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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)

**RESIGNATION OF INDEPENDENT NON-EXECUTIVE
DIRECTOR AND MEMBERS OF AUDIT COMMITTEE AND
REMUNERATION COMMITTEE**

The Board of Directors (the “Board”) of China Ground Source Energy Limited (the “Company”) announces that Mr. Liu Yang (“Mr. Liu”), resigned as independent non-executive director, a member of the audit committee and a member of remuneration committee of the Company with effect from 17 December 2008 because he wanted to devote more time to his own affairs. Mr. Liu has confirmed that there is no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company.

Following the resignation of Mr. Liu, the Company will have only two independent non-executive Directors and the audit committee of the Company will comprise only two members, which will fall below the minimum number as required under Rule 5.05 (1) and Rule 5.28 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”) respectively. In order to meet the requirements under the GEM Listing Rules, the Company will appoint an additional independent non-executive Director who will also be appointed as an additional member of the audit committee of the Company. Further announcement will be made by the Company when the additional independent non-executive Director has been appointed.

The Board would like to express its sincere gratitude to Mr. Liu for his contribution to the Group during his tenure of directorship.

As at the date of this announcement, the members of the Board comprise Mr. Wu Shu Min and Mr. Xu Zhi Feng as executive Directors, Mr. Lu Chuan as non-executive Director, Mr. Zhang Lai and Ms. Cai Xin as independent non-executive Directors.

By order of the board of
China Ground Source Energy Limited
Wu Shu Min
Chairman

Hong Kong, 17 December 2008

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: (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 GEM website with the domain name of www.hkgem.com on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the website of the Company at www.iini.com.