THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China CBM Group Company Limited (the "**Company**"), you should at once hand this circular and accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

China CBM Group Company Limited
中國煤層氣集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8270)

VERY SUBSTANTIAL DISPOSAL: DISPOSAL OF ENTIRE EQUITY INTERESTS IN A PRC SUBSIDIARY AND NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company

Capital 9 Limited

A letter from the Board is set out on pages 4 to 11 of this circular. A notice convening the SGM to be held on Thursday, 23 September 2021 at 11:00 a.m. at Conference room, 14/F, Building B, Phase 1, Tianan Innovation Tech-Square, 25 Tairan 4th Road, Futian District, Shenzhen, China is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the SGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

PRECAUTIONARY MEASURES FOR THE SGM

In view of an ongoing pandemic of coronavirus disease 2019 (COVID-19) and recent requirements for prevention and control of its spread by the HKSAR Government, the Company will implement the following prevention and control measures at the SGM against the COVID-19 pandemic to protect the Shareholders from the risk of infection:

(i) every participant (including Shareholders or their proxies) in the SGM shall be subject to compulsory body temperature check at the entrance of the meeting venue and anyone with a body temperature higher than normal will not be given access to the meeting venue and shall be requested to stay in an isolated place for completing the voting procedures;

(ii) all participants (including Shareholders or their proxies) in the SGM are required to wear surgical face masks at all time during their attendance of the SGM; and

(iii) no refreshment will be served, and there will be no corporate gifts.

Any person who does not comply with the precautionary measures or is subject to any HKSAR Government prescribed quarantine may be denied entry into the SGM venue. Furthermore, the Company wishes to advise the Shareholders that they may appoint any person or the chairman of the SGM as a proxy to vote on the relevant resolutions, instead of attending the SGM in person.

In the interest of all stakeholders' health and safety and consistent with recent guidelines for prevention and control of the COVID-19 pandemic, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire.

7 September 2021

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

"associate"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	board of the Directors
"Company"	China CBM Group Company Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares are listed on GEM (stock code: 8270)
"Completion"	completion of the Disposal in accordance with the terms of the Sale and Purchase Agreement
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Director(s)"	director(s) of the Company from time to time
"Disposal"	the disposal of the Sale Capital as contemplated under the Sale and Purchase Agreement
"GEM"	GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company together with its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are not core connected persons of the Company and are third parties independent of the Company and its core connected persons in accordance with the GEM Listing Rules
"Latest Practicable Date"	2 September 2021, being the latest practicable date for ascertaining certain information contained in this circular

"PRC"	the People's Republic of China, which for the purpose of this circular only excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	新奧燃氣香港投資有限公司 (ENG Gas Hong Kong Investment Limited), a limited liability company incorporated in Hong Kong and a subsidiary of ENN Energy Holdings Limited, which in turn is a listed company on the Stock Exchange (stock code: 2688)
"Remaining Group"	the Group other than the Target Company as contemplated under the Sale and Purchase Agreement
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 30 June 2021 and entered into between the Purchaser and the Vendor in respect of the disposal of Sale Capital
"Sale Capital"	100% equity interest of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held on Thursday, 23 September 2021 for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	洛陽順和能源有限公司 (Luoyang Shunhe Energy Co., Ltd.)#, a limited liability company established in the PRC
"Vendor"	香港中和能源產業投資有限公司 (Hong Kong Chung Wo Energy Investments Limited), a limited liability company incorporated in Hong Kong, being the wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong

"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

The English translation of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.

China CBM Group Company Limited
中國煤層氣集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8270)

Executive Directors:
Mr. Wang Zhong Sheng *(Chairman)*
Mr. Chang Jian

Non-executive Directors:
Mr. Duan Shi Chuan
Mr. Wang Chen
Mr. Liang Feng

Independent non-executive Directors:
Mr. Lau Chun Pong
Mr. Xu Yuan Jian
Mr. Wang Zhi He

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Room 20, 19/F
Fortune Commercial Building
362 Sha Tsui Road
Tsuen Wan, Hong Kong

7 September 2021

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL: DISPOSAL OF ENTIRE EQUITY INTERESTS IN A PRC SUBSIDIARY

INTRODUCTION

Reference are made to the announcement of the Company dated 16 July 2021, pursuant to which the Board announces that on 30 June 2021 (after trading hours), the Vendor entered into the conditional Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Capital for a cash consideration of RMB73,984,445 (excluding payment of tax in respect of the Disposal by the Purchaser on behalf of the Vendor). Upon Completion, the Group will cease to hold any interests in the Target Company.

As more than one of the applicable percentage ratio(s) exceeds 75%, the Disposal constitutes a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules and shall be subject to Shareholders' approval at the SGM.

The purpose of this circular is to provide you with details regarding the Disposal and the transactions contemplated thereunder in accordance with the GEM Listing Rules. A notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular.

THE DISPOSAL

On 30 June 2021 (after trading hours), the Vendor entered into the conditional Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Capital for an aggregate consideration of RMB73,984,445 (excluding payment of tax in respect of the Disposal by the Purchaser on behalf of the Vendor) subject to and conditional upon the terms of the Sale and Purchase Agreement.

Sale and Purchase Agreement

Date:	30 June 2021 (after trading hours)		
Parties:	(1)	Vendor:	香港中和能源產業投資有限公司 (Hong Kong Chung Wo Energy Investments Limited)
	(2)	Purchaser:	新奧燃氣香港投資有限公司 (ENN Gas Hong Kong Investment Limited)

The Vendor is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding. Before Completion, the Vendor is the registered holder of 100% of the registered capital of the Target Company.

The Purchaser is a limited liability company incorporated in Hong Kong and is a subsidiary of ENN Energy Holdings Limited, which in turn is a listed company on the Stock Exchange with stock code 2688. The Purchaser is principally engaged in investment holding and trading. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Purchaser, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of the Purchaser who can exert influence on the transaction; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary is involved in the transaction).

Assets to be disposed

Before Completion, the Target Company has a registered and paid up capital of HK$60,000,000 which is owned as to 100% by the Vendor.

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to dispose and the Purchaser has agreed to acquire the Sale Capital, representing 100% equity interest in the Target Company subject to and conditional upon the terms and conditions of the Sale and Purchase Agreement.

Consideration

The consideration for the Disposal is RMB73,984,445 (excluding payment of tax in respect of the Disposal by the Purchaser on behalf of the Vendor), which shall be payable by the Purchaser in three tranches in its HK$ equivalent in the following manner:

(1) as to RMB59,187,556 (in its HK$ equivalent) shall be paid by the Purchaser to the Vendor within two working days upon fulfilment of the following payment conditions: (i) the Vendor and Purchaser having submitted the application for change of shareholding, legal representative, director, supervisor and senior management to the relevant authorities; and (ii) the transfer of Sale Capital having been duly completed which shall be evidenced by issuance of new business licence to the Target Company. Upon payment of the first tranche of consideration by the Purchaser, the Vendor will transfer all assets of the Target Company to the Purchaser;

(2) as to RMB7,398,444 (in its HK$ equivalent) shall be paid by the Purchaser to the Vendor within two working days upon fulfilment of the following conditions: (i) payment conditions in respect of the first tranche of consideration having been fulfilled by the Vendor; (ii) after six months of the Completion; (iii) save for existing liabilities disclosed before the transfer of Sale Capital and liabilities incurred in relation to the transfer of Sale Capital, no new undisclosed liabilities having incurred by the Target Company; and (iv) relevant land use rights certificate(s) of a parcel of industrial land situated in Ruyang County, Henan Province, the PRC, with a site area of approximately 56,600.32 square meters having been obtained by the Target Company; and

(3) as to the remaining balance of RMB7,398,445 (in its HK$ equivalent) shall be paid by the Purchaser to the Vendor within two working days upon fulfilment of the following conditions: (i) payment conditions in respect of the second tranche of consideration having been fulfilled; (ii) after nine months of the Completion; (iii) save for existing liabilities before the transfer of Sale Capital and liabilities incurred in relation to the transfer of Sale Capital, no new undisclosed liabilities having been incurred by the Target Company; and (iv) the relevant authorities having approved the transfer of Sale Capital and continued operation of the sale of natural gas business of the Target Company.

The consideration for the Disposal was determined with reference to the net asset value of the Target Company as at 31 May 2021 of approximately RMB65,235,000 and was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement. The Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement (including but not limited to the consideration) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. The consideration will be placed in an escrow account before full settlement of the consideration to safeguard the assets of the Company.

The Company is not aware of additional liabilities of the Target Company other than the existing disclosed liabilities. In the event that the Target Company incurred additional liabilities other than the existing disclosed liabilities before transfer of the Sale Capital and those incurred in relation to the transfer of the Sale Capital, the consideration shall be adjusted downward accordingly by the amount of such undisclosed liabilities.

EFFECTIVE DATE AND CONDITION PRECEDENT

The Sale and Purchase Agreement shall be effective from the date of duly signing of the Sale and Purchase Agreement by the parties thereto in compliance with the relevant laws and regulations.

Since the Company (being the holding company of the Vendor) is a company listed on the GEM, it shall comply with the relevant GEM Listing Rules requirements (including but not limited to the obtaining the Shareholders' approval on the Sale and Purchase Agreement and the transactions contemplated thereunder). In the event that the Shareholders' approval on the Sale and Purchase Agreement and the transactions contemplated thereunder cannot be obtained within nine months from the date of the Sale and Purchase Agreement (or such longer period as the parties thereto may agree), the Sale and Purchase Agreement shall cease and neither parties shall have no claims to each other.

