THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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)

(1) MAJOR AND CONNECTED TRANSACTION: PROPOSED ACQUISITION INVOLVING ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; (2) PROPOSED SHARE CONSOLIDATION; (3) PROPOSED CHANGE IN BOARD LOT SIZE; AND (4) NOTICE OF SGM

Joint Financial Advisers to the Company

Capital 9 Limited

DILIGENT CAPITAL

Independent Financial Adviser

元庫證券有限公司
Silverbricks Securities Company Limited

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 9 to 35 of this circular. A letter from the Independent Board Committee is set out on page 36 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 78 of this circular.

A notice convening the SGM to be held at Conference Room, Main Building, Lizhuang Village, Jiafeng Town, Qinshui County, Jincheng City, Shanxi Province, PRC on Tuesday, 3 January 2023 at 9:30 a.m. is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you are able to attend the SGM, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

12 December 2022

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"associate(s)"	has the same meaning as ascribed to it under the GEM Listing Rules
"Board"	the board of the Directors
"Business Day"	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
"Bye-laws"	the bye-laws of the Company currently in full force and effect
"BVI"	British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
"Change in Board Lot Size"	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 40,000 Existing Shares to 10,000 Consolidated Shares upon the Share Consolidation becoming effective
"close associate(s)"	has the same meaning as ascribed to it under the GEM Listing Rules
"Company"	China CBM Group Company Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on GEM

"Completion"	completion of the Proposed Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
"Completion Date"	any date within the 10 Business Days after fulfilment (or waiver, as the case may be) of all the conditions precedent under the Sale and Purchase Agreement to be specified by the purchaser (or such other date as agreed in writing by the parties thereto)
"connected person(s)"	has the same meaning as ascribed to it under the GEM Listing Rules
"Consideration Shares"	93,375,000 Consolidated Shares to be allotted and issued by the Company to Mr. Wang to settle the part of the consideration of the Proposed Acquisition at Completion, which will rank *pari passu* in all respects with all other Shares in issue at the Completion Date
"Consolidated Share(s)"	ordinary share(s) with a par value of HK$0.08 each in the share capital of the Company immediately after the Share Consolidation becoming effective
"Conversion Period"	the period commencing from the date of issue of the Convertible Bonds and ending on the day immediately prior to the Maturity Date
"Conversion Price"	HK$0.3376 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds
"Conversion Rights"	the rights attached to the Convertible Bonds to convert the same or a part thereof into Conversion Shares
"Conversion Share(s)"	the 32,582,938 Consolidated Share(s) to be allotted and issued by the Company to the holders of the Convertible Bonds upon exercise in full of the conversion rights attaching to the Convertible Bonds at the Conversion Price
"Convertible Bonds"	the convertible bonds in the principal amount of HK$11,000,000 to be issued by the Company to Mr. Wang or its nominee(s) upon Completion to satisfy part of the consideration pursuant to the Sale and Purchase Agreement

"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"Existing Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company prior to the Share Consolidation becoming effective
"GEM"	GEM of the Stock Exchange
"GEM Listing Committee"	has the meaning ascribed thereto in the GEM Listing Rules
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huiyang New Energy"	Yangcheng Huiyang New Energy Development Company Limited* (陽城縣惠陽新能源發展有限公司), a company established in the PRC with limited liability and, as at the Latest Practicable Date, is an indirect non-wholly owned subsidiary of the Company. Upon Completion, the Group will be in aggregate interested in 80% equity interest of Huiyang New Energy and it will continue to remain as a subsidiary of the Company
"Independent Board Committee"	the independent committee of the Board, comprising all the independent non-executive Directors, namely, Mr. Lau Chun Pong, Mr. Wang Zhi He and Mr. Xu Yuan Jian, established to advise the Independent Shareholder(s) in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder

"Independent Financial Adviser"	Silverbricks Securities Company Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities), 2 (dealing in futures contracts) and 6 (advising on corporate finance) regulated activities under the SFO, which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Shareholder(s)"	Shareholders other than Mr. Wang and his associates and all other Shareholders who has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder
"Latest Practicable Date"	5 December 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"LNG"	liquefied natural gas
"Lvqiao CBM"	Qinshui County Lvqiao CBM Technology Services Co., Ltd.* (沁水縣綠橋煤層氣技術服務有限公司), a company established in the PRC and is wholly-owned by Times International as at the Latest Practicable Date
"Maturity Date"	the second anniversary of the date of the issue of the Convertible Bonds
"Mr. Wang"	Mr. Wang Zhong Sheng, an executive Director, chairman of the Board and a substantial shareholder within the meaning of the GEM Listing Rules who also holds the entire equity interest in the Target Company
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Proposed Acquisition"	the proposed acquisition of the Sale Shares pursuant to the terms of the Sale and Purchase Agreement
"Restructuring"	restructuring of the shareholding structure in respect of the holding companies of Huiyang New Energy
"RMB"	Renminbi, the lawful currency of the PRC

"Sale and Purchase Agreement"	the sale and purchase agreement dated 30 September 2022 entered into between Mr. Wang and the Company in relation to the Proposed Acquisition
"Sale Share(s)"	the entire issued share capital of the Target Company
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the purpose of considering and, if though fit, approving (1) the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the (i) allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds and the allotment and issue of the Conversion Shares); (2) the grant of Specific Mandate; and (3) the proposed Share Consolidation
"Shanxi Yangcheng"	Shanxi Yangcheng Shuntai Energy Development Company Limited* （山西陽城順泰能源發展有限公司）, a wholly-owned subsidiary of the Company
"Share(s)"	the Existing Share(s) and/or the Consolidated Share(s), as the case may be
"Shareholder(s)"	holder(s) of the Share(s)
"Share Consolidation"	the proposed consolidation of every eight (8) Existing Shares of par value of HK$0.01 each in the share capital of the Company into one (1) Consolidated Share of par value of HK$0.08 each
"Share Option Scheme"	the share option scheme adopted by the Company on 28 March 2022
"Specific Mandate"	the specific mandate to be granted to the Directors at the SGM for (i) the allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the same meaning as ascribed to it under the GEM Listing Rules

"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong
"Target Company"	Global Billion Holdings Limited, a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Wang as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries
"Times International"	Times International Trading Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Target Company as at the Latest Practicable Date
"Valuer"	Asset Appraisal Limited, a qualified independent valuer
"Yangcheng Yangtai"	Yangcheng County Yangtai Group Industrial Company Limited*(陽城縣陽泰集團實業有限公司), a company established in the PRC with limited liability and is owned as to (i) approximately 59.5% by Yangcheng County State Owned Capital Investment and Operation Company Limited*(陽城縣國有資本投資運營有限公司), a state-owned enterprise; (ii) approximately 30.6% by Yangcheng County Association of Municipal and Township Collectively-Owned Industries*(陽城縣城鎮集體工業聯合社); and (iii) approximately 9.8% by Shangxi Coal Transportation and Marketing Group Jincheng Yangcheng Company Limited*(山西煤炭運銷集團晉城陽城有限公司), a wholly-owned subsidiary of Jinneng Holding Power Group Company Limited*(晉能控股電力集團有限公司), a state-owned enterprise
"%"	per cent.

In this circular, amounts in HK$ are translated into RMB on the basis of HK$1 = RMB0.9054. The conversion rate is for illustration purpose only and should not be taken as a representation that HK$ could actually be converted into RMB at such rate or at all.

* *For identification purposes only*

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation and the Change in Board Lot Size is set out below. The expected timetable is for indicative purpose only and is subject to the Share Consolidation becoming unconditional, and may be extended or varied by the Company. Any change to the expected timetable will be announced in separate announcement(s) by the Company as and when appropriate. All times and dates in this circular refer to Hong Kong local times and dates.

Event	**Hong Kong time and date**
Despatch of Company's circular with notice and proxy form of the SGM	Monday, 12 December 2022
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the SGM	4:30 p.m. on Friday, 23 December 2022
Closure of the register of members of the Company to determine the entitlement to attend and vote at the SGM (both days inclusive)	Wednesday, 28 December 2022 to Tuesday, 3 January 2023 (both days inclusive)
Latest date and time for lodging the proxy forms for the SGM	9:30 a.m. on Sunday, 1 January 2023
Expected date and time of the SGM	9:30 a.m. on Tuesday, 3 January 2023
Publication of announcement of poll results of SGM	Tuesday, 3 January 2023

The following events are conditional upon the fulfilment of the conditions for the implementation of the Share Consolidation and the Change in Board Lot Size and therefore the dates are tentative:

Expected effective date of the Share Consolidation	Thursday, 5 January 2023
First day of free exchange of existing share certificates for new share certificates for Consolidated Shares	Thursday, 5 January 2023
Dealing in Consolidated Shares commences	9:00 a.m. on Thursday, 5 January 2023

Original counter for trading in Existing Shares in board lots of 40,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Thursday, 5 January 2023
Temporary counter for trading in Consolidated Shares in board lots of 5,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Thursday, 5 January 2023
Original counter for trading in Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates for the Consolidated Shares) re-opens	9:00 a.m. on Thursday, 19 January 2023
Parallel trading in Consolidated Shares (in the form of new share certificates and existing share certificates) commences	9:00 a.m. on Thursday, 19 January 2023
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Thursday, 19 January 2023
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Monday, 13 February 2023
Temporary counter for trading in Consolidated Shares in board lots of 5,000 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Monday, 13 February 2023
Parallel trading in Consolidated Shares (in the form of new share certificates for the Consolidated Shares and the existing share certificates) ends	4:10 p.m. on Monday, 13 February 2023
Latest date and time for free exchange of existing share certificates for the new share certificates of the Consolidated Shares	4:30 p.m. on Wednesday, 15 February 2023

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

12 December 2022

To the Shareholders

Dear Sir or Madam

(1) MAJOR AND CONNECTED TRANSACTION: PROPOSED ACQUISITION INVOLVING ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE; (2) PROPOSED SHARE CONSOLIDATION; AND (3) PROPOSED CHANGE IN BOARD LOT SIZE

INTRODUCTION

References are made to (i) the announcement of the Company dated 29 September 2022 in relation to, among others, the proposed Share Consolidation and Change in Board Lot Size; (ii) the announcement of the Company dated 30 September 2022 in relation to, among others, the Proposed Acquisition and the transactions contemplated thereunder; and (iii) the announcements of the Company dated 14 October 2022, 4 November 2022 and 10 November 2022 in relation to, among others, the delay in despatch of circular and revised timetable for the proposed Share Consolidation and Change in Board Lot Size.

The purpose of this circular is to provide you with, among other things, (i) details of the Sale and Purchase Agreement and the transactions contemplated thereunder (including (a) the allotment and issue of the Consideration Shares and (b) issue of the Convertible Bonds pursuant to the Proposed Acquisition) and the proposed grant of the Specific Mandate; (ii) details of the proposed Share Consolidation; (iii) details of the proposed Change in Board Lot Size; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; (v) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; (vi) the notice of the SGM; and (vii) other information as required under the GEM Listing Rules.

(1) THE PROPOSED ACQUISITION

On 30 September 2022 (after trading hours), the Company as purchaser and Mr. Wang as vendor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase, and Mr. Wang has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company at a total consideration of HK$42,523,400 (equivalent to approximately RMB38,500,000), which shall be satisfied by way of (i) allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds to Mr. Wang under the Specific Mandate. The Proposed Acquisition is conditional upon the Share Consolidation becoming effective.

Principal terms of the Sale and Purchase Agreement are set forth below:

Date : 30 September 2022 (after trading hours)

Parties : (1) Mr. Wang (as vendor); and

(2) The Company (as purchaser)

Subject matter

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to purchase, and Mr. Wang has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

The consideration of HK$42,523,400 (equivalent to approximately RMB38,500,000) shall be satisfied in the following manner:

(i) HK$31,523,400, to be satisfied by the issue of 93,375,000 Consideration Shares at the price of HK$0.3376 per Consideration Share to Mr. Wang; and

(ii) HK$11,000,000, to be satisfied by the issue of the Convertible Bonds to Mr. Wang, which may be converted into 32,582,938 Consolidated Shares upon full exercise of the conversion rights under the Convertible Bonds at the conversion price of HK$0.3376 per Conversion Share.

The consideration was determined after arm's length negotiation between the parties with reference to, among other things, (i) the prevailing equity value of the Sale Shares; (ii) the preliminary valuation of the entire equity interest in Huiyang New Energy conducted by the Valuer by adopting the market approach of approximately RMB212,000,000 as at 30 June 2022 as set out in Appendix V to this circular; and (iii) the reasons for and benefits of the Proposed Acquisition as stated under the section headed "Reasons for and benefits of the Proposed Acquisition" below.

The Consideration Shares

The Consideration Shares, being 93,375,000 Consolidated Shares, represent: (i) approximately 35.95% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 26.44% of the issued share capital of the Company immediately upon completion of the Share Consolidation as enlarged by the allotment and issue of the Consideration Shares but before the issue of the Conversion Shares (assuming there will be no other changes in the share capital of the Company prior to the Completion other than the issue of the Consideration Shares).

Issue Price

The issue price of HK$0.3376 per Consideration Share was determined after arm's length negotiation between the Company and Mr. Wang with reference to, among other things, the recent trading prices of the Existing Shares and the theoretical price per Consolidated Share upon the Share Consolidation becoming effective, which represents:

(1) a discount of approximately 75.75% to the theoretical price of HK$1.392 per Consolidated Share based on the closing price of HK$0.174 per Existing Share as quote on the Stock Exchange on the Latest Practicable Date;

(2) a premium of approximately 0.48% over the theoretical price of HK$0.336 per Consolidated Share based on the closing price of HK$0.042 per Existing Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;

(3) an equivalent to the theoretical price of HK$0.3376 per Consolidated Share based on the average closing price of HK$0.0422 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;

(4) an equivalent to the theoretical price of HK$0.3376 per Consolidated Share based on the average closing price of HK$0.0422 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and

(5) a discount of approximately 24.49% to the net asset value per Consolidated Share of approximately HK$0.4471 based on the unaudited net asset value of the Company of approximately RMB105,140,000 as at 30 June 2022 and 259,750,030 Consolidated Shares assuming the Share Consolidation has become effective.

The Convertible Bonds

The principal terms of the Convertible Bonds are summarised as follows:

Issuer:	the Company
Principal amount:	HK$11,000,000
Subscription price of the Convertible Bonds:	The subscription price of the Convertible Bond is HK$11,000,000, being the total principal amount of the Convertible Bonds.
Maturity date:	The second anniversary of the date of issue of the Convertible Bonds.
Interest:	The Convertible Bonds shall bear no interest.
Conversion Price:	HK$0.3376 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds, which represents: (i) a discount of approximately 75.75% to the theoretical price of HK$1.392 per Consolidated Share based on the closing price of HK$0.174 per Existing Share as quote on the Stock Exchange on the Latest Practicable Date; (ii) a premium of approximately 0.48% over the theoretical price of HK$0.336 per Consolidated Share based on the closing price of HK$0.042 per Existing Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;

(iii) an equivalent to the theoretical price of HK$0.3376 per Consolidated Share based on the average closing price of HK$0.0422 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;

(iv) an equivalent to the theoretical price of HK$0.3376 per Consolidated Share based on the average closing price of HK$0.0422 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and

(v) a discount of approximately 24.49% to the net asset value per Consolidated Share of approximately HK$0.4471 based on the unaudited net asset value of the Company of approximately RMB105,140,000 as at 30 June 2022 and 259,750,030 Consolidated Shares assuming the Share Consolidation has become effective.

The Conversion Price was determined after arm's length negotiation between the Company and Mr. Wang with reference to, among other things, the recent trading prices of the Existing Shares and the theoretical price per Consolidated Share upon the Share Consolidation becoming effective.

The Directors (including the independent non-executive Directors) are of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned, and the Conversion Price is in the interest of the Company and the Independent Shareholders as a whole.

The Company shall not allot and issue Conversion Shares to the holder of the Convertible Bonds or shall such holder be permitted to convert the Convertible Bonds (or part thereof) if upon such allotment and issue or conversion (as the case may be), such holder and parties acting in concert with it will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code to make a general offer or cause the public float of the Company be unable to meet the requirements under the GEM Listing Rules.

Adjustment Events: The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events, including but not limited to the followings:

(i) consolidation or subdivision of Consolidated Shares;

(ii) capitalization of profits or reserves;

(iii) capital distribution; and

(iv) issue wholly for cash any Consolidated Shares at a price per Consolidated Share which is less than 90% of the then market price of the Consolidated Shares.

Conversion Shares: Based on the initial Conversion Price of HK$0.3376 (assuming that the Conversion Shares are converted in full and there is no other change to the issued share capital of the Company upon completion of the Share Consolidation, apart from the allotment and issue of the Consideration Shares, from the Latest Practicable Date and up to Completion), a maximum number of up to 32,582,938 Conversion Shares shall be allotted and issued upon exercise in full of the Conversion Rights.

Conversion Period: The period commencing from the date of issue of the Convertible Bonds and ending on the day immediately prior to the Maturity Date.

Conversion Rights:	Subject to, and upon compliance with, the conditions of the instrument governing the Convertible Bonds and provided that any conversion of the Convertible Bonds (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the bondholder which exercised the Conversion Rights and party(ies) acting in concert (as defined under the Takeovers Code) with it; and (ii) will not cause the public float of the Company being unable to meet the requirement under the GEM Listing Rules, the Conversion Rights may be exercised by the bondholder at any time during the Conversion Period in amounts not less than a whole multiple of HK$500,000 on such conversion, save that if at any time the entire principal amount or the outstanding principal amount of the Convertible Bonds held by a bondholder is less than HK$500,000, or if a bondholder intends to exercise the Conversion Rights attached to the entire principal amount of all the Convertible Bonds held by him, the bondholder may convert the whole (but not part only) of the such outstanding principal amount of the Convertible Bonds. No fraction of a Conversion Share shall be issued on conversion and in lieu thereof the Company shall pay a cash amount equal to such amount of the Convertible Bonds that is not converted.
Conversion restrictions:	The Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights: (i) the holder of the Convertible Bonds and parties acting in concert with it will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; and (ii) less than 25% or the minimum prescribed percentage as set out in the GEM Listing Rules of the Company's issued shares would be held by the public immediately after the relevant exercise of such Conversion Rights.

Redemption:	The Company may at any time before the Maturity Date, by giving not less than 2 Business Days' notice to the bondholders, redeem all or part of the outstanding Convertible Bonds. Unless previously redeemed, converted or cancelled as provided herein, the Company will redeem the outstanding principal amount of the Convertible Bonds on the Maturity Date at such outstanding principal amount.
Status and ranking:	The obligations of the Company arising under the Convertible Bonds constitute general, direct, unsubordinated, unconditional and unsecured obligations of the Company, and rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsecured obligations of the Company. The Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue.
Voting rights:	The bondholder will not be entitled to vote at any meetings of the Company by reason only of it being the holder of the Convertible Bonds.
Transferability:	The Convertible Bonds may be transferred to any person, other than any connected person of the Company for which prior notice to the Company will be required, provided that such transfer shall comply with the GEM Listing Rules, the Takeovers Code and any other relevant laws and regulations.
Application for listing:	No application will be made by the Company to the Stock Exchange for listing of the Convertible Bonds.

The Conversion Shares represent (i) approximately 12.54% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 8.45% of the issued share capital of the Company immediately upon completion of the Share Consolidation as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to Completion).

The Consideration Shares and the Conversion Shares will be issued under the Specific Mandate.

The aggregate of the Consideration Shares and the Conversion Shares represent (i) approximately 48.49% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 32.66% of the issued share capital of the Company immediately upon completion of the Share Consolidation as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to Completion).

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares. The Consideration Shares and the Conversion Shares to be allotted and issued shall rank *pari passu* among themselves and with all the Shares in issue on the Completion Date.

Subject to the granting of the approval of listing of, and permission to deal in, the Conversion Shares and the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Conversion Shares and the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Conversion Shares and the Consolidated Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Conversion Shares and the Consolidated Shares to be admitted into CCASS established and operated by HKSCC. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Condition precedent

Completion is conditional upon and subject to the satisfaction (or waiver, as the case may be) of the following conditions:

(1) the Company being satisfied with the results of the due diligence review to be conducted in relation to the Proposed Acquisition;

(2) the passing by the Independent Shareholders at the SGM of the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;

(3) the GEM Listing Committee of the Stock Exchange granting the listing of and the permission to deal in the Consideration Shares and the Conversion Shares;

(4) the proposed Share Consolidation having become effective;

(5) the obtaining of a PRC legal memorandum (in form and substance satisfactory to the Company) from a PRC legal adviser designated by the Company in relation to the legality and validity of the Sale and Purchase Agreement, the transactions contemplated thereunder and the Restructuring;

(6) the obtaining of a valuation report (in form and substance satisfactory to the Company) issued by a qualified valuer appointed by the Company showing that the valuation of the entire equity interest in Huiyang New Energy to be not less than RMB212,000,000 as at 30 June 2022;

(7) all necessary consents and approvals required to be obtained on the part of Mr. Wang and the Target Group in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;

(8) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;

(9) the representations and warranties in the Sale and Purchase Agreement remaining true and accurate and not misleading, and there being no events, facts or circumstances that constitute a breach of Mr. Wang and/or the Target Group's warranties in the Sale and Purchase Agreement; and

(10) the Company being satisfied that there has been no material adverse change on the Target Group since the date of the Sale and Purchase Agreement.

The Company may at its absolute discretion at any time waive in writing any of the conditions (1), (5), (9) and (10) above and such waiver may be made subject to such terms and conditions as may be determined by the Company. Other than conditions (1), (5), (9) and (10), all other conditions set out above are not waivable. If any of the conditions set out in the Sale and Purchase Agreement have not been satisfied (or as the case may be, waived) on or before 30 April 2023 (or such later date as may be agreed between Mr. Wang and the Company in writing), the Sale and Purchase Agreement shall cease and determine.

As at the Latest Practicable Date, save for condition (6), none of the conditions have been fulfilled or waived.

