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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 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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CGS

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

(Formerly known as IIN International Limited 國訊國際有限公司)*

(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**

A notice convening an Annual 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 Friday, 6 February 2009 at 10:30 a.m. is set out on pages 14 to 17 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 share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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) for at least 7 days from the date of its posting.

30 December 2008

* For identification purposes only

CHARACTERISTICS OF GEM

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

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 Room 1303, York House, The Landmark, 15 Queen’s Road Central, Central, Hong Kong on Friday, 6 February 2009 at 10:30 a.m.
“Board”	the board of Directors of the Company
“Company”	China Ground Source Energy Limited
“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 an annual general meeting of the Company on 28 January 2004
“GEM”	the Growth Enterprise Market of the Stock Exchange
“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”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	24 December 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Participants”	any person who satisfies the eligibility criteria under the Share Option Scheme

DEFINITIONS

“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution of the Company passed on 7 January 2000
“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”	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
“SFC”	the Securities and Futures Commission of Hong Kong
“Shares”	share(s) of US\$0.01 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution of the Company passed on 22 November 2001
“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

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CHINA GROUND SOURCE ENERGY LIMITED

中國地能有限公司

(Formerly known as IIN International Limited 國訊國際有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

Executive Directors:

Wu Shu Min (*Chairman*)

Xu Zhi Feng

Non-executive Director:

Lu Chuan

Independent Non-executive Directors:

Zhanglai

Cai Xin

Registered office:

Huntlaw Building

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

30 December 2008

To the Shareholders

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 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 notice of AGM at which ordinary resolutions will be proposed to consider, and if thought fit, approve at the AGM, among other matters, the granting of the General Mandate and the Repurchase Mandate, the Refreshed Scheme Limit and the re-election of Directors.

* For identification purposes only

LETTER FROM THE BOARD

GENERAL MANDATES TO REPURCHASE AND ISSUE SHARES

At the annual general meeting of the Company held on 15 February 2008, ordinary resolution 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. No Shares have been repurchased pursuant to the repurchase mandate.

These general mandates will lapse at the conclusion of the forthcoming Annual General Meeting of the Company which will be held at Room 1303, York House, The Landmark, 15 Queen's Road Central, Central, Hong Kong at 10:30 a.m. on 6 February 2009. 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, representing 1,130,622,494 Shares which is assumed that no shares are issued or repurchased by the Company from the Latest Practicable Date up to the AGM; 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\$80,000,000 divided into 8,000,000,000 Shares, of which 5,653,112,470 Shares were in issue. There were 27,300,000 outstanding options under the Share Option Scheme, to subscribe up to 27,300,000 Shares.

On the basis of 5,653,112,470 existing Shares in issue as at the Latest Practicable Date, the Directors would be authorised to repurchase up to 565,311,247 Shares which represent 10 per cent. of the 5,653,112,470 existing Shares in issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

In the event that all the options are exercised in full on or before 4:00 p.m. on Wednesday, 4 February 2009 from the holders of options granted under the Share Option Scheme, the number of Shares in issue will be increased to 5,680,412,470. On the basis of such figure (and assuming no Shares are purchased or further issued) the Directors would be authorised to repurchase up to 568,041,247 Shares which represent 10 per cent. of such 5,680,412,470 Shares.

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 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 the Appendix I to this circular.

REFRESHMENT OF THE SCHEME LIMIT

The Company has two share option schemes, namely the Pre-IPO Share Option Scheme adopted on 7 January 2000 and the Share Option Scheme adopted on 22 November 2001. Upon listing of the Shares on GEM on 30 November 2001, no further option was granted under the Pre-IPO Share Option Scheme. Apart from the Pre-IPO Share Option Scheme and 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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Pre-IPO Share Scheme had expired and was no longer existed. Besides, there were no outstanding and unexercised options granted under the Pre-IPO Share Option Scheme.

Under the Existing Scheme Limit, a total of 143,530,135 options can be granted. On 29 May 2007, there were 12,500,000 options granted under the Share Option Scheme and as at the Latest Practicable Date, these options are still outstanding and exercisable. In addition to 14,800,000 options previously granted of which 800,000 options were granted on 1 March 2002, 10,000,000 options were granted on 7 March 2002 and 4,000,000 options were granted on 5 June 2003, therefore, as at the Latest Practicable Date, there were a total of 27,300,000 outstanding and unexercised options granted under the Share Option Scheme. Under the Existing Scheme Limit, there are still 131,030,135 options can be granted.