Completion

Completion will take place on the date of completion of registration of the transfer of Sale Capital with the relevant PRC authority.

Upon Completion, the Group will cease to hold any interests in the Target Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC and is principally engaged in sales of natural gas in Ruyang County, Henan Province, the PRC. The Target Company holds exclusive rights to operate natural gas in Ruyang County. Before Completion, the Target Company has a registered and paid up capital of HK$60,000,000, which is owned as to 100% by the Vendor. The major assets of the Target Company include buildings held for own use, right-of-use assets and amounts due from fellow subsidiaries.

As disclosed in the announcement of the Company dated 6 April 2011, the Company acquired the entire issued share capital of Wealthy Talent Global Investments Limited (the "**Previous Acquisition**"), the holding company of the Target Company, for a total consideration of HK$499 million (equivalent to RMB420 million), which was settled by the issue of the convertible bonds in the principal amount of HK$499 million to Mr. Wang or his nominee which shall be a company controlled by him. The conversion price was HK$0.26 per the then share of HK$0.01 in the issued share capital of the Company at that time, which would be equivalent to

HK$2.6 per Share upon the capital reorganisation having become effective as announced in the announcement of the Company dated 24 April 2014.

The Target Company was under the control of the Group since completion of the Previous Acquisition in 2011. The Target Company recorded net losses in its operations since 2013 mainly due to the worsening operating environment.

Save for Mr. Wang being the substantial Shareholder and an executive Director, there is/was no present or past relationship (formal or informal, business or otherwise) among (a) Mr. Wang and his associates; (b) the Purchaser and its associates; or (c) the Company or its connected persons.

Further, given the Previous Acquisition was completed ten years ago and the Target Company was operated under the Group for ten years, the terms of the Previous Acquisition would have little referencing value in considering the fairness and reasonableness of the Disposal.

The unaudited financial information of the Target Company for the two years ended 31 December 2020 and prepared in accordance with the accounting principles generally accepted in Hong Kong are as follows:

	For the year ended 31 December 2019	**For the year ended 31 December 2020**
	RMB'000	*RMB'000*
Revenue	–	72
Loss before taxation	20,499	6,592
Loss after taxation	20,486	6,578
Net asset value	74,395	67,817

Because of the market fluctuations in the past two financial years, the Target Company did not carry out any extensive business activities. As such, the Target Company recorded nil or minimal revenue in the past two financial years. The substantial decrease in net loss for the year ended 31 December 2020 as compared to the prior year was mainly due to the recognition of impairment loss on property, plant and equipment of RMB14,468,000 in 2019 but nil in 2020.

REASONS AND BENEFITS FOR THE DISPOSAL

The Group is principally engaged in the exploitation, liquefaction production and sales of natural gas and coalbed gas and provision of gas supply connection services in the PRC.

Following the Disposal, the Remaining Group will cease to engage in sales of natural gas in Ruyang County, Henan Province, the PRC. Save as aforesaid, the Remaining Group will continue to carry out its existing businesses and 164 wells will remain in full operation. It is estimated that upon Completion, the Group will record a gain of approximately RMB49,824,000 on the Disposal, which is arrived at after (i) deducting the net asset value of the Target Company as at 31 May 2021 of approximately RMB65,235,000 from; and (ii) adding the assignment of receivables to the Vendor of approximately RMB41,074,000, being amounts due from intra-group companies to, the consideration of the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit to be performed by the Company's auditors.

After deducting the expenses relating to the Disposal, it is expected that the net proceeds will be approximately RMB73,194,000, as to approximately RMB60,000,000 shall be applied towards the research and development and commercialization on C-H to Synthesis of natural gas production and as to the remaining balance of approximately RMB13,194,000 shall be applied towards the repayment of indebtedness and for the general working capital of the Group.

The Board is of the view that the Disposal provides a good opportunity for the Group to realise its investment in the Target Company and focus its resources on the research and development (R&D) of C-H to Synthesis of natural gas production (temporarily named as High temperature-water of Actiwate C-H to Synthesis of natural-gas technology), which has been commenced since 2017. The Group has commenced the process of commercialized design in the second half of 2019 and small-scale production is expected to commence by the end of 2021. The C-H to Synthesis of natural gas production allows production of natural gas from refined coke coal. The Remaining Group plans to realize the daily output to 500,000 cubic meters by the end of 2022. As at the Latest Practicable Date, the expected cost to be incurred in the mass production of C-H to Synthesis of natural gas was approximately RMB110,000,000 which is expected to be funded by the net proceeds from the Disposal, internal resources of the Remaining Group and/or equity or debt financing. The Disposal is in line with the strategy of the Group as resources, both financial and manpowers, will be used to develop the business.

In respect of the business model for the Remaining Group for the C-H to Synthesis of natural gas production, the Remaining Group can produce natural gas by utilising the technology itself and supply the natural gas to be produced under the technology to its customers and revenue will be generated from sales of natural gas, which is in line with the current business model of sales of natural gas of the Group. The natural gas generated can also be liquefied and sold as part of the sales of liquefied coalbed gas of the Group.

Taking into consideration of the aforesaid, in particular the gain from the Disposal, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Group was approached by an Independent Third Party with stated-owned background and is in negotiation in respect of possible disposal of certain assets of the Group. The potential disposal involves potential disposal of the piped natural gas operation in Beiliu City, Guangxi Zhuang Autonomous Region. Based on the financial information of the relevant PRC subsidiary subject to the potential disposal, the revenue of the PRC subsidiary for the year ended 31 December 2020 amounted to approximately RMB93.7 million, representing approximately 50% of the revenue of the Group. The net asset value of the PRC subsidiary amounted to less than 20% of the net asset value of the Group as at 31 December 2020. Whilst the revenue of the Remaining Group will be decreased in short term as a result of such potential disposal if the potential disposal materializes, with the commercialization of the C-H to Synthesis of natural gas production to be commenced in 2022, it is expected there will be no significant impact on the Group in long term. Further announcement(s) will be made if the potential disposal materializes. The Company will also review its assets portfolio from time to time. Save as disclosed, the Company does not have any other intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on (a) any further disposal/termination/scaling-down of the Remaining Group; (b) injection of any other new business to the Group; or (c) any change in the Company's shareholding structure.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Group will cease to hold any interests in the Target Company and the financial results, assets and liabilities of the Target Company will no longer be included in the consolidated financial statements of the Company.

The gain on the Disposal of approximately HK$49 million will be recognised upon Completion subject to final audit to be performed by the Company's auditors. As set out in Appendix III "Unaudited Pro Forma Financial Information of the Remaining Group" to this circular, the audited consolidated loss for the year of the Group for the year ended 31 December 2020 was approximately RMB36,224,000. Assuming the Disposal had been completed on 1 January 2020, the unaudited pro forma consolidated profit for the year of the Remaining Group for the year ended 31 December 2020 would be approximately RMB13,716,000.

In addition, the unaudited consolidated total assets and total liabilities of the Group as at 30 June 2021 were approximately RMB472,344,000 and RMB345,739,000, respectively. Assuming the Disposal had been completed on 30 June 2021, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group would be approximately RMB515,659,000 and RMB339,739,000, respectively. The net assets value of the Remaining Group would increase from approximately RMB126,605,000 to RMB175,920,000. As such, the Board considers that the Disposal will have a positive impact on the financial performance and net asset value of the Remaining Group.

GEM LISTING RULES IMPLICATION

As more than one of the applicable percentage ratio(s) exceeds 75%, the Disposal constitutes a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules and shall be subject to Shareholders' approval at the SGM.

A SGM will be convened and held for the Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors and having made reasonable enquiries, no Shareholder is involved in or interested in the Sale and Purchase Agreement and the transactions contemplated thereunder which requires him/her/it to abstain from voting on the proposed resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

RECOMMENDATION

The Board considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the relevant resolution approving the Disposal and the transactions contemplated thereunder at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
By order of the Board
China CBM Group Company Limited
Wang Zhong Sheng
Executive Director

1. SUMMARY OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the three years ended 31 December 2020, together with the accompanying notes to the financial statements, are disclosed in the following documents which have been published on the website of the Stock Exchange (**www.hkexnews.hk**) and the website of the Company (**http://web.iprofpl.com/8270/info_e.html**):

Annual report for the year ended 31 December 2018 (pages 58 to 190):
http://rss.iprofpl.com/pdfs/8270/CW08270%281%29.pdf

Annual report for the year ended 31 December 2019 (pages 50 to 192):
http://rss.iprofpl.com/pdfs/8270/EW08270-AR.pdf

Annual report for the year ended 31 December 2020 (pages 52 to 200):
http://rss.iprofpl.com/pdfs/8270/EW08270%20AR.pdf

2. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

The Remaining Group is principally engaged in the exploitation, liquefaction production and sales of natural gas and coalbed gas and provision of gas supply connection services in the PRC.

