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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)

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 six months ended 30 September 2010 (“the Interim Period”) will record a profit as compared to the losses of the audited consolidated results of the Group for the six months ended 31 March 2010 (“the Last Audited Results”) and the unaudited results of the Group for the six months ended 1 October 2008 to 31 March 2009 (“the Previous Interim Results”).

The expected profit for the Interim Period is attributable to (i) the recognition of a one-off gain on the disposal of IIN Network Technology Limited and its subsidiaries (“Shenzhen Lisai Group”); (ii) the increase of the Group’s overall gross profit margin; and (iii) non-occurrence of impairment losses on goodwill and fixed assets of Shenzhen Lisai Industrial Development Co., Ltd. that negatively impacted the Last Audited Results.

As the Company is still in the process of finalizing the results for the six months ended 30 September 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 six months ended 30 September 2010 is expected to be released on 12 November 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, 25 October 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 at www.hkgem.com for at least 7 days from the date of its publication.