng as executive Directors and Mr. Jia Wenzeng as independent non-executive Director and to authorise the board of Directors to fix their remuneration.
4. To re-appoint SHINEWING (HK) CPA Limited as the auditors of the Company and to authorise the Directors to fix their remuneration.

ORDINARY RESOLUTIONS

5. 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 Growth Enterprise Market (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;

- (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 aggregate nominal amount of share capital 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 aggregate nominal amount of the share capital 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).”

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 aggregate nominal amount of the issued share capital 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 5A and 5B as set out in the notice convening the Annual General Meeting, the aggregate nominal value of the share capital of the Company which are repurchased by the Company pursuant to and in accordance with resolution numbered 5B shall be added to the aggregate nominal value of the share capital 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 5A.”

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

“THAT:

subject to and conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of US\$0.01 each (“**Shares**”) in the share capital of the Company to be issued pursuant to the exercise of options which may be granted under the Refreshed Scheme Limit (as defined below), the refreshment of the scheme limit of the Company’s share option scheme adopted on 28 July 2010, of up to 10

per cent. of the number of Shares in issue as at the date of passing this resolution (“**Refreshed Scheme Limit**”) be and is hereby approved and the directors of the Company be and are hereby authorised to grant options and allot and issue Shares pursuant to the exercise of any options granted under the Refreshed Scheme Limit and to do all such acts, deeds and things as they shall, in their absolute discretion, deem fit in order to effect the foregoing.”

7. To consider and, if thought fit, pass the following resolutions (with or without amendment) as ordinary resolution:

“**THAT:**

- (a) the agreement (the “**Agreement**”) dated 21 March 2013 entered into between the Company (as vendor) and China Energy Conservation and Environmental Protection Group Company (“**CECEP**”) (as purchaser) pursuant to which CECEP and its subsidiaries agreed to purchase and the Company and its subsidiaries agreed to sell:

- (i) the products using “HYY single-well circulation for heat exchange geothermal energy collection technology”, an original innovation of the Company as focus, and using shallow geothermal as alternative energy for heating/cooling, including but not limited to, the “HYY geothermal energy heat pump environmental system” and the “HYY multi-source distributed energy stations focused on using geothermal energy” (the “**Products**”); and
- (ii) the 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 (the “**Services**”),

for the term commencing from the date of the approval of the shareholders of the Company excluding CECEP (HK) and its associates of the Agreement or 1 May 2013, whichever is the later (the “**Effective Date**”), to 31 December 2015, a copy of which is produced to the meeting marked “A” and initialed by the chairman of the meeting for identification purpose, and the transactions thereunder be and are hereby confirmed, approved and ratified, and any one director of the Company be and is hereby authorised to take such actions and execute such documents (to be countersigned by another director of the Company if the common seal of the Company is required to be affixed thereto) as he may consider necessary or desirable to carry out and complete the transactions thereunder;

- (b) the proposed aggregate annual caps for the purchases of the Products by CECEP and its subsidiaries from the Company and its subsidiaries under the Agreement for each of the three periods: (1) from the Effective Date to 31 December 2013; (2) from 1 January 2014 to 31 December 2014; and (3) from 1 January 2015 to 31 December 2015 are RMB80,000,000, RMB150,000,000 and RMB200,000,000 equivalent to approximately HK\$100,000,000, HK\$187,500,000 and HK\$250,000,000, respectively, be and are hereby approved; and

- (c) the proposed aggregate annual caps for the purchases of the Services by CECEP and its subsidiaries from the Company and its subsidiaries under the Agreement for each of the three periods: (1) from the Effective Date to 31 December 2013; (2) from 1 January 2014 to 31 December 2014; and (3) from 1 January 2015 to 31 December 2015 are RMB7,000,000, RMB17,000,000 and RMB22,000,000 equivalent to approximately HK\$8,750,000, HK\$21,250,000 and HK\$27,500,000, respectively, be and are hereby approved.”

SPECIAL RESOLUTIONS

8. 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, the name of the Company be changed from “China Ground Source Energy Limited 中國地能有限公司” to “China Ground Source Energy Industry Group Limited 中國地能產業集團有限公司” with effect from the date on which such name is entered on the register of companies maintained by the Registrar of Companies in the Cayman Islands, and the directors of the Company be and are hereby authorised to do all such acts, deeds and things and execute all such documents and make all such arrangements as they shall, in their absolute discretion, deem necessary or expedient to effect the foregoing.”

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

(A) “**THAT** the Articles of Association of the Company (the “**Articles of Association**”) be amended in the manner as set out in Appendix III to the circular of the Company dated 13 May 2013.”

(B) “**THAT** subject to the passing of the special resolution numbered 9(A) as set out in the notice convening this meeting, an amended and restated Memorandum and Articles of Association which consolidates all of the proposed amendments referred to in the special resolution numbered 9(A) and all previous amendments made pursuant to resolutions passed by the shareholders of the Company at general meetings, a copy of which is produced to the meeting and marked ‘B’ and initialed by the chairman of this meeting for the purpose of identification, be and is hereby adopted as the amended and restated Memorandum and Articles of Association of the Company in substitution for and to the exclusion of the existing Memorandum and Articles of Association with immediate effect.”

By order of the Board
China Ground Source Energy Limited
Zheng Qiyu
Chairman

Hong Kong, 13 May 2013

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 Tuesday, 11 June 2013 to Thursday, 13 June 2013, 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, 10 June 2013.

As at the date hereof, the Board of Directors of the Company comprises Mr. Zheng Qiyu, Ms. Chan Wai Kay, Katherine, Mr. Xu Shengheng and Mr. Zang Yiran as executive Directors, Ms. Wu Xiaohua and Ms. Xu Genghong as non-executive Directors, Mr. Hu Zhaoguang, Mr. Jia Wenzeng and Mr. Wu Desheng 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 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.

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.