The upstream business of the Company is improving steadily and the well construction and gas output are both increasing constantly. During 2017, the Company made technological upgrade to some old wells to improve production capacity and output, laying a solid foundation for the Company's long-term performance. However, the shortage in supply of raw gas kept handicapping the Company. Daily gas output of the upstream business was insufficient to allow the 500,000 cubic meters daily production capacity of the liquefaction plant (the "**LNG plant**") of the Group to be fully unleased. In view of this, the Group commenced the R&D on C-H to Synthesis of natural gas production in 2017 and which is temporarily named as High-temperature-water Activate C-H to Synthesis of Natural-gas Technology. The experiment on C-H to Synthesis of natural gas production was successfully completed. The Group has commenced the process of commercialized design in the second half of 2019 and small-scale production is expected to start by the end of 2021. In addition, the Remaining Group plans to realize the daily output to 500,000 cubic meters by the end of 2022. The Remaining Group's LNG plant will get stable gas supply as the number of upstream wells and gas output are both steadily increasing, and the Remaining Group successfully developed C-H to Synthesis of natural gas production. The Remaining Group's raw gas supply will be further consolidated and the advantage of vertical integration business will emerge. The production capacity of the Remaining Group's LNG plant will be fully unleashed. In 2020, as a result of the stable supply from self-produced well gas, the Company will be gradually less affected by external factors and the uncontrollable risks involved in the operation of the Company will become less.

As there are growing concerns over the environmental issues, it is foreseen that the highly-polluted energy will be eliminated from the market more rapidly and the use of replaceable clean energy will be more popular, resulting in a keener market demand for natural gas. The demand growth of natural gas market will continue to retain its strong momentum. Management of the Company will spare no effort in overcoming difficulties and be devoted to making contribution to the Company's profit margin and long-term development.

3. INDEBTEDNESS

Statement of Indebtedness

Bank and other borrowings

As at 31 July 2021, the Group had secured bank borrowings of approximately RMB30,000,000 from Postal Savings Bank of China to be due in November 2021 (RMB15,000,000) and July 2022 (RMB15,000,000), bearing an interest rate of 4.7% per annum and secured by the exclusive right to operate in gas pipeline infrastructure of the subsidiary; and unsecured and unguaranteed bank borrowing of approximately RMB5,000,000 from Guangxi Beiliu Liuyin Country Bank Co., Ltd., to be due in March 2022, bearing an interest rate of 4.5% per annum.

Other borrowing of approximately RMB24,200,000 from 沁水縣盛融投資有限責任公司 (Shanxi Qinshui Prefecture Chengrong Investment Limited#), a state-owned enterprise in the PRC according to publicly available information, was unsecured and unguaranteed as at 31 July 2021 to be due in December 2022, bearing an interest rate of approximately 7.12% per annum.

Amounts due to non-controlling shareholders of subsidiaries

The Group had amounts due to non-controlling shareholders of subsidiaries of the Group of approximately RMB1,591,000 in aggregate was unsecured, unguaranteed, interest-free and repayable on demand as at 31 July 2021. The aforesaid non-controlling shareholders of subsidiaries included 孫桂蘭 (Sun Guilan#) and 鄭州貞成能源技術服務有限公司 (Zhengzhou Zhengcheng Energy Technology Service Company Limited#) which was held by 張蔓 (Zhang Man#) and 范華 (Fan Hua#) according to publicly available information.

Amounts due to directors/ultimate controlling party

The Group had amounts due to directors and ultimate controlling party of approximately RMB594,000 and RMB1,106,000 respectively as at 31 July 2021, which were unsecured, unguaranteed, interest-free and repayable on demand.

transliteration

Lease liabilities

The Group had lease liabilities of approximately RMB10,354,000 were secured by the Group's certain properties, pipelines, equipment, 100% equity interest in Qinshui Energy, 60% equity interest in Yangcheng Huiyang and guaranteed by certain subsidiaries of the Company. The net book value of the pipelines and, the equipment as at 31 July 2021 was approximately RMB72,094,000 and approximately RMB3,000 respectively. The 100% equity interest in Qinshui Energy and 60% equity interest in Yangcheng Huiyang was of negative net book value of approximately RMB73,226,000 and RMB64,954,000 respectively as at 31 July 2021.

Capital commitment

The Group had approximately RMB27,323,000 capital commitments contracted as at 31 July 2021.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 July 2021.

To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Group since 31 July 2021 and up to the Latest Practicable Date.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the present bank and other facilities and the estimated net proceeds from the Disposal, the Group will have sufficient working capital for at least twelve months from the date of this circular. The Company has received a letter from the auditor of the Company confirming that the Directors have made such statement after due and careful enquiry.

5. MATERIAL ADVERSE CHANGE

The Directors confirmed that as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

I. FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are unaudited statement of profit or loss, unaudited statements of profit or loss and other comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows of the Target Company for the three years ended 31 December 2018, 2019 and 2020 and six month ended 30 June 2021 (the "**Relevant Periods**"), the unaudited statements of financial position of the Target Company as at 31 December 2018, 2019 and 2020 and 30 June 2021 and certain explanatory notes (the "**Unaudited Financial Information**"), which were prepared on the basis set out in note 2 to the Unaudited Financial Information below and prepared in accordance with paragraph 19.68(2)(a)(i) of the GEM Listing Rules.

The reporting accountants of the Target Company, KTC Partners CPA Limited, were engaged to review the Unaudited Financial Information set out on page II-2 to II-8 of this circular in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information performed by the Independent Auditor of the Entity*" and with reference to Practice Note 750 "*Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountants to obtain assurance that the reporting accountants would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountants do not express an audit opinion.

Based on the review on the Unaudited Financial Information, nothing has come to the reporting accountants' attention that causes them to believe that the Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information.

UNAUDITED STATEMENTS OF PROFIT OR LOSS

		For the year ended 31 December			For the six months ended 30 June	
		2018	2019	2020	2020	2021
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue		2,484	–	72	72	53
Cost of sales		(9,353)	–	(96)	(96)	(53)
Gross loss		(6,869)	–	(24)	(24)	–
Other income and gains or losses	4	6,992	6,778	18	–	28
Administrative and other expenses		(4,263)	(10,440)	(6,657)	(4,950)	(3,143)
Impairment loss on property, plant and equipment		–	(14,468)	–	–	–
Reversal of/(Impairment loss) under expected credit loss model		–	(2,369)	71	–	1,256
Loss before taxation		(4,140)	(20,499)	(6,592)	(4,974)	(1,859)
Income tax credit		14	13	14	7	7
Loss for the year/period		(4,126)	(20,486)	(6,578)	(4,967)	(1,852)

UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loss for the year/period	(4,126)	(20,486)	(6,578)	(4,967)	(1,852)
Other comprehensive (loss)/income:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation to presentation currency	–	–	–	–	–
Total other comprehensive (loss)/income for the year/period	–	–	–	–	–
Total comprehensive loss for the year/period	(4,126)	(20,486)	(6,578)	(4,967)	(1,852)

UNAUDITED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2018	2019	2020	2021
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	5	55,080	31,254	26,490	24,198
Prepaid land lease payment		5,602	–	–	–
Right-of-use assets		–	5,547	5,411	5,343
Investment in associate		200	200	200	200
		60,882	37,001	32,101	29,741
CURRENT ASSETS					
Prepaid land lease payment		81	–	–	–
Inventories		1	1	1	1
Trade and other receivables		3,527	1,301	1,089	1,088
Amounts due from fellow subsidiaries	6	159,905	159,805	153,024	152,647
Cash and bank balances		20	115	143	40
		163,534	161,222	154,257	153,776
CURRENT LIABILITIES					
Trade and other payables	7	12,665	13,325	12,894	11,551
Amount due to immediate holding company	6	69,833	69,833	69,833	69,833
Amounts due to fellow subsidiaries	6	43,566	37,212	32,370	32,731
Tax payable		2,901	2,901	2,901	2,901
		128,965	123,271	117,998	117,016
NET CURRENT ASSETS		34,569	37,951	36,259	36,760
TOTAL ASSETS LESS CURRENT LIABILITIES		95,451	74,952	68,360	66,501
NON-CURRENT LIABILITY					
Deferred tax liabilities		570	557	543	536
NET ASSETS		94,881	74,395	67,817	65,965
EQUITY					
Paid-up capital		50,655	50,655	50,655	50,655
Reserves		44,226	23,740	17,162	15,310
TOTAL EQUITY		94,881	74,395	67,817	65,965

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	General reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at 1 January 2018	50,655	6,380	41,972	99,007
Loss and total comprehensive loss for the year	–	–	(4,126)	(4,126)
As at 31 December 2018 and as at 1 January 2019	50,655	6,380	37,846	94,881
Loss and total comprehensive loss for the year	–	–	(20,486)	(20,486)
As at 31 December 2019 and as at 1 January 2020	50,655	6,380	17,360	74,395
Loss and total comprehensive loss for the year	–	–	(6,578)	(6,578)
As at 31 December 2020	50,655	6,380	10,782	67,817
As at 1 January 2021	50,655	6,380	10,782	67,817
Loss and total comprehensive loss for the period	–	–	(1,852)	(1,852)
As at 30 June 2021	50,655	6,380	8,930	65,965
As at 1 January 2020	50,655	6,380	17,360	74,395
Loss and total comprehensive loss for the period	–	–	(4,967)	(4,967)
As at 30 June 2020	50,655	6,380	12,393	69,428

