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CGS

CHINA GROUND SOURCE ENERGY LIMITED

中國地能有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

TRANSFER OF CONVERTIBLE NOTES

Reference is made to the announcement dated 14 January 2008, the circular dated 29 February 2008 and the announcement dated 31 March 2008 of the Company.

Pursuant to the profit guarantee given by the Vendor under the Acquisition Agreement, the Purchaser and the Vendor have agreed that the Vendor shall transfer the Transferred Notes to the Purchaser.

The Convertible Notes in an aggregate principal amount of HK\$204 million were issued to the Noteholders on 31 March 2008. Details of the issue and particulars of the Convertible Notes are set out in the announcement and circular of the Company dated 14 January 2008 and 29 February 2008 respectively.

INTRODUCTION

Reference is made to the announcement dated 14 January 2008 (the “**Announcement**”), the circular dated 29 February 2008 and the announcement dated 31 March 2008 of the Company respectively. Unless otherwise defined, words and expressions used herein should have the same meanings as those used in the Announcement.

Profit Guarantee

Pursuant to the Acquisition Agreement, the Vendor warrants and guarantees to the Purchaser that the 24 Month Net Profits of BEES(BVI) shall not be less than HK\$200 million (the “**Guaranteed Profit**”).

In the event that the 24 Month Net Profits is less than HK\$200 million, the Vendor shall

(a) pay to the Purchaser an amount in cash (in Hong Kong dollars) equivalent to such shortfall, or

(b) (at the option of the Vendor) transfer to the Purchaser the Convertible Notes of such principal amount equivalent to or less than the amount of the shortfall (as the Vendor may elect) free from all encumbrances, and pay to the Purchaser an amount in cash (in Hong Kong dollars) equivalent to the remaining balance of such shortfall,

within 30 Business Days of the date on which the relevant financial statements are made available to the Vendor.

In accordance with the terms of the Convertible Notes, to the extent required by law, in the event that the 24 Month Net Profits is less than HK\$200 million and the Vendor elects to settle any part of the shortfall by transferring any part of the Convertible Notes (issued to the Vendor but prior to the exercise of conversion right thereof) to the Purchaser as mentioned above, such transferred Convertible Notes shall be cancelled.

Pursuant to the audited financial statements of BEES(BVI) for the two years ended 31 March 2010, the 24 Month Net Profits is HK\$143,350,000. In such event, on 14 September 2010, the Vendor transferred to the Purchaser the Convertible Notes in the amount of HK\$57,783,000 (the “**Transferred Notes**”), being the shortfall of the Guaranteed Profit, pursuant to the Acquisition Agreement and the terms and conditions of the Convertible Notes. The Transferred Note will be cancelled pursuant to terms and conditions of the Convertible Notes.

The Transferred Notes, if outstanding, would have entitled its holders to convert the Transferred Notes, at the adjusted conversion price of HK\$1.20 per share (the “**Adjusted Conversion Price**”), into 48,152,500 ordinary shares of US\$0.04 each in the capital of the Company, representing approximately 2.77% of the existing issued share capital of the Company. After transfer of the Transferred Notes, the remaining balance of the aggregate principal amount of the Convertible Notes was HK\$146,217,000, which is convertible into 121,847,500 ordinary shares at the Adjusted Conversion Price of HK\$1.20 per share.

By order of the Board
China Ground Source Energy Limited
Chan Wai Kay, Katherine
Chairman

Hong Kong, 14 September 2010

As at the date of this announcement, the Board comprises Ms. Chan Wai Kay, Katherine, Mr. Xu Shengheng, Mr. Wu Shu Min and Mr. Jeffrey Soo Kim Fui as executive Directors, Mr. Fu Hui Zhong as non-executive Director, Ms. Laura Chan Man Kuen, Mr. Jia Wenzeng and Mr. Paul Chow Wan Hoi 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.

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