Completion

Completion shall take place within 10 Business Days after fulfilment (or waiver, as the case may be) of all the conditions precedent under the Sale and Purchase Agreement.

Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become a direct wholly-owned subsidiary of the Company. As at the Latest Practicable Date, Huiyang New Energy was held as to 60%, 20% and 20% by Shanxi Yangcheng (a wholly-owned subsidiary of the Company), Lvqiao CBM and Yangcheng Yangtai respectively. Accordingly, the Group will be in aggregate interested in 80% equity interest of Huiyang New Energy and Huiyang New Energy will continue to remain as a subsidiary of the Company. The financial information of Huiyang New Energy will continue to be consolidated into the financial statements of the Group, and the financial information of the rest of the Target Group will be consolidated into the financial statements of the Group.

INFORMATION OF THE PARTIES

The Company

The Company is an investment holding company. The principal activities of the Company's subsidiaries are manufacturing and sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistics services and provision of coalbed gas liquefied processing services), sales of piped natural gas and provision of gas supply connection services.

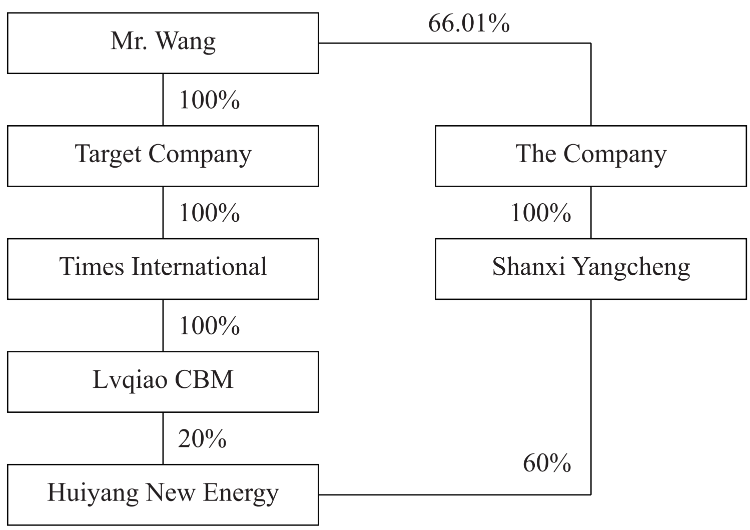
Mr. Wang

Mr. Wang is an executive Director, the chairman of the Board and the compliance officer of the Company. As at the Latest Practicable Date, Mr. Wang was interested in approximately 66.01% of the issued share capital of the Company and was a controlling shareholder of the Company.

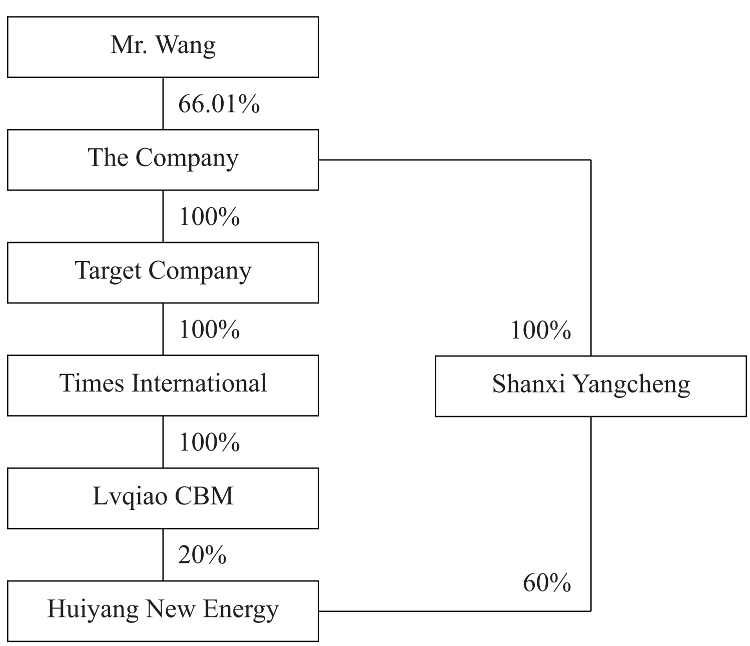
The Target Group

Set out below was/is the shareholding structure of the Target Group (i) as at the Latest Practicable Date; and (ii) immediately after Completion:

Shareholding structure of the Target Group as at the Latest Practicable Date



Shareholding structure of the Target Group immediately after Completion



The Target Company

The Target Company is a company incorporated in the British Virgin Islands with limited liability which is wholly owned by Mr. Wang and is principally engaged in investment holding. The Target Company is the holding company of the Times International.

Set out below is the unaudited financial information of the Target Company for the years ended 31 December 2020 and 2021:

	Year ended 31 December	
	2020	**2021**
	HK$'000	*HK$'000*
Revenue	–	–
(Loss) before taxation	(13)	(15)
(Loss) after taxation	(13)	(15)

As at 31 December 2021, the Target Company had net liabilities of approximately HK$102,000.

Times International

Times International is a company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding and is wholly owned by the Target Company. Times International is the holding company of Lvqiao CBM.

Set out below is the unaudited financial information of Times International for the years ended 31 December 2020 and 2021:

	Year ended 31 December	
	2020	**2021**
	HK$'000	*HK$'000*
Revenue	–	–
(Loss) before taxation	(0.4)	(0.4)
(Loss) after taxation	(0.4)	(0.4)

As at 31 December 2021, Times International had net liabilities of approximately HK$12,000.

Lvqiao CBM

Lvqiao CBM is a company established in the PRC with limited liability, which is principally engaged in investment holding and is wholly owned by Times International. Lvqiao CBM is interested in 20% equity interest of Huiyang New Energy.

Set out below is the unaudited financial information of Lvqiao CBM for the years ended 31 December 2020 and 2021:

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Revenue	–	–
Profit before taxation	–	–
Profit after taxation	–	–

As at 31 December 2021, Lvqiao CBM had nil net assets.

Huiyang New Energy

Huiyang New Energy is a company established in the PRC with limited liability and is currently held as to 60%, 20% and 20% by Shanxi Yangcheng (a wholly-owned subsidiary of the Company), Lvqiao CBM and Yangcheng Yangtai respectively. Huiyang New Energy is principally engaged in exploration, development and production of coalbed methane.

Financial information of Huiyang New Energy

Apart from the 20% equity interest in Huiyang New Energy directly or indirectly held, all the companies in the Target Group did not have any material assets as at the Latest Practicable Date. Set out below is the unaudited consolidated financial information of Huiyang New Energy for the years ended 31 December 2020 and 2021:

	Year ended 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Revenue	55,732	49,769
Profit/(Loss) before taxation	10,906	(42,145)
Profit/(Loss) after taxation	10,906	(42,145)

As at 31 December 2021, Huiyang New Energy had net liabilities of approximately RMB103.1 million.

The original acquisition cost of the Sale Shares by Mr. Wang is RMB38,500,000.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Earnings

Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become a direct wholly-owned subsidiary of the Company. Huiyang New Energy will continue to remain as a subsidiary of the Company. The financial information of Huiyang New Energy will continue to be consolidated into the financial statements of the Group, and the financial information of the rest of the Target Group will be consolidated into the financial statements of the Group. The Target Company and its subsidiaries are investment holding companies and do not have material income or expenses. Hence, no material impact on the earnings of the Group as a result of the Completion is expected.

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, which is prepared to illustrate the effect of the Proposed Acquisition on the Group's financial position as at 30 June 2022 as if the Proposed Acquisition had taken place on 30 June 2022, it is expected that the total assets of the Enlarged Group would remain unchanged while its total liabilities would increase by approximately RMB7.8 million mainly due to the issue of the Convertible Bonds. Hence, a decrease in the net assets of the Enlarged Group by approximately RMB7.8 million is expected as a result of the Completion.

The above analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group would actually be after Completion.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group is principally engaged in the business of exploitation, liquefaction production and sales of natural gas in the PRC, including, among others, the manufacturing and sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistics services and provision of coalbed gas liquefied processing services), sales of piped natural gas and provision of gas supply connection services.

Since July 2011, the Group has made significant investment in resources exploration and exploitation at the coalbed methane blocks located in Yangcheng, Shanxi Province, the PRC. The Board believes that the Proposed Acquisition is in line with the development strategy of the Group and can create long-term and strategic interests for the Group. As stated in the interim report of the Company for the six months ended 30 June 2022, it is foreseeable that the highly-polluted energy will be eliminated from the market more rapidly and the use of replaceable clean energy will become 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. The Directors are of the view with the Proposed Acquisition, the Group will be able to further promote its market position in Yangcheng, Shanxi Province, the PRC, thereby generating optimal synergy effect among the Group.

The entire issued share capital of the Target Company subject to the Proposed Acquisition was acquired by Mr. Wang from Mr. Fan Hua ("**Mr. Fan**") (i.e. the then controlling shareholder of the Target Company) on 3 September 2022 at a consideration of RMB38,500,000. This was the result of extended discussions and negotiations between the Company, Mr. Wang, Mr. Fan and Shanxi Yangcheng in the first half of 2022. Shanxi Yangcheng was initially interested in increasing its shareholding in Huiyang New Energy. However, in view of the complexity of the Restructuring, which involved going through the registration procedures at the relevant authorities in the PRC, Hong Kong and BVI respectively, and required full cooperation from Mr. Fan, particularly during lockdown and other government restrictions on personal movement amid outbreak of the COVID-19 pandemic in the aforesaid countries/cities, and the parties were not able to reach a consensus on the settlement schedule and manner in respect of the payment of consideration, such as the full settlement of the consideration before completion of the Restructuring as required by Mr. Fan, the Group did not proceed with the acquisition of the 20% equity interest in Huiyang New Energy. Subsequently, Mr. Wang confirmed to work together with Mr. Fan on the Restructuring in his personal capacity and negotiated with Mr. Fan on the acquisition of the Target Company. The Company later become aware that the Restructuring has been duly completed and Mr. Wang acquired the Target Group. Since the Group has been hoping to further promote its market position in Yangcheng, Shanxi Province, the PRC, the Company started its discussions regarding the Proposed Acquisition with Mr. Wang and after negotiation, Mr. Wang has conditionally agreed to sell the Sale Shares to the Company by way of (i) allotment and issue of the Consideration Shares and (ii) issue of Convertible Bonds. The Company considers that the issue of the Consideration Shares and the Convertible Bonds provides much greater flexibility to the financial status of the Company by limiting cash outflow and allowing the Company to utilise its existing funds on the general working capital of the Group or other investment opportunities.

The Board would like to stress that the payment terms of the consideration for the Proposed Acquisition are the best package that could be secured for the Company after arm's length negotiations and are structured to minimise the investment risk of the Company and safeguard the interests of the Company and the Shareholders in the Proposed Acquisition.

Huiyang New Energy recorded net loss of approximately RMB42.1 million for the year ended 31 December 2021, compared to the net profit of approximately RMB10.9 million for the preceding year. As stated in the section headed "Management Discussion and Analysis of the Target Group and Huiyang New Energy" set out in Appendix III to this circular, such decrease was mainly due to, among others, (i) revenue decrease by approximately RMB6.0 million due to decrease in number of wells; and (ii) impairment loss of property, plant and equipment of approximately RMB26.4 million was recognised for the year ended 31 December 2021, compared to nil in the preceding year, under the prolonged and unfavourable impact of COVID-19 pandemic in the PRC. The Directors expect that the number of wells ready for production by Huiyang New Energy will be increased gradually in next few years. Also, as stated in the section headed "3. Financial and Trading Prospects of the Enlarged Group" set out in Appendix I to this circular, with the growing concerns over the environmental issues, it is foreseeable that highly-polluted energy will be eliminated from the market more rapidly and the use of renewable clean energy will become more popular, resulting in a keener market demand for natural gas. Thus, the Directors are optimistic about the prospect of Huiyang New Energy. The net liabilities of approximately RMB103.1 million as at 31 December 2021 recorded by Huiyang New Energy was mainly amount due to its holding companies and fellow subsidiaries. With the improvement in the operating performance of Huiyang New Energy due to the increase in number of wells for production and the growing trend of the use of renewable clean energy mentioned above, the Directors are of the view that the Proposed Acquisition will bring long-term benefits to the Group and the financial position of Huiyang New Energy will be improved.

In view of the above, the Directors (including the independent non-executive Directors but excluding Mr. Wang and Mr. Wang Chen, the son of Mr. Wang and a non-executive Director, who had abstained from voting at the Board meeting approving the Sale and Purchase Agreement and the transactions contemplated thereunder as described in the paragraph headed "GEM Listing Rules Implications" below) believe that the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, and that the Proposed Acquisition involving the issue of the Consideration Shares and the Convertible Bonds, while not in the ordinary and usual course of business of the Group, is in the interest of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation and after the allotment and issue of the Consideration Shares (assuming no Conversion Shares have been allotted and issued); and (iii) immediately upon completion of the Share Consolidation and after the allotment and issue of the Consideration Shares and the Conversion Shares (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date):

	As at the Latest Practicable Date		Immediately upon completion of the Share Consolidation and after the allotment and issue of the Consideration Shares (assuming no Conversion Shares have been allotted and issued)		Immediately upon completion of the Share Consolidation and after the allotment and issue of the Consideration Shares and the Conversion Shares (assuming full conversion of the Convertible Bonds)	
	Number of Shares held	*Approximate % (Note 2)*	*Number of Shares held*	*Approximate % (Note 2)*	*Number of Shares held*	*Approximate % (Note 2)*
Mr. Wang	1,353,566,412	65.14	262,570,801	74.36	295,153,739	76.52 *(Note 3)*
Jumbo Lane Investments Limited *(Note 1)*	18,118,500	0.87	2,264,812	0.64	2,264,812	0.59
Public Shareholders	706,315,336	33.99	88,289,417	25.00	88,289,417	22.89
	2,078,000,248	100	353,125,030	100	385,707,968	100

Notes:

1. Mr. Wang 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 SFO.

2. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

3. For illustration purpose only. Such scenario will never occur as under the terms and conditions of the Convertible Bonds, the Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights, among others, that less than 25% or the minimum prescribed percentage as set out in the GEM Listing Rules of the Company's issued shares would be held by the public immediately after the relevant exercise of such Conversion Rights.

The Proposed Acquisition will not result in change of control of the Company.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Acquisition exceeds 25% but is less than 100%, the Proposed Acquisition constitutes a major transaction and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Also, as at the Latest Practicable Date, Mr. Wang (the executive Director and the chairman of the Board), through Jumbo Lane Investments Limited and in his own capacity, was beneficially interested in 1,371,684,912 Existing Shares, representing approximately 66.01% of the existing issued share capital of the Company. He is therefore a connected person of the Company. Accordingly, the Proposed Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and will be subject to the announcement, reporting and the Independent Shareholders' approval requirements.

As Mr. Wang and Mr. Wang Chen, the son of Mr. Wang and a non-executive Director, are considered to have a material interest in the Proposed Acquisition, they have therefore abstained from voting on the resolution in relation to the Proposed Acquisition (including the (i) allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds pursuant to the Proposed Acquisition) and the grant of the Specific Mandate proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Proposed Acquisition.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Mr. Lau Chun Pong, Mr. Wang Zhi He and Mr. Xu Yuan Jian, being all independent non-executive Directors, has been established to advise the Independent Shareholders on matters relating to the Proposed Acquisition.

The Company has, with the approval of the Independent Board Committee, appointed Silverbricks Securities Company Limited as the Independent Financial Adviser in accordance with the requirements under the GEM Listing Rules to advise the Independent Board Committee on matters relating to the Proposed Acquisition and the transactions contemplated thereunder.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 36 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out on pages 38 to 78 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Acquisition together with the principal factors and reasons considered by it in concluding its advice.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Proposed Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as whole. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, and that the Proposed Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as whole.

Shareholders and potential investors of the Company should note that the Proposed Acquisition contemplated under the Sale and Purchase Agreement is subject to satisfaction of certain conditions precedent. Accordingly, they may or may not be completed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

(2) PROPOSED SHARE CONSOLIDATION

The Company intends to put forward a proposal to the Shareholders to effect the Share Consolidation pursuant to which every eight (8) Existing Shares of HK$0.01 each will be consolidated into one (1) Consolidated Share of HK$0.08 each. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the SGM. As none of the Shareholders or their associates would have a material interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the SGM.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon:

(i) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the SGM;

(ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and

(iii) the compliance with the relevant procedures and requirements under the applicable laws of Bermuda (where applicable) and the GEM Listing Rules to effect the Share Consolidation.

As at the Latest Practicable Date, none of the conditions above had been fulfilled. The Share Consolidation will become effective when the conditions mentioned above are fulfilled.

Subject to the fulfilment of the above conditions, the Share Consolidation will become effective on Thursday, 5 January 2023, which is the second Business Day immediately after the date of the SGM.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company was HK$200,000,000 divided into 20,000,000,000 Shares of par value of HK$0.01 each, of which 2,078,000,248 Shares have been issued as fully paid or credited as fully paid. Assuming that no further Shares are allotted, issued or repurchased between the Latest Practicable Date and the date of the SGM, upon the Share Consolidation becoming effective, the authorised share capital of the Company shall become HK$200,000,000 divided into 2,500,000,000 Consolidated Shares of par value of HK$0.08 each, of which 259,750,030 Consolidated Shares will be in issue.

As at the Latest Practicable Date, there were outstanding share options entitling the holders thereof to subscribe for up to an aggregate of 207,800,024 Existing Shares under the share option scheme adopted by the Company on 28 March 2022. As a result of the Share Consolidation, the maximum number of Consolidated Shares which may fall to be issued pursuant to the exercise of any share options under the Share Option Scheme will be adjusted to 25,975,003 Consolidated Shares pursuant to the terms of the Share Option Scheme.

Save for the above adjustments, all other terms and conditions of the share option scheme remain unchanged.

Save as disclosed above, the Company does not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Bye-laws. Fractions of Consolidated Shares that arise from the Share Consolidation will not be allocated to the Shareholders otherwise entitled thereto and will be aggregated, sold and retained for the benefit of the Company.

Save for the necessary professional expenses for the implementation of the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operation, management or financial position of the Company and the proportionate interests and rights of the Shareholders, save that any fractional Consolidated Shares will not be allocated to Shareholders who may otherwise be entitled.

(3) PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares were traded on the Stock Exchange in board lots of 40,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange to 10,000 Consolidated Shares per board lot, conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK$0.174 per Existing Share (equivalent to the theoretical closing price of HK$1.392 per Consolidated Share upon the Share Consolidation becoming effective) as quoted on the Stock Exchange as at the Latest Practicable Date, (i) the value of each board lot of 40,000 Existing Shares is HK$6,960; and (ii) the value of each board lot of 10,000 Consolidated Shares, assuming the Share Consolidation had already been effective, would be HK$13,920.

Reasons for the Share Consolidation and the Change in Board Lot Size

The closing price per Existing Share as quoted on the daily quotation sheet of the Stock Exchange as at the Latest Practicable Date was HK$0.174. Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK$0.01 or HK$9,995.00, the Stock Exchange may require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The Stock Exchange reminded the Company in its listing approval dated 30 March 2022 on adoption of new share option scheme that it will not consider approving listing on future fund raising of the Company if the share price of the Company is close to the extremity of HK$0.01. In this regard, should the Company decide to conduct any equity fund raising in the future and the share price continues trading below HK$0.1, the Company may need to carry out corporate actions including but not limited to share consolidation, which will enable the Company to comply with the aforesaid trading requirements of the GEM Listing Rules.

Having considered the guidance from the Stock Exchange as mentioned above and that the Shares had been traded at below HK$0.10 at certain time in the past 12 months (based on the closing prices per Share as quoted on the Stock Exchange), the Board considers it is appropriate to conduct the Share Consolidation.

In addition, the Board considers that the Share Consolidation would increase the nominal value of the Shares, and bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange, thus maintaining the trading amount for each board lot at a reasonable level in order to attract more investors and to broaden the shareholder base of the Company. It is also hoped that the Share Consolidation and the Change in Board Lot Size will make investing in the Shares more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor. The Directors also believe that the Share Consolidation will provide greater opportunity for and more flexibility in the Company's possible equity fund raising in the future.

Furthermore, the Share Consolidation and the Change in Board Lot Size would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks or securities houses will charge a minimum transaction costs for each securities trade.

Save for the necessary professional expenses for the implementation of the Share Consolidation and the Change in Board Lot Size, the implementation of the Share Consolidation and the Change in Board Lot Size will not alter the underlying assets, business operation, management or financial position of the Company and the proportionate interests and rights of the Shareholders.

The Board considers that the Share Consolidation and the Change in Board Lot Size is essential to achieve the above-mentioned purpose. Taking into account of the potential benefits and the insignificant amount of costs to be incurred, the Board is of the view that the Share Consolidation and the Change in Board Lot Size and the transactions contemplated thereunder are in the best interest of the Company and the Shareholders as a whole.

Save for the aforementioned Potential Acquisition, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation, and the Company does not have any other plan, arrangement, understanding, intention, negotiation (either concluded or in process) on any fund raising activities or precise investment opportunities and has no other immediate plan for issue of new Shares. However, the Board cannot rule out the possibility that the Company will conduct equity fund raising exercises when suitable fund raising and/or investment opportunities arise in order to support future development of the Group. The Company will make further announcement in this regard in accordance with the GEM Listing Rules as and when appropriate.

OTHER ARRANGEMENTS

Exchange of share certificates for Consolidated Shares

Subject to the Share Consolidation having become effective, which is currently expected to be on Thursday, 5 January 2023, being the second Business Day immediately after the date of the SGM, the Shareholders may, during the period from Thursday, 5 January 2023 to Wednesday, 15 February 2023 (both days inclusive), submit their existing share certificates for the Existing Shares to the Company's share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, during business hours to exchange for new share certificates for the Consolidated Shares at the expense of the Company.

Thereafter, share certificates for the Existing Shares will be accepted for exchange only upon payment of a fee of HK$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for Consolidated Shares, whichever the number of certificates cancelled or issued is higher. The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Monday, 13 February 2023 and thereafter will not be accepted for delivery, trading, settlement and registration purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of eight (8) Shares for one (1) Consolidated Share.

