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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 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 (the “**Board**”) of directors (the “**Directors**”) 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 it is expected that the loss of the final results of the Group for the six months ended 31 March 2010 will be substantially increased as compared to that of the interim results of the Group for the six months ended 31 March 2009. The loss for the Group is mainly attributable to the impairment loss on goodwill in relation to investment in Shenzhen Lisai Industrial Development Co., Ltd. (“Shenzhen Lisai”) and impairment loss on fixed assets of Shenzhen Lisai. Such losses are primarily of non-cash and non-recurring in nature and no material adverse effect is expected on the Group’s cash flow.

This announcement is only based on the preliminary assessment by the management of the Company in accordance with the unaudited management accounts of the Group. The actual audited consolidated financial results of the Group for the six months ended 31 March 2010 has not been finalised and are subject to confirmation with the auditors of the Company. The final results announcement of the Company for the six months ended 31 March 2010 is expected to be released on 25 June 2010.

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, 14 June 2010

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.