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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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,  
REFRESHMENT OF SCHEME LIMIT,  
RE-ELECTION OF DIRECTORS,  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening an Annual General Meeting of China Ground Source Energy Industry Group Limited to be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 30 May 2016 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](http://www.hkgem.com)) for at least 7 days from the date of its posting.

5 April 2016

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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*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 Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 30 May 2016 at 11:00 a.m.
“Articles of Association”	the Memorandum and Articles of Association of the Company
“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
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	directors of the Company
“Existing Scheme Limit”	the total number of Shares in respect of which options may be granted pursuant to the Share Option Scheme and any other share option schemes of the Company, not exceeding 10% of the issued share capital of the Company as at the date of passing the relevant resolution to approve the general limit at the annual general meeting of the Company on 12 May 2013
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing committee of the board of directors of the Stock Exchange with responsibility for GEM

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## DEFINITIONS

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“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
“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”	2 April 2016, 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
“Refreshed Scheme Limit”	the maximum number of Shares which may be issued upon the exercise of all options granted under the Share Option Scheme and any other share option scheme(s) of the Company, being 10% of the Company’s issued share capital as at the date of passing the relevant resolution to approve the refreshment of scheme limit at the AGM
“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
“RMB”	Renminbi, the lawful currency of the PRC
“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

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## DEFINITIONS

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“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
“%”	percent

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Liu Dajun  
Mr. Xu Shengheng  
Ms. Chan Wai Kay, Katherine  
Mr. Zang Yiran

*Non-executive Directors:*

Mr. Zhao Youmin  
Mr. Daiqi

*Independent non-executive Directors:*

Mr. Jia Wenzeng  
Mr. Wu Desheng  
Mr. Zhang Honghai

*Registered office:*

Floor 4, Willow House  
Cricket Square  
P.O. Box 2804  
Grand Cayman KY1-1112  
Cayman Islands

*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

5 April 2016

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

Dear Sir or Madam,

**GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES,  
REFRESHMENT OF SCHEME LIMIT,  
RE-ELECTION OF DIRECTORS,  
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 refreshment of scheme limit, the re-election of Directors and to give you the notice of AGM.

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## LETTER FROM THE BOARD

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### GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES

At the annual general meeting of the Company held on 12 May 2015, 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 aggregate nominal value of the issued share capital 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 aggregate nominal value of the issued share capital of the Company on the date of passing such resolution. 49,136,000 Shares have been repurchased pursuant to the repurchase mandate granted on 12 May 2015.

These general mandates will lapse at the conclusion of the forthcoming Annual General Meeting of the Company which will be held at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on 30 May 2016. 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 aggregate nominal value of the issued share capital 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 aggregate nominal value of the issued share capital of the Company 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 2,876,375,117 Shares were in issue. There were 386,384,000 outstanding options under the share option schemes, to subscribe up to 386,384,000 Shares.

On the basis of 2,876,375,117 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 287,637,511 Shares which represent 10 per cent. of the 2,876,375,117 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



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## LETTER FROM THE BOARD

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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.

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.

### **REFRESHMENT OF THE SCHEME LIMIT**

At present, the Company has a Share Option Scheme which was conditionally adopted on 28 July 2010 and became unconditional on 7 August 2010. Apart from the Share Option Scheme, as at the Latest Practicable Date, the Company did not have any other share option schemes.

Under the GEM Listing Rules and the Share Option Scheme:

- (i) the Existing Scheme Limit so refreshed must not exceed 10% of the issued share capital of the Company at the date of the approval of the Refreshed Scheme Limit by the Shareholders;
- (ii) all options granted under the Share Option Scheme and any other share option schemes of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the Share Option Scheme and any other share option schemes of the Company) prior to the approval of such Refreshed Scheme Limit shall not be counted for the purpose of calculating whether the Refreshed Scheme Limit has been exceeded and the total number of Shares subject to the Refreshed Scheme Limit;
- (iii) notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time.

Under the Existing Scheme Limit, a total of 290,282,117 options can be granted. On 11 August 2014, there were 290,000,000 options granted under the Share Option Scheme. As at the Latest Practicable Date, there were a total of 386,384,000 outstanding and unexercised options granted under the Share Option Scheme, representing approximately 13.43% of the existing issued share capital of the Company. Under the Existing Scheme Limit, there are still 282,117 options that can be granted.