The new share certificates for the Consolidated Shares will be issued in the colour of yellow in order to distinguish them from the share certificates for the existing Shares which are in the colour of red.

Application for listing of the Consolidated Shares

Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation become effective.

Subject to the granting of the approval of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC upon the Share Consolidation becoming effective, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

The Consolidated Shares will be identical in all respects and rank *pari passu* in all respects with each other in accordance with the Bye-laws as to all future dividends and distributions which are to be declared, made or paid.

None of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares arising from the Share Consolidation and the Change in Board Lot Size, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Odd lots arrangements and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation and the Change in Board Lot Size, a designated broker will be appointed by the Company to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lots arrangement, is recommended to consult his/her/its own professional advisers.

Shareholders or potential investors should note that (i) odd lots will be created after the Share Consolidation and Change in Board Lot Size; (ii) odd lots arrangements do not guarantee successful matching of all odd lots at the relevant market price; and (iii) odd lots might be sold below the market price in the market.

RECOMMENDATION

The Directors consider that the Share Consolidation and the Change in Board Lot Size is in the interest of the Company and the Shareholders as a whole and so recommend all Shareholders to vote in favour of the resolution approving the Share Consolidation at the SGM.

(4) SGM

The SGM will be convened for the purpose of considering and, if thought fit, approving, among other things, (1) the Sale and Purchase Agreement and the transactions contemplated thereunder (including (a) the allotment and issue of the Consideration Shares and (b) issue of the Convertible Bonds pursuant to the Proposed Acquisition) and the proposed grant of the Specific Mandate; and (2) the Share Consolidation. The SGM will be held at Conference Room, Main Building, Lizhuang Village, Jiafeng Town, Qinshui County, Jincheng City, Shanxi Province, PRC on Tuesday, 3 January 2023 at 9:30 a.m.. The notice of the SGM is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you are able to attend the SGM, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and, in such event, the proxy form previously submitted shall be deemed to be revoked.

All the resolutions proposed to be approved at the SGM will be taken by poll and an announcement will be made by the Company after the SGM on the results of the SGM.

RESPONSIBILITY STATEMENT

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

GENERAL

Also, as at the Latest Practicable Date, Mr. Wang (the executive Director and the chairman of the Board), through Jumbo Lane Investments Limited and in his own capacity, is beneficially interested in 1,371,684,912 Existing Shares, representing approximately 66.01% of the existing issued share capital of the Company. Therefore, Mr. Wang and his associates, including Jumbo Lane investments Limited, are required to abstain from voting on the relevant resolutions to be proposed at the SGM in relation to the Proposed Acquisition (including the (i) allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds pursuant to the Proposed Acquisition) and the grant of the Specific Mandate proposed to the Board.

Saved as disclosed above, no other Shareholders would be required to abstain from voting to approve the resolutions in relation to continuing connected transactions at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices and the notice of SGM, which form part of this circular.

Yours faithfully,
By order of the Board
China CBM Group Company Limited
Wang Zhong Sheng
Chairman

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)

12 December 2022

To: the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION: PROPOSED ACQUISITION INVOLVING ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

We refer to the circular of the Company dated 12 December 2022 of the Company (the "**Circular**") to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to consider the Proposed Acquisition, being a connected transaction, pursuant to the terms and conditions of the Sale and Purchase Agreement, and to advise the Independent Shareholders as to whether, in our opinion, such terms are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Silverbricks Securities Company Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We would like to draw your attention to the letter from the Board set out on pages 9 to 35 of the Circular which contains, among other things, information on the Proposed Acquisition and the letter from the Independent Financial Adviser set out on pages 38 to 78 of the Circular which contains its advice in respect of the Proposed Acquisition. Your attention is also drawn to the additional information set out in the Circular.

Having taken into account the principal factors and reasons underlying the Proposed Acquisition as well as the advice of the Independent Financial Adviser, we consider the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares and the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon conversion of the same, and the grant of Specific Mandate) to be fair and reasonable and on normal commercial terms, and the entering into of the Sale and Purchase Agreement, while not in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Lau Chun Pong	**Mr. Wang Zhi He**	**Mr. Xu Yuan Jian**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

元庫證券有限公司
Silverbricks Securities Company Limited

12 December 2022

To the Independent Board Committee and
the Independent Shareholders of
China CBM Group Company Limited

Dear Sirs and Madams,

MAJOR AND CONNECTED TRANSACTION PROPOSED ACQUISITION INVOLVING ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser (the "**Independent Financial Adviser**") to make recommendations to the independent board committee and the independent shareholders of China CBM Group Company Limited (the "**Company**") in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (the "**Transaction**"), particulars of which are set out in the section headed "Letter from the Board" (the "**Letter**") contained in the circular of the Company to the Shareholders dated 12 December 2022 (the "**Circular**"), of which this letter forms part. Unless the contest requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in this Circular.

The Proposed Acquisition

Reference is made to the Letter.

On 30 September 2022 (after trading hours), the Company as purchaser and Mr. Wang as vendor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase, and Mr. Wang has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company.

As at the Latest Practicable Date, the Target Company, through its subsidiaries, is interested in 20% equity interest in Huiyang New Energy, which is PRC company owned as to 60% equity interested by the Company through its subsidiary. Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become a direct wholly-owned subsidiary of the Company. Accordingly, the Group will be in aggregate interested in 80% equity interest in Huiyang New Energy.

Implications under the GEM Listing Rules

As the highest applicable percentage ratio in respect of the Proposed Acquisition exceeds 25% but is less than 100%, the Proposed Acquisition constitutes a major transaction and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the Latest Practicable Date, Mr. Wang, who is the executive Director and chairmen of the Board, through Jumbo Lane Investments Limited and in his own capacity, is beneficially interested in 1,371,684,912 Existing Shares, representing approximately 66.01% of the existing issued share capital of the Company. Therefore, Mr. Wang is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Proposed Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and will be subject to the announcement, reporting and the Independent Shareholders' approval requirements.

As Mr. Wang and Mr. Wang Chen, who is the son of Mr. Wang and a non-executive Director, are considered to have a material interest in the Proposed Acquisition, each of them abstained from voting on the resolution in relation to the Proposed Acquisition, including (i) the allotment and issuance of the Consideration Shares; (ii) the issuance of the Convertible Bonds; and (iii) the grant of the Specific Mandate. Save as the aforesaid, none of the Directors attended the Board meeting has a material interest in the Proposed Acquisition.

INDEPENDENT BOARD COMMITTEE

Pursuant to the GEM Listing Rules, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lau Chun Pong, Mr. Wang Zhi He and Mr. Xu Yuan Jian, has been established to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and as to the voting action therefor.

In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to advise the Independent Board Committee, and the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) in the interests of the Company and its Shareholders as a whole; and (iv) how the Independent Shareholders should vote in favour of the Transaction.

OUR INDEPENDENCE

We, Silverbricks Securities Company Limited ("**Silverbricks**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Silverbricks is a licensed corporation licensed under the Securities and Futures Ordinance ("**SFO**") to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities.

In the last two years, we did not have any engagement with the Group as an independent financial adviser. As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Silverbricks and the Company or any other parties that could be reasonably be regarded as hindrance to Silverbricks's independence as set out under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transaction.

We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We confirmed that there is no existence of or change in any circumstances that would affect our independence.

Accordingly, we consider that we have performed all reasonable steps as required under Rule 17.92 of the GEM Listing Rules and are eligible to give independent advice on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the "**Management**"). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular (other than those relating to the Subscriber and parties acting in concert with him) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. Therefore, we have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided in the Circular. We have, however, not conducted any independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the release of the Circular and will continue to be true up to the Latest Practicable Date, and that the Independent Shareholders will be informed as soon as reasonable possible if we are aware of any material change to such representations and/or any change to our view/opinion. We have also assumed that the information we have relied on as set out in this letter will be valid up to the time of the SGM and we are not aware any of the information we have relied on as set out in this letter will change or become invalid in the foreseeable future.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transaction, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. BACKGROUND OF THE TRANSACTION

On 30 September 2022, the Company as purchaser and Mr. Wang as vendor entered into the Sale and Purchase Agreement.

1.1 Information of the Company and the Group

The Company is a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which have been listed on the GEM. The Company is an investment holding company and the holding company of the Group.

1.1.1 Principal business of the Group

The Group is principally engaged in manufacturing and sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistics services and provision of coalbed gas liquefied processing services), sales of piped natural gas and provision of gas supply connection services.

1.1.2 Financial performance of the Group

Set out below is a summary of the Group's audited consolidated financial performance for the years ended 31 December 2020 and 2021 as extracted from the annual report of the Company for the year ended 31 December 2021 ("**2021 Annual Report**") and the Group's unaudited consolidated financial performance for the six months ended 30 June 2021 and 2022 as extracted from the interim report of the Company for the six months ended 30 June 2022 ("**2022 Interim Report**").

Table 1: Summary of the consolidated financial performance of the Group

	For the six months ended 30 June		For the years ended 31 December	
	2022	**2021**	**2021**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue				
– Sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistics services and provision of coalbed gas liquefaction processing services)	66,199	24,156	170,721	26,679
– Sales of piped natural gas and provision of gas supply connection services	92,377	86,247	44,404	152,650
Total revenue	**158,576**	**110,403**	**215,125**	**179,329**
Gross profit/(loss)	**15,610**	**10,949**	**(491)**	**21,310**
Loss attributable to equity shareholders of the Company for the period/year	**(10,527)**	**(7,967)**	**(2,236)**	**(40,627)**

(i) For the year ended 31 December 2021

For the year ended 31 December 2021, the audited consolidated total revenue of the Group mainly derived from (a) sales of liquefied coalbed gas and piped natural gas; (b) provision of liquefied coalbed gas logistics services; (c) provision of gas supply connection services; and (d) provision of coalbed gas liquefaction processing services.

As set out in the above table 1, the audited consolidated total revenue of the Group for the year ended 31 December 2021 was approximately HK$215,125,000, representing an increase of approximately 19.96% when compared to that of 2020 (i.e. HK$179,329,000). Such significant increase was mainly attributable to the, among other things,

(a) the Group's liquefied natural gas ("**LNG**") plant was resumed production in February 2021 and it contributed approximately of RMB31,462,000 of revenue in the year;

(b) the outbreak of Covid-19 led to the provision of gas supply connection services was slow downed in 2020. The economic activity was back to normal in the year, therefore, the revenue of provision of gas supply connection services increased from RMB12,438,000 to RMB30,312,000; and

(c) during the year, due to an undersupply of raw gas in the Group's LNG plant, the Group's LNG plant provided coalbed gas liquefaction processing services for its customers to improve the usage of its LNG plant. Such processing services contributed the revenue of approximately RMB12,713,000.

The Group recorded an audited consolidated loss attributable to equity shareholders of the Company for the year ended 31 December 2021 of approximately RMB2,236,000 compared with that of approximately RMB40,627,000 for the year ended 31 December 2020. The reasons for the losses are as follows:

(a) the Group recorded gross loss of approximately RMB491,000 in 2021 because

– in 2021, the business of 廣西北流燃氣有限公司 (Guangxi Beiliu Gas Co., Ltd.) ("**Guangxi Beiliu**") significantly decreased due to dramatic increase in its costs of the purchase of liquefied natural gas and the inversion of costs had occurred since June 2021. Guangxi Beiliu attempted to pass the costs to the ultimate users, but due to the local franchise rights held by Guangxi Beiliu and its social responsibility to the utmost, Guangxi Beiliu consequently did not increase the selling price of natural gas and remained the provision of gas supply for local enterprises, which resulted in the gross loss of piped natural gas business of Guangxi Beiliu; and

– in 2021, due to the shortage in the supply of raw gas, the average daily production only amounted to approximately 50,000 m^3 in the Group's LNG plant which resulted in the gross loss recorded in sales business of liquefied coalbed gas as a result of the increase in unit cost of liquefied coalbed gas.

and

(b) the impairment loss of property, plant and equipment of approximately RMB26,376,000 was recognized during the year ended 31 December 2021.

(ii) For the six months ended 30 June 2022

For the six months ended 30 June 2022, the Group recorded an unaudited consolidated total revenue of approximately RMB158,576,000, representing an increase of approximately 43.63% when compared with the corresponding period of last year. Such increase in revenue was mainly attributable to the increase in the average daily production of the Group's LNG plants and the rise in gas price, which contributed approximately of RMB60,792,000 of revenue during the interim period.

The Group recorded a loss attributable to equity shareholders of the Company for the six months ended 30 June 2022 of approximately RMB10,527,000, while the loss attributable to shareholders last year was approximately RMB7,967,000. The reasons for the increase in losses are as follows:

(a) there was no reversal of trade receivable previously impaired during the six months ended 30 June 2022. As a result, other revenue and net income decreased from approximately RMB4,008,000 during the six months ended 30 June 2021 to approximately RMB870,000 during the six months ended 30 June 2022; and

(b) administrative and other operating expenses increased to approximately RMB23,498,000, mainly due to the payment of farmland occupation tax of approximately RMB2,480,000 during the six months ended 30 June 2022.

1.2 Information of Mr. Wang, who is the vendor under the Sale and Purchase Agreement

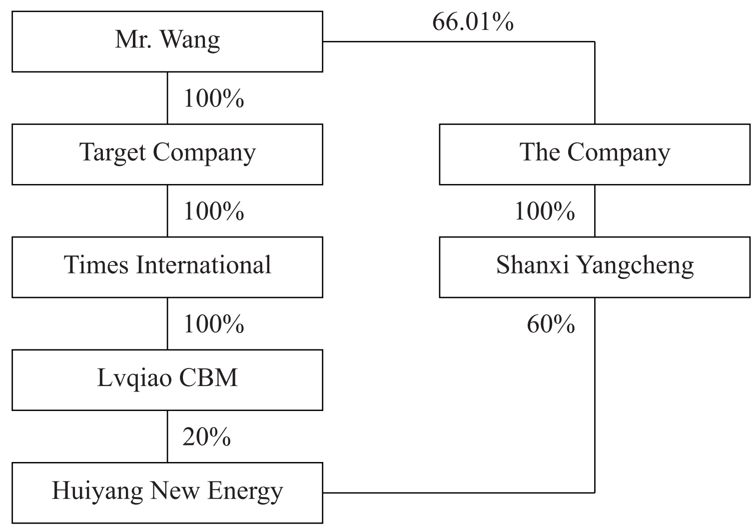
Mr. Wang is the executive Director and chairman of the Board. Mr. Wang is also the compliance officer of the Company.

As at the Latest Practicable Date, Mr. Wang, through Jumbo Lane Investments Limited and in his own capacity, is beneficially in 1,371,684,912 Existing Shares, representing approximately 66.01% of the existing issued share capital of the Company. Therefore, Mr. Wang is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

1.3 Information of the Target Group

1.3.1 Shareholding structure of the Target Group

Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date:



(i) The Target Company

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, the Target Company is wholly owned by Mr. Wang and the Target Company is the holding company of Times International.

(ii) Times International

Times International is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, Times International is wholly owned by the Target Company and is the holding company of Lvqiao CBM.

(iii) Lvqiao CBM

Lvqiao CBM is a company established in the PRC with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, Lvqiao CBM is wholly owned by Times International and is interested in 20% equity interest in Huiyang New Energy.

(iv) Huiyang New Energy

Huiyang New Energy is a company established in the PRC with limited liability and is principally engaged in exploration, development and production of coalbed methane. As at the Latest Practicable Date, save and except for the exploitation and exploration of coalbed methane resources outlined under the following section, to the best of the Directors' knowledge, Huiyang New Energy had no other investments and operations.

As at the Latest Practicable Date, Huiyang New Energy is owned as to 60% by Shanxi Yangcheng, which is a wholly owned subsidiary of the Company, 20% by Lvuqiao CBM and 20% by Yangcheng Yangtai, whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

1.3.2 Financial information of the Target Group

As mentioned above, each of the Target Company, Times International and Lvqiao CBM is principally engaged in investment holdings, therefore, there is no business operation since its incorporation.

(i) Financial performance of Huiyang New Energy

Set out below is a summary of the Huiyang New Energy's audited financial performance for the years ended 31 December 2020 and 2021 as extracted from its management accounts for the year ended 2020 and 2021 ("**2021 Target Accounts**") and Huiyang New Energy's unaudited financial performance for the six months ended 30 June 2021 and 2022 as extracted from its management accounts for the six months ended 30 June 2022 ("**2022 Target Accounts**").

Table 2: Summary of the consolidated financial performance of Huiyang New Energy

	For the six months ended 30 June		For the years ended 31 December	
	2022	**2021**	**2021**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	**26,392**	**26,307**	**49,769**	**55,732**
Gross profit	**5,887**	**4,707**	**475**	**10,152**
Profit/(loss) after taxation	**(3,536)**	**(3,935)**	**(42,145)**	**10,906**

For the year ended 31 December 2021 and for the six months ended 30 June 2022, the total revenue of Huiyang New Energy mainly derived from sales of liquefied coalbed gas.

As set out in the table above, the audited total revenue of Huiyang New Energy for the year ended 31 December 2021 was approximately HK$46,769,000, representing a decrease of approximately 16.08% when compared to that of 2020. In addition, Huiyang New Energy recorded an audited loss of approximately RMB42,145,000 for the year ended 31 December 2021, representing a significant change as compared with the profit of approximately RMB10,906,000 for the year ended 31 December 2020. The rationale behind the significant turnaround are as follows:

(a) a decrease in gross profit from approximately RMB10,152,000 for the year ended 31 December 2020 to approximately RMB475,000 for the year ended 31 December 2021 which was mainly attributable to (i) a decease in revenue with fixed depreciation cost which had been included in the cost of sales; and (ii) an increase in repair and maintenance cost was recognized during the year ended 31 December 2021;

(b) a decrease in other income and gains by approximately RMB14,416,000 from approximately RMB19,373,000 for the year ended 31 December 2020 to approximately RMB4,957,000 for the year ended 31 December 2021 which was mainly due to no service income generated from the extraction of coalbed gas services during the year ended 31 December 2021; and

(c) an impairment loss of approximately RMB26,376,000 was recognized for the year ended 31 December 2021 due to a dropped in the value of the cash generating unit of Huiyang New Energy as a result of the loss incurred as impacted by the prolonged COVID-19 pandemic.

Further, the unaudited total revenue of Huiyang New Energy for the six months ended 30 June 2022 was approximately RMB26,392,000 representing an insignificant increase of approximately 0.32% when compared to that of 2021. Also the unaudited loss for the period for the six months ended 30 June 2022 was approximately RMB3,536,000, which is very close to that of the 6 months ended 30 June 2021 with a loss of approximately RMB3,935,000. As advised by the Group's management, there is no significant changes in business operation of Huiyang New Energy during the period from 1 January 2022 to 30 June 2022.

(ii) Financial position of Huiyang New Energy

Set out below is a summary of the Huiyang New Energy's audited financial position as at 31 December 2021 as extracted from the 2021 Target Accounts and Huiyang New Energy's unaudited financial performance as at 30 June 2022 as extracted from the 2022 Target Accounts.

	As at 30 June 2022 *RMB'000* (unaudited)	**As at 31 December 2021** *RMB'000* (audited)
Non-current assets	**202,165**	**217,748**
Current assets		
– Inventories	3,352	3,033
– Trade Receivables	–	183
– Prepayment and other receivables	17,599	15,564
– Amount due from intra-group companies	128,769	134,345
– Cash and cash equivalents	1,380	333
	151,100	**153,438**
Current liabilities	**459,867**	**474,272**
Net liabilities	**(106,602)**	**(103,086)**

As noted in the table above, the total non-current assets of Huiyang New Energy as at 30 June 2022 was approximately RMB202,165,000. As advised by the management of the Group, it mainly refers to the plant and machinery and motor vehicles relating to the CBM grounds and drill work and the construction progress relating to CBM wells explorations. The total current assets of Huiyang New Energy as at 30 June 2022 was approximately RMB153,438,000. As noted in the table above, the total current assets Huiyang New Energy was mainly contributed by the amount due from intra-group companies of approximately RMB128,769,000.

Furthermore, the total current liabilities of Huiyang New Energy as at 30 June 2022 was approximately RMB459,867,000, of which the amount due to intra-group companies contributed approximately RMB376,652,000.

(iii) Principal assets of Huiyang New Energy

Huiyang New Energy has interest in certain coalbed methane ("**CBM**") properties located at Shanxi Province, the PRC. The contracted area is approximately 96 km^2 in the Shanxi Province, the PRC and the development within the said contracted area gas block is focused on two major coal seams.

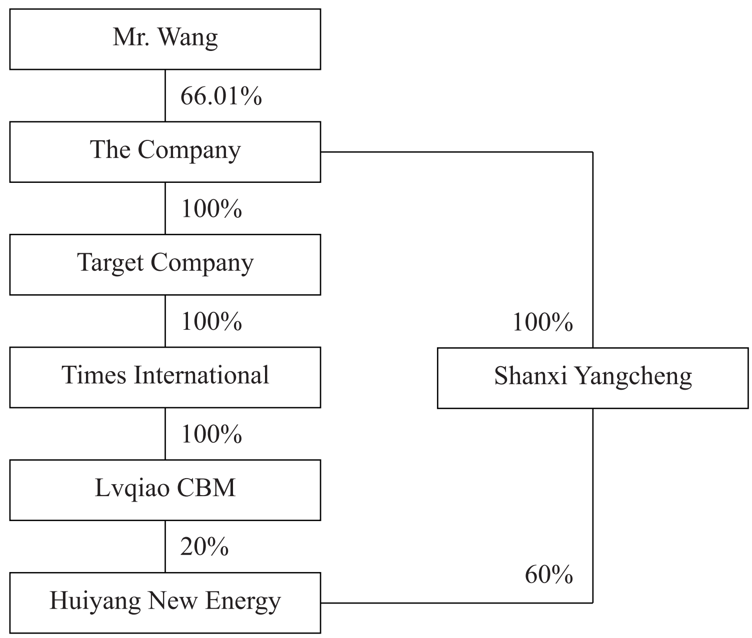
We have reviewed the report entitled "Estimates of Reserves and Future Revenue to the Huiyang New Energy interest in certain coalbed methane properties located in Shanxi Province" regarding the reserve evaluation of the CBM properties as at 31 March 2012 which is conducted by an independent, US-licensed natural gas reserve engineer, Netherland, Sewell & Associates, Inc. ("**NSAI**") engaged by the Company in 2011 to evaluate the CBM properties reserves. Set out below is the reserves evaluation of certain CBM properties as of 31 March 2022 and 30 June 2022, respectively:

	Reserve evaluation of the CBM properties as at 30 June 2022 BCF	Reserve evaluation of the CBM properties as at 31 March 2012 BCF
Total original gas in place on all blocks	193.6	272.4
Net 1P (Proved) reserves	108.9	3.5
Net 2P (Proved + Probable) reserves	154.7	27.7
Net 3P (Proved + Probable + Possible) reserves	193.6	205.0

As at 30 June 2022, the Group has completed the ground work and drilling of 229 CBM wells, among which 164 wells were in production, with stable production since they had been put in operation.