UNAUDITED STATEMENTS OF CASH FLOWS

	For the year ended 31 December			For the six months ended 30 June	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities					
Loss before taxation	(4,140)	(20,499)	(6,592)	(4,974)	(1,859)
Adjustments for:					
Depreciation of property, plant and equipment	8,906	8,614	4,764	4,402	2,292
Amortisation of prepaid land lease payments/right-of-use assets	136	136	136	68	68
Impairment loss on property, plant and equipment	–	14,468	–	–	–
Interest income	(6,868)	(7,281)	(1)	–	–
Net (gain)/loss on disposal of property, plant and equipment	(124)	503	–	–	–
Impairment loss on trade receivables	–	2,269	–	–	–
Impairment loss on prepayments and other receivables	–	100	–	–	–
Reversal of impairment of trade receivables	–	–	(71)	–	(1,256)
CHANGES IN WORKING CAPITAL	(2,090)	(1,690)	(1,764)	(504)	(755)
(Increase)/decrease in trade and other receivables	(1,110)	(143)	283	178	1,257
Increase/(decrease) in trade and other payables	1,129	660	(431)	(295)	(1,343)
NET CASH USED IN OPERATING ACTIVITIES	(2,071)	(1,173)	(1,912)	(621)	(841)
INVESTMENT ACTIVITIES					
Payment for purchase of property, plant and equipment	(300)	(6)	–	–	–
Proceeds from disposal of property, plant and equipment	124	247	–	–	–
(Advance to)/Repayment from fellow subsidiaries	(6,944)	100	6,781	5,494	377
Interest received	–	1	1	–	–
NET CASH (USED IN)/GENERATED FROM INVESTMENT ACTIVITIES	(7,120)	342	6,782	5,494	377
FINANCING ACTIVITIES					
Advance from/(Repayment to) fellow subsidiaries	9,197	926	(4,842)	(4,840)	361
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	9,197	926	(4,842)	(4,840)	361
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6	95	28	33	(103)
CASH AND CASH EQUIVALENTS AT BEGINNING OF REPORTING PERIOD	14	20	115	115	143
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	20	115	143	148	40
Analysis of the balances of cash and cash equivalents:					
Cash at bank and in hand	20	115	143	148	40

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company is a limited liability company incorporated in the PRC. The address of its registered office and principal place of business is No. 2, Xingru Avenue, Ruyang Industrial Clustor Area, Luoyang City, Henan Province, the PRC. The principal activities of the Target Company are pipeline gas transmission and distribution, storage and sales.

On 30 June 2021, Hong Kong Chung Wo Energy Investments Limited, an immediate holding company of the Target Company, as vendor and ENG Gas Hong Kong Investment Limited, as purchaser entered into a sale and purchase agreement in relation to the disposal of 100% equity interest in the Target Company (the "**Disposal**").

2. BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION

The Unaudited Financial Information has been prepared in accordance with paragraph 19.68(2)(a)(i) of the GEM Listing Rules, and is solely for the purposes of inclusion in this circular issued by the Company in connection with the Disposal.

The Unaudited Financial Information for the Relevant Periods has been prepared in accordance with the relevant accounting policies of the Company in the preparation of the consolidated financial statements of the Company and its subsidiaries for the Relevant Periods, which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA.

The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in HKAS 1 (Revised) "*Presentation of Financial Statements*" nor an interim report as defined in HKAS 34 "*Interim Financial Reporting*" issued by the HKICPA and should be read in connection with the relevant published annual reports of the Company.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Target Company has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting years and Relevant Periods. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. Except HKFRS 16, the adoption of these new and revised HKFRSs did not result in significant changes to the Target Company's accounting policies, presentation of the Target Company's financial statements and amounts reported for the years and Relevant Periods.

HKFRS 16 Leases

The Target Company has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference of the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

4. OTHER INCOME AND GAINS OR LOSSES

	For the year ended 31 December			For the six months ended 30 June	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	–	1	1	–	–
Loan interest income	6,868	7,280	–	–	–
Other income	–	–	17	–	28
Net gain/(loss) on disposal of property, plant and equipment	124	(503)	–	–	–
	6,992	6,778	18	–	28

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use *RMB'000* (unaudited)	Pipelines *RMB'000* (unaudited)	Plant and machinery *RMB'000* (unaudited)	Computer equipment *RMB'000* (unaudited)	Furniture and equipment *RMB'000* (unaudited)	Transportation and motor vehicles *RMB'000* (unaudited)	Total *RMB'000* (unaudited)
Cost							
At 1 January 2018	38,119	9,337	58,361	111	313	261	106,502
Additions	–	210	10	–	–	80	300
Disposals	–	–	–	–	(2)	(261)	(263)
At 31 December 2018 and 1 January 2019	38,119	9,547	58,371	111	311	80	106,539
Additions	–	–	6	–	–	–	6
Disposals	–	–	(4,724)	–	–	–	(4,724)
At 31 December 2019 and 1 January 2020	38,119	9,547	53,653	111	311	80	101,821
At 31 December 2020 and 1 January 2021	38,119	9,547	53,653	111	311	80	101,821
At 30 June 2021	38,119	9,547	53,653	111	311	80	101,821
Accumulated depreciation and impairment							
At 1 January 2018	9,308	1,323	31,517	108	299	261	42,816
Charge for the year	1,870	948	6,079	2	6	1	8,906
Written back on disposals	–	–	–	–	(2)	(261)	(263)
At 31 December 2018 and 1 January 2019	11,178	2,271	37,596	110	303	1	51,459
Impairment	–	4,340	10,128	–	–	–	14,468
Charge for the year	1,870	954	5,769	1	4	16	8,614
Written back on disposals	–	–	(3,974)	–	–	–	(3,974)
At 31 December 2019 and 1 January 2020	13,048	7,565	49,519	111	307	17	70,567
Charge for the year	1,968	955	1,822	–	3	16	4,764
At 31 December 2020 and 1 January 2021	15,016	8,520	51,341	111	310	33	75,331
Charge for the period	985	477	821	–	1	8	2,292
At 30 June 2021	16,001	8,997	52,162	111	311	41	77,623
Carrying amount							
At 30 June 2021	22,118	550	1,491	–	–	39	24,198
At 31 December 2020	23,103	1,027	2,312	–	1	47	26,490
At 31 December 2019	25,071	1,982	4,134	–	4	63	31,254
At 31 December 2018	26,941	7,276	20,775	1	8	79	55,080

6. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES/IMMEDIATE HOLDING COMPANY

The amounts are unsecured, interest free and repayable on demand.

7. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Trade payables	1,240	1,234	1,114	100
Accrued expenses and other payables	2	669	356	237
Payables for acquisition of property, plant and equipment	11,340	11,340	11,340	11,130
Value-added and other taxes payables	83	82	84	84
	12,665	13,325	12,894	11,551

I. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KTC Partners CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Remaining Group for the purpose of incorporation in this Circular.

7 September 2021

China CBM Group Company Limited
Room 20, 19/F, Fortune Commercial Building,
362 Sha Tsui Road, Tsuen Wan, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China CBM Group Company Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") prepared by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2021, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flow for the year ended 31 December 2020, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-5 to III-13 of the circular in connection with the proposed disposal of the entire equity interest of Luoyang Shunhe Energy Co., Ltd. (the "**Target Company**") (the "**Disposal**") dated 7 September 2021 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-4 to III-13 of the Circular.

The unaudited pro forma financial information has been complied by the directors of the Company to illustrate the impact of the Disposal on the Company's consolidated financial position as at 30 June 2021 and the Company's consolidated financial performance and consolidated cash flows for the year ended 31 December 2020 as if the Disposal had taken place at 30 June 2021 and 1 January 2020 respectively. As part of this process, information about the Company's consolidated financial position has been extracted by the directors of the Company form the Company's unaudited consolidated interim financial statements for the six months ended 30 June 2021, in which no audit or review report has been published and the Company's consolidated financial performance and consolidated cash flows has been extracted by the directors of the Company from the Company's consolidated financial statements for the year ended 31 December 2020, on which an audit report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 *"Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars"* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting accountants' independence and quality control

We have complied with the independence and other ethical requirements of the *"Code of Ethics for Professional Accountants"* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 *"Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements"* issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *"Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus"* issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 30 June 2021 and 1 January 2020, respectively, would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

KTC Partners CPA Limited
Certified Public Accountants
Hong Kong

Chow Yiu Wah, Joseph
Practising Certificate Number: P04686

II. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. INTRODUCTION

The following is a summary of the illustrative unaudited pro forma financial information consisting of the unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, in connection with the Disposal. The unaudited pro forma financial information presented below is prepared to illustrate (i) the financial position of the Remaining Group as at 30 June 2021 as if the Disposal had been completed on 30 June 2021; and (ii) The financial performance and cash flows of the Remaining Group for the year ended 31 December 2020 as if the Disposal had been completed on 1 January 2020.

The unaudited pro forma financial information is prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2021 as extracted from the interim report of the Company for the period ended 30 June 2021 after taking into account the pro forma adjustments relating to the Disposal as if the Disposal had been completed on 30 June 2021; and (ii) the audited consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2020 as extracted from the annual report of the Company for the year ended 31 December 2020 after taking into account the pro forma adjustments relating to the Disposal as if the Disposal had been completed on 1 January 2020 (together as the "**Unaudited Pro Forma Financial Information**").