The Board believes that the Refreshed Scheme Limit will give more flexibility for the Company to grant options to the Participants to reward and motivate them to strive for the future developments and success of the Group, which shall be in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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Assuming that no Shares are issued or repurchased by the Company from the Latest Practicable Date up to the AGM, the Company will have 2,876,375,117 Shares in issue as at the date of the AGM. The Refreshed Scheme Limit, if approved by the Shareholders at the AGM, will allow the Company to issue, upon exercise of options under the Share Option Scheme, a maximum of 287,637,511 Shares, representing 10% of the issued share capital of the Company as at the date of approval of the Refreshed Scheme Limit.

The Refreshed Scheme Limit is conditional upon the approval of such resolution at the AGM and upon granting by the Stock Exchange of the listing of and permission to deal in the Shares to be issued upon the exercise of the options be granted under the Refreshed Scheme Limit.

Application will be made to the Stock Exchange for the listing of and permission to deal in any Shares, representing 10% of the share capital of the Company in issue as at the date of the AGM which may fall to be issued upon the exercise of any options that may be granted under the Refreshed Scheme Limit.

### RE-ELECTION OF DIRECTORS

In accordance with Article 87 of the Articles of Association of the Company, Mr. Liu Dajun, Mr. Xu Shengheng, Ms. Chan Wai Kay Katherine and Mr. Jia Wenzeng shall retire by rotation at the AGM and who, being eligible, will offer themselves for re-election. Details of Mr. Liu Dajun, Mr. Xu Shengheng, Ms. Chan Wai Kay Katherine and Mr. Jia Wenzeng are set out in Appendix II to this circular.

### 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 Refreshed Scheme Limit and the re-election of Directors.

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.

### 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.

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## LETTER FROM THE BOARD

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### 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 Refreshed Scheme Limit and the re-election of the Directors 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.

Yours faithfully,

For and on behalf of

**CHINA GROUND SOURCE ENERGY INDUSTRY GROUP LIMITED**

**Liu Dajun**

*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 2015) 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 2,876,375,117 Shares were in issue. There were 386,384,000 outstanding options under the Company's share option schemes, to subscribe up to 386,384,000 Shares.

On the basis of 2,876,375,117 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 287,637,511 Shares which represent 10 per cent. of the 2,876,375,117 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 connected person (as defined in the GEM Listing Rules) and a 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 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 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**

21,040,000 Shares have been 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 850,000,000 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 850,000,000 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 March 2015 to 31 December 2015 and the period from 1 January 2016 up to the Latest Practicable Date were as follows:

Shares	Highest (HK\$)	Lowest (HK\$)
<b>2015</b>		
March	0.375	0.320
April	0.690	0.360
May	0.660	0.495
June	0.690	0.460
July	0.500	0.250
August	0.455	0.330
September	0.395	0.345
October	0.385	0.345
November	0.360	0.305
December	0.380	0.335
<b>2016</b>		
January	0.370	0.300
February	0.335	0.300
March (up to Latest Practicable Date)	0.335	0.280

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## APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

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

**Mr. Liu Dajun** (“**Mr. Liu**”), aged 45, the joint chairman of the Board, the chief operating officer and executive director of the Company, graduated from Changchun College of Geology and obtained a bachelor’s degree in mining exploration. Mr. Liu obtained an EMBA degree from Guanghua School of Management of Peking University in 2006 and a doctoral degree in geological engineering from Jilin University in 2012, and is a senior engineer at professor level. Mr. Liu had served as technician and project manager of the Chinese Institute of Geo-exploration Technology (中國地質勘察技術院), professional engineer, project manager, domestic manager, assistant to general manager and deputy general manager of China Geo-Engineering Corporation (concurrently serving as chairman and general manager of CGC Road and Bridge Construction Co., Ltd. during the same period). Mr. Liu is currently the director of CECEP Environment Protection Investment Development (Jiangxi) Co., Ltd., a fellow subsidiary of China Energy Conservation and Environmental Protection (Hong Kong) Investment Co., Ltd., which is a substantial shareholder of the Company.

Mr. Liu is also the directors of some subsidiaries of the Company, namely Keyray Investments Limited, CHYY (USA), LLC and 宏源地能熱寶技術有限公司. Save as disclosed above, as at the Latest Practicable Date, Mr. Liu does not hold any positions with the Company or its subsidiaries and does not have any relationship with any director, senior management, management shareholder, substantial shareholder or controlling shareholder of the Company. Mr. Liu has no interests in the shares of the Company within the meaning of Part XV of the SFO. Mr. Liu did not hold any directorships in any listed companies in the past three years.

