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

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 8128)

**ANNOUNCEMENT RELATING TO PROPOSED REMOVAL OF DIRECTORS
AND APPOINTMENT OF DIRECTORS,
PROPOSED GRANT OF GENERAL MANDATE AND REFRESHMENT OF
SCHEME LIMIT**

PROPOSED REMOVAL OF DIRECTORS AND APPOINTMENT OF DIRECTORS

In a meeting of the board (“**Board**”) of directors (“**Directors**”) of China Ground Source Energy Limited (“**Company**”) held on 4 March 2009 (“**Board Meeting**”), the majority of the Board has resolved (with Ms. Cheung Kwan, being an executive Director and Mr. Lu Chuan, being the non-executive Director opposed to such board resolution and Ms. Cai Xin, being an independent non-executive Director voluntarily abstained from voting on such board resolution) that an extraordinary general meeting be convened to consider the removal of Mr. Wu Shu Min, Ms. Cheung Kwan, Ms. Chan Wai Kay, Katherine, Mr. Xu Shengheng, Mr. Jeffrey Soo Kim Fui, Mr. Lu Chuan, Ms. Cai Xin, Ms. Laura Chan Man Kuen and Mr. Calvin Chiu Chun Kit respectively from the office of Directors with immediate effect from the time when the respective resolutions are passed (“**Removal of Directors**”); and the appointment of (i) Mr. Wu Shu Min, Ms. Chan Wai Kay, Katherine, Mr. Xu Shengheng, Mr. Jeffrey Soo Kim Fui, and Ms. Cheung Kwan as executive Directors, (ii) Mr. Lu Chuan as non-executive Director and (iii) Ms. Cai Xin, Ms. Laura Chan Man Kuen and Mr. Calvin Chiu Chun Kit as independent non-executive Directors with effect from the time when the respective resolutions are passed (“**Appointment of Directors**”).

Reference is made to the announcements of the Company dated 13 February 2009 and 17 February 2009. Ms. Cheung Kwan, being an executive Director, Mr. Lu Chuan, being the non-executive Director and Ms. Cai Xin, being an independent non-executive Director were unclear as to the list of the members of the Board. On 27 February 2009, the Board and the company secretary of the Company received a written requisition (“**Requisition**”) issued by a shareholder of the Company (“**Shareholder**”) holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company to require an extraordinary general meeting (“**Extraordinary General Meeting**”) to be called by the Board for the Removal of Directors and the Appointment of Directors. Pursuant to

Article 58 of the articles of associations of the Company, the Extraordinary General Meeting shall be held within two months after deposit of the Requisition. The majority of the Board is of the view that the current differences of opinion held by various Directors in respect of the composition of the Board will be resolved in the Extraordinary General Meeting and the convening of the Extraordinary General Meeting is in the best interest of the Company and the Shareholders.

OTHER RESOLUTIONS PROPOSED TO BE PASSED IN THE EXTRAORDINARY GENERAL MEETING

In the Board Meeting, the majority of the Board has also resolved (with Ms. Cheung Kwan, being an executive Director, Mr. Lu Chuan, being the non-executive Director and Ms. Cai Xin, being an independent non-executive Director opposed to such board resolution) to seek approval from the Shareholders for the grant to the Directors of a general mandate (“**General Mandate**”) to authorize the allotment and issue of shares of the Company (“**Shares**”) up to the limit of 20 per cent. of the aggregate nominal value of the issued share capital of the Company on the date of Extraordinary General Meeting. Since the repurchase mandate (“**Repurchase Mandate**”) was granted to the Directors on the annual general meeting of the Company held on 6 February 2009 to repurchase Shares on GEM or on any other exchange which does not exceed 10 per cent. of the aggregate nominal value of the issued share capital of the Company on 6 February 2009, the majority of the Board has also resolved in the Board Meeting (with Ms. Cheung Kwan, being an executive Director, Mr. Lu Chuan, being the non-executive Director and Ms. Cai Xin, being an independent non-executive Director opposed to such board resolution) to seek approval from the Shareholders 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 repurchase under the Repurchase Mandate.

In order to provide more flexibility for the Company to grant options to the participants of the share option scheme (“**Share Option Scheme**”) adopted by the Company on 22 November 2001 to reward and motivate them to strive for the future developments and success of the Company and its subsidiaries, the Board has also resolved in the Board Meeting (with Ms. Cheung Kwan, being an executive Director, Mr. Lu Chuan, being the non-executive Director and Ms. Cai Xin, being an independent non-executive Director opposed to such board resolution) to seek approval from the Shareholders to refresh the scheme limit (“**Refreshment of Scheme Limit**”) of up to 10 per cent. of the number of Shares in issue as at the date of the Extraordinary General Meeting. Assuming that no Shares are issued or repurchased by the Company from 3 March 2009, being the latest practicable date prior to the printing of this announcement for ascertaining certain information in this announcement and up to the date of Extraordinary General Meeting, the Company will have 5,653,112,470 Shares in issue as at the date of the Extraordinary General Meeting, the Refreshment of Scheme Limit, if approved by the Shareholders at the Extraordinary General Meeting, will allow the Company to issue, upon exercise of options under the Share Option Scheme, a maximum of 565,311,247 Shares, representing 10% of the issued share capital of the Company as at the date of the Extraordinary General Meeting.

EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting will be held on Wednesday, 25 March 2009 at Room 1303, York House, The Landmark, 15 Queen's Road Central, Central, Hong Kong for the purpose of considering the proposed Removal of Directors, Appointment of Directors, proposed grant of the General Mandate and extension of the General Mandate and the proposed Refreshment of Scheme Limit. Circular of the Company containing, among other things, details of the proposed resolutions together with a notice of the Extraordinary General Meeting will be dispatched to the Shareholders as soon as possible.

By order of the Board
China Ground Source Energy Limited
Wu Shu Min
Director

Hong Kong, 4 March 2009

As at the date of this announcement, the Board comprises Mr. Wu Shu Min, Ms. Chan Wai Kay, Katherine, Mr. Xu Shengheng, Ms. Cheung Kwan, Mr. Jeffrey Soo Kim Fui as executive Directors, Mr. Lu Chuan as non-executive Director, Ms. Laura Chan Man Kuen, Ms. Cai Xin and Mr. Calvin Chiu Chun Kit as independent non-executive Directors.

Ms. Cheung Kwan, being an executive Director, Mr. Lu Chuan, being the non-executive Director and Ms. Cai Xin, being an independent non-executive Director, are unclear as to the list of members of the board of Directors of the Company as at the date of announcement. These three Directors do not accept responsibility for the accuracy and content of the list of members of the Board of Directors of the Company as at the date of announcement, stated in this announcement.

*This announcement, for which the directors of China Ground Source Energy Limited 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 (the “**GEM Listing Rules**”) for the purpose of giving information with regard to China Ground Source Energy Limited. The directors of China Ground Source Energy Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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