The Unaudited Pro Forma Financial Information is presented after making pro forma adjustments that are clearly shown and explained, directly attributable to the Disposal and not relating to future events or decisions, factually supportable and clearly identified as to those which are expected to have a continuing effect on the Remaining Group and those which are not.

The Unaudited Pro Forma Financial Information has been prepared by the Directors in accordance with paragraph 7.31(1) of the GEM Listing Rules, for the purposes of illustrating the effect of the Disposal based on a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, it may not give a true picture of the financial position, financial performance and cash flows of the Remaining Group had the Disposal been completed as of 31 December 2020 or 1 January 2020, where applicable, or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the annual report of the Company for the year ended 31 December 2020 and other financial information included elsewhere in the Circular.

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE REMAINING GROUP

For the year ended 31 December 2020

	The Group	**Pro forma adjustments for the Disposal**			**The Remaining Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1(i))	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Revenue	179,329	(72)		70	179,327
Cost of sales	(158,019)	96		(70)	(157,993)
Gross profit	21,310				21,334
Other income and gains or losses	22,680	(18)			22,662
Selling and distribution expenses	(7,436)				(7,436)
Administrative and other expenses	(40,750)	6,657			(34,093)
Impairment loss on property, plant and equipment	(23,355)				(23,355)
Impairment loss under expected credit loss model, net of reversal	(752)	(71)			(823)
Gain on disposal of a subsidiary	–		43,362		43,362
(Loss)/Profit from operations	(28,303)				21,651
Finance costs	(8,127)				(8,127)
(Loss)/Profit before taxation	(36,430)				13,524
Income tax expenses	206	(14)			192
(Loss)/Profit for the year	(36,224)				13,716
Attributable to:					
Owners of the Company	(40,627)				9,313
Non-controlling interests	4,403				4,403
	(36,224)				13,716

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER REMAINING GROUP

For the year ended 31 December 2020

	The Group	**Pro forma adjustments for the Disposal**			**The Remaining Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1(i))	*(Note 2)*	*(Note 3)*	*(Note 4)*	
(Loss)/Profit for the year	(36,224)				13,716
Other comprehensive income:					
Items that are reclassified or may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of the PRC subsidiaries	2,812				2,812
Total other comprehensive income for the year	2,812				2,812
Total comprehensive (loss)/income for the year	(33,412)				16,528
Total comprehensive (loss)/income attributable to:					
Owners of the Company	(37,815)				12,125
Non-controlling interests	4,403				4,403
	(33,412)				16,528

4. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

As at 30 June 2021

	The Group	Pro forma adjustments for the Disposal			The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1(ii))	*(Note 5)*	*(Note 6)*	*(Note 7)*	
NON-CURRENT ASSETS					
Property, plant and equipment	350,536	(24,198)			326,338
Right-of-use assets	32,654	(5,343)			27,311
Deposits and prepayments	26,155				26,155
Investment in associate	–	(200)		200	–
	409,345				379,804
CURRENT ASSETS					
Inventories	7,701	(1)			7,700
Trade and other receivables	39,828	(1,088)			38,740
Amounts due from Remaining Group	–	(152,647)	152,647		–
Tax recoverable	2,000				2,000
Cash and bank balances	13,470	(40)	73,985		87,415
	62,999				135,855
CURRENT LIABILITIES					
Trade and other payables	230,789	(11,551)	8,988		228,226
Amounts due to Remaining Group	–	(102,564)	102,564		–
Bank and other borrowings	59,200				59,200
Lease liabilities	3,892				3,892
Provision	22,854				22,854
Contract liabilities	13,295				13,295
Tax payables	3,749	(2,901)			848
	333,779				328,315
NET CURRENT LIABILITIES	(270,780)				(192,460)
TOTAL ASSETS LESS CURRENT LIABILITIES	138,565				187,344
NON-CURRENT LIABILITIES					
Deferred tax liabilities	4,944	(536)			4,408
Lease liabilities	7,016				7,016
	11,960				11,424
NET ASSETS	126,605				175,920
EQUITY					
Share capital	17,133				17,133
Reserves	140,128	(65,965)	115,080		189,243
Equity attributable to owners of the Company	157,261				206,376
Non-controlling interests	(30,656)			200	(30,456)
TOTAL EQUITY	126,605				175,920

5. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

For the year ended 31 December 2020

	The Group	Pro forma adjustments for the Disposal			The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1(i))	*(Note 8)*	*(Note 3)*	*(Note 9)*	
OPERATING ACTIVITIES					
(Loss)/Profit before tax	(36,430)	6,592	43,362		13,524
Adjustment for:					
Interest income	(31)	1			(30)
Finance costs	8,127				8,127
Depreciation of right-of-use assets	875	(136)			739
Depreciation of property, plant and equipment	57,732	(4,764)			52,968
Impairment loss on property, plant and equipment	23,355				23,355
Written off of property, plant and equipment	3,538				3,538
Gain on disposal of property, plant and equipment	(110)				(110)
Impairment loss on trade and other receivables under expected credit loss model, net of reversal	752	71			823
Reversal of prepayment previously impaired	(1,510)				(1,510)
Provision for production safety costs	3,376				3,376
Gain on disposal of subsidiaries	–		(43,362)		(43,362)
OPERATING PROFIT/(LOSS) BEFORE CHANGES IN WORKING CAPITAL	59,674				61,438
Decrease in inventories	358				358
Increase in trade and other receivables	(7,933)	(283)			(8,216)
(Decrease)/Increase in trade and other payables	(35,859)	431			(35,428)
Increase in contract liabilities	5,456				5,456
Decrease in provision for production safety	(871)				(871)

	The Group	Pro forma adjustments for the Disposal			The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1(i))	*(Note 8)*	*(Note 3)*	*(Note 9)*	
CASH GENERATED FROM OPERATIONS	20,825				22,737
Income tax paid	(3,022)				(3,022)
NET CASH GENERATED FROM OPERATING ACTIVITIES	17,803				19,715
INVESTING ACTIVITIES					
Payment for purchase of property, plant and equipment	(14,375)				(14,375)
Payments for purchase of right-of-use assets	(700)				(700)
Interest received	31	(1)			30
Decrease in deposits and prepayments	1,085				1,085
Repayment from Remaining Group	–	(6,781)		6,781	–
Proceeds from disposal of property, plant and equipment	776				776
Net cash inflow on disposal of a subsidiary	–		73,870		73,870
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(13,183)				60,686
FINANCING ACTIVITIES					
Proceeds new bank and other borrowings	35,000				35,000
Repayment of bank and other borrowings	(30,000)				(30,000)
Interest paid on bank and other borrowings	(1,638)				(1,638)
Proceeds from lease liabilities	6,000				6,000
Repayment of lease liabilities	(5,516)				(5,516)
Interest paid on lease liabilities	(1,381)				(1,381)
Advance from the Target Company	–	4,842		(4,842)	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	2,465				2,465
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,085				82,866

	The Group	Pro forma adjustments for the Disposal			The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1(i))	*(Note 8)*	*(Note 3)*	*(Note 9)*	
CASH AND CASH EQUIVALENTS AT BEGINNING OF REPORTING PERIOD	18,265				18,265
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	530				530
CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	25,880				101,661

6. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Notes:

(1) (i) The amounts are extracted from the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income, and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2020 as set out in the published 2020 annual report of the Company.

(ii) The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2021 as set out in the published 2021 interim report of the Company.

(2) The adjustment represents the exclusion of the operating results of the Target Company for the year ended 31 December 2020, which were extracted from the unaudited statement of profit or loss and other and unaudited statement of profit or loss and other comprehensive income of the Target Company for the year ended 31 December 2020 as set out on page II-2 and II-3 of this Circular, as if the Disposal had been completed on 1 January 2020.

(3) Calculation of estimated pro forma gain on the Disposal as of 1 January 2020 was as follows:

	Note	*RMB'000*
Cash consideration		73,985
Assignment of receivables to the Vendor	(a)	43,772
Less: Net assets of the Target Company as at 1 January 2020		(74,395)
Estimated pro forma gain on disposal of the Target Company as if the Disposal had been completed on 1 January 2020		43,362

	RMB'000
Net cash inflow arising on disposal:	
Cash consideration	73,985
Less: Cash and bank balances disposed at 1 January 2020	(115)
	73,870

Notes:

(a) Assignment of receivables to Vendor represents the net amount from the amounts due from Remaining Group of the Target Company of approximately RMB159,805,000, amounts due to Remaining Group of the Target Company of approximately RMB107,045,000 and the payables for acquisition of property, plant and equipment of the Target Company of approximately RMB8,988,000 which would be assigned to the Vendor at the completion of the Disposal pursuant to the Sale and Purchase Agreement.

(4) The adjustment represents reversal of the transactions between the Target Company and the Group which eliminated in the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2020.

(5) The adjustment represents the exclusion of the assets and liabilities of the Target Company as at 30 June 2021, which have been extracted from the unaudited statement of financial position of the Target Company as set out on page II-4 of this Circular, as if the Disposal had been completed on 30 June 2021.

(6) Calculation of estimated pro forma gain on the Disposal as of 30 June 2021 was as follows:

	Note	*RMB'000*
Cash consideration		73,985
Assignment of receivables to the Vendor	(a)	41,095
Less: Net assets of the Target Company as at 30 June 2021		(65,965)
Estimated pro forma gain on disposal of the Target Company as if the Disposal had been completed on 30 June 2021		49,115

Notes:

(a) Assignment of receivables to the Vendor represents the net amount from the amounts due from Remaining Group of the Target Company of approximately RMB152,647,000, amounts due to Remaining Group of the Target Company of approximately RMB102,564,000 and the payables for acquisition of property, plant and equipment of the Target Company of approximately RMB8,988,000 which would be assigned to the Vendor at the completion of the Disposal pursuant to the Sale and Purchase Agreement.

