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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)

PROFIT WARNING

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

The Board of the Company wishes to inform the shareholders of the Company and potential investors that it is expected that the unaudited results of the Group for the six months ended 31 March 2009 may incur a loss as compared to a profit for the same period of 2008 due to (i) the economic downturn; (ii) the provision of imputed interest for the convertible notes issued; and (iii) the seasonal drop in revenue of shallow ground energy utilization segment resulted by the business slowdown during the Chinese New Year.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

This announcement is made pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”). The board of Directors (the “**Board**”) of China Ground Source Energy Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to inform the shareholders of the Company and potential investors that, based on information currently available, the unaudited interim results of the Group for the six months ended 31 March 2009 is expected to record a loss as compared to a profit for the corresponding period ended 31 March 2008. The loss is mainly due to (i) the economic downturn; (ii) the provision of imputed interest for the convertible notes issued; and (iii) the seasonal drop in revenue of shallow ground energy utilization segment resulted by the business slowdown during the Chinese New Year.

The information contained in this announcement is only based on the preliminary estimates from the unaudited management accounts of the Group for the six months ended 31 March 2009 which have not yet been finalized as at the date hereof. Further details of the Group’s performance will be disclosed when the Group’s interim results for the six months ended 31 March 2009 are announced.

Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

As at the date of this announcement, the board of directors of the Company comprises Ms. Chan Wai Kay, Katherine, Mr. Xu Shengheng, Mr. Wu Shu Min, and Mr. Soo Kim Fui, Jeffrey as executive directors, Mr. Fu Hui Zhong as non-executive director and Ms. Chan Man Kuen, Laura, Mr. Chow Wan Hoi, Paul and Mr. Jia Wenzeng as independent non-executive directors.

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

Hong Kong, 6 May 2009

This announcement, for which the Directors 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: (i) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page of the GEM website for 7 days from the date of its publication and on the website of the Company at www.iini.com.