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中國地能有限公司
CHINA GROUND SOURCE ENERGY LIMITED

(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 (“GEM Listing Rules”) and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The board of directors (the “Board”) of China Ground Source Energy Limited (the “Company”) wishes to inform the shareholders of the Company and potential investors that it is expected to record a significant decrease in net profit of the unaudited first quarterly results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2013 (the “First Quarterly Results”) as compared with the net profit for the corresponding period last year.

Such decrease in net profit was mainly attributable to (i) a significant decrease in turnover and gross profit margin; (ii) an increase in share-based payment which is a non-cash expenses item; (iii) a notable decrease in other income; and (iv) a significant increase in selling and distribution expenses due to the increased initial investment in market development.

The decrease in turnover and gross profit margin was mainly attributable to (i) suspension or delay of project construction due to Chinese New Year holidays and the administrative measures in the period of annual sessions of National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC) (“Two Sessions”), during which the Company focused on energy contracting management to strengthen repair and maintenance of its existing projects; (ii) a high base number for the corresponding period last year due to the acquisition of certain large value projects; and (iii) the hiking raw materials prices and labour costs.

As the Company is still in the process of finalizing the First Quarterly Results, the information contained in this announcement is only based on the preliminary assessment by the Company’s management according to the unaudited consolidated management accounts of the Group for the three months ended 31 March 2013.

The unaudited First Quarterly Results announcement of the Group for the three months ended 31 March 2013 is expected to be released before mid May 2013.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
China Ground Source Energy Limited
Zheng Qiyu
Chairman

Hong Kong, 26 April 2013

As at the date of this announcement, the Board comprises Mr. Zheng Qiyu, Ms. Chan Wai Kay, Katherine, Mr. Xu Shengheng and Mr. Zang Yiran as executive Directors, Ms. Wu Xiaohua and Ms. Xu Genghong as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Hu Zhaoguang 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: (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.cgsenergy.com.hk.