However, in view of the substantial increase of issued share capital of the Company subsequent to the approval of the Existing Scheme Limit and the expansion of the Group's structure following several acquisitions taken place during the year, the Board proposes to refresh the scheme limit at the AGM. 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.

Assuming that no Shares are issued or repurchased by the Company from the Latest Practicable Date up to the AGM, the Company will have 5,653,112,470 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 565,311,247 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 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 Articles 86 and 87 of the Articles of Association of the Company, each of Mr. Wu Shu Min, Mr. Xu Zhi Feng, Mr. Lu Chuan, Mr. Zhanglai and Ms. Cai Xin would retire by rotation at the forthcoming AGM. Each of them, being eligible, would offer himself/herself for re-election. Details of Mr. Wu Shu Min, Mr. Xu Zhi Feng, Mr. Lu Chuan, Mr. Zhanglai and Ms. Cai Xin are set out in the Appendix II to this circular.

LETTER FROM THE BOARD

ANNUAL GENERAL MEETING

A notice convening the AGM is set out on pages 14 to 17 of this circular, ordinary resolutions will be proposed to approve the General Mandate, the Repurchase Mandate, the Refreshed Scheme Limit and to re-elect Directors of the Company.

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 share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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, which will come into effect from 1 January 2009, requires 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 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 of the Company, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) 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 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 LIMITED
Wu Shu Min
Chairman

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 30 September 2008) 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\$80,000,000 divided into 8,000,000,000 Shares, of which 5,653,112,470 Shares were in issue. There were 27,300,000 outstanding options under the Company's Share Option Scheme, to subscribe up to 27,300,000 Shares.

On the basis of 5,653,112,470 existing Shares in issue as at the Latest Practicable Date, the Directors would be authorised to repurchase up to 565,311,247 Shares which represent 10 per cent. of the 5,653,112,470 existing Shares in issue as at the Latest Practicable Date.

In the event that all the options are exercised in full on or before 4:00 p.m. on Wednesday, 4 February 2009 from the holders of options granted under the Company's Share Option Scheme, the number of Shares in issue will be increased to 5,680,412,470. On the basis of such figure (and assuming no Shares are repurchased or further issued) the Directors would be authorised to repurchase up to 568,041,247 Shares which represent 10 per cent. of such 5,680,412,470 Shares.

(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 purchases 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

No repurchases of Shares have been made 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, Ever Sincere Investment Limited (“Ever Sincere”), which is the largest Shareholder, held directly 1,000,000,000 Shares, representing approximately 17.69% of the issued share capital of the Company. 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, Ever Sincere proportionate interests in the voting rights of the Company would be increased to approximately 19.65% and Ever Sincere would not 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 intentions to exercise the Repurchase Mandate to such an extent that would result in the level of shareholdings in the Company 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 December 2007 to 30 November 2008 and the period from 1 December 2008 up to the Latest Practicable Date were as follows:

Shares	Highest (HK\$)	Lowest (HK\$)
2007		
December	0.290	0.230
2008		
January	0.305	0.178
February	0.222	0.173
March	0.245	0.180
April	0.218	0.150
May	0.218	0.173
June	0.210	0.182
July	0.198	0.169
August	0.190	0.162
September	0.168	0.048
October	0.095	0.048
November	0.069	0.043
December (up to Latest Practicable Date)	0.062	0.048

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

Mr. Wu Shu Min (“Mr. Wu”), aged 45, was appointed as executive Director on 31 December 1999 and is the Chairman of the Company. Mr. Wu is responsible for the strategic direction of the Group. He has over 21 years experience in the PRC telecommunications industry, and started his career in the Science Research Institute of Hunan Telecommunications in 1985. In 1994, he joined Hunan Tricom Communication Equipment Co., Ltd. as its China representative before he established Hunan Internet Information Networks Company Ltd. in 1997.