2. TRANSACTION STRUCTURE IMMEDIATELY UPON COMPLETION

The diagram below illustrates the shareholding structure of the Target Company immediately after the Completion:



3. REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

In assessing the reasons for and benefits of the Proposed Acquisition, we have considered the Board's view on such matters and arrived at a conclusion after certain review and enquiry with the Management.

3.1 The Board's view

As stated in the Letter, the Board believes that the Proposed Acquisition is in line with the development strategy of the Group and can create long-term and strategic interests for the Group. As stated in the 2022 Interim Report, it is foreseeable that the highly-polluted energy will be eliminated from the market more rapidly and the use of replaceable clean energy will become 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. The Directors are of the view with the Proposed Acquisition, the Group will be able to further promote its market position in Yangcheng, Shanxi Province, the PRC, thereby generating optimal synergy effect among the Group.

3.2 Our view

Before arriving at our view on the reasons and benefits of the Proposed Acquisition, we have considered two factors, which are (i) market overview of coalbed methane gas industry; and (ii) the projected cash flow forecast of Huiyang New Energy.

3.2.1 Market overview of coalbed methane gas industry

In order to form a better understanding on the coalbed methane industry in the PRC, we have conducted research over the internet and understand that coalbed methane gas is a by-product of coal mining contained in the coal which has the similar application as natural gas. It can be transmitted through pipelines after purification and compression. Coalbed methane gas is an increasingly important source of natural gas supply in China. According to the statistics from the China Coal Information Institute available at public domain, the PRC ranked the third in the world in terms of coalbed methane reserves and it is expected that demand for natural gas in the PRC will continue to grow in the near future.

The coalbed methane supply market is supported by the PRC government following the 14th Five-Year Plan (the "**Plan**") adopted by the National Development and Reform Commission in 2021. It is the Plan, which sets out China's strategy for industry planning and policy through 2025 and covers the energy-related themes including (i) increasing and advancing the country's technology innovation and manufacturing sectors, which include innovative energy technology focused on making renewables more efficient, cost competitive, and reliable; and (ii) prioritizing China's low-carbon and carbon-neutral initiatives to achieve its 2030 and 2060 climate goals of peak carbon emissions and carbon neutrality. According to the Plan, China aims to build a more self sufficient energy reserve system by 2025, with annual coal production capacity exceeding 4.6 billion tons, crude oil output stabilising at 200 million tons, natural gas output reaching over 230 billion cubic metres, and installed power generation capacity totalling about 3 billion kilowatts.

Having considered that coalbed methane is an energy source for all purposes (including residential, commercial and industrial use), we are of the view that the demand for coalbed methane will be positively related with the future plan of the clean energy related industry in the PRC. With this being the case, demand for coalbed methane may rise in the near future.

3.2.2 Review on the projected cash flow forecast of Huiyang New Energy

The Company has arrived at a projected cash flows of Huiyang New Energy (the "**Forecast**") by developing a life-of-mine operating plan, including forecast production, costs, capital expenditures and working capital requirements based on their due diligence of current and historic operating results. The Forecast covered a period of 7 years starting from November 2022 to 2030.

We have reviewed the Forecast and noted that the number of wells ready for production would be increased from 164 to 184 in the contracted area and the daily CBM production would be further increased by 100 m^3 from originally 450 m^3 to 550 m^3. Assuming that all extracted CBM could be sold over the remaining life of the CBM properties, a minimum annual cash flow income of RMB40 million with a gradual increase during the forecast period could be attained. In light of this, having relied on the assumptions which may beyond our control (i.e price and demand of CBM), we concluded that the Acquisition could bring a positive financial effect to the Group with a reasonable payback period. Therefore, we considered that the term of the Acquisition is in the interest of the Company and the Shareholders as a whole.

Conclusion

In light of the positive future outlook of the coalbed methane industry in the PRC, the possible rising of demand for coalbed methane and potential cashflow return from Huiyang New Energy, we concur with the Directors that the Proposed Acquisition, which allows the Group to tap into the coalbed methane industry in the PRC, may bring long-term benefits to the Group. As a result, we are of the opinion that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

4. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

4.1 Details of the Sale and Purchase Agreement

The table below summarise the principal terms of the Sale and Purchase Agreement and please refer to the Letter for details:

Date:	30 September 2022
Parties:	(i) Mr. Wang (as the vendor); and
	(ii) The Company (as the purchaser).

Subject matter:	The Company has conditionally agreed to purchase, and Mr. Wang has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company.
Consideration:	The consideration of the Proposed Acquisition (the "**Consideration**") is HK$42,523,400 (equivalent to approximately RMB38,500,000), which shall be satisfied by the Company in the following manner: (i) HK$31,523,400, to be satisfied by the issue of 93,375,000 Consideration Shares at the price of HK$0.3376 per Consideration Share to Mr. Wang; and (ii) HK$11,000,000, to be satisfied by the issue of the Convertible Bonds to Mr. Wang, which may be converted into 32,582,938 Consolidated Shares upon full exercise of the conversion rights under the Convertible Bonds at the conversion price of HK$0.3376 per Conversion Share.

4.2 Evaluation on the basis of the Consideration

As set out in the Letter, the Consideration was determined after arm's length negotiation between the parties with reference to, among other things, (i) the prevailing equity value of the Sale Shares; (ii) the preliminary valuation of the entire equity interest in Huiyang New Energy conducted by the Valuer by adopting the market approach of approximately RMB212,000,000 as at 30 June 2022; and (iii) the reasons for and benefits of the Proposed Acquisition as stated under the section headed "Reasons for and benefits of the Proposed Acquisition" of the Letter.

As mentioned above, the Consideration was determined after taking into account, without limitation, the preliminary valuation (the "**Valuation**") of the entire equity interest in Huiyang New Energy of approximately RMB212,000,000 as at 30 June 2022. In order to assess the fairness and reasonableness of the Consideration basis, we have considered the followings in relation to the Valuation.

4.2.1 Review on the valuation approach

We have obtained a copy of the valuation report (the "**Valuation Report**") in respect of the Valuation. We have reviewed the Valuation Report and discussed with the Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the Valuation.

In accordance with the Valuation Report, the valuation methodology can be broadly classified into three approaches, namely cost approach, income approach and market approach. We noted that the Valuer had selected the market approach and concluded that each of the cost approach and the income approach were not applicable. We further understand that the Valuer had considered, among others,

(a) as the economic value of Huiyang New Energy is mainly attributable to its ability to generate revenue through its products and services but not the value or replacement costs of its assets, the cost approach is incapable to reliably reflect the value of its equity interest;

(b) given the uncertainty and dynamic nature of gas businesses, it is difficult to form a reliable basis for estimating various projection inputs. Further, there is tremendous uncertainty in the future market on gas trading, in the absence of relative solid and certain business projection, the income approach is also incapable to reliably reflect the value of its equity interest; and

(c) Huiyang New Energy, as a CBM producer, has sufficient track records and has participated in the sector for more than 3 years. With the management expectation that Huiyang New Energy could sustain its existing business operations in long run, the market approach is the most optimal approach in assessing the value of Huiyang New Energy.

In view of the nature of the business operations of Huiyang New Energy which is expected to sustain its business operations in the foreseeable future and the availability of market information, we concur with the Valuer's that the market approach is the most optimal approach in assessing the value of Huiyang New Energy.

4.2.2 Review on the valuation methodology

The Valuer had adopted the Enterprise Value-to-Earnings before Interest, Tax, Depreciation and Amortization ("**EV/EBITDA Ratio**") to determine the indicated enterprise value and equity value of Huiyang New Energy. As advised by the Valuer, EV-to-EBITDA Ratio relates the business value of a company to its profitability. After comparing with the price to book ratio ("**P/B Ratio**") and the price to sales ratio ("**P/S Ratio**"), we concur with the Valuer's view that

(a) the P/B Ratio is considered not appropriate for the Valuation on the ground that Huiyang New Energy, which are not an investment holding company, has its fair value being determined based on its abilities to generate future income streams rather than the costs of replacement of its assets and liabilities; and

(b) the P/S Ratio is also considered not appropriate for the Valuation since revenues may not consider the cost structure and profitability which are considered primary factors affecting the value of a company of the same kind.

The Valuer further advised that EV-to-EBITDA Ratio is neutral to the choice of capital structure, depreciation and amortization policy and is more suitable for valuation of gas companies which are normally fixed asset intensive. Considering that the capital structure, amortization and depreciation policy may have great variation among comparable companies and Huiyang New Energy, we concur with the Valuer that EV-to-EBITDA Ratio is considered to be the most appropriate measure to value Huiyang New Energy.

4.2.3 Review on the valuation procedures and comparable companies

As noted in the Valuation Report, the equity value of Huiyang New Energy, as revealed from the unaudited financial statements of Huiyang New Energy for the 12 months ended 30 June 2022, is determined and calculated based on the followings:

In RMB	**Fair Value**
Normalized Trailing 12-Month EBITDA	60,449,900
EV-to-EBITDA ratio	8.58
Enterprise Value	518,660,142
Add cash	1,380,000
Add prepayment paid to contractors	13,613,000
Add amounts due from fellow subsidiaries	128,769,000
Less amount due to a director	(17,382,000)
Less payable to contractors	(62,220,000)
Less amount due to intermediate holding company	(24,264,000)
Less amount due to immediate holding company	(66,351,000)
Less amount due to fellow subsidiaries	(279,980,000)
100% Equity Value	212,225,142
Round to	**212,000,000**

After reviewed the Valuation Report, we noted that in order to determine the EV to EBITDA Rati for the Valuation, the Valuer had identified 6 comparable companies from with reference to data as extracted from publicly available information including Bloomberg database, the financial statements and announcements of the respective comparable companies. In selecting the appropriate comparable companies, the Valuer had adopted the following selection criteria, which include, among others,

(a) the company must be a gas exploitation operator;

(b) the company's share trading prices and financial information are publicly available;

(c) the company has more than 50% revenues generated from gas and gas related operations;

(d) the operating profit for the latest 12 months financial reporting period is positive; and

(e) the company's shares have more than 2 years' exchange trading history as newly listed stocks have relatively higher potential to be traded at unreasonable price level.

For details of the said comparable transactions, please refer to appendix V of the Circular.

We consider that the Valuer's selection criteria represent an appropriate approach to identify the comparable transactions and comparable companies with similar business as compared to Huiyang New Energy. Based on the above criteria, we have researched the information about the 6 comparable transactions identified by the Valuer and considered that it represents an exhaustive list based on the said criteria above. Besides, we considered that the selection of comparable transactions is sufficient and appropriate for the Valuation as it has covered the prevailing market conditions and sentiments in Hong Kong, China and the United States stock market at the time which the Valuation was conducted.

In view of the above, we consider that the parameters taken under the Valuation is fair and reasonable and under normal market practice of similar valuations.

4.2.4 Review on the valuation assumptions

We have discussed with the Valuer in respect of the valuation assumptions applied in the Valuation. We noted that the valuation assumptions adopted by the Valuer are common assumptions adopted in business valuation, including but not limited to

(a) there will be no material changes in the laws, rules or regulations, financial, economic, market and political conditions where Huiyang New Energy operates which may materially and adversely affect its businesses;

(b) there will be no major changes in the current taxation law in the PRC;

(c) Huiyang New Energy shall fulfill all legal and regulatory requirements necessary to conduct its normal course of businesses;

(d) Huiyang New Energy shall not be constrained by the availability of finance and there will be no material fluctuation of the finance costs;

(e) Huiyang New Energy shall have uninterrupted rights to operate its existing businesses during the unexpired term of its authorised operating period, if any;

(f) the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations;

(g) Huiyang New Energy shall retain competent management, key personnel and technical staff for its operations and the relevant shareholders will support its ongoing operations;

(h) the unaudited financial statements of Huiyang New Energy supplied to the Valuer have been prepared in a manner truly and accurately reflected the financial position of Huiyang New Energy as at the respective balance sheet dates;

(i) Huiyang New Energy has obtained all necessary permits, approvals and technical credentials to carry out its businesses and its ancillary services and shall be entitled to renew those permits and approvals upon their expiry subject to no legal impediment and costs of substantial amount;

(j) except those stated in the financial statements, Huiyang New Energy is free and clear of any lien, charge, option, pre-emption rights or other encumbrances or rights whatsoever; and

(k) the estimated fair value does not include considerations of any extraordinary financing or income guarantees, special tax considerations or any other typical benefits which may influence the ordinary business enterprise value of Huiyang New Energy.

4.2.5 Competency of the Valuer

We have reviewed and enquired into (i) the terms of engagement of the Valuer (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation. In light of the engagement letter and other relevant information provided by the Valuer and also based on our interview with the Valuer, we are satisfied the Valuer is competent for preparation of the Valuation Report.

4.2.6 Results of the assessment relating to the Valuation

As set out above we are satisfied that (i) the Valuer is independent from the Company and has sufficient experience, qualification and competence to perform the Valuation; (ii) the Valuer's scope of work is appropriate for the relevant engagement; and (iii) the valuation assumptions and methodologies adopted by the Valuer are fair, reasonable and complete in relation to the Valuation Report. Based on the above, we are of the view that the Valuation is fair and reasonable.

Given that the Consideration is determined based on the Valuation which is concluded above as fair and reasonable we consider that the Consideration under the Agreement is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

4.3 Evaluation of the Consideration Shares and the Issue Price

Pursuant to the Sale and Purchase Agreement, a total of 93,375,000 Consolidated Shares at the Issue Price of HK$0.3376 per Consideration Share will be allotted and issued to Mr. Wang upon Completion.

As at the Latest Practicable Date, the Company has 2,078,000,248 Existing Shares in issue. Immediately upon the Share Consolidation becoming effective, the number of Existing Shares in issue shall be consolidated into 259,750,031 Consolidated Shares. The Consideration Shares, being 93,375,000 Consolidated Shares, represent: (i) approximately 35.95% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 26.44% of the issued share capital of the Company immediately upon completion of the Share Consolidation as enlarged by the allotment and issue of the Consideration Shares but prior to the issue of the Conversion Shares (assuming that there will be no other change to the total issued share capital of the Company between the Latest Practicable Date and the Completion Date).

The Consideration Shares will be allotted and issued at the Issue Price of HK$0.3376 per Consideration Share, which represents:

(i) a premium of approximately 0.48% over the theoretical price of HK$0.336 per Consolidated Share based on the closing price of HK$0.042 per Existing Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;

(ii) an equivalent to the theoretical price of HK$0.3376 per Consolidated Share based on the average closing price of HK$0.0422 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and;

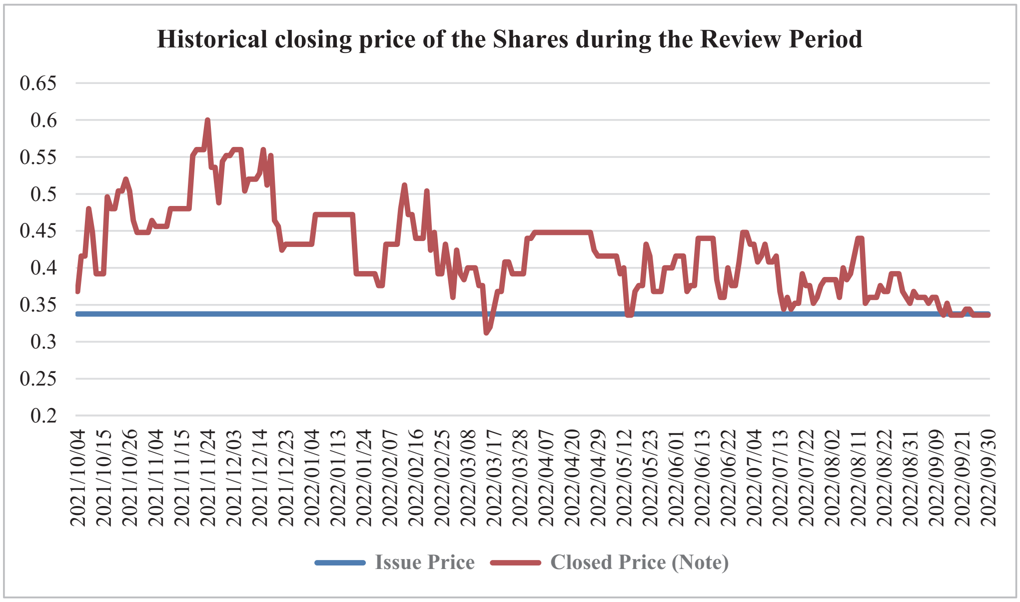
(iii) an equivalent to the theoretical price of HK$0.3376 per Consolidated Share based on the average closing price of HK$0.0422 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Issue Price was determined after arm's length negotiations between the Company and Mr. Wang with reference to, among other things, the recent trading prices of the Existing Shares and the theoretical price per Consolidated Share upon the Share Consolidation becoming effective.

In order to assess the fairness and reasonableness of the Issue Price, we have compared the Subscription Price with reference to (a) the historical Share price performance; (b) the historical trading volume and liquidity of the Shares; and (c) the market comparable in respect of recent issuance of consideration shares, as set out below.

4.3.1 Review on the historical Existing Share price performance

Set out below is a chart illustrates the movement of the closing prices of the Existing Shares during the period commencing from 1 October 2021 to 30 September 2022, being the 12 months prior to the date of the Sale and Purchase Agreement (the "**Review Period**"). We consider that the Review Period is adequate to illustrate the Existing Share price performance for conducting a reasonable comparison between the closing price of the Existing Shares and the relevant Issue Price.



Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: for illustrative purpose only, the closing price of the Existing Shares have been adjusted based on the Share Consolidation basis of eight (8) Existing Shares for one (1) Consolidated Share.

As illustrated by the chart above, the closing Existing Share prices fluctuated from the lowest of HK$0.039 per Existing Share (i.e. HK$0.312 per Consolidated Share) to the highest of HK$0.075 per Existing Share (i.e. HK$0.6 per Consolidated Share), with an average closing price of approximately HK$0.0527 per Existing Share (i.e. HK$0.422 per Consolidated Share). The Issue Price of HK$0.3376 per Consolidated Share represents (i) a premium of 8.21% over the lowest closing Consolidated Share price (i.e. HK$0.312) during the Review Period; (ii) a discount of approximately 43.73% to the highest closing Consolidated Share price (i.e HK$0.6) during the Review Period; and (iii) a discount of approximately 19.99% to the average closing Consolidated Share price (i.e HK$0.422) during the Review Period.

Further to the above, we noted that the Issue Price HK$0.3376 per Consolidated Share also represents a discount of approximately 2.40% to the average closing Consolidated Share price of HK$0.346 (i.e HK$0.0432 pe Existing Share) for the last one month prior to the date of the Sale and Purchase Agreement.

As shown in the chart above, the Existing Share price closed between HK$0.046 per Existing Share (i.e. HK$0.368 per Consolidated Share) and HK$0.065 per Existing Share (HK$0.52 per Consolidated Share) during the period from 4 October 2021 to 12 November 2022. During such period, the Company released the announcement relating to the completion of very substantial disposal in respect of a disposal of entire equity interest in 洛陽順和能源有限公司 (Luoyang Shunhe Energy Co., Ltd.), being a PRC subsidiary of the Company.

After the release of the Company's third quarterly results announcement for the nine months ended 30 September 2021, the Existing Share price was on a descending trend dropping from HK$0.06 per Existing Share (i.e. HK$0.48 per Consolidated Share) on 15 November 2021 to HK$0.059 per Existing Share (i.e. HK$0.472 per Consolidated Share). On 19 January 2022, the Company released the circular in relation to a major transaction relating to the disposal of entire equity interest in Guangxi Beiliu, being a PRC subsidiary of the Company. After the release of such announcement, the Existing Share price further dropped gradually to HK$0.039 per Existing Share (i.e. HK$0.312 per Consolidated Share) on 15 March 2022.

On 1 April 2022, the Company published the 2021 Annual Report, demonstrating a continuous loss-making financial performance of the Group for the year ended 31 December 2021. After the publication of the 2021 Annual Report, the closing price of the Shares maintained at a level between HK$0.042 per Existing Share (i.e. HK$0.336 per Consolidated Share) and HK$0.056 per Existing Share. (i.e. HK$0.448 per Consolidated Share).

After the publication of the 2022 Interim Results on 12 August 2022, the closing price of the Existing Shares had been kept at a level between HK$0.042 per Existing Share (i.e. HK$0.336 per Consolidated Share) and HK$0.049 per Share per Existing Share (i.e. HK$0.392 per Consolidated Share).

To conclude, we are of the view that the change in Existing Share price during the Review Period reflects the change in the fundamentals of the Company and therefore, the Existing Share price during such period serve a fair and meaningful indicator for assessing the Issue Price. On this basis, we consider the Issue Price is fair and reasonable to the Independent Shareholders.

