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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)

ANNOUNCEMENT

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

The Board wishes to inform the shareholders of the Company and potential investors of the improbable delivery of the guaranteed net profits after tax of Shenzhen Lisai of not less than RMB160,000,000 for the period of 24 months commencing from 1 October 2007 in connection with an agreement (as amended and supplemented) entered into between II Networks International Limited, a wholly owned subsidiary of IIN International Limited (now known as China Ground Source Energy Limited) and China Standard dated 30 July 2007 as announced in the Announcement and the Circular.

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

Reference is made to the announcement of IIN International Limited (now known as China Ground Source Energy Limited) dated 3 October 2007 (the “**Circular**”) and the related announcement dated 15 August 2007 (the “**Announcement**”). Unless the context requires otherwise, terms used in this announcement shall have the same meanings as defined in the Circular.

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, of the improbable delivery of the guaranteed net profits after tax of Shenzhen Lisai Industrial Development Co., Ltd. (“**Shenzhen Lisai**”), an indirect subsidiary of the Company, attributable to shareholders of Shenzhen Lisai of not less than RMB160,000,000 for the period of 24 months commencing from 1 October 2007 pursuant to an agreement (as amended and supplemented) entered into between II Networks International Limited, a wholly owned subsidiary of IIN International Limited (now known as China Ground Source Energy Limited) and China Standard Limited (“**China Standard**”) dated 30 July 2007 (the “**Agreement**”) as announced in the Announcement and the Circular.

Pursuant to the Agreement, in the event that the net profits after tax of Shenzhen Lisai attributable to the shareholders of Shenzhen Lisai as shown in its audited financial statements is less than RMB160,000,000, China Standard shall (a) pay to the Company an amount in cash (in Hong Kong dollars) equivalent to such shortfall; or (b) (at the option of China Standard) transfer to the Purchaser (for no consideration) the Convertible Notes for such principal amount equivalent to such shortfall, within 30 days of the date on which the relevant audited financial statements of Shenzhen Lisai are made available to China Standard. Further, in accordance with the terms of Convertible Notes, to the extent required by law, the Convertible Notes or such part(s) thereof assigned or transferred to the Company shall be cancelled. For the avoidance of doubt, pursuant to a supplemental agreement dated 13 August 2007, in the event that Shenzhen Lisai incurs a loss, “shortfall” (i.e. the total amount payable by China Standard) shall mean the aggregate amount of (a) RMB160,000,000, and (b) the amount of the loss. In this connection, the Company is considering its course of action.

The information contained in this announcement is only based on the preliminary estimates from the unaudited management accounts of Shenzhen Lisai for the period ended 30 June 2009. Further update on the performance of Shenzhen Lisai for the year ended 30 September 2009 will be announced when the Group’s final results have been finalized.

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

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

Hong Kong, 16 October 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.

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