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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 nine months ended 30 June 2009 may incur a substantial loss as compared to a profit for the same period of 2008 which mainly attributable to (i) a write-off of bad debts in relation to a disposal of financial assets being transacted in the last financial year as a result of defaulted payment by the purchaser; and (ii) the provision of imputed interest for the convertible notes issued.

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 third quarterly results of the Group for the nine months ended 30 June 2009 is expected to record a substantial loss as compared to a profit for the corresponding period ended 30 June 2008. The loss is mainly due to (i) a write-off of bad debts in relation to a disposal of financial assets being transacted in the last financial year as a result of defaulted payment by the purchaser; and (ii) the provision of imputed interest for the convertible notes issued.

The information contained in this announcement is only based on the preliminary estimates from the unaudited management accounts of the Group for the nine months ended 30 June 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 third quarterly results for the nine months ended 30 June 2009 are announced.

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

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

Hong Kong, 30 July 2009

As at the date of this announcement, the Board 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.

This announcement, 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 announcement 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 announcement misleading; and (3) 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 at www.hkgem.com for at least 7 days from the date of its publication.