There is a service contract entered into between Mr. Wu and the Group which was renewed for a term of two years from 18 July 2007. Mr. Wu is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s Articles of Association. The director’s emolument of Mr. Wu is HK\$1,920,000 per annum which is fixed with reference to market conditions and his duties and responsibilities with the Group. Save as disclosed above, Mr. Wu has not previously held any positions with the Company or its subsidiaries and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Wu was granted options to subscribe 10,000,000 Shares which are exercisable during the period from 7 March 2002 to 21 December 2001 at an exercise price of HK\$0.465 per Share, and options to subscribe 3,000,000 Shares which are exercisable during the period from 5 June 2003 to 21 December 2011 at an exercise price of HK\$0.078 per Share. As at the Latest Practicable Date, Mr. Wu held 146,023,000 Shares, representing 2.58% of the issued share capital of the Company. Save as aforesaid, as at the Latest Practicable Date, he does not have any interests in the Shares or underlying shares or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Wu did not hold any directorship in any other listed Company during the past three years.

Save as disclosed above, there are no other information for Mr. Wu 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 Zhi Feng (“Mr. Xu”), aged 45, was appointed as executive Director of the Company on 7 July 2006 and was the General Manager of Product Department of the Group. Mr. Xu holds a Bachelor’s degree in Mathematics from Jinan University (暨南大學). Prior to joining the Group in 2002, he had worked for The Industrial and Commercial Bank of China and was responsible for credit and financing work during 1985-1990. He also has over 12 years experience in telecommunications industry.

There is a service contract entered into between Mr. Xu and the Group which was renewed for a term of one year from 7 July 2008. Mr. Xu is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company’s Articles of Association. The director’s emolument of Mr. Xu is HK\$500,000 per annum which is fixed with reference to market conditions and his duties and responsibilities with the Group. Save as disclosed above, Mr. Xu has not previously held any positions with the Company or its subsidiaries and does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Xu held 4,376,000 shares of the Company representing approximately 0.077% of the issued share capital of the Company. Mr. Xu was also granted options to subscribe for 1,000,000 Shares which are exercisable during the period from 5 June 2003 to 21 December 2011 at an exercise price of HK\$0.078 per Share. Save as aforesaid, as at the Latest Practicable Date, he does not have any interests in the shares or underlying shares or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Xu did not hold any directorships in any listed companies in the past three years.

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 no other matters that need to be brought to the attention of the shareholders of the Company.

Mr. Lu Chuan (“Mr. Lu”), aged 38, was appointed as a non-executive Director of the Company on 1 September 2008. Mr. Lu is a graduate from Huazhong University of Science and Technology, holding a bachelor degree in engineering and a doctorate in management studies. He previously worked in a financial institution in China for a number of years and is currently working in a listed company in Hong Kong responsible for operations relating to financial asset investments. He has over ten years of experience in business administration, finance and investment.

Mr. Lu has entered into an appointment letter in respect of his appointment as a non-executive Director with the Company for an initial term of one year commencing from 1 September 2008 which can be terminated by either party by giving not less than one month’s written notice to the other. Pursuant to the Company’s Articles of Association, Mr. Lu is subject to retirement by rotation and re-election at annual general meetings of the Company. Mr. Lu will receive an annual director’s fee of HK\$240,000, which is fixed with reference to the market conditions and his duties and responsibilities with the Company.

Save as disclosed above, Mr. Lu has not previously held any positions with the Company or its subsidiaries and does not have any relationship with any director, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Lu has no interests in the shares or underlying shares or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Lu did not hold any directorships in any listed companies in the past three years.

Save as disclosed above, there are no other information for Mr. Lu 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. Zhanglai (“Mr. Zhang”), aged 52, was appointed as an independent non-executive Director of the Company on 14 March 2008. Mr. Zhang graduated from the Earth Science College of the Changchun University (長春地質學院) and obtained a Master’s degree in engineering in 1992, majoring in hydrogeology and engineering geology. He possesses the qualification as a professor-grade engineer.

Mr. Zhang was a senior engineer and the captain of The First Hydrogeology Survey Brigade (第一水文地質隊) of the General Bureau of China Coal Geology. Mr. Zhang is currently a deputy chief engineer of Hydrogeology Department of the General Bureau of China Coal Geology. Mr. Zhang carried out research on the water source heat pump and ground source heat pump systems as early as in 1998. He conducted research and development work, including the manufacture, design, and installation of mainframe in collaboration with Tsinghua University, Tianjin University, and Hebei Engineering University. He has extensive experience in such field and has received awards and recognitions from the nation. Mr. Zhang has entered into an appointment letter in respect of his appointment as an independent non-executive Director with the Company for a term of one year commencing from 14 March 2008 which can be terminated by either party by giving not less than one month’s written notice to the other. Pursuant to the Company’s Articles of Association, Mr. Zhang is subject to retirement by rotation and re-election at annual general meetings of the Company. Mr. Zhang will receive an annual director’s fee of HK\$96,000, which is fixed with reference to the market conditions and his duties and responsibilities with the Company.

