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CGS

CHINA GROUND SOURCE ENERGY LIMITED

中國地能有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

PROPOSED SHARE CONSOLIDATION

The Board has undertaken to the Stock Exchange to implement a Share Consolidation within 4 months from the date of this Announcement. Further details of the Share Consolidation will be announced as soon as possible when available.

PROPOSED SHARE CONSOLIDATION

The board (“Board”) of directors (“Directors”) of China Ground Source Energy Limited (“Company”) has undertaken to the Stock Exchange of Hong Kong Limited (“Stock Exchange”) to implement a consolidation of shares (“Shares”) of the Company (“Share Consolidation”) within 4 months from the date of this announcement.

Pursuant to Rule 17.76 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, where the market price of the securities of an issuer approaches the extremities of HK\$0.01, the Stock Exchange reserves the right to require such issuer either to change the trading method or to proceed with a consolidation of its securities. With reference to the recent trading price of the Shares, the Board proposes to proceed with a Share Consolidation. The Share Consolidation is expected to be subject to, inter alia, the passing by the shareholders of the Company of an ordinary resolution to approve the Share Consolidation in a general meeting and the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the share of the Company after the Share Consolidation becoming effective. Other details of the Share Consolidation have yet been determined and will be announced as soon as possible when available.

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

Hong Kong, 29 May 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. Soo Kim Fui, Jeffrey as executive directors, Mr. Fu Hui Zhong as non-executive director and Ms. Chan Man Kuen, Laura, Mr. Jia Wenzeng and Mr. Chow Wan Hoi, Paul 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.