In order to assess the fairness and reasonableness of the Issue Price as compared to the recent closing price of the Existing Shares (being the closing price prior to the date of Sale and Purchase Agreement and the last 5 days prior to the date of the Sale and Purchase Agreement), we have further, based on the information available from the Stock Exchange's website, identified the

Comparables (as defined below) for further analysis. Please refer to the sub-section headed "4.3.3 Comparison with recent transactions" for details of the analysis. For our view on the dilution effect to minority shareholders upon issue of Consideration Shares, please refer to the section headed "5. POSSIBLE DILUTION EFFECT ON SHAREHOLDING INTEREST OF THE PUBLIC SHAREHOLDERS".

4.3.2 Review on the trading volume and liquidity of the Shares

Set out below is the table showing (i) the monthly total trading volume of the Shares; (ii) the number of trading days of each month; (iii) the average daily trading volume of the Shares; and (iv) the percentage of the average daily trading volume of the Shares to the total issued Shares at the end of each month during the Review Period:

Month	**Monthly trading volume of Existing Shares**	**Number of trading days in the month**	**Average daily trading volume of the Existing Shares**	**Total issued Existing Shares at the end of each month**	**Percentage of average daily trading volume of the Existing Shares to the total issued Existing Shares**
	(A)	**(B)**	**(C) = (A)/(B)**	**(D)**	**(C)/(D)**
	(Shares)	*(days)*	*(Shares)*	*(Shares)*	*Approx. %*
2021					
October	7,415,000	18	411,944	2,078,000,248	0.020
November	10,156,500	22	461,659	2,078,000,248	0.022
December	8,055,000	22	366,136	2,078,000,248	0.018
2022					
January	37,440,000	21	1,782,857	2,078,000,248	0.086
February	4,080,000	17	240,000	2,078,000,248	0.012
March	5,319,500	23	231,283	2,078,000,248	0.011
April	245,000	18	13,611	2,078,000,248	0.001
May	5,250,000	20	262,500	2,078,000,248	0.013
June	6,862,000	21	326,762	2,078,000,248	0.016
July	8,150,000	20	407,500	2,078,000,248	0.020
August	7,450,000	23	323,913	2,078,000,248	0.016
September	19,887,885	21	947,042	2,078,000,248	0.046

Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: The calculation is based on the average daily trading volume of the Shares divided by the total issued Shares at the end of each month or at the Latest Practicable Date as applicable.

Based on the above table, the monthly trading volume of the Shares during the Review Period has not been consistent, ranged from the lowest of 245,000 to the highest of 37,440,000, representing approximately 0.001% and 0.086% of the total issued Shares respectively. It is noted that the number of Shares traded daily increased significantly after the release of the circular relating to the major transaction relating to the disposal of entire equity interest in 廣西北流燃氣有限公司 (Guangxi Beiliu Gas Co., Ltd.) on 19 January 2022. Besides, we also note that after publication of the Company's 2022 Interim Report on 12 August 2022, the daily trading volume of the Shares increased gradually from an average daily trading volume of approximately 323,913 Shares during August 2022 to an average daily trading volume of approximately 947,042 Shares during September 2022.

Save for the aforementioned released announcements, we are not aware of any reasons for such fluctuations during the Review Period and believed that it was the result of the market response to the relevant published announcements of the Company. Hence, we consider the trading of Shares did not appear to be active during the Review Period. Given the low liquidity of the Shares during the Review Period, we consider that it may be difficult for the Group to obtain favorable terms on other ways of equity financing such as placement of new Shares for the Acquisition.

4.3.3 Comparison with recent transactions

In assessing the reasonableness of the terms of the issue of Consideration Shares, we have, based on the information available from the Stock Exchange's website, and on a best effort basis, identified an exhaustive list of 32 transactions announced by companies listed on the Stock Exchange during the Review Period (the "**CS Comparable(s)**"). For the purpose of our analysis, the basis of our selection of the CS Comparables is as follows: (i) an acquisition; and (ii) the acquisition is fully or partly settled by the issue of shares under specific mandate as consideration. We consider that the selection of comparable companies within an approximate 6-month period to be sufficient and appropriate for our analysis as it has covered the prevailing market conditions and sentiments in the Hong Kong stock market at the time which the terms of the issue of the Consideration Shares were determined.

Taking into account that the terms of the CS Comparables are determined under similar market conditions and sentiments as the issue of the Consideration Shares, we consider that the CS Comparables may reflect the recent market trend of an acquisition involving issuance of shares as full or partial settlement of consideration. As such, we consider the CS Comparables are fair and representative samples for comparison. It should be noted that all the companies involved in the CS Comparables may have different principal activities, market capitalisation, profitability, and financial position as compared with those of the Company. Circumstances leading the CS Comparables companies to issue consideration shares may differ from that of the Company. The analysis is meant to be used as a general reference to similar types of transactions in Hong Kong, and we consider them to be one of the appropriate basis to assess the fairness and reasonableness of the Issue Price.

Set out below is the list of transaction involved issue of consideration shares as announced by the CS Comparables during the Review Period.

Date of initial announcement	Stock code	Company name	Premium/(discount) of the issue price over/(to) closing price per share on the last trading day prior to the date of the corresponding agreement (%)	Premium/(discount) of the issue price over/(to) the average closing price per share for the last five consecutive trading days prior to the date of the corresponding agreement (%)
27 September 2022	8613	Oriental Payment Group Holdings Limited	(18.18)	(18.18)
23 September 2022	3882	Sky Light Holdings Limited	0.70	–
14 September 2022	1481	Smart Globe Holdings Limited	13.60	12.60
25 August 2022	8179	Palinda Group Holdings Limited	(13.79)	(9.09)
23 August 2022	1280	Qidian International Co., Ltd.	(12.28)	(12.28)
5 August 2022	1481	Smart Globe Holdings Limited	9.76	10.02
21 July 2022	1942	MOG Holdings Limited	(17.75)	(19.75)
18 July 2022	8200	Sau San Tong Holdings Limited	(3.51)	(0.72)
20 June 2022	1532	China Partytime Culture Holdings Limited	17.70	9.90
13 June 2022	8052	Luk Hing Entertainment Group Holdings Limited	(12.09)	(10.11)
13 June 2022	8163	Merdeka Financial Group Limited	(4.55)	7.69
10 June 2022	348	China Healthwise Holdings Limited	–	–

Date of initial announcement	Stock code	Company name	Premium/(discount) of the issue price over/(to) closing price per share on the last trading day prior to the date of the corresponding agreement (%)	Premium/(discount) of the issue price over/(to) the average closing price per share for the last five consecutive trading days prior to the date of the corresponding agreement (%)
29 April 2022	8659	Yik Wo International Holdings Limited	–	(1.57)
25 April 2022	8545	Amuse Group Holding Limited	(20.00)	–
29 March 2022	1908	C&D International Investment Group Limited	(14.90)	(13.56)
25 February 2022	1783	Golden Ponder Holdings Limited	(19.71)	(18.79)
25 January 2022	1520	CEFC Hong Kong Financial Investment Company Limited	0.92	(4.76)
19 January 2022	1143	Link-Asia International MedTech Group Limited	(7.30)	(6.80)
4 January 2022	3309	C-Mer Eye Care Holdings Limited	(8.30)	(5.80)
31 December 2021	2130	CN Logistics International Holdings Limited	(8.90)	(7.40)
24 December 2021	1632	Minshang Creative Technology Holdings Limited	(2.21)	(1.04)
15 December 2021	1159	Starlight Culture Entertainment Group Limited	112.00	101.00
1 December 2021	8368	Creative China Holdings Limited	2.47	–
29 November 2021	8228	National Arts Group Holdings Limited	9.71	2.73
29 November 2021	2138	EC Healthcare	(0.18)	(1.03)
26 November 2021	720	Auto Italia Holdings Limited	(16.36)	(16.36)
18 November 2021	1616	Starrise Media Holdings Limited	–	(0.63)
10 November 2021	2002	China Sunshine Paper Holdings Company Limited	(8.70)	(9.90)

Date of initial announcement	Stock code	Company name	Premium/(discount) of the issue price over/(to) closing price per share on the last trading day prior to the date of the corresponding agreement (%)	Premium/(discount) of the issue price over/(to) the average closing price per share for the last five consecutive trading days prior to the date of the corresponding agreement (%)
28 October 2021	318	Vongroup Limited	(15.00)	(14.00)
20 October 2021	197	Heng Tai Consumables Group Limited	(19.80)	(1.90)
19 October 2021	8305	Tong Kee (Holding) Limited	(20.00)	(22.48)
18 October 2021	175	Geely Automobile Holdings Limited	(11.42)	(12.65)
14 October 2021	8606	Kinetix Systems Holdings Limited	(6.25)	–
		Maximum	112.00	101.00
		Minimum	(20.00)	(22.48)
		Average	(2.56)	(1.64)
		Issue Price	0.48	–

As shown in the above table of the CS Comparables, the issue prices of all of the CS Comparables to the relevant closing price on the date of the announcement of relevant issue price ranged from a premium of approximately 112.00% to a discount of approximately 20.00%, with an average discount of approximately 2.56%. We note that the Issue Price of HK$0.3376 represents a premium of approximately 0.48% to the closing price of the Shares on the date of the Sale and Purchase Agreement, being the date of announcement of the Issue Price, and such premium fall within the abovementioned range of the CS Comparables. Further, the issue prices of all of the CS Comparables to the relevant average closing price for the five trading days immediately prior to the day of announcement of the issue price or last trading day ranged a premium of approximately 101.00% to a discount of approximately 22.48%, with an average discount of approximately 1.64% and the Issue Price of HK$0.3376 equals to the average of the last five consecutive trading days immediately prior to the date of signing of the Sale and Purchase Agreement and it also falls within the relevant range of the CS Comparables.

Despite the fact that the Issue Price represents (i) a discount of approximately 43.73% to the highest closing Consolidated Share price (i.e HK$0.6) during the Review Period; and (ii) a discount of approximately 19.99% to the average closing Consolidated Share price (i.e HK$0.422) during the Review Period, we have taken into consideration the following factors:

(i) the Issue Price represents a discount of only 2.40% to the average closing Consolidated Share price of HK$0.346 (i.e HK$0.0432 per Existing Share) for the last one month prior to the date of the Sale and Purchase Agreement;

(ii) the thin liquidity of the Shares during the Review Period;

(iii) the premium of the Issue Price compared to the price per Share for the last five consecutive trading days of the Consideration Shares fall within the range of that of the CS Comparables;

(iv) the Consideration is on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned as discussed in the above section; and

(v) the Proposed Acquisition is in the interest of the Company and the Shareholder as a whole as discussed in the above section "3. REASONS AND BENEFITS OF THE PROPOSED ACQUISITION", we consider that the terms of the Consideration Shares are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4.4 Evaluation of the terms of the Convertible Bonds and the Conversion Price

The table below summarise the principal terms of the Convertible Bonds and please refer to the Letter for details:

Issuer:	The Company
Principal Amount:	HK$11,000,000
Subscription price of the Convertible Bonds:	HK$11,000,000, being the total principal amount of the Convertible Bonds.
Maturity date:	the second anniversary of the date of issue of the Convertible Bonds.
Interest:	The Convertible Bonds shall bear no interest

Conversion Price:	HK$0.3376 per Conversion Share, subject to adjustment as set out and in accordance with the terms and conditions of the Convertible Bonds. The Conversion Price represents: (a) a premium of approximately 0.48% over the theoretical price of HK$0.336 per Consolidated Share based on the closing price of HK$0.042 per Existing Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; (b) an equivalent to the theoretical price of HK$0.3376 per Consolidated Share based on the average closing price of HK$0.0422 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and (c) an equivalent to the theoretical price of HK$0.3376 per Consolidated Share based on the average closing price of HK$0.0422 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.
Conversion Shares:	Based on the initial Conversion Price of HK$0.3376 (assuming that the Conversion Shares are converted in full and there is no other change to the issued share capital of the Company upon completion of the Share Consolidation; apart from the allotment and issue of the Consideration Shares, from the date of this announcement and up to Completion), a maximum number of up to 32,582,938 Conversion Shares shall be allotted and issued upon exercise in full of the Conversion Rights.

The Conversion Shares represent (i) approximately 12.54% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 8.45% of the issued share capital of the Company immediately upon completion of the Share Consolidation as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares (assuming that there will be no other change to the total issued share capital of the Company between the Latest Practicable Date and the Completion Date).

The aggregate of the Consideration Shares and the Conversion Shares represent (i) approximately 48.49% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 32.66% of the issued share capital of the Company immediately upon completion of the Share Consolidation as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares (assuming that there will be no other change to the total issued share capital of the Company between the Latest Practicable Date and the Completion Date).

4.4.1 Comparison with recent transactions

In assessing the reasonableness of the terms of the Convertible Bonds, we have, based on the information available from the Stock Exchange's website, and on a best effort basis, identified an exhaustive list of 8 transactions announced by companies listed on the Stock Exchange during the Review Period (the "**CB Comparable(s)**"). For the purpose of our analysis, the basis of our selection of the CB Comparables is as follows: (i) an acquisition; and (ii) the acquisition is fully or partly settled by the issue of convertible bond under specific mandate as consideration. We consider that the selection of comparable companies within an approximate 12-month period to be sufficient and appropriate for our analysis as it has covered the prevailing market conditions and sentiments in the Hong Kong stock market at the time which the terms of the Convertible Bonds were determined.

Taking into account that the terms of the CB Comparables are determined under similar market conditions and sentiments as the issue of the Convertible Bonds, we consider that the CB Comparables may reflect the recent market trend of an acquisition involving issuance of convertible bond as full or partial settlement of consideration. As such, we consider the CB Comparables are fair and representative samples for comparison. It should be noted that all the companies involved in the CB Comparables may have different principal activities, market capitalisation, profitability, and financial position as compared with those of the Company. Circumstances leading the CB Comparables companies to issue convertible bond may differ from that of the Company. The analysis is meant to be used as a general reference to similar types of transactions in Hong Kong, and we consider them to be one of the appropriate basis to assess the fairness and reasonableness of the terms of the Convertible Bonds.

The table below sets forth the summary of the CB Comparables during the Review Period:

Date of initial announcement	Stock code	Company name	Premium/ (discount) of conversion price over/to the closing price on the last trading day prior to/on the date of the respective announcement/ agreement *(%)*	Premium/ (discount) of conversion price over/to the average closing price of five trading days prior to and including the last trading day prior to/on the date of the respective announcement/ agreement *(%)*	Interest rate per annum *(%)*	Maturity *(year)*
13 September 2022	413	South China Holdings Company Limited	–	0.63	1	3
19 August 2022	475	Central Development Holdings Limited	–	0.82	Nil	3
11 July 2022	3886	Town Health International Medical Group Limited	53.54	63.09	Nil	3
26 May 2022	880	SJM Holdings Limited	35.70	32.60	2	5
21 April 2022	2708	IBO Technology Company Limited	3.32	–	Nil	2
26 October 2021	3963	China Rongzhong Financial Holdings Company Limited	19.38	10.791	Nil	3
21 October 2021	6036	Apex ACE Holding Limited	18.64	16.67	0.5	5
19 October 2021	1951	Jinxin Fertility Group Limited	20.19	21.63	0.75	1.5
		Maximum	53.54	63.09	2	5
		Minimum	–	–	Nil	1.5
		Average	18.85	18.28	0.53	3.19
		Conversion Price/Interest rate/Maturity	0.48	–	Nil	2

We noted from the above table that the conversion prices of the CB Comparables ranged from no discount/premium to a premium of approximately 43.54% with an average premium of approximately 18.85% to the respective closing prices of their shares on the day of announcement of the conversion price. As such, the Company's premium of approximately 0.48% falls within the range.

Further, the conversion prices of the CB Comparables to the relevant average closing price for the five trading days immediately prior to the day of announcement of the conversion price or last trading day ranged from no discount/premium % to a premium of approximately 63.09%, with an average premium of approximately 18.28% and the initial Conversion Price of HK$0.3376, which is equivalent to the average of the last five consecutive trading days immediately prior to the date of signing of the Agreement, is the same as the lowest range of the CB Comparables.

We also noted that the interest rate of the CB Comparables ranges from nil interest rate to 2% per annum while the maturity of the CB Comparables ranged from 1.5 year to 5 years. The Convertible Bonds bears no interest rate and the maturity period of 2 years which falls within the range of that of the CB Comparables. We have also reviewed other terms of the Convertible Bonds such as conversion restriction, voting rights etc and compared with that of the CB Comparables and we are not aware of any unusual terms.

We are of the view that the terms of the Convertible Bonds are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned after considering the below factors:

(i) the Conversion Price is the same as the Issue Price;

(ii) despite the fact that the average premium of the conversion price of the CB Comparables to the relevant average closing price on the day of announcement of the conversion price and for the five trading days immediately prior to the day of announcement of the conversion price or last trading is 18.85% and 18.2% respectively, while the Conversion Price of HK$0.3376, which is premium of 0.48% on the day of announcement of the conversion price and equal to the average closing price for the five trading days immediately prior to the day of announcement of the conversion price, entice the holders in converting the Convertible Bonds in the future, which in turns help to maintain cashflow for the Company;

(iii) the interest rate of the Convertible Bonds also falls within the range of that of the CB Comparables;

(iv) the Convertible Bonds has in effect a maturity date of 2 years, which is within the range of that of the CB Comparable; and

(v) other terms of the Convertible Bonds are in line with the market practices.

4.5 Evaluation on the fairness and reasonableness of the settlement method of the Consideration

As advised by the Directors, they have also considered other financing alternatives such as open offer, rights issue, bank loans and internal cash resources to fund the acquisition, depending on the Group's financial position and cost of funding as well as the prevailing market condition. We are given to understand that the Directors exercised due and careful consideration in the selection of financing method in order to maximise the benefit to the Shareholders.

We are of the view that it may be difficult for the Group to raise fund by other ways of equity financing such as placing, rights issue or open offer for the Proposed Acquisition, after advised by Directors and having considered that (i) the continuous loss making financial performance of the Group is unlikely to attract sufficient demand if the Group was to propose equity financing activity such as placing, rights issue or open offer; (ii) it may be difficult for the Group to attract underwriters in case of a rights issue or open offer; (iii) due to the substantial amount of Shares required to be allotted and issued in order to settle the Consideration, the potential investor(s) will require a substantial placing discount to the trading price of the Shares, and the Directors anticipate such discount to be more than 20%; (iv) the Directors, after approaching several securities firms, found it difficult to secure placing agents and subscribers in light of the sizable amount of securities involved in the placing or subscription (as the case may be); and (v) it may involve substantial time and cost for all other equity financing methods as compared to issue new Shares as part of the Consideration.

The Directors also considered, and we concur, that bank loans may incur heavy interest burden on the Group and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's loss for the financial year ended 31 December 2021 attributable to Shareholders of the Company and the financial market condition at that time.

Given that (i) it is unlikely to attract sufficient demand if the Group was to propose an equity fund-raising exercise; and (ii) the issuance of Consideration Shares allows the Group to raise funds to settle the Consideration in a relatively short period of time, while the issuance of Convertible Bonds provide the Group with immediate funding without immediate dilution of the shareholding of the existing Shareholders; and (iii) the zero interest rate of the Convertible Bonds, which is favourable to the Company in terms of finance cost, and is likely to be less than any bank borrowings the Group can obtain from banks with reference to the Group's loss for the financial year ended 31 December 2021, we consider that the Settlement Method is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. POSSIBLE DILUTION EFFECT ON SHAREHOLDING INTEREST OF THE PUBLIC SHAREHOLDERS

For details of the effect of the shareholder structure immediately upon Completion, please refer to the section headed ''SHAREHOLDING STRUCTURE OF THE COMPANY'' of the Letter.

As illustrated in the table relating to the ''shareholder structure of the Company'' as set out in the Letter, the shareholding of existing public Shareholders in the Company will be reduced from approximately 33.99% as at the Latest Practicable Date to approximately 22.89% immediately upon completion of the Share Consolidation and after the allotment and issue of the Consideration Shares and the Conversion Shares (assuming that there will be no other change to the total issued share capital of the Company between the Latest Practicable Date and the Completion Date). The dilution effect on the shareholding of the Company immediately upon Completion is approximately 11.10%. Although there will be dilutive effects to the shareholding interests of the public Shareholders as a result of the Proposed Acquisition, having considered (i) the reasons for and benefits of the Acquisition as discussed in the section headed ''Reasons for and benefits of the Proposed Acquisition'' above; (ii) the Issue Price being fair and reasonable as discussed above; and (iii) the positive financial effects on the Group as a result of the Proposed Acquisition as summarized in section headed ''Financial effect of the Proposed Acquisition'' below, we are of the view that the dilution in the shareholding interests of the public Shareholders upon Completion is not prejudicial to their interests and thus is acceptable.

6. FINANCIAL EFFECT OF THE PROPOSED ACQUISITION

The Group will be in aggregate interested in 80% equity interest of Huiyang New Energy and Huiyang New Energy will continue to remain as a subsidiary of the Company. The financial information of Huiyang New Energy will continue to be consolidated into the financial statements of the Group, and the financial information of the rest of the Target Group will be consolidated into the financial statements of the Group.

Earnings

The Target Company and its subsidiaries are investment holding companies and do not have material income or expenses. Hence, no material impact on the earnings of the Group as a result of the Completion is expected.

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, which is prepared to illustrate the effect of the Proposed Acquisition on the Group's financial position as at 30 June 2022 as if the Proposed Acquisition had taken place on 30 June 2022, it is expected that the total assets of the Enlarged Group would remain unchanged while its total liabilities would increase by approximately RMB7.8 million mainly due to the issue of the Convertible Bonds. Hence, a decrease in the net assets of the Enlarged Group by approximately RMB7.8 million is expected as a result of the Completion.

The above analyses are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group would actually be after Completion.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the view that although the Proposed Acquisition are not conducted in the ordinary and usual course of the business of the Group, the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole, and the terms of the Proposed Acquisition (including the issue of the Convertible Bonds, the allotment and issue of the Consideration Shares and the Conversion Shares under the Specific Mandate) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the SGM to approve the Proposed Acquisition (including the issue of the Convertible Bonds, the allotment and issue of the Consideration Shares and the Conversion Shares under the Specific Mandate).

