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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)

POSITIVE PROFIT ALERT

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 board of directors (the “Board”) of China Ground Source Energy Limited (the “Company”) is pleased to inform the shareholders of the Company and potential investors that it is expected that the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 30 June 2010 will record a profit as compared to a loss of the audited consolidated results of the Group for the six months ended 31 March 2010.

The Group recorded a loss attributable to the shareholders of the Company for the six months ended 31 March 2010 which was mainly due 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, therefore, it is expected that the Group will record a profit for the three months ended 30 June 2010.

As the Company is still in the process of finalizing the results for the three months ended 30 June 2010, the information contained in this announcement is only based on the preliminary assessment by the Company’s management according to the management accounts of the Group. The unaudited results announcement of the Group for the three months ended 30 June 2010 is expected to be released on 13 August 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, 2 August 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 of the Company 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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.