(7) The adjustment represents the reinstatement of investment in associate which has been derecognised upon the Disposal, when preparing the unaudited pro forma financial information of the Remaining Group.

(8) The adjustment represents the exclusion of the cash flows of the Target Company for the year ended 31 December 2020 which were extracted from the unaudited statement of cash flows of the Target Group as set out on page II-6 of this Circular, as if the Disposal had been completed on 1 January 2020.

(9) The adjustment represents the reinstatement of the advances from/to the Group to/from the Target Company during the year ended 31 December 2020 which have been excluded when preparing the unaudited financial information of the Remaining Group.

(10) No adjustment has been made to reflect the transaction costs of the Disposal since the Directors considered that the amount involved will not be significant to the gain on the Disposal.

(11) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated income statement, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group, except otherwise indicated.

Following the Disposal, the Remaining Group will continue to carry out its existing businesses save as the sales of natural gas in Ruyang County, Henan Province, the PRC. Set out below are the management discussion and analysis of the Remaining Group for each of the financial years ended 31 December 2018 ("**FY2018**"), 31 December 2019 ("**FY2019**") and 31 December 2020 ("**FY2020**").

FINANCIAL REVIEW

The Remaining Group is principally engaged in the exploitation, liquefaction production and sales of natural gas and coalbed gas and provision of gas supply connection services in the PRC.

FY2018

The Remaining Group recorded a consolidated turnover of approximately RMB165,613,000 for FY2018, representing a decrease of approximately 6.79% compared with year ended 31 December 2017 ("**FY2017**"). Despite of (1) the increase in sales of piped natural gas to industrial customer in Guangxi in FY2018; and (2) the stable output volume of the coalbed methane wells in the Group's coalbed methane blocks located in Yangcheng, the decrease of 87.17% in sales of liquefied coalbed gas and provision of liquefied coalbed gas logistic services outweighed the effect of increase in the sales of piped natural gas.

The Remaining Group recorded a loss attributable to equity shareholders of the Company for FY2018 of approximately RMB101,560,000 compared with that of approximately RMB58,700,000 for FY2017. The increase in loss attributable to equity shareholders of the Company as a result of the turnaround from the reasons for the increase are as follows:

(i) other income and gains or losses decreased from gain of approximately RMB786,000 to loss of approximately RMB13,220,000 for FY2018, mainly due to written off of other receivables and property, plant and equipment of approximately RMB8,000,000 and approximately RMB23,817,000 respectively in 2018; and

(ii) impairment loss on property, plant and equipment of approximately RMB39,090,000 and impairment loss on trade and other receivable of approximately RMB31,617,000 were recognised for FY2018.

FY2019

The Remaining Group recorded a consolidated turnover of approximately RMB168,229,000 for FY2019, representing an increase of approximately 1.58% compared with FY2018. It is mainly due to (1) the stable output volume of the coalbed methane wells in the Group's coalbed methane blocks located in Yangcheng; (2) however, the decrease of 100% in sales of liquefied coalbed gas set off the increase of the sales of gas supply connection services.

The Remaining Group recorded a loss attributable to equity shareholders of the Company for FY2019 of approximately RMB43,024,000 compared with that of approximately RMB101,560,000 for FY2018. The decrease in loss attributable to equity shareholders of the Company are mainly due to (i) the written off of property, plant and equipment and other receivable decreased by RMB22,767,000 compared with FY2018; (ii) a significant decrease in impairment loss under expected credit loss model, net of RMB30,487,000, compared with FY2018.

FY2020

The Remaining Group recorded a consolidated turnover of approximately RMB179,327,000 for FY2020, representing a slightly increase of approximately 6.60% compared with FY2019. Our LNG plant resumed production in October 2020, and it contributed approximately RMB22,303,000 of sales of liquefied coalbed gas to the turnover for the year. The sales of piped natural gas and provision of gas supply connection services were decreased 2.65% and 36.31% to RMB140,212,000 and RMB12,438,000 respectively. They were mainly due to the outbreak of novel coronavirus in 2020, and it leads to the slowdown of the manufacturing activities in 2020.

The Remaining Group recorded a loss attributable to equity shareholders of the Company for FY2020 of approximately RMB34,049,000 compared with that of approximately RMB43,024,000 for FY2019. The reasons for the losses are as follows:

(i) the gross profit decreased from RMB46,767,000 to RMB21,334,000 because (a) the Group's LNG plant resumed operation in October 2020, however, the average daily production only around 200,000 m^3 and it leads to the increase in the unit cost of liquefied coalbed gas. As a result, the gross loss attributed from sales of liquefied coalbed gas business in the year. (b) the operation of the liquefied natural gas ("**LNG**") terminal in Beihai city in Guangxi Province was terminated as a result of accident occurred in November 2020. The tight supply of LNG in Guangxi Province in November and December 2020 leaded to a significant increase in the purchase price of LNG in the Group's piped natural gas business. As the Group did not pass the cost increment to its customers, the gross profit margin of sales of piped natural gas was pulled down for the year as a result;

(ii) during FY2020, due to cessation for construction work for construction in progress, an impairment loss of approximately RMB23,355,000 was recognised in respect of certain property, plant and equipment; and

(iii) the service income increased from RMB8,461,000 to RMB16,492,000 for the year due to the recognition of an extra service income generated from providing extraction of coalbed gas services during the year which was not conducted in 2019.

BUSINESS REVIEW AND DEVELOPMENT PROSPECTS

Resources and Reserves

Yangcheng Huiyang New Energy Development Company Limited (hereinafter referred to as "**Huiyang New Energy**") has interest in certain CBM properties located at Shanxi Province, the PRC. The Yangcheng area is approximately 96 km^2 in the Shanxi Province, the PRC. Development within the Yangcheng gas block is focused on the #3 and #15 coal seams. These CBM properties are located at various coal mine areas owned by Shanxi Yangcheng Yangtai Group Industrial Company Limited. Huiyang New Energy is a joint venture company and 60% of its equity interests is held by one of the wholly-owned subsidiaries of the Remaining Group.

The movements in the reserves of certain CBM properties as each of 31 March 2012, 31 December 2018, 31 December 2019 and 31 December 2020 are set out below:

	Reserve evaluation of the CBM properties as at 31 December 2020 BCF	Reserve evaluation of the CBM properties as at 31 December 2019 BCF	Reserve evaluation of the CBM properties as at 31 December 2018 BCF	Reserve evaluation of the CBM properties as at 31 March 2012 BCF
Total original gas in place on all blocks	193.6	193.6	272.4	272.4
Net 1P (Proved) reserves	108.9	108.9	141.9	3.5
Net 2P (Proved + Probable) reserves	154.7	154.7	186.9	27.7
Net 3P (Proved + Probable + Possible) reserves	193.6	193.6	228.2	205.0

The change in the 1P, 2P and 3P is based on the professional advice by the Engineer of the Remaining Group.

The reserve evaluation of the CBM properties as at 31 March 2012 is the results of evaluation conducted by an independent, US-licensed natural gas reserve engineer, Netherlands, Sewell & Associates, Inc. ("**NSAI**") engaged by the Company in 2011 to evaluate the CBM properties reserves.

Due to continued development of the gas field blocks by the Company, the number and scope of the gas production wells are relatively increased as compared with that of 2012, enabling the Company to collect more data about the CBM properties to evaluate the CBM properties more accurately. Accordingly, the Company engaged an independent professional valuer in the PRC in July 2014 to evaluate certain CBM properties of "Huiyang New Energy" in terms of net 3P (Proved + Probable + Possible) reserves, net 2P (Proved + Probable) reserves and net 1P (Proved) reserves based on substantially the same definitions and guidelines as that of NSAI in 2012. According to the results of the evaluation, the total original gas in place on all blocks was generally unchanged as compared with that of NSAI in 2012. Based on the current costs for developing wells, the technical department of the Remaining Group estimates the capital expenditure for each well to be approximately RMB1.4 million, mainly comprising of road maintenance fees of approximately RMB0.09 million, drilling expenses of approximately RMB0.86 million, well testing fees of approximately RMB0.04 million and costs of equipment and materials of approximately RMB0.41 million.

Gas volumes are expressed in billion of cubic feet (BCF) at standard temperature and pressure bases. The reserves shown in the above table are estimates only and should not be construed as exact quantities. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be commercially recoverable; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves. Estimates of reserves may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance.

Natural Gas Exploitation and Extraction

FY2018

As at 31 December 2018, the Remaining Group has completed the ground work and drilling of 244 CBM wells, among which 199 wells were in production, representing decrease in 30 wells compared with the number of wells at the end of 2017. The existing gas output wells produce approximately 850 cubic meters of gas on average per day.

FY2019

As at 31 December 2019, the Remaining Group has completed the ground work and drilling of 244 CBM wells, among which 199 wells were in production, representing no change in number of wells compared with the number of wells at the end of 2018. The existing gas output wells produce approximately 850 cubic meters of gas on average per day.