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited
Yau Tung Shing
Co-head of Corporate Finance

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited
Chan Wai Fung
Head of Corporate Finance

Mr. Yau Tung Shing and Mr. Chan Wai Fung are licensed persons under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Silverbricks Securities Company Limited. Mr. Yau Tung Shing and Mr. Chan Wai Fung have over 6 and 3 years of experience in corporate finance industry, respectively.

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese names prevail.*

1. SUMMARY OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the three years ended 31 December 2021, 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 (https://mediumir.com/c08270/en/finanical-report.php):

- 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
- Annual report for the year ended 31 December 2021 (pages 56 to 208): https://mediumir.com/08270/2022040100216.pdf

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2022, together with the accompanying notes to the financial statements, are disclosed in the following document which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (https://mediumir.com/c08270/en/finanical-report.php):

- Interim Report for the six months ended 30 June 2022 (pages 6 to 24): https://mediumir.com/08270/2022081201978.pdf

2. INDEBTEDNESS

Statement of Indebtedness

At the close of business on 31 October 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

Other borrowing

Other borrowing of approximately RMB20,600,000 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 October 2022 to be due in December 2023, bearing an interest rate of approximately 5.15% per annum.

Amount due to a non-controlling shareholder of subsidiary

The Enlarged Group had amount due to a non-controlling shareholder of subsidiary of the Enlarged Group of approximately RMB3,000 in aggregate which was unsecured, unguaranteed, interest-free and repayable on demand as at 31 October 2022. The aforesaid non-controlling shareholder of subsidiary is 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 Enlarged Group had amounts due to directors and ultimate controlling party of approximately RMB84,000 and RMB1,351,000 respectively as at 31 October 2022, which were unsecured, unguaranteed, interest-free and repayable on demand.

Capital commitment

The Enlarged Group had capital commitments contracted but not provided for of approximately RMB7,970,000 as at 31 October 2022.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Enlarged 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 October 2022.

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 Enlarged Group since 31 October 2022 and up to the Latest Practicable Date.

3. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The upstream business of the Company is in steady production. In 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 the supply of raw gas kept the Company handicapped. Daily gas output of the upstream business was insufficient to allow the 500,000 cubic meters daily production capacity of the liquefaction plant to be fully unleased. The Group commenced the research and development 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 Group has commenced the process of commercialised design in the second half of 2019 and small-scale production was expected to start by the end of 2021. The first trial equipment conducted trial run in June 2021 and based on the trial run results, improved design plan was proposed in November 2021, which would involve special steel materials imported from overseas. Due to the disruption in global supply chain as a result of the COVID-19 pandemic, there was delay in obtaining the imported steel material. The second trial equipment is in the course of building and such building is expected to be completed in December 2022. The Enlarged Group plans to conduct an advanced demonstration of the pilot equipment and invite internationally renowned experts to evaluate the technology in Hong Kong in early 2023. Based on the trial run results, the Enlarged Group intends to build 10 equipments in the second half of 2023, each of which can produce natural gas of 50,000 cubic meters per day. With the steady increase in the number of upstream wells and gas output and the successful development of C-H to Synthesis of natural gas production, the Enlarged Group's LNG plant will get a stable gas supply, enabling the LNG plants to reach full production and realize the commercial value of the LNG plants. With the increase in the prices of international energy, it is expected that the Enlarged Group's selling price of LNG will remain relatively high in the fourth quarter of 2022 and in 2023, and therefore, the liquefaction business will generate considerable profits for the Enlarged Group.

As there are growing concerns over the environmental issues, it is foreseeable that the highly-polluted energy will be eliminated from the market more rapidly and the use of renewable clean energy will become more popular, resulting in a keener market demand for natural gas. The demand 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.

4. WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that, in the absence of unforeseen circumstances and after taking into account the expected completion of the Proposed Acquisition, the financial resources available to the Enlarged Group including internally generated funds and the available credit facilities, the Enlarged Group has sufficient working capital for at least the next twelve months from the date of this circular.

The Company has obtained the relevant confirmation as required under Rule 19.66(13) of the GEM Listing Rules.

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 2021, being the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a report set out on pages IIA-1 to IIA-21, received from the Company's reporting accountant, KTC Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA CBM GROUP COMPANY LIMITED

Introduction

We report on the historical financial information of Global Billion Holdings Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages IIA-4 to IIA-21, which comprises the consolidated statement of financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022, and the consolidated statement of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the periods then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIA-4 to IIA-21 forms an integral part of this report, which has been prepared for inclusion in the circular of China CBM Group Company Limited (the "**Company**") dated 12 December 2022 (the "**Circular**") in connection with the (1) major and connected transaction: proposed acquisition involving issue of consideration shares and convertible bonds under specific mandate; (2) proposed share consideration; (3) proposed change in board lot size; and (4) notice of SGM.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Group for the Track Record Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of the Target Group for the Track Record Period. The directors of the Target Company are responsible for the preparation of the previously issued financial statements and management accounts of the Target Group that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Directors' responsibility for the Historical Financial Information

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the consolidated financial position of the Target Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The GEM of The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

KTC Partners CPA Limited
Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph
Practising Certificate Number: P04686

Hong Kong, 12 December 2022

I HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by KTC Partners CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi except when otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021 AND THE SIX MONTHS ENDED 30 JUNE 2021 AND 2022

		Year ended 31 December			Six months ended 30 June	
		2019	**2020**	**2021**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue		–	–	–	–	–
Administrative and other expenses		(9)	(11)	(13)	–	–
Loss before taxation		(9)	(11)	(13)	–	–
Income tax expense	*4*	–	–	–	–	–
Loss for the year/period		(9)	(11)	(13)	–	–

The notes on pages IIA-9 to IIA-21 are an integral part of this Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019, 2020 AND 2021 AND 30 JUNE 2022

		As at 31 December			As at 30 June
		2019	2020	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets					
Bank balances and cash	*8*	–*	–*	–*	–*
		–	–	–	–
Current liabilities					
Amount due to a director	*9*	(76)	(82)	(93)	(97)
		(76)	(82)	(93)	(97)
Net current liabilities		(76)	(82)	(93)	(97)
Net liabilities		(76)	(82)	(93)	(97)
Capital and reserves					
Share capital	*10*	–*	–*	–*	–*
Reserves		(76)	(82)	(93)	(97)
Total equity		(76)	(82)	(93)	(97)

* *Amount less than RMB1,000*

The notes on pages IIA-9 to IIA-21 are an integral part of this Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021 AND THE SIX MONTHS ENDED 30 JUNE 2021 AND 2022

		Year ended 31 December			Six months ended 30 June	
		2019	**2020**	**2021**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
OPERATING ACTIVITIES						
Loss before taxation		(9)	(11)	(13)	–	–
Operating cash flows before movements in working capital		(9)	(11)	(13)	–	–
Net cash used in operating activities		(9)	(11)	(13)	–	–
Financing activities						
Advance from a director		9	11	13	–*	–*
Net cash generated from financing activities		9	11	13	–*	–*
Net increase in cash and cash equivalents		–	–	–	–	–
Cash and cash equivalents at beginning of year/period		–*	–*	–*	–*	–*
Cash and cash equivalents at end of year/period		–*	–*	–*	–*	–*

* *Amount less than RMB1,000*

The notes on pages IIA-9 to IIA-21 are an integral part of this Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021 AND THE SIX MONTHS ENDED 30 JUNE 2021 AND 2022

	Share capital	Translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019	–*	(4)	(62)	(66)
Loss for the year	–	–	(9)	(9)
Other comprehensive loss for the year	–	(1)	–	(1)
Balance at 31 December 2019	–*	(5)	(71)	(76)
Loss for the year	–	–	(11)	(11)
Other comprehensive income for the year	–	5	–	5
Balance at 31 December 2020	–*	–	(82)	(82)
Loss for the year	–	–	(13)	(13)
Other comprehensive income for the year	–	2	–	2
Balance at 31 December 2021	–*	2	(95)	(93)
Balance at 1 January 2021	–*	–	(82)	(82)
Profit for the period (unaudited)	–	–	–	–
Other comprehensive income for the period (unaudited)	–	–	–	–
Balance at 30 June 2021 (unaudited)	–*	–	(82)	(82)
Balance at 1 January 2022	–*	2	(95)	(93)
Profit for the period	–	–	–	–
Other comprehensive loss for the period	–	(4)	–	(4)
Balance at 30 June 2022	–*	(2)	(95)	(97)

* *Amount less than RMB1,000*

The notes on pages IIA-9 to IIA-21 are an integral part of this Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

Global Billion Holdings Limited (the "**Target Company**") is a private company incorporated and domiciled in the British Virgin Islands with limited liability and has its registered office and the principal place of business at Sea Meadow House, Blackbume Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands.

The principal activity of the Target Company and its subsidiaries is investment holding.

On 3 September 2022, Mr. Fan Hua ("**Mr. Fan**"), the controlling shareholder of the Target Company, entered into a conditional sale and purchase agreement between Mr. Wang Zhong Sheng ("**Mr. Wang**"), an executive director, chairman of the board of the directors of China CBM Group Company Limited (the "**Company**"), as the purchaser to acquire 100% equity interest in the Target Company at a consideration of RMB38,500,000.

Upon completion of the such conditional acquisition, the restructuring of the shareholding structure in respect of the holding companies of Yangcheng Huiyang New Energy Development Company Limited ("**Huiyang New Energy**"), a company established in the PRC with limited liability and is an indirect non-wholly owned subsidiary of the Company, would be completed. Qinshui County Lvqiao CBM Technology Services Co., Ltd., the subsidiary of the Target Company, will hold 20% equity interest of Huiyang New Energy.

2 Summary of significant accounting policies

(a) Basis of preparation of the unaudited financial information

The Historical 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 Proposed Acquisition.

The Historical Financial Information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 3.

(b) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Target Group has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting years and Track Record Period. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

3 Critical accounting estimates and judgements

The Target Group makes estimates, assumptions and judgements as appropriate in the preparation of the Historical Financial Information. These estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(i) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set-up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4 Income tax expenses

The Company was incorporated in the British Virgin Islands and continued in Bermuda as an exempted company under the laws of Bermuda and, accordingly, is exempted from payment of the Bermuda Income Tax.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No provision for Hong Kong Profits Tax has been made as the Target Group has no estimated assessable profits arising in or derived from Hong Kong for the years/period.

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Reconciliation between income tax credit and accounting loss at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss before taxation	(9)	(11)	(13)	–	–
Notional tax on loss before taxation, calculated at the rates applicable to the tax jurisdictions concerned	–	–	–	–	–
Income tax expenses	–	–	–	–	–

5 Information about the benefits of directors and senior executives

(a) Directors' and supervisors' remunerations

The emoluments paid or payable to each of the directors and the senior executive of the Target Group were as follows:

	Director fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2022					
Director					
Fan Hua	–	–	–	–	–
Six months ended 30 June 2021 (unaudited)					
Director					
Fan Hua	–	–	–	–	–
Year ended 31 December 2021					
Director					
Fan Hua	–	–	–	–	–
Year ended 31 December 2020					
Director					
Fan Hua	–	–	–	–	–
Year ended 31 December 2019					
Director					
Fan Hua	–	–	–	–	–

There were no arrangements under which a director waived or agreed to waive any emoluments for the Track Record Period. In addition, no emoluments were paid by the Target Group to any of the directors as an inducement to join, or upon joining the Target Group or as a compensation for loss of office for the Track Record Period.

Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Target Group, or bodies corporate controlled by such directors, or entities connected with such directors that were entered into or subsisted during the Track Record Period.

Directors' material interests in transactions, arrangements or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Target Group's business to which the Target Group was a party and in which a director of the Target Group, or a entities connected with the directors had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the Track Record Period.

(b) Individuals with highest emoluments

The five highest paid individuals of the Target Group during the Track Record Period are analysed as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Directors	–	–	–	–	–
Non-director highest paid individuals	–	–	–	–	–
	–	–	–	–	–

Details of the emoluments of the above non-director individuals during the Track Record Period are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	–	–	–	–	–
Contributions to defined retirement scheme	–	–	–	–	–
	–	–	–	–	–

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(unaudited)	
Nil to RMB1,000,000	–	–	–	–	–

6 Dividends

No dividend was paid or proposed for ordinary shareholders of the Target Group during the year ended 31 December 2019, 2020 and 2021 and the period ended 30 June 2021 and 2022, nor has any dividend been proposed since the end of the reporting period.

7 Loss per share

No loss per share information is presented, for the purpose of this report as its inclusion, is not considered meaningful.

8 Bank balances and cash

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	–*	–*	–*	–*

* *Amount less than RMB1,000*

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

For the years ended 31 December 2019, 2020 and 2021, and the period ended 30 June 2022, the Company performed impairment assessment on the bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

9 Amount due to a director

The amount due is unsecured, interest-free and repayable on demand.

10 Share capital

The Target Company was incorporated in the BVI with limited liability 5 November 2010 with an initial authorised share capital of United States dollar ("**US$**") 50,000 divided into 1 ordinary share of US$1 each. Upon incorporation, 1 ordinary share was allotted and issued at US$1 to the subscriber for cash. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Company has issued share capital of US$1 divided into 1 ordinary share of US$1.

11 Capital commitments

The Target Group did not have any significant capital commitment as at 31 December 2019, 2020 and 2021, and 30 June 2022.

12 Changes in liabilities arising from financing activities

	Amount due to a director *RMB'000*
At 1 January 2019	66
Changes in cash flows	9
Non-cash changes	1
At 31 December 2019	76
Changes in cash flows	11
Non-cash changes	(5)
At 31 December 2020	82
Changes in cash flows	13
Non-cash changes	(2)
At 31 December 2021	93
Changes in cash flows	–*
Non-cash changes	4
At 30 June 2022	97
At 31 December 2020	82
Changes in cash flows (unaudited)	–*
Non-cash changes (unaudited)	–*
At 30 June 2021 (unaudited)	82

* *Amount less than RMB1,000*

13 Capital risk management

The directors of the Target Group manage its capital to ensure that the Target Group will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance. The Target Group's overall strategy remains during the Track Record Period.

The capital structure of the Target Group consists of debt balance and equity balance. Equity balance consists of equity attributable to owner of the Target Group, comprising registered capital and reserves.

The directors of the Target Group review the capital structure on an on-going annual basis. As part of this review, the directors of the Target Group consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Target Group, the Target Group will balance its overall capital structure through the payment of dividends, new capital injection as well as the issue of new debt.

14 Financial instruments

(a) Categories of financial instruments

The carrying amounts of each of the categories of financial instruments of the Target Group as at the end of the reporting period are as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
At amortised cost:				
Cash and cash equivalents	–*	–*	–*	–*
Financial liabilities				
At amortised cost:				
Amount due to a director	76	82	93	97

* *Amount less than RMB1,000*

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include cash and cash equivalents, and amount due to intra-group companies. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and other price risk arises in the normal course of the Target Group's business. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the types of the Target Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Credit risk

Credit risk refers to the risk that the Target Group's counterparties default on their contractual obligations resulting in financial losses to the Target Group. The Target Group's credit risk exposures are primarily attributable to bank balances. The Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

(i) Bank balances

The credit risk of the Target Group on liquid funds is limited because the majority of the counterparties are international banks and state-owned banks with good reputation.

Liquidity risk

Individual operating entities within the Target Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board of directors' approval. The Target Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and longer term.

The following tables set out the weighted average effective interest rate and the remaining contractual maturities at the end of the reporting period of the Target Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Target Group can be required to pay:

	Effective interest rate	On demand or within one year	Over one year	Total contractual undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019					
Non-derivative Financial liabilities					
Amount due to a director	N/A	76	–	76	76
		76	–	76	76
At 31 December 2020					
Non-derivative Financial liabilities					
Amount due to a director	N/A	82	–	82	82
		82	–	82	82
At 31 December 2021					
Non-derivative Financial liabilities					
Amount due to a director	N/A	93	–	93	93
		93	–	93	93
At 30 June 2022					
Non-derivative Financial liabilities					
Amount due to a director	N/A	97	–	97	97
		97	–	97	97

Interest rate risk

The Target Group is not exposed to significant interest rate risk. The Target Group currently does not have interest rate hedging policy. However, the management of the Target Group closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

Currency risk

The functional currency of the Target Group is RMB in which most of the transactions are denominated. The Target Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Target Group does not hold significant foreign currencies financial assets and liabilities, in the opinion of the directors of the Target Group, foreign currency risks are not significant to the Historical Financial Information.

(c) Fair value measurement of financial instruments

The carrying amounts of the Target Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019, 2020 and 2021 and 30 June 2022 due to their short term maturities.

15 Contingent liabilities

As at 30 June 2022, the Target Group did not have any significant contingent liabilities.

16 Events after the reporting period

There is no significant events taken place subsequent to 30 June 2022.

17 Subsequent financial statements

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 June 2022 and up to the date of this report.

18 Statement of financial position of the Target Company

Information about the statement of financial position of the Target Company at the end of the Track Record Period is as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset				
Investment in a subsidiary	–*	–*	–*	–*
	–	–	–	–
Current assets				
Bank balances and cash	–*	–*	–*	–*
	–	–	–	–
Current liabilities				
Amount due to a director	(66)	(73)	(83)	(87)
	(66)	(73)	(83)	(87)
Net current liabilities	(66)	(73)	(83)	(87)
Net liabilities	(66)	(73)	(83)	(87)
Capital and reserves				
Share capital	–*	–*	–*	–*
Reserves	(66)	(73)	(83)	(87)
Total equity	(66)	(73)	(83)	(87)

* *Amount less than RMB1,000*

A summary of the Target Company's reserves is as follows:

	Share capital	Translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019	–*	(3)	(53)	(56)
Loss for the year	–	–	(9)	(9)
Other comprehensive loss for the year	–	(1)	–	(1)
Balance at 31 December 2019	–*	(4)	(62)	(66)
Loss for the year	–	–	(11)	(11)
Other comprehensive income for the year	–	4	–	4
Balance at 31 December 2020	–*	–	(73)	(73)
Loss for the year	–	–	(12)	(12)
Other comprehensive income for the year	–	2	–	2
Balance at 31 December 2021	–*	2	(85)	(83)
Balance at 1 January 2022	–*	2	(85)	(83)
Profit for the period	–	–	–	–
Other comprehensive loss for the period	–	(4)	–	(4)
Balance at 30 June 2022	–*	(2)	(85)	(87)

* *Amount less than RMB1,000*

The following is the text of a report set out on pages IIB-1 to IIB-75, received from the Company's reporting accountant, KTC Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA CBM GROUP COMPANY LIMITED

Introduction

We report on the historical financial information of Yangcheng Huiyang New Energy Development Company Limited (the "**Huiyang New Energy**") set out on pages IIB-4 to IIB-75, which comprises the company statement of financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022, and the income statements, the statements of changes in equity and the cash flow statements for each of the periods then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIB-4 to IIB-75 forms an integral part of this report, which has been prepared for inclusion in the circular of China CBM Group Company Limited (the "**Company**") dated 12 December 2022 (the "**Circular**") in connection with the (1) major and connected transaction: proposed acquisition involving issue of consideration shares and convertible bonds under specific mandate; (2) proposed share consideration; (3) proposed change in board lot size; and (4) notice of SGM.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of Huiyang New Energy for the Track Record Period ("**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of the Company based on the previously issued financial statements and management accounts of Huiyang New Energy for the Track Record Period. The directors of Huiyang New Energy are responsible for the preparation of the previously issued financial statements and management accounts of Huiyang New Energy that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the

HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Directors' responsibility for the Historical Financial Information

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of Huiyang New Energy as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of its financial performance and its cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Huiyang New Energy which comprises the income statement, the statement of changes in equity and the cash flow statement for the six months ended 30 June 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2(b) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The GEM of The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

KTC Partners CPA Limited
Certified Public Accountants (Practising)

Chow Yiu Wah, Joseph
Practising Certificate Number: P04686

Hong Kong, 12 December 2022

I HISTORICAL FINANCIAL INFORMATION OF HUIYANG NEW ENERGY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by KTC Partners CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS

FOR THE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021 AND THE SIX MONTHS ENDED 30 JUNE 2021 AND 2022

		Year ended 31 December			Six months ended 30 June	
		2019	**2020**	**2021**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*5*	68,487	55,732	49,769	26,307	26,392
Cost of sales		(45,216)	(45,580)	(49,294)	(21,600)	(20,505)
Gross profit		23,271	10,152	475	4,707	5,887
Other income and gains or losses	*6*	3,896	19,373	4,957	225	2
Selling and distribution costs		(5,849)	(5,849)	(5,849)	(2,870)	(1,666)
Administrative and other expenses		(6,499)	(5,406)	(7,448)	(1,997)	(4,017)
Impairment loss on property, plant and equipment		(8,242)	–	(26,376)	–	–
Reversal of impairment under expected credit loss model	*7*	598	1,436	96	–	–
Finance costs	*8*	(18,847)	(8,800)	(8,000)	(4,000)	–
(Loss)/Profit before taxation	*9*	(11,672)	10,906	(42,145)	(3,935)	206
Income tax expense	*10*	–	–	–	–	–
(Loss)/Profit for the year/period		(11,672)	10,906	(42,145)	(3,935)	206

The notes on pages IIB-10 to IIB-75 are an integral part of this Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019, 2020 AND 2021 AND 30 JUNE 2022

