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

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Ground Source Energy Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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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)

## **PROPOSED CHANGE OF AUDITORS AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening an extraordinary general meeting of China Ground Source Energy Limited to be held at Room 1303 York House, The Landmark, 15 Queen's Road Central, Central, Hong Kong on Thursday, 25 February 2010 at 10:00 a.m. is set out on pages 5 to 6 of this circular. A form of proxy is enclosed with this circular.

Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting. Completion and return of the form of proxy will not preclude you from subsequently attending and voting at the extraordinary general meeting or any adjourned meeting should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication.

5 February 2010

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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 shall have the following meanings:*

“AGM”	the annual general meeting of the Company held on 1 February 2010
“Board”	the board of Directors
“Company”	China Ground Source Energy Limited, shares of which are listed on GEM
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Room 1303 York House, The Landmark, 15 Queen’s Road Central, Central, Hong Kong on 25 February 2010 at 10:00 a.m.
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HLB”	HLB Hodgson Impey Cheng
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Share(s)”	share(s) in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Share(s)
“SHINEWING”	SHINEWING (HK) CPA Limited

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LETTER FROM THE BOARD

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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)

*Executive Directors:*

Ms. Chan Wai Kay, Katherine

Mr. Xu Shengheng

Mr. Wu Shu Min

Mr. Jeffrey Soo Kim Fui

*Registered office:*

Scotia Centre, 4th Floor

P.O. Box 2804

George Town

Grand Cayman

Cayman Islands

*Non-executive Director:*

Mr. Fu Hui Zhong

*Head office and principal place of  
business in Hong Kong:*

Room 1303, York House

The Landmark

15 Queen's Road Central

Central, Hong Kong

*Independent Non-executive Directors:*

Ms. Laura Chan Man Kuen

Mr. Jia Wenzeng

Mr. Paul Chow Wan Hoi

5 February 2010

*To the Shareholders, and for information only,*

*the holders of the share options and convertible notes of the Company*

Dear Sir or Madam,

**PROPOSED CHANGE OF AUDITORS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

On 27 January 2010, the Board announced that it has received a letter dated 27 January 2010 from HLB, being the auditors of the Company up to the conclusion of the AGM, in respect of their decision not to stand for re-appointment as the auditors of the Company at the AGM. The Board therefore proposed to appoint SHINEWING as the auditors of the Group to fill the causal vacancy following the resignation of HLB and to hold office until the conclusion of the next annual general meeting of the Company, subject to the approval of the Shareholders at the EGM.

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## **LETTER FROM THE BOARD**

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At the forthcoming EGM, an ordinary resolution will be proposed to the Shareholders to approve the appointment of SHINEWING as the auditors of the Group.

The purpose of this circular is to provide the Shareholders with information necessary to enable them to make a decision on whether to vote for or against the ordinary resolution to be proposed at the EGM for the change of auditors and to give the Shareholders the notice of the EGM.

The notice for convening the EGM is set out on pages 5 to 6 of this circular.

### **PROPOSED CHANGE OF AUDITORS**

On 27 January 2010, the Board announced HLB's decision not to stand for re-appointment as the auditors of the Company at the AGM as the Company and HLB could not reach a consensus on the audit fee for the financial year ending 31 March 2010.

In the letter from HLB dated 27 January 2010, HLB further draws attention to the fact that the auditors' report on the consolidated financial statements of the Group for the year ended 30 September 2009 was disclaimed because of the matters described in the basis for disclaimer of opinion paragraph set out in the auditors' report dated 30 December 2009 to the consolidated financial statements of the Group for the year ended 30 September 2009 included in the Company's annual report 2008/2009.

HLB confirmed that, save as disclosed above, there were no matters in connection with their decision not to stand for re-appointment as the auditors of the Company that need to be brought to the attention of the holders of securities of the Company. The Board confirms that there are no matters in connection with the change of auditors that should be brought to the attention of the holders of securities of the Company.

The Board propose to appoint SHINEWING as the auditors of the Group and to hold office until the conclusion of the next annual general meeting of the Company, subject to the approval of the Shareholders at the EGM.

### **EGM**

A notice convening the EGM to be held at Room 1303 York House, The Landmark, 15 Queen's Road Central, Central, Hong Kong on Thursday, 25 February 2010 at 10:00 a.m. is set out on pages 5 to 6 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy and return it to the office of the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not prevent you from attending and voting at the EGM or any adjourned meeting should you so wish.

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## LETTER FROM THE BOARD

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### RESPONSIBILITY STATEMENT

This circular, for which the Directors 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: (1) the information contained in this circular 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 circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

### RECOMMENDATION

The Directors believe that the ordinary resolution to be put before the EGM in relation to the appointment of SHINEWING as the auditors of the Group is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

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

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NOTICE OF EGM

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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)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of China Ground Source Energy Limited (“**Company**”) will be held at Room 1303 York House, The Landmark, 15 Queen’s Road Central, Central, Hong Kong on Thursday, 25 February 2010 at 10:00 a.m. (or an adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

**ORDINARY RESOLUTION**

“**THAT SHINEWING (HK) CPA Limited** be and is hereby appointed as the auditors of the Company and its subsidiaries (the “**Group**”) and to hold office until the conclusion of the next annual general meeting of the Company and the board of directors of the Company be and is hereby authorised to fix the remuneration of the auditors of the Group.”

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

Hong Kong, 5 February 2010

*Registered office:*

Scotia Centre, 4th Floor  
P.O. Box 2804  
George Town  
Grand Cayman  
Cayman Islands

*Head office and principal place of business in Hong Kong:*

Room 1303, York House  
The Landmark  
15 Queen’s Road Central  
Central, Hong Kong



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## NOTICE OF EGM

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*Notes:*

1. Any shareholder of the Company entitled to attend and vote at the extraordinary general meeting shall be entitled to appoint one or more proxies to attend and to vote in his stead. A proxy need not be a shareholder 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 Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the meeting or upon the poll concerned and in such event, the form of proxy shall be deemed to be revoked.

*As at the date hereof, the Board of Directors of the Company 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.*