Save as disclosed above, Mr. Zhang has not previously held any positions with the Company or its subsidiaries and does not have any relationship with any director, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Zhang has no interests in the shares or underlying shares or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Zhang did not hold any directorships in any listed companies in the past three years.

Save as disclosed above, there are no other information for Mr. Zhang 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.

Ms. Cai Xin (“Ms. Cai”), aged 39, was appointed as an independent non-executive of the Company on 9 April 2008. Ms. Cai graduated from Wuhan College of Marine Traffic Engineering (武漢水運工程學院), possessing an undergraduate qualification and a bachelor degree in engineering. She is a certified public accountant, certified public valuer and registered tax agent in the PRC. She previously worked in several audit firms and has extensive audit experience. She also has over ten years experience in financial accounting and management and is well acquainted with corporate accounting system, accounting methods, accounting policies implemented by PRC listed companies and relevant financial regulations of PRC such as economic law, tax law, securities law and company law.

Ms. Cai has entered into an appointment letter in respect of her appointment as an independent non-executive Director with the Company for a term of one year commencing from 9 April 2008 which can be terminated by either party by giving not less than one month’s written notice to the other. Pursuant to the Company’s Articles of Association, Ms. Cai is subject to retirement by rotation and re-election at annual general meetings of the Company. Ms. Cai will receive an annual director’s fee of HK\$96,000, which is fixed with reference to the market conditions and her duties and responsibilities with the Company.

Save as disclosed above, Ms. Cai has not previously held any positions with the Company or its subsidiaries and does not have any relationship with any director, senior management or substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Ms. Cai has no interests in the shares or underlying shares or any debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance. Ms. Cai did not hold any directorships in any listed companies in the past three years.

Save as disclosed above, there are no other information for Ms. Cai 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.

NOTICE OF ANNUAL GENERAL MEETING

CGS

CHINA GROUND SOURCE ENERGY LIMITED

中國地能有限公司

(Formerly known as IIN International Limited 國訊國際有限公司*)

(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 Limited (the “Company”) will be held on Friday, 6 February 2009 at 10:30 a.m. at Room 1303, York House, The Landmark, 15 Queen’s Road Central, Central, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements of the Company for the year ended 30 September 2008 together with the reports of the directors of the Company (the “Directors”) and the auditors of the Company thereon.
2. To re-elect the retiring directors, Mr. Wu Shu Min and Mr. Xu Zhi Feng as executive Director, Mr. Lu Chuan as non-executive Director, Mr. Zhanglai and Ms. Cai Xin as independent non-executive Director, and to authorise the board of Directors to fix their remuneration.
3. To re-appoint HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants as the auditors of the Company and to authorise the Directors to fix their remuneration.
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;

* For identification purposes only

NOTICE OF ANNUAL GENERAL MEETING

(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).”

NOTICE OF ANNUAL GENERAL MEETING

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 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.”

NOTICE OF ANNUAL GENERAL MEETING

5. To consider and, if thought fit, pass the following resolution (with or without amendments) as Ordinary Resolutions:

“THAT:

subject to and conditional upon the 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 22 November 2001, 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 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 Limited
Wu Shu Min
Chairman

Hong Kong, 30 December 2008

As at the date hereof, the Board of Directors of the Company comprises Mr. Wu Shu Min and Mr. Xu Zhi Feng as executive Directors, Mr. Lu Chuan as non-executive Director, Mr. Zhanglai and Ms. Cai Xin 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 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, 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. In relation to the proposed resolutions numbered 4(A) and 4(C) above, approval is being sought from the members for the grant to the Directors of a general mandate to authorise the allotment and issue of shares of the Company under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.
5. In relation to the proposed resolution numbered 4(B) above, the Directors wish to state that repurchases of shares of the Company will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders.
6. The register of members of the Company will be closed from Thursday, 5 February 2009 to Friday, 6 February 2009, 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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 4 February 2009.