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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

The board of directors (the “Board”) of China Ground Source Energy Limited (the “Company”) is pleased to announce that, Ever Source Scientific and Technology Development Co., Ltd. (“HYY”), a subsidiary of the Company, has launched the dual promotion of shallow ground energy as a new model initiating the provision of alternative energy for heating in the 1st quarter of 2010.

1. Regional promotion of shallow ground energy as alternative energy for heating, support the construction of ecological low-carbon economy model county

An co-operation agreement was entered into between HYY and the government of 新賓滿族自治縣 (Xinbin Manchu Autonomous County), one of the new energy model counties of the nation, for an initial term of 10 years commencing from 1 January 2010. It was mutually agreed that the government of Xinbin Manchu Autonomous County shall:–

- (i) promote the use of shallow ground energy as alternative energy for heating across the Xinbin Manchu Autonomous County so that all newly constructed buildings in the county with suitable conditions shall adopt the ground source energy heat pump systems supplied by HYY as their heating systems. At the same time, following the energy saving transformation, the existing buildings will also gradually install HYY ground source energy system to provide heating for those buildings;
- (ii) not less than 300,000 square meters in gross floor area will install the HYY ground source energy heat pump system annually on average;
- (iii) through radio and television broadcasting, newspapers, magazines to promote the government’s energy saving and emission reduction policies, the major media in Xinbin Manchu Autonomous County will promote the importance of energy saving, in particular enhancing the respective information propaganda of using shallow ground energy as the alternative energy for heating, as well as the usage information of HYY ground source energy system;

- (iv) promulgate government notices and regulations, regulating the heating energy consumption standard of newly constructed buildings and to adopt shallow ground energy as the alternative energy for the heating supply of all newly constructed and existing buildings in Xinbin Manchu Autonomous County, thereby assure meeting the heating energy consumption standard for buildings;
- (v) implement necessary enforcement measures to those buildings that has either failed to adopt or are not in compliance with the mandatory national energy-saving standards of buildings; and
- (vi) as permitted by laws and policies, direct the persons responsible for the design and construction of buildings to adopt HYY ground source energy heat pump systems as alternative energy for the heating systems of those buildings.

Pursuant to the co-operation agreement, HYY shall:

- (i) supply the sophisticated and advanced technology with the economical HYY ground source energy heat pump system, using our internationally exclusive single well circulation heat exchange ground source energy extraction technology as its core technology;
- (ii) arrange necessary human resources to ensure that sufficient supply of HYY ground source energy heat pump systems and provision of adequate and satisfactory installation works;
- (iii) provide quality after-sales maintenance and technical support to users using the HYY ground source energy heat pump systems; and
- (iv) enter into separate agreements with those users using the HYY ground source energy heat pump systems.

2. Establishment of 恒潤豐置業 (大連) 有限公司 (“Heng Run Feng Co.”), setting up a low-carbon ecological model building using shallow ground energy as alternative energy for heat supply as its core

The establishment of Heng Run Feng in Wafangdian, Dalian, the government’s new energy model county, was approved by the relevant government authorities. This enables HYY to implement strategy of accelerating the promotion of the low-carbon ecological model building with an aim of using ground energy as alternative energy for heat supply system. As stated in the announcement of the Company dated 18 September 2009, the Company commenced construction of model building by purchasing a piece of land of 960,000 square feet in that district, so as to achieve the construction of residential buildings with integrated shallow ground energy application design that can demonstrate how shallow ground energy to be used as alternative energy for heat supply system.

INFORMATION OF HYY

HYY is a subsidiary of the Company, of which 94.6% of its equity interests is owned by the Company. HYY is established as a Sino-foreign joint venture company under the laws of PRC, whose core business is the production and sales of shallow ground energy extraction system as alternative energy for heat supply system.

INFORMATION OF XINBIN MANCHU AUTONOMOUS COUNTY (新賓滿族自治縣)

Xinbin Manchu Autonomous County (新賓滿族自治縣) is one of the three counties under the administration of Fushun City (撫順市) in Liaoning Province (遼寧省), the People's Republic of China ("PRC"). It has a population of about 320,000 covering an area of around 4,287 square kilometers.

INFORMATION OF HENG RUN FENG CO.

Heng Run Feng Co. is the subsidiary of the Company, a company established under the laws of PRC and its entire interests is held by Beijing Enterprises Ever Source (Hong Kong) Limited, whose core business is the development and establishment of low-carbon ecological model building on the land site at No. 2009-60, Xianyu Wan Village, Xianyu Wan Town, Wafangdian City by using shallow ground energy as alternative energy for heat supply system.

In the Implementation Proposal Notice, Caijian [2009] No. 306, promulgated by Ministry of Finance and Department of Housing and Rural Construction in respect of accelerating renewable energy resources in construction applications in rural area ("the Notice"), it has already proposed the promotion of using solar energy in secondary and primary schools in rural area, shallow ground energy heating projects using the technology of shallow ground energy heat pumps to cope with the heating demand by secondary and primary schools based on its geological features. The integrated application of renewable energy is also promoted in the residential housings and public housings like hospitals in county and rural area. The Notice also provides the government's financial supporting policy stating that contributing appropriate financial support to those rural area that adopt renewable energy applications. The subsidized standard for renewable energy application with ground source energy heat pump technology in 2009 was RMB60 per square meter.

The Board believes that signing of the cooperation agreement shall signify a milestone in the development of the Company's ground source energy system business in Liaoning Province. The establishment of Heng Run Feng Co. will lead the Company to establish its foothold in promoting low-carbon ecological property business. The Board believes these measures will provide long-term economic benefits to the Company and its shareholders as a whole.

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

Hong Kong, 16 April 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 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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