FY2020

As at 31 December 2020, the Remaining Group has completed the ground work and drilling of 229 CBM wells, among which 193 wells were in production, representing decrease in 6 wells compared with the number of wells at the end of 2019. The operating wells with stable production since they had been put in operation.

Liquefaction Operation

The Remaining Group resumed its LNG business in October 2020. However, due to the emergency measures announced by the government of Shanxi Province in December 2020 to impose limitation on natural gas supply for LNG plant, the Remaining Group suspended its LNG business from December 2020 to January 2021. Owing to the resumption of business, the daily output in 2020 amounted to approximately 200,000 cubic meters. Operation and sales were resumed once again in the beginning of 2021.

Marketing and Sales

For the three years ended 31 December 2020, the marketing and sales systems did not change significantly and the personnel structure and sales strategies basically remained the same. Affected by overall environment, the sales price during traditional peak periods did not represent a substantial increase as the previous year, by contrast, the sales price took on a descending trend, which, to some extent, has affected the sales performance.

Liquidity, Financial Resources and Capital Structure

The Remaining Group's assets portfolio was mainly financed by its shareholders' funds and bank borrowings:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Shareholders' fund of the Remaining Group	155,454	111,159	79,922
Bank borrowings of the Remaining Group	35,000	30,000	35,000
Bank borrowings of the Remaining Group denominated in:			
Hong Kong dollar	0%	0%	0%
Renminbi	100%	100%	100%

Based on the agreed scheduled repayment dates in the loan agreements and ignoring the effect of any repayment on demand clause, the Remaining Group's bank borrowings were repayable:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within the first year	30,000	30,000	30,000
Within the second year	5,000	–	5,000
Within the third to fifth years	–	–	–
Effective interest rates of bank borrowings per annum	5.44% to 7%	4.74% to 5.22%	4.5% to 4.7%

All the bank borrowings of the Remaining Group are at variable interest rates. The Remaining Group currently does not have any interest rate hedging policy in relation to such interest rate risk for the three years ended 31 December 2018, 2019 and 2020. The Remaining Group would monitor its exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Net current liabilities of the Remaining Group	372,002	371,925	330,783
Cash and bank balances of the Remaining Group	17,236	18,150	25,737
Cash and bank balances of the Remaining Group denominated in:			
Hong Kong dollar	0.77%	0.80%	0.14%
Renminbi	99.08%	99.06%	99.86%
United States Dollar	0.15%	0.14%	0%

To minimize financial risks, the Remaining Group implements stringent financial and risk management strategies and avoids the use of highly-geared financing arrangements. The Remaining Group's gearing ratio, calculated by the Remaining Group's total external borrowings divided by its shareholders' fund, was approximately 46.07% as at 31 December 2018, 75.09% as 31 December 2019 and 91.78% as 31 December 2020.

The Remaining Group is opportunistic in obtaining financing to further improve the cash position given that the natural gas drilling program is capital intensive. If the Remaining Group has adequate financing in the future (whether it is from internal cash flow due to increased gas sales, or from fund raising), the Remaining Group will accelerate the drilling program. Apart from the intended investment in upstream CBM exploration and extraction, the Remaining Group does not have any other plan for acquisition or investment, disposal or scale-down of any current business.

Charges on Group Assets

FY2018

As at 31 December 2018, bank borrowings of RMB30,000,000 were secured by the Group's exclusive right for piped natural gas operation in Beiliu City, Guangxi Zhuang Autonomous Region, the PRC.

FY2019

As at 31 December 2019, bank borrowings of RMB30,000,000 were secured by the Group's exclusive right for piped natural gas operation in Beiliu City, Guangxi Zhuang Autonomous Region, the PRC.

As at 31 December 2019, the Group's shareholding in Shanxi Qinshui and Yangcheng Huiyang, the PRC and the Group's property, plant and equipment with carrying amount of approximately RMB88,197,000 were pledged as security for lease liabilities of the Group.

FY2020

As at 31 December 2020, bank borrowings of RMB30,000,000 were secured by the Group's exclusive right for piped natural gas operation in Beiliu City, Guangxi Zhuang Autonomous Region, the PRC.

As at 31 December 2020, the Group's shareholding in Shanxi Qinshui and Yangcheng Huiyang, the PRC and the Group's property, plant and equipment with carrying amount of approximately RMB75,514,000 were pledged as security for lease liabilities of the Group.

Contingent liabilities

As at 31 December 2018, 2019 and 2020, the Group had no material contingent liabilities.

The Employees

FY2018

As at 31 December, 2018, the employees of the Remaining Group totaled 391, among which 69 were R&D staff and 202 were project and customer service staff; 101 were administration staff and 19 were marketing and sales staff. During the year, the total cost of staff (including the remuneration of the Board Directors) recognised in profit or loss account was approximately RMB21,917,000 (2017: approximately RMB27,739,000). The remuneration and salary packages and dividend policy of the Remaining Group were determined based on the individual performance of staff. The Remaining Group will continue to offer professional further studies and training to staff.

FY2019

As at 31 December, 2019, the employees of the Remaining Group totaled 339, among which 11 were R&D staff and 197 were project and customer service staff; 110 were administration staff and 21 were marketing and sales staff. During the year, the total cost of staff (including the remuneration of the Board Directors) recognised in profit or loss account was approximately RMB20,049,000 (2018: approximately RMB21,917,000). The remuneration and salary packages and dividend policy of the Remaining Group were determined based on the individual performance of staff. The Remaining Group will continue to offer professional further studies and training to staff.

FY2020

As at 31 December, 2020, the employees of the Remaining Group totaled 327, among which 23 were R&D staff and 185 were project and customer service staff; 103 were administration staff and 16 were marketing and sales staff. During the year, the total cost of staff (including the remuneration of the Board Directors) recognised in profit or loss account was approximately RMB17,554,000 (2019: approximately RMB20,049,000). The remuneration and salary packages and dividend policy of the Remaining Group were determined based on the individual performance of staff. The Remaining Group will continue to offer professional further studies and training to staff.

Impairment of Property, Plant and Equipment and Right-of-use Assets

FY2018

In view of the continuing operating losses of certain subsidiaries operating in the PRC during FY2018 and FY2017, the directors of the Company have performed impairment assessment on the property, plant and equipment of these subsidiaries as at 31 December 2018 and 2017. The recoverable amounts of these property, plant and equipment have been determined by an independent professional valuer, Asset Appraisal Limited ("**Asset Appraisal**") based on value-in-use calculations. The pretax discount rates in measuring the amounts of value-in-use range from 25% to 31% per annum in relation to these property, plant and equipment (2017: range from 24% to 27% per annum). There has been no change from the valuation technique used in prior year. As a result of the impairment assessment, no impairment loss had been recognised in respect of these property, plant and equipment during FY2018 (FY2017: RMB Nil).

However, due to obsolescence, an impairment loss of approximately RMB39,090,000 (FY2017: RMB8,329,000) was recognised in respect of certain property, plant and equipment.

During FY2018, certain property, plant and equipment amounted to approximately RMB23,817,000 was written off due to wear and tear.

FY2019

During FY2018, due to obsolescence, an impairment loss of approximately RMB39,090,000 was recognised in respect of certain property, plant and equipment included in the Shanxi Qinshui CGU.

During FY2019, in arriving at the carrying amount of YangChang Huiyang CGU for impairment assessment of the CGU (see below), certain property, plant and equipment amounted to approximately RMB9,050,000 (2018: RMB23,817,000) was written off due to wear and tear.

In view of the continuing operating losses of certain subsidiaries operating in the PRC during FY2019, the directors of the Company have performed impairment assessment on property, plant and equipment and right-of-use assets (upon application of HKFRS 16) or prepaid land lease payment (before application of HKFRS 16) in these subsidiaries based on cash-generating units as at 31 December 2019. As a result of the impairment assessment of the CGUs, a further impairment loss of approximately RMB40,637,000 in aggregate had been recognised in respect of property, plant and equipment. Details are set out in Note 16 to the consolidated financial statements.

FY2020

During FY2020, due to cessation of construction for construction in progress, an impairment loss of approximately RMB23,355,000 was recognised in respect of certain property, plant and equipment included in Yangcheng Huiyang CGU.

Risk in Foreign Exchange

The Remaining Group entities collect most of the revenue and incur most of expenditures in their respective functional currencies. The Directors consider that the Remaining Group's exposure to foreign currency exchange is insignificant as the majority of the Remaining Group's transactions are denominated in the functional currency of each individual group entity.

Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Save for the finance lease agreement entered into between 山西沁水順泰能源發展有限公司 (Shanxi Qinshui Shuntai Energy Development Co., Ltd.), a direct wholly-owned subsidiary of the Company, and 中集融資租賃有限公司 (CIMC Capital Ltd.) on 25 July 2019 in relation to the sale and lease of certain liquefied natural gas equipment, during FY2018, FY2019 and FY2020, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

Prospects

At present, demand for natural gas is increasing in China with huge growth potential. As pollution is worsening in China, governments at all levels are placing more emphasis on development of clean energy, which shows great potential in further development, recognizing the rising advocacy of safety – especially under the recent nuclear power crisis – and cleaner energy. However, the existing conventional natural gas production is unlikely to satisfy China's strong demand of natural gas in the coming years; and the Directors believe that it is inevitable that the PRC government would need to encourage the unconventional gas production. With all the favourable policies and measures in place, there is no doubt that the Company, as a leading CBM company, will gain major benefits. The Company will seize this opportunity to grow the CBM business of the Remaining Group on a long-term sustainable basis and would try its very best to maximize the Shareholders' investment return.

