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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)

COMPLETION OF SUBSCRIPTION OF NEW SHARES

The Board is pleased to announce that all conditions set out in the Letter of Intent have been fulfilled or waived and the Subscription was completed on 20 August 2012. A total of 850,000,000 Subscription Shares, representing approximately 29.16% of the issued share capital of the Company as at the date of this announcement as enlarged by the Subscription, were issued to China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Ltd..

Reference is made to the announcement of the Company dated 12 April 2012 and the circular of the Company dated 5 June 2012 (the “**Circular**”) in relation to the Subscription. Capitalised terms used in this announcement shall have the same meanings as defined in the Circular unless otherwise stated.

The Board is pleased to announce that all conditions set out in the Letter of Intent have been fulfilled or waived and the Subscription was completed on 20 August 2012 in accordance with the terms and conditions of the Letter of Intent. A total of 850,000,000 Subscription Shares, representing approximately 29.16% of the issued share capital of the Company as at the date of this announcement as enlarged by the Subscription, have been issued and allotted to China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Ltd. (the “**Subscriber**”) at the Subscription Price of HK\$0.41 per Subscription Share.

As at the date of this announcement and after the completion of the Subscription, there are 2,915,307,117 Shares in issue and the Subscriber is interested in 850,000,000 issued Shares, representing approximately 29.16% of the issued share capital of the Company as enlarged by the Subscription.

The table below sets out the changes to the shareholding structure of the Company as a result of the completion of the Subscription:

Name of Shareholders	Immediately before completion of the Subscription		Immediately after completion of the Subscription	
	<i>Number of Shares</i>	<i>Approximate percentage of the interests</i>	<i>Number of Shares</i>	<i>Approximate percentage of the interests</i>
China Energy Conservation and Environmental Protection (Hong Kong) Investment Co., Ltd.	–	–	850,000,000	29.16%
Mr. Xu Shengheng (<i>Note</i>) and his associates	509,021,000	24.65%	509,021,000	17.46%
Ms. Chan Wai Kay, Katherine (<i>Note</i>) and her associates	44,074,000	2.13%	44,074,000	1.51%
Public Shareholders	<u>1,512,212,117</u>	<u>73.22%</u>	<u>1,512,212,117</u>	<u>51.87%</u>
Total:	<u><u>2,065,307,117</u></u>	<u><u>100.00%</u></u>	<u><u>2,915,307,117</u></u>	<u><u>100.00%</u></u>

Note: Being the executive directors of the Company

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

Hong Kong, 20 August 2012

As at the date of this announcement, the Board comprises Ms. Chan Wai Kay, Katherine and Mr. Xu Shengheng as executive Directors, Ms. Luk Hoi Man as non-executive Director, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Hu Zhaoguang as independent non-executive Directors.

This announcement, for which the directors (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 “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.cgsenergy.com.hk.