Mr. Liu has entered into a service agreement with the Company in respect of his appointment as executive Director for a term of three years commencing from 12 May 2015 which can be terminated by either party by giving not less than three month’s written notice to the other. Pursuant to the Company’s Articles of Association, Mr. Liu is subject to retirement by rotation and re-election at general meetings of the Company. Mr. Liu 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.

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

**Mr. Xu Shengheng** (“**Mr. Xu**”), aged 53, the joint chairman of the Board, the chief executive officer and an executive Director of the Company, holds a Master degree of Business Administration from the International EMBA from Hong Kong University of Science and Technology. Mr. Xu has over 16 years of experience in the promotion, research and development of shallow geothermal energy as alternative energy for heating. The single well circulation ground heat exchange technology developed by Mr. Xu has been awarded the 2003 GRC Best Paper Award by Geothermal Resources Council and the 1st Prize Technology Advancement 2008 by All-China Federation of Industry and Commerce. Mr. Xu has extensive experience in scientific research and enterprise management.

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## APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

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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, Ever Source Technology Limited, Beijing Enterprises Ever Source Limited, Beijing Enterprises Ever Source Technology Limited, Beijing Enterprises Ever Source Energy Limited, China Ground Source 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, 北京華利恒有源科技發展有限公司, 北京綠能皓天生物質能源科技有限公司, 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, 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分公司. 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 which was renewed for a term of three years from 25 March 2015. 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 has a long position in shares and underlying shares of 531,605,000 shares which represented that he holds 508,319,000 Shares and 22,584,000 share options of the Company as beneficial owner and Ms. Luk Hoi Man, the spouse of Mr. Xu, holds 702,000 Shares. In addition, Mr. Xu has a short position in 508,300,000 shares that held by him. Save as disclosed, Mr. Xu 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. 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 56, 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 has extensive experience in supervising initial public offerings and other fund raising exercises conducted by companies in Asia. With various key positions previously held in listed companies, Ms. Chan has profound practicing knowledge in company's strategic planning and corporate management of listed companies.



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## APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

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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, Ever Source Technology 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 is currently an executive director of Skyworth Digital Holdings Limited, a company with its shares listed on the Main Board of the Stock Exchange. 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 which was renewed for a term of two years from 25 March 2015. 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 51,710,000 Shares in which 10,074,000 Shares were held by Mr. Chow Ming Joe Raymond, the spouse of Ms. Chan. Ms. Chan also has 24,500,000 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.

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, have been 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.

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## APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

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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. Jia Wenzeng** (“**Mr. Jia**”), aged 72, an independent non-executive Director, the chairman of the audit committee and member of the remuneration committee and nomination committee of the Company. Mr. Jia has been working in financial management since 1963 with in-depth research and practice in 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 which was renewed for a term of two years from 25 March 2015.

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 3,000,000 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.

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## NOTICE OF ANNUAL GENERAL MEETING

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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)**

**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, 30 May 2016 at 11:00 a.m. at Regus Conference Centre, 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements of the Company for the year ended 31 December 2015 together with the reports of the directors of the Company (the “**Directors**”) and the auditors of the Company thereon.
2. To re-elect Mr. Liu Dajun, Mr. Xu Shengheng and Ms. Chan Wai Kay Katherine as executive Directors and Mr. Jia Wenzeng as independent non-executive Director and to authorise the board of Directors to fix their 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 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;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (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

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## NOTICE OF ANNUAL GENERAL MEETING

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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 4A and 4B 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 4B 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 4A.”

5. 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

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## NOTICE OF ANNUAL GENERAL MEETING

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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.”

By order of the Board  
**China Ground Source Energy Industry Group Limited**  
**Liu Dajun**  
*Joint Chairman & Executive Director*

Hong Kong, 5 April 2016

\* *For identification purposes only*

*As at the date hereof, the Board of Directors of the Company comprises Mr. Liu Dajun, Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine, and Mr. Zang Yiran as executive Directors, Mr. Zhao Youmin and Mr. Daiqi as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Zhang Honghai 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 Friday, 27 May 2016 to Monday, 30 May 2016, 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 Thursday, 26 May 2016.