To carry through the Group's spirit of advancement by innovation, the Group has since the beginning of 2017 commenced the research and development (R&D) on C-H to Synthesis of natural gas production (temporarily named as High temperature-water of Actiwate C-H to Synthesis of natural-gas technology). The Group has commenced the process of commercialized design in the second half of 2019 and small-scale production is expected to start by the end of 2021. In addition, the Remaining Group plans to realize the daily output to 500,000 cubic meters by the end of 2022. The Remaining Group's wells and projects of C-H to Synthesis natural gas production are expected to provide stable natural gas supply to its LNG plant in the second half of 2021.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Director had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) or which were otherwise required to notify the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange:

Long position in the Shares and the underlying shares

Name	Capacity	Nature of interest	Number of Shares/ underlying shares	Approximate % of shareholdings
Mr. Wang Zhong Sheng	Interest of controlled corporation	Corporate interest	18,118,500 (L) *(Note)*	0.87%
	Beneficial owner	Personal	1,134,637,197 (L)	54.60%

(L) *denotes long position*

Notes: Such shares are owned by Jumbo Lane Investments Limited.

Mr. Wang Zhong Sheng owns 100% interest in the issued share capital of Jumbo Lane Investments Limited and he is taken to be interested in the shares owned by Jumbo Lane Investments Limited pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in Shares

Name	Number of Shares	Nature of interest	Approximate percentage of shareholding
Ms. Zhao Xin *(Note)*	1,152,755,697 (L)	Interest of spouse	55.47%

(L) denotes long position

Note: Ms. Zhao Xin (the spouse of Mr. Wang Zhong Sheng) is deemed to be interested in her spouse's interest in the Company pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholder or any of their respective close associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. EXPERTS AND CONSENTS

The qualifications of the experts who have given their opinions in this circular are as follows:

Name	Qualification
KTC Partners CPA Limited	Certified public accountants
Asset Appraisal Limited	Independent professional valuer

The above experts have given and confirmed that they have not withdrawn their written consents to the issue of this circular with the inclusion herein of their letter, report, advice, opinion and/or references to their name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, the above experts did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors nor experts referred to in paragraph headed "6. EXPERTS AND CONSENTS" above has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2020, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

(i) the finance lease agreement (the "**Finance Lease Agreement**") entered into between 山西沁水順泰能源發展有限公司 (Shanxi Qinshui Shuntai Energy Development Co., Ltd.) ("**Qinshui Energy**"), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Company, and 中集融資租賃有限公司 (CIMC Capital Ltd.) ("**CIMC**"), a company established in the PRC with limited liability on 25 July 2019 in relation to the sale and lease of certain liquefied natural gas equipment ("**Equipment**"). Pursuant to the Finance Lease Agreement, (i) Qinshui Energy conditionally agreed to sell and CIMC conditionally agreed to purchase the Equipment for a total consideration of RMB50,000,000 (equivalent to approximately HK$56,085,250); and (ii) Qinshui Energy conditionally agreed to lease from CIMC, and CIMC conditionally agreed to lease to Qinshui Energy, the Equipment for a total consideration of RMB64,070,000 (equivalent to approximately HK$71,867,639) *(Note)*;

(ii) the guarantees executed by the Company, 洛陽順和能源有限公司 (Luoyang Shunhe Energy Co., Ltd.), 廣西北流燃氣有限公司 (Guangxi Beiliu Gas Co., Ltd.), 陽城縣順安集輸管道有限公司 (Yangcheng Shun An Gathering Pipeline Co., Ltd.), 河北順泰能源有限公司 (Hebei Shuntai Energy Resource Company Limited, 陽城縣惠陽新能源發展有限公司 (Yangcheng Huiyang New Energy Development Co., Ltd.) and 山西陽城順泰能源發展有限公司 (Shanxi Yangcheng Shuntai Energy Development Co., Ltd.) ("**Shanxi Yangcheng**") on 25 July 2019 in favour of CIMC to secure due payment by Qinshui Energy to CIMC under the Finance Lease Agreement;

(iii) the share pledge agreement entered into by the Company on 25 July 2019, pursuant to which the Company conditionally agreed to pledge 100% equity interest in Qinshui Energy in favour of CIMC;

(iv) the share pledge agreement entered into by Shanxi Yangcheng on 25 July 2019, pursuant to which Shanxi Yangcheng conditionally agreed to pledge 60% equity interest in Yangcheng Huiyang in favour of CIMC;

(v) the subscription agreement entered into between the Company and Mr. Wang on 31 December 2020, pursuant to which the Company agreed to allot and Mr. Wang agreed to subscribe for, an aggregate of 758,515,714 subscription shares at the subscription price of approximately HK$0.028 per subscription share for a total consideration of HK$21,238,440; and

(vi) the Sale and Purchase Agreement.

Note: The relevant amounts in RMB are translated into HK$ at an exchange rate of RMB0.8915:HK$1 (source: www.hkab.org.hk). No representation has been made by the Company that any amounts have been, could have been or could be converted at such rate or at any other rates or at all.

9. MISCELLANEOUS

(a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is Room 20, 19/F., Fortune Commercial Building, 362 Sha Tsui Road, Tsuen Wan, Hong Kong.

(c) The branch share registrar and transfer office in Hong Kong of the Company is Tricor Tengis Limited located at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr. Tse Chun Lai, who has been appointed as the company secretary and authorised representative of the Company since 31 January 2020. Mr. Tse obtained a degree of bachelor of arts in Accounting and Finance from Leeds Beckett University (formerly known as Leeds Metropolitan University). He is a certified public accountant of Hong Kong Institute of Certified Public Accountants. Mr. Tse has over 15 years of experience in business and taxation advisory.

(e) The compliance officer of the Company is Mr. Wang Zhong Sheng, who has been appointed as the compliance officer, chairman of the Board and an executive Director since May 2006.

(f) The Company's audit committee (the "**Audit Committee**") currently comprises all three independent non-executive Directors, namely, Mr. Lau Chun Pong (Chairman), Mr. Xu Yuan Jian and Mr. Wang Zhi He. The primary duties of the Audit Committee are, among others, to review and oversee the financial reporting principles and practices adopted as well as internal control procedures and issues of the Group. It also reviews quarterly, interim and the final results of the Group prior to recommending the same to the Board for consideration. Mr. Lau Chun Pong has appropriate professional qualifications, accounting and financial management expertise as required under the GEM Listing Rules. For further information in relation to the background and directorships (and past directorships), if any, of members of the Audit Committee, please refer to the annual report of the Company for the year ended 31 December 2020 published on 31 March 2021.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room 20, 19/F., Fortune Commercial Building, 362 Sha Tsui Road, Tsuen Wan, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of SGM:

(a) the memorandum of continuance of the Company and the bye-laws of the Company;

(b) the annual reports of the Company for each of the three financial years ended 31 December 2018, 2019 and 2020;

(c) the financial information of the Target Company, the text of which is set out in Appendix II to this circular;

(d) the letter on the unaudited pro forma financial information of the Remaining Group issued by KTC Partners CPA Limited, the text of which is set out in Appendix III to this circular;

(e) the reports on Value In use of Guangxi Beiliu Gas Company Limited, Gas Liquefaction Operations and Gas Field Operations for the three years ended 31 December 2020 issued by Asset Appraisal Limited;

(f) the written consents referred to in the paragraph headed "6. EXPERTS AND CONSENTS" in this Appendix;

(g) the material contracts referred to under the paragraph headed "8. MATERIAL CONTRACTS" in this appendix; and

(h) this circular.

China CBM Group Company Limited
中國煤層氣集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8270)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of the shareholders (the "**Shareholders**") of China CBM Group Company Limited (the "**Company**") will be held at Conference room, 14/F, Building B, Phase 1, Tianan Innovation Tech-Square, 25 Tairan 4th Road, Futian District, Shenzhen, China on Thursday, 23 September 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

"**THAT**

(a) the conditional sale and purchase agreement dated 30 June 2021 (the **"Sale and Purchase Agreement"**) entered into between 香港中和能源產業投資有限公司 (Hong Kong Chung Wo Energy Investments Limited) (the "**Vendor**"), a wholly-owned subsidiary of the Company as vendor and 新奧燃氣香港投資有限公司 (ENN Gas Hong Kong Investment Limited) (the "**Purchaser**") as purchaser in relation to, among others, the sale and purchase of 100% equity interest in 洛陽順和能源有限公司 (Luoyang Shunhe Energy Co., Ltd.)[#] (the "**Target Company**") and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

(b) any one or more director(s) of the Company (the "**Director(s)**") be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary desirable or expedient to carry out and implement the Sale and Purchase Agreement and the transactions contemplated thereunder into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Sale and Purchase Agreement."

By order of the Board
China CBM Group Company Limited
Wang Zhong Sheng
Executive Director

Hong Kong, 7 September 2021

[#] *For identification purpose only*

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Room 20, 19/F
Fortune Commercial Building
362 Sha Tsui Road
Tsuen Wan, Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies.to attend and, in the event of a poll, vote in his/her stead. A proxy needs not be a member of the Company.

2. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.

3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.