		As at 31 December			As at 30 June
		2019	2020	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset					
Property, plant and equipment	*14*	314,515	272,437	207,165	191,389
Right-of-use assets	*15*	–	698	712	705
Investment in an associate	*16*	200	200	200	200
Deposits and prepayments	*17*	8,587	9,258	9,671	13,613
		323,302	282,593	217,748	205,907
Current assets					
Inventories	*18*	2,617	2,613	3,033	3,352
Trade and other receivables	*19*	9,385	17,277	15,747	17,599
Amounts due from fellow subsidiaries	*20*	136,942	133,612	134,345	128,769
Bank balances and cash	*21*	4,622	965	334	1,380
		153,566	154,467	153,459	151,100
Current liabilities					
Trade and other payables	*22*	(128,726)	(104,614)	(97,621)	(89,272)
Amount due to intermediate holding company	*20*	(24,264)	(24,264)	(24,264)	(24,264)
Amount due to immediate holding company	*20*	(67,301)	(66,984)	(67,375)	(66,351)
Amounts due to fellow subsidiaries	*20*	(327,234)	(302,119)	(285,013)	(279,980)
Amount due to an associate	*16*	(1,170)	–	–	–
		(548,695)	(497,981)	(474,273)	(459,867)
Net current liabilities		(395,129)	(343,514)	(320,814)	(308,767)
Net liabilities		(71,827)	(60,921)	(103,066)	(102,860)
Capital and reserves					
Paid-up capital	*23*	30,000	30,000	30,000	30,000
Reserves		(101,827)	(90,921)	(133,066)	(132,860)
Total equity		(71,827)	(60,921)	(103,066)	(102,860)

The notes on pages IIB-10 to IIB-75 are an integral part of this Historical Financial Information.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021 AND THE SIX MONTHS ENDED 30 JUNE 2021 AND 2022

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
OPERATING ACTIVITIES					
(Loss)/Profit before taxation	(11,672)	10,906	(42,145)	(3,935)	206
Adjustments for:					
Depreciation of property, plant and equipment	38,867	38,814	38,900	19,523	18,283
Depreciation of right-of-use assets	–	2	14	7	7
Impairment loss on property, plant and equipment	8,242	–	26,376	–	–
Written off of property, plant and equipment	9,012	3,538	–	–	–
Interest income	–	(1)	(1)	(1)	(2)
Net loss on disposal of property, plant and equipment	–	–	18	–	–
Net gain on disposal of property, plant and equipment	(80)	–	–	–	–
Reversal of impairment of other receivables	(155)	(25)	–	–	–
Reversal of impairment of prepayment	(443)	(1,410)	(96)	–	–
Finance costs	18,847	8,800	8,000	4,000	–
Operating cash flows before movements in working capital	62,618	60,624	31,066	19,594	18,494
Decrease (increase) in inventories	308	4	(420)	(8)	(319)
Decrease (increase) in trade and other receivables	926	(7,128)	1,213	3,606	(5,794)
Decrease in trade and other payables	(18,086)	(24,112)	(6,993)	(8,624)	(8,349)
Cash generated from operations	45,766	29,388	24,866	14,568	4,032
Net cash generated from operating activities	45,766	29,388	24,866	14,568	4,032
Investment activities					
Payment for purchase of property, plant and equipment	(1,693)	(274)	(87)	–	(2,507)
Payment for purchase of right-of-use assets	–	(700)	(28)	–	–
Proceeds from disposal of property, plant and equipment	80	–	65	–	–
Interest received	–	1	1	1	2
(Advance to)/Repayment from fellow subsidiaries	6,025	3,330	(733)	1,765	5,576
Net cash generated from (used in) investing activities	4,412	2,357	(782)	1,766	3,071

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Financing activities					
Interest expenses	(18,847)	(8,800)	(8,000)	(4,000)	–
Repayment to fellow subsidiaries	(24,874)	(25,115)	(17,106)	(13,120)	(5,033)
(Repayment to)/Advance from immediate holding company	(1,851)	(317)	391	(117)	(1,024)
Repayment to an associate	–	(1,170)	–	–	–
Net cash used in financing activities	(45,572)	(35,402)	(24,715)	(17,237)	(6,057)
Net increase (decrease) in cash and cash equivalents	4,606	(3,657)	(631)	(903)	1,046
Cash and cash equivalents at beginning of year/period	16	4,622	965	965	334
Cash and cash equivalents at end of year/period	4,622	965	334	62	1,380

The notes on pages IIB-10 to IIB-75 are an integral part of this Historical Financial Information.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021 AND THE SIX MONTHS ENDED 30 JUNE 2021 AND 2022

	Paid-up capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2019	30,000	(90,155)	(60,155)
Loss for the year	–	(11,672)	(11,672)
Balance at 31 December 2019	30,000	(101,827)	(71,827)
Profit for the year	–	10,906	10,906
Balance at 31 December 2020	30,000	(90,921)	(60,921)
Loss for the year	–	(42,145)	(42,145)
Balance at 31 December 2021	30,000	(133,066)	(103,066)
Balance at 1 January 2021	30,000	(90,921)	(60,921)
Loss for the period (unaudited)	–	(3,935)	(3,935)
Balance at 30 June 2021 (unaudited)	30,000	(94,856)	(64,856)
Balance at 1 January 2022	30,000	(133,066)	(103,066)
Profit for the period	–	206	206
Balance at 30 June 2022	30,000	(132,860)	(102,860)

The notes on pages IIB-10 to IIB-75 are an integral part of this Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

Yangcheng Huiyang New Energy Development Company Limited (the "**Huiyang New Energy**") is a private company incorporated and domiciled in the People's Republic of China (the "**PRC**") with limited liability and has its registered office and principal place of business at Qin Chi Village, Qin Chi Town, Yangcheng County, Jincheng City, Shanxi Province, PRC*(中國山西省晉城市陽城縣芹池鎮芹池村). Its immediate holding company is Shanxi Yangcheng Shuntai Energy Development Company Limited, a company incorporated in the PRC, its intermediate holding company is China CBM Group Company Limited, a company incorporated in the Cayman Islands whose shares are listed on The Stock Exchange of Hong Kong Limited and its ultimate holding company is Jumbo Lane Investments Limited, a company incorporated in the British Virgin Islands.

The principal activity of Huiyang New Energy is exploration, development and production of coalbed methane.

2 Summary of significant accounting policies

(a) Basis of preparation of the unaudited financial information

The Historical 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 Proposed Acquisition.

The Historical Financial Information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Huiyang New Energy's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 3.

(b) Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Except as described below, the application of the amendments to HKFRSs in the Track Record Period has had no material impact on the Huiyang New Energy's financial positions and performance for the current and prior years and/or on the disclosures set out in these Historical Financial Information.

Impacts of application on HKFRS 16 "Leases"

The Huiyang New Energy has applied HKFRS 16 for the first time in 2019. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Huiyang New Energy has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Huiyang New Energy has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Huiyang New Energy applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

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

When applying the modified retrospective approach under HKFRS 16 at transition, the Huiyang New Energy applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

The Huiyang New Energy do not recognised any lease liabilities or right-of-use assets at 1 January 2019.

Impact on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Huiyang New Energy has applied the Amendments to HKAS 1 and HKAS 8 for the first time in 2020. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the Historical Financial Information.

Impact on application of Amendments to HKFRS 3 Definition of a Business

The Huiyang New Energy has applied the amendments for the first time in 2020. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by transaction basis.

The amendments had no impact on the Historical Financial Information of the Huiyang New Energy but may impact future periods should the Huiyang New Energy make any acquisition.

Impact on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The Huiyang New Energy has applied the amendments for the first time in 2020. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reform. The amendments are relevant to the Huiyang New Energy given that it applies hedge accounting to its benchmark interest rate exposures.

The amendments had no impact on the Historical Financial Information of the Huiyang New Energy.

Impact on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The Huiyang New Energy has applied the amendment for the first time in 2020. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change o other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Huiyang New Energy has applied the amendments for the first time in 2021. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures ("**HKFRS 7**").

The amendments have had no impact on the Historical Financial Information as none of the relevant contracts has been transitioned to the relevant replacement rates during the Track Record Period.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Huiyang New Energy's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Huiyang New Energy changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Huiyang New Energy's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

The Huiyang New Energy has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the Historical Financial Information in the foreseeable future.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Huiyang New Energy.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or noncurrent should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and *(Note)*

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation.*

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Huiyang New Energy's outstanding liabilities as at 30 June 2022, and the related terms and conditions stipulated in the agreements between the Huiyang New Energy and the relevant lenders, the application of the amendments will not result in reclassification of the Huiyang New Energy's liabilities as at 30 June 2022.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term ''significant accounting policies'' with ''material accounting policy information''. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the ''**Practice Statement**'') is also amended to illustrate how an entity applies the ''four-step materiality process'' to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Huiyang New Energy but may affect the disclosures of the Huiyang New Energy's significant accounting policies.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as ''monetary amounts in financial statements that are subject to measurement uncertainty''. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Huiyang New Energy's Historical Financial Information.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in the Historical Financial Information, the Huiyang New Energy applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Huiyang New Energy will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 30 June 2022, the carrying amounts of right-of-use assets which are subject to the amendments amounted RMB705,000. The Huiyang New Energy is still in the process of assessing the full impact of the application of the amendments.

(c) Significant accounting policies

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Huiyang New Energy is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Huiyang New Energy will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Huiyang New Energy is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Huiyang New Energy discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue from contracts with customers

The Huiyang New Energy recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Huiyang New Energy's performance as the Huiyang New Energy performs;
- the Huiyang New Energy's performance creates and enhances an asset that the customer controls as the Huiyang New Energy performs; or
- the Huiyang New Energy's performance does not create an asset with an alternative use to the Huiyang New Energy and the Huiyang New Energy has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Huiyang New Energy's right to consideration in exchange for goods or services that the Huiyang New Energy has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Huiyang New Energy's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Huiyang New Energy's obligation to transfer goods or services to a customer for which the Huiyang New Energy has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

(i) Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Huiyang New Energy's performance in transferring control of goods or services.

As a practical expedient, if the Huiyang New Energy has a right to consideration in an amount that corresponds directly with the value of the Huiyang New Energy's performance completed to date, the Huiyang New Energy recognises revenue in the amount to which the Huiyang New Energy has the right to invoice.

(ii) Existence of significant financing component

In determining the transaction price, the Huiyang New Energy adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Huiyang New Energy with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Huiyang New Energy applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Huiyang New Energy adjusts for the promised amount of consideration for a significant financing component, the Huiyang New Energy applies a discount rate that would be reflected in a separate financing transaction between the Huiyang New Energy and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Leases

(a) Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into on or after the date of initial application or modified or arising from business combinations, the Huiyang New Energy assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(b) The Huiyang New Energy as a lessee

(i) Short-term leases and leases of low-value assets

The Huiyang New Energy applies the short-term lease recognition exemption to leases of buildings or other underlying assets that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

(ii) Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Huiyang New Energy; and
- an estimate of costs to be incurred by the Huiyang New Energy in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Huiyang New Energy is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Huiyang New Energy presents right-of-use assets as a separate line item on the statement of financial position.

(iii) Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(iv) Lease liabilities

At the commencement date of a lease, the Huiyang New Energy recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Huiyang New Energy uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Huiyang New Energy under residual value guarantees;
- the exercise price of a purchase option if the Huiyang New Energy is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Huiyang New Energy exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Huiyang New Energy remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Huiyang New Energy presents lease liabilities as a separate line item on the statement of financial position.

(v) Lease modifications

Except for Covid-19-related rent concessions in which the Huiyang New Energy applied the practical expedient, the Huiyang New Energy accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Huiyang New Energy remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Huiyang New Energy accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Huiyang New Energy allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(vi) Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Huiyang New Energy applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

(vii) Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Huiyang New Energy has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021/2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

(viii) Sale and leaseback transactions

The Huiyang New Energy applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Huiyang New Energy.

The Huiyang New Energy as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Huiyang New Energy as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as lease liabilities within the scope of HKFRS 9.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

(a) Financial assets

(i) Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(iii) Impairment of financial assets

The Huiyang New Energy performs impairment assessment under expected credit loss ("**ECL**") model on financial assets at amortised cost which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Huiyang New Energy's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Huiyang New Energy always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balance or collectively using a provision matrix with similar credit risk characteristics based primarily on the debtors' aging profiles.

For all other instruments, the Huiyang New Energy measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Huiyang New Energy recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Huiyang New Energy compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Huiyang New Energy considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that result in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Huiyang New Energy presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Huiyang New Energy has reasonable and supportable information that demonstrates otherwise.

The Huiyang New Energy regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Huiyang New Energy considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Huiyang New Energy, in full (without taking into account any collaterals held by the Huiyang New Energy).

Irrespective of the above, the Huiyang New Energy considers that default has occurred when a financial asset is more than 90 days past due unless the Huiyang New Energy has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Huiyang New Energy writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Huiyang New Energy's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Huiyang New Energy uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Huiyang New Energy in accordance with the contract and the cash flows that the Huiyang New Energy expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Huiyang New Energy takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Huiyang New Energy recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

(iv) Derecognition of financial assets

The Huiyang New Energy derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(b) Financial liabilities and equity

(i) Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

(iii) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss ("**FVTPL**").

(iv) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies; (ii) held for trading; or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Huiyang New Energy manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Huiyang New Energy's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

(v) Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

(vi) Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to accumulated losses.

(vii) Derecognition/Substantial modification of financial liabilities

The Huiyang New Energy derecognises financial liabilities when, and only when, the Huiyang New Energy's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Huiyang New Energy accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Huiyang New Energy) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Huiyang New Energy considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

(viii) Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

(ix) Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Huiyang New Energy applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Huiyang New Energy's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

When the Huiyang New Energy makes payments for a property interest which includes both leasehold land and building elements, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "**right-of-use assets**" in the statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as property, plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to accumulated losses and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings held for own use	Over the shorter of unexpired term of the leases or 20 to 30 years
– Leasehold improvements	2-5 years
– Pipelines	5-20 years
– Plant and machinery	3-15 years
– Computer equipment	3-5 years
– Furniture and equipment	3-10 years
– Transportation and motor vehicles	4-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of the buildings, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and are available for their intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated above.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells but do not include geological and geophysical costs which are expensed directly to profit or loss as they are incurred, is capitalised as coalbed methane development costs within construction in progress. Coalbed methane development costs are stated at cost less any identified impairment loss. Coalbed methane development costs are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation on these assets, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

Tangible assets acquired for use in well drilling works of ground drainage activities are classified as property, plant and equipment.

Intangible assets (other than goodwill)

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Other intangible assets that are acquired by the Huiyang New Energy are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Intangible assets with finite useful lives are amortised from the date they are available for use over their estimated useful lives.

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

Impairment of tangible and intangible assets

At the end of each reporting period, the Huiyang New Energy reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amounts of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Huiyang New Energy estimates the recoverable amount of the cash-generating unit to with the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represented the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Huiyang New Energy must incur to make the sale.

Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to Mandatory Provident Funds required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and mandatory central pension schemes organised by the local government of the PRC government are recognised as an expense in the statement of profit or loss as incurred.

(ii) Share-based payments

Share options granted by the Company to employees of the Huiyang New Energy in an equity-settled share-based payment arrangement.

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the Binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to the accumulated losses).

Share options granted to consultant in an equity-settled share-based payment transactions.

Share options issued in exchange for goods or services are measured at fair values of the goods or services rendered, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share option reserve).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Huiyang New Energy's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Huiyang New Energy is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Huiyang New Energy expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Huiyang New Energy recognises the right-of-use assets and the related lease liabilities, the Huiyang New Energy first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Huiyang New Energy applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Huiyang New Energy intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Provisions

Provisions are recognised when the Huiyang New Energy has a present obligation (legal or constructive) as a result of a past event, it is probable that the Huiyang New Energy will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(a) Provision for production safety

Provision for the Huiyang New Energy's production safety are based on certain percentage of the Huiyang New Energy's revenue in accordance with PRC rules and regulations.

Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Huiyang New Energy will comply with the conditions attaching to them. Grants that compensate the Huiyang New Energy for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Huiyang New Energy for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

A government grant that becomes receivables as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

Foreign currencies

The functional currency of the Huiyang New Energy is Renminbi ("**RMB**") and the presentation currency is RMB. The reason for using RMB as a presentation currency is that the functional currency of Huiyang New Energy is RMB.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the translation reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Huiyang New Energy's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Huiyang New Energy's lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

(a) A person, or a close member of that person's family, is related to the Huiyang New Energy if that person:

(i) has control or joint control over the Huiyang New Energy;

(ii) has significant influence over the Huiyang New Energy; or

(iii) is a member of the key management personnel of the Huiyang New Energy or the Huiyang New Energy's parent.

(b) An entity is related to the Huiyang New Energy if any of the following conditions applies:

(i) The entity and the Huiyang New Energy are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Huiyang New Energy or an entity related to the Huiyang New Energy;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Huiyang New Energy or to the Huiyang New Energy's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Critical accounting estimates and judgements

Huiyang New Energy makes estimates, assumptions and judgements as appropriate in the preparation of the Historical Financial Information. These estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(i) Provision of ECL for trade receivables

Huiyang New Energy uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on aging of trade receivables as groupings of various debtors that have similar loss patterns. The provision matrix is based on the historical default rates taking into consideration forward-looking information that is reasonable and supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired receivables are assessed for ECL individually.

(ii) Impairment of property, plant and equipment and right-of-use assets

Huiyang New Energy assessed whether property, plant and equipment and right-of-use assets have suffered any impairment in accordance with relevant accounting policies. The recoverable amounts have been determined based on value-in-use calculations. The value-in-use calculations require the use of estimates such as the profit forecast, cash flows projections and pre-tax discount rates.

(iii) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Huiyang New Energy carefully evaluates tax implications of transactions and tax provisions are set-up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account changes in tax legislations. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4 Segment information

The Huiyang New Energy is principally engaged in exploration, development and production of coalbed methane in the PRC. The director of the Huiyang New Energy is identified as the chief operating decision maker for the purposes of resource allocation and performance assessment and considered the exploration, development and production of coalbed methane to be a single operating segment. Accordingly, no segment information is reported. For the Track Record Period, all non-current non-financial assets of the Huiyang New Energy were located in the PRC.

No geographical segment information of the Huiyang New Energy is shown as all the assets are located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Huiyang New Energy are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	33,741	32,250	22,761	14,745	12,947
Customer B	N/A[1]	7,428	10,548	4,847	4,687
Customer C	N/A[1]	6,038	6,050	3,694	4,071
Customer D	10,539	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Customer E	7,557	N/A[1]	N/A[1]	N/A[1]	N/A[1]

1 The corresponding revenue did not contribute 10% or more of the total revenue of the Huiyang New Energy.

5 Revenue

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Type of goods or services					
Sales of piped natural gas	68,487	55,732	49,769	26,307	26,392
Timing of revenue recognition					
On point in time basis	68,487	55,732	49,769	26,307	26,392

Revenue from sales of piped natural gas is recognised when customers obtain control of the piped natural gas, which is when the gas is delivered to customers' specific location. Invoices are usually payable within 30 days.

6 Other income and gains or losses

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Other income					
Interest income from bank deposits	–	1	1	1	2
Service income	8,461	16,492	–	–	–
Value-added tax refund	4,335	6,394	4,406	–	–
Sundry income	33	24	568	224	–
	12,829	22,911	4,975	225	2
Other gains or losses					
Gain on disposal of property, plant and equipment	80	–	–	–	–
Written-off of property, plant and equipment	(9,013)	(3,538)	(18)	–	–
	3,896	19,373	4,957	225	2

7 Reversal of impairment under expected credit loss model

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Impairment losses reversed on:					
Other receivables	598	1,436	96	–	–

8 Finance costs

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest expenses on other borrowings	18,847	8,800	8,000	4,000	–

9 (Loss)/Profit before taxation

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cost of inventories recognised as expense	8,657	9,712	13,749	3,531	2,337
Depreciation of property, plant and equipment included in					
– Cost of sales	32,793	32,754	32,754	16,484	16,452
– Selling and distribution costs	5,849	5,849	5,849	2,870	1,666
– Administration and other expenses	225	211	297	169	165
Depreciation of right-of-use assets included in					
– Cost of sales	–	2	14	7	7
Staff costs					
– Salaries and other benefits	3,413	2,817	2,967	915	756
– Directors' emoluments *(Note 11)*	–	–	–	–	–
– Retirement benefits schemes contributions	543	113	229	149	870

10 Income tax expenses

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax – PRC Enterprise Income Tax ("EIT")					
Provision for the year	–	–	–	–	–

Under the Law of the PRC on EIT (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Reconciliation between income tax credit and accounting loss at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(Loss)/Profit before taxation	(11,672)	10,906	(42,145)	(3,935)	206
Notional tax on loss before taxation, calculated at the rates applicable to the tax jurisdictions concerned	(2,918)	2,727	(10,536)	(984)	52
Tax effect of non-deductible expenses	4,314	885	6,594	–	–
Tax effect of non-taxable income	(150)	(359)	(24)	–	–
Tax effect of tax losses not recognised	–	–	3,966	984	–
Utilisation of tax losses previously not recognised	(1,246)	(3,253)	–	–	(52)
Income tax expenses	–	–	–	–	–

11 Information about the benefits of directors and senior executives

(a) Directors' and supervisors' remunerations

The emoluments paid or payable to each of the directors and the senior executive of the Huiyang New Energy were as follows:

	Director fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2022					
Directors					
Wang Zhong Sheng	–	–	–	–	–
Zhang Qing Lin	–	–	–	–	–
Fan Lin	–	–	–	–	–
Guo Zhi Xiong	–	–	–	–	–
Fu Shou Gang	–	–	–	–	–
Supervisor					
Chang Jian	–	–	–	–	–
Senior executive					
Wang Fei	–	–	–	–	–
Six months ended 30 June 2021 (unaudited)					
Directors					
Wang Zhong Sheng	–	–	–	–	–
Zhang Qing Lin	–	–	–	–	–
Fan Lin	–	–	–	–	–
Guo Zhi Xiong	–	–	–	–	–
Fu Shou Gang	–	–	–	–	–
Supervisor					
Chang Jian	–	–	–	–	–
Senior executive					
Wang Fei	–	–	–	–	–

	Director fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021					
Directors					
Wang Zhong Sheng	–	–	–	–	–
Zhang Qing Lin	–	–	–	–	–
Fan Lin	–	–	–	–	–
Guo Zhi Xiong	–	–	–	–	–
Fu Shou Gang	–	–	–	–	–
Supervisor					
Chang Jian	–	–	–	–	–
Senior executive					
Wang Fei	–	–	–	–	–
Year ended 31 December 2020					
Directors					
Wang Zhong Sheng	–	–	–	–	–
Zhang Qing Lin	–	–	–	–	–
Fan Lin	–	–	–	–	–
Guo Zhi Xiong	–	–	–	–	–
Fu Shou Gang	–	–	–	–	–
Supervisor					
Chang Jian	–	–	–	–	–
Senior executive					
Wang Fei	–	–	–	–	–

	Director fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefits schemes contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019					
Directors					
Wang Zhong Sheng	–	–	–	–	–
Zhang Qing Lin	–	–	–	–	–
Fan Lin	–	–	–	–	–
Guo Zhi Xiong	–	–	–	–	–
Fu Shou Gang	–	–	–	–	–
Supervisor					
Chang Jian	–	–	–	–	–
Senior executive					
Wang Fei	–	–	–	–	–

There were no arrangements under which a director waived or agreed to waive any emoluments for the Track Record Period. In addition, no emoluments were paid by the Huiyang New Energy to any of the directors as an inducement to join, or upon joining the Huiyang New Energy or as a compensation for loss of office for the Track Record Period.

Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Huiyang New Energy, or bodies corporate controlled by such directors, or entities connected with such directors that were entered into or subsisted during the Track Record Period.

Directors' material interests in transactions, arrangements or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Huiyang New Energy's business to which the Huiyang New Energy was a party and in which a director of the Huiyang New Energy, or a entities connected with the directors had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the Track Record Period.

(b) Individuals with highest emoluments

The five highest paid individuals of the Huiyang New Energy during the Track Record Period are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Directors	–	–	–	–	–
Non-director highest paid individuals	5	5	5	5	5
	5	5	5	5	5

Details of the emoluments of the above non-director individuals during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	574	470	529	265	265
Contributions to defined retirement scheme	49	17	65	32	46
	623	487	594	297	311

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021** (unaudited)	**2022**
Nil to RMB1,000,000	5	5	5	5	5

12 Dividends

No dividend was paid or proposed for ordinary shareholders of the Huiyang New Energy during the year ended 31 December 2019, 2020 and 2021 and the period ended 30 June 2021 and 2022, nor has any dividend been proposed since the end of the reporting period.

13 (Loss)/Earnings per share

No earnings per share information is presented, for the purpose of this report as its inclusion, is not considered meaningful.

14 Property, plant and equipment

	Buildings held for own use	Leasehold improvements	Pipelines	Plant and machinery	Furniture and equipment	Transportation and motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost								
At 1 January 2019	817	–	123,301	352,455	364	990	87,326	565,253
Additions	–	215	–	–	25	170	1,283	1,693
Disposals	–	–	–	–	–	(88)	–	(88)
Written off	–	–	–	(10,092)	–	–	(2,232)	(12,324)
At 31 December 2019	817	215	123,301	342,363	389	1,072	86,377	554,534
Additions	–	–	–	–	3	271	–	274
Written off	–	–	–	(9,404)	–	–	–	(9,404)
At 31 December 2020	817	215	123,301	332,959	392	1,343	86,377	545,404
Additions	–	–	–	–	34	–	53	87
Disposals	–	–	–	(426)	–	(250)	–	(676)
At 31 December 2021	817	215	123,301	332,533	426	1,093	86,430	544,815
Additions	–	–	–	2,484	23	–	–	2,507
At 30 June 2022	817	215	123,301	335,017	449	1,093	86,430	547,322

	Buildings held for own use	Leasehold improvements	Pipelines	Plant and machinery	Furniture and equipment	Transportation and motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment								
At 1 January 2019	(158)	–	(33,967)	(161,131)	(317)	(737)	–	(196,310)
Depreciation charged	(50)	(30)	(5,849)	(32,793)	(15)	(130)	–	(38,867)
Impairment	–	–	(2,131)	(3,903)	–	–	(2,208)	(8,242)
Written back on disposals	–	–	–	–	–	88	–	88
Written off	–	–	–	3,312	–	–	–	3,312
At 31 December 2019	(208)	(30)	(41,947)	(194,515)	(332)	(779)	(2,208)	(240,019)
Depreciation charged	(50)	(72)	(5,849)	(32,754)	(16)	(73)	–	(38,814)
Written off	–	–	–	5,866	–	–	–	5,866
At 31 December 2020	(258)	(102)	(47,796)	(221,403)	(348)	(852)	(2,208)	(272,967)
Depreciation charged	(50)	(72)	(5,849)	(32,754)	(21)	(154)	–	(38,900)
Impairment	–	–	(7,899)	(8,927)	–	–	(9,550)	(26,376)
Written back on disposals	–	–	–	355	–	238	–	593
At 31 December 2021	(308)	(174)	(61,544)	(262,729)	(369)	(768)	(11,758)	(337,650)
Depreciation charged	(25)	(36)	(2,924)	(15,209)	(12)	(77)	–	(18,283)
At 30 June 2022	(333)	(210)	(64,468)	(277,938)	(381)	(845)	(11,758)	(355,933)
Carrying amount								
At 30 June 2022	484	5	58,833	57,079	68	248	74,672	191,389
At 31 December 2021	509	41	61,757	69,804	57	325	74,672	207,165
At 31 December 2020	559	113	75,505	111,556	44	491	84,169	272,437
At 31 December 2019	609	185	81,354	147,848	57	293	84,169	314,515
At 31 December 2018	659	–	89,334	191,324	47	253	87,326	368,943
Cost								
At 31 December 2020	817	215	123,301	332,959	392	1,343	86,377	545,404
At 30 June 2021 (unaudited)	817	215	123,301	332,959	392	1,343	86,377	545,404

	Buildings held for own use RMB'000	Leasehold improvements RMB'000	Pipelines RMB'000	Plant and machinery RMB'000	Furniture and equipment RMB'000	Transportation and motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation and impairment								
At 31 December 2020	(258)	(102)	(47,796)	(221,403)	(348)	(852)	(2,208)	(272,967)
Depreciation charged (unaudited)	(25)	(36)	(2,924)	(16,449)	(12)	(77)	–	(19,523)
At 30 June 2021 (unaudited)	(283)	(138)	(50,720)	(237,852)	(360)	(929)	(2,208)	(292,490)
Carrying amount								
At 30 June 2021 (unaudited)	534	77	72,581	95,107	32	414	84,169	252,914

Notes:

(i) The buildings held for own use are situated on land held under medium-term leases in the PRC.

(ii) The pipelines are located in the PRC.

(iii) The pipelines with carrying amounts of approximately RMB61,758,000 as at 31 December 2021 (2020: RMB75,506,000; 2019: RMB81,355,000) and RMB58,831,000 as at 30 June 2022 (30 June 2021: RMB72,579,000) were pledged for fellow subsidiary as security under 2019 Finance Lease Arrangement with CIMC.

(iv) Included coalbed methane development costs capitalised with carrying amount of approximately RMB53,802,000 as at 31 December 2021 (2020: RMB63,299,000; 2019: RMB65,507,000) and RMB53,801,000 as at 30 June 2022 (30 June 2021: RMB63,351,000).

Impairment test on property, plant and equipment and right-of-use assets

Based on the management's investigation on construction in progress, certain construction in progress has been ceased for construction and its future economic benefits for the Huiyang New Energy are uncertain, and hence an impairment loss of approximately RMB9,550,000 was recognised for certain construction in progress for the year ended 31 December 2021 (2020: Nil; 2019: RMB2,208,000) to fully write down the costs incurred in respect of the construction in progress.

During the year ended 31 December 2020, certain property, plant and equipment amounted to approximately RMB3,538,000 (2019: RMB9,012,000) was written off due to wear and tear.

In view of the continuing operating losses of certain subsidiaries operating in the PRC during the year ended 31 December 2019, 2020 and 2021, the directors of the Company have performed impairment assessment on property, plant and equipment and right-of-use assets based on cash-generating units ("**CGU**") as at 31 December 2019, 2020 and 2021. The recoverable amounts of CGU have been determined by an independent professional valuer, Asset Appraisal Limited ("**Asset Appraisal**") based on value-in-use calculations as at 31 December 2019, 2020 and 2021.

The recoverable amounts of the CGU were determined based on certain similar key assumptions. The management of the Group prepared cash flow forecasts for the CGU derived from the most recent available financial budgets approved by management. The key assumptions used in the calculation of value-in-use were discount rate, growth rate, budgeted revenue, budgeted gross margins and net profit margins. The budgeted revenue, gross margins and net profit margins were based on past performance and the management's expectation of market development.

There has been no change from the valuation technique used in prior year. As a result of the impairment assessment of the CGU, management of the Group determined that impairment loss of approximately RMB26,376,000 (2020: Nil; 2019: RMB8,242,000) had been recognised in respect of property, plant and equipment under CGU for the year ended 31 December 2021. Under the prolonged unfavourable impact of COVID-19 pandemic in the PRC, the revenue of the CGU has been dropped significantly and incurred loss during the year ended 31 December 2021. Therefore the directors of the Huiyang New Energy expected that the revenue and net profit of the CGU will be decreased in the near future. As a result, the recoverable amount of the CGU decreased and impairment loss was recognised for the year ended 31 December 2021.

15 Right-of-use assets

	Land use right certificate
	RMB'000
Cost	
At 1 January 2019	–
At 31 December 2019	–
Additions	700
At 31 December 2020	700
Additions	28
At 31 December 2021	728
At 30 June 2022	728
Accumulated depreciation and impairment	
At 1 January 2019	–
At 31 December 2019	–
Depreciation charged	(2)
At 31 December 2020	(2)
Depreciation charged	(14)
At 31 December 2021	(16)
Depreciation charged	(7)
At 30 June 2022	(23)

	Land use right certificate
	RMB'000
Carrying amount	
At 30 June 2022	705
At 31 December 2021	712
At 31 December 2020	698
At 31 December 2019	–
At 31 December 2018	–
Cost	
At 1 January 2021	700
At 30 June 2021 (unaudited)	700
Accumulated depreciation and impairment	
At 1 January 2021	(2)
Depreciation charged (unaudited)	(7)
At 30 June 2021 (unaudited)	(9)
Carrying amount	
At 30 June 2021 (unaudited)	691

Notes:

(i) The Company is still in the process of obtaining the land use right certificates for the leasehold lands except for leasehold lands.

(ii) The right-of-use assets are depreciated on a straight-line basis at the estimated useful lives based on the periods of the land use rights which is 50 years.

16 Investment in an associate

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments:				
Share of net assets	200	200	200	200
Amount due to an associate *(note (i))*	1,170	–	–	–

Note:

(i) The amount due is unsecured, interest-free and repayable on demand.

Name	Beijing Liansheng Jiaye Energy Technology Company Limited* (北京聯盛嘉業能源技術有限公司)
Principal place of business/country of incorporation	PRC
Principal activities	Technology development, consultation and management

In the opinion of the directors, Beijing Liansheng Jiaye Energy Technology Company Limited* (北京聯盛嘉業能源技術有限公司) did not have a material effect on the results or assets of the Huiyang New Energy.

* *For identification purposes only*

17 Deposits and prepayments

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment relating to construction expenses	8,587	9,258	9,671	13,613

18 Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	2,610	2,598	3,018	3,337
Finished goods	7	15	15	15
	2,617	2,613	3,033	3,352

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of inventories sold	8,657	9,712	13,749	2,337

19 Trade and other receivables

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables – contract with customers	–	606	183	–
Bills receivables	–	500	–	–
Other receivables and deposits	7,030	6,913	8,029	9,582
Other prepayments	2,355	2,864	3,371	3,611
Value-added tax recoverable	–	6,394	4,164	4,406
	9,385	17,277	15,747	17,599

As of the end of the reporting period, the ageing analysis of the trade receivables, based on invoice date and net of allowance for credit losses, is as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	–	500	183	–
More than 1 month but less than 3 months	–	–	–	–
More than 3 months but less than 6 months	–	40	–	–
More than 6 months but less than 12 months	–	66	–	–
More than 12 months	–	–	–	–
	–	606	183	–

The Huiyang New Energy generally allows credit period of 30 to 180 days to its customers. The Huiyang New Energy may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon the customers' requests.

The ageing analysis of trade receivables that were past due but not impaired are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	–	500	183	–
Less than 1 month past due	–	–	–	–
1 to 3 months past due	–	40	–	–
Over 3 months past due	–	66	–	–
	–	106	–	–
	–	606	183	–

20 Amount(s) due from/(to) fellow subsidiaries/intermediate holding company/immediate holding company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from fellow subsidiaries				
Yangcheng Shun An Gathering Pipeline Company Limited* (陽城縣順安集輸管道有限公司)	35,348	37,330	39,658	41,332
Beijing Liansheng Jiaye Energy Technology Company Limited* (北京聯盛嘉業能源技術有限公司)	6,826	6,826	6,826	6,826
China CBM Group Company Limited (Beijing representative office)* (中國煤層氣集團有限公司北京代表處)	8	8	8	8
Nuoxin (Xian County) Engineering Materials Company Limited* (諾信(獻縣)械工程材料有限公司)	8,400	8,400	8,400	8,400
Tianjin Shunxin International Energy Company Limited* (天津順鑫國際能源有限公司)	86,360	81,048	79,253	71,253
Jinguan (Tianjin) Energy Technology Company Limited* (錦貫(天津)能源科技有限公司)	–	–	200	950
	136,942	133,612	134,345	128,769
Amount due to intermediate holding company				
China CBM Group Company Limited (中國煤層氣集團有限公司)	24,264	24,264	24,264	24,264
Amount due to immediate holding company				
Shanxi Yangcheng Shuntai Energy Development Company Limited* (山西陽城順泰能源發展有限公司)	67,301	66,984	67,375	66,351
Amounts due to fellow subsidiaries				
Shanxi Qinshui Shuntai Energy Development Company Limited* (山西沁水順泰能源發展有限公司)	132,531	114,551	97,941	89,458
Luoyang Shunhe Energy Company Limited* (洛陽順和能源有限公司)	98,803	90,498	–	–
Hong Kong Chung Wo Energy Investments Limited (香港中和能源產業投資有限公司)	–	–	90,002	90,002
Hebei Shuntai Energy Company Limited* (河北順泰能源有限公司)	94,324	94,324	94,324	94,324
Shanxi Allied Rich Services Limited* (山西聯富商務服務有限公司)	25	1,195	1,195	4,645
Shanxi Wanzhi Logistics Limited* (山西萬志物流有限公司)	1,551	1,551	1,551	1,551
	327,234	302,119	285,013	279,980

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

* *For identification purposes only*

21 Bank balances and cash

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	4,614	965	327	1,379
Cash in hand	8	–	7	1
	4,622	965	334	1,380

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

For the years ended 31 December 2019, 2020 and 2021, and the period ended 30 June 2022, the Huiyang New Energy performed impairment assessment on the bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

At the end of the Track Record Period, all the cash and cash equivalents of the Huiyang New Energy denominated in RMB. RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Huiyang New Energy is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22 Trade and other payables

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due to a director *(note (i))*	18,757	21,432	21,432	17,382
Amount due to non-controlling shareholder *(note (i))*	4,150	2,500	1,103	3
Accrued expenses and other payables *(note (ii))*	26,598	9,653	9,468	8,923
Payables for acquisition of property, plant and equipment	78,456	70,767	65,552	62,220
Value-added and other taxes payables	765	262	66	744
	128,726	104,614	97,621	89,272

Notes:

(i) The amount due is unsecured, interest-free and repayable on demand.

(ii) Accrued expenses and other payables included the estimated costs of dismantling and removing the items of property, plant and equipment and restoring the site on which they are located, amounting to approximately RMB3,302,000 as at 31 December 2019, 2020 and 2021, and the period ended 30 June 2022.

23 Paid-up capital

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Paid-up capital	30,000	30,000	30,000	30,000

24 Capital commitments

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Acquisition of property, plant and equipment (including construction in progress)	10,972	9,262	7,563	7,034

25 Changes in liabilities arising from financing activities

	Amount due to fellow subsidiaries	Amount due to intermediate holding company	Amount due to immediate holding company	Amount due to an associate	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	352,108	24,264	69,152	1,170	446,694
Interest expense recognised	18,847	–	–	–	18,847
Changes in cash flows	(43,721)	–	(1,851)	–	(45,572)
At 31 December 2019	327,234	24,264	67,301	1,170	419,969
Interest expense recognised	8,800	–	–	–	8,800
Changes in cash flows	(33,915)	–	(317)	(1,170)	(35,402)
At 31 December 2020	302,119	24,264	66,984	–	393,367
Interest expense recognised	8,000	–	–	–	8,000
Changes in cash flows	(25,106)	–	391	–	(24,715)
At 31 December 2021	285,013	24,264	67,375	–	376,652
Changes in cash flows	(5,033)	–	(1,024)	–	(6,057)
At 30 June 2022	279,980	24,264	66,351	–	370,595
At 31 December 2020	302,119	24,264	66,984	–	393,367
Interest expense recognised (unaudited)	4,000	–	–	–	4,000
Changes in cash flows (unaudited)	(17,120)	–	(117)	–	(17,237)
At 30 June 2021 (unaudited)	288,999	24,264	66,867	–	380,130

26 Pledge of assets

As at 31 December 2019, 2020 and 2021, 30 June 2021 and 2022, the Huiyang New Energy's certain pipelines were pledged as security for lease liabilities of the fellow subsidiary. Details of the pledge assets are included in Note 14.

27 Material related party transactions

(a) Transactions with related party

Name of related party	Relationship	Nature of transaction	Year ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Six months ended 30 June 2021 RMB'000 (unaudited)	2022 RMB'000
Shanxi Qinshui Shuntai Energy Development Company Limited* (山西沁水順泰能源發展有限公司)	Fellow subsidiary	Sales of goods	33,741	32,250	22,761	14,745	12,947
Shanxi Qinshui Shuntai Energy Development Company Limited* (山西沁水順泰能源發展有限公司)	Fellow subsidiary	Loan interest expense	8,800	8,800	8,000	4,000	–
Luoyang Shunhe Energy Company Limited* (洛陽順和能源有限公司)	Fellow subsidiary	Loan interest expense	10,047	–	–	–	–

* *For identification purposes only*

(b) As at the ending Track Record Period, the Huiyang New Energy's balances with related parties are set out in Note 20.

(c) Remuneration for key management personnel (including directors) of the Huiyang New Energy:

	Year ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Six months ended 30 June 2021 RMB'000 (unaudited)	2022 RMB'000
Salaries and other emoluments	574	470	529	265	265
Contributions to defined retirement scheme	49	17	65	32	46
	623	487	594	297	311

28 Capital risk management

The directors of the Huiyang New Energy manage its capital to ensure that the Huiyang New Energy will be able to continue as a going concern while maximising the return to the shareholder through the optimisation of the debt and equity balance. The Huiyang New Energy's overall strategy remains during the Track Record Period.

The capital structure of the Huiyang New Energy consists of debt balance and equity balance. Equity balance consists of equity attributable to owner of the Huiyang New Energy, comprising registered capital and reserves.

The directors of the Huiyang New Energy review the capital structure on an on-going annual basis. As part of this review, the directors of the Huiyang New Energy consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Huiyang New Energy, the Huiyang New Energy will balance its overall capital structure through the payment of dividends, new capital injection as well as the issue of new debt.

29 Financial instruments

(a) Categories of financial instruments

The carrying amounts of each of the categories of financial instruments of the Huiyang New Energy as at the end of the reporting period are as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
At amortised cost:				
Trade and other receivables	7,030	8,019	8,212	9,582
Cash and cash equivalents	4,622	965	334	1,380
Amounts due from fellow subsidiaries	136,942	133,612	134,345	128,769
Financial liabilities				
At amortised cost:				
Trade and other payables	127,961	104,352	97,555	88,528
Amounts due to fellow subsidiaries	327,234	302,119	285,013	279,980
Amount due to intermediate holding company	24,264	24,264	24,264	24,264
Amount due to immediate holding company	67,301	66,984	67,375	66,351
Amount due to an associate	1,170	–	–	–

(b) Financial risk management objectives and policies

The Huiyang New Energy's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables and amount(s) due from/to subsidiaries/intermediate holding company/immediate holding company/an associate. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and other price risk arises in the normal course of the Huiyang New Energy's business. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no change to the types of the Huiyang New Energy's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Credit risk and impairment assessment

Credit risk refers to the risk that the Huiyang New Energy's counterparties default on their contractual obligations resulting in financial losses to the Huiyang New Energy. The Huiyang New Energy's credit risk exposures are primarily attributable to trade receivables, bills receivables, other receivables, amounts due from fellow subsidiaries and bank balances. The Huiyang New Energy does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

(i) Trade receivables

The Huiyang New Energy has no significant concentration of credit risk with respect to trade receivables as no one customer is responsible for more than 10% of trade receivables.

The Huiyang New Energy has concentration of credit risk by geographical location as the entire balance of its trade receivable as at 31 December 2019, 2020 and 2021 and 30 June 2022 were in the PRC.

In order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each major customer periodically. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. The Huiyang New Energy does not require collateral in respect of its financial assets. Trade debtors are usually due within 30 to 180 days from the date of billing.

The Huiyang New Energy also performs impairment assessment under ECL model on trade receivables individually or based on provision matrix. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure. No impairment is recognised during the Track Record Period.

(ii) Bills receivables

The credit risk associated with bills receivables, which are all bank acceptance drafts, is limited because the accepting bank will cash the bills unconditionally when the entity presents these bills.

(iii) Bank balances

The credit risk of the Huiyang New Energy on liquid funds is limited because the majority of the counterparties are international banks and state-owned banks with good reputation.

(iv) Other receivables and amounts due from fellow subsidiaries

Apart from the credit-impaired other receivables as disclosed in the note below, the credit risk on other receivables and amounts due from fellow subsidiaries is also limited because of the natures of these balances, credit quality of the counterparties and the historical settlement record.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Huiyang New Energy assessed the ECL for trade receivables, bills receivables, other receivables and amounts due from fellow subsidiaries was insignificant as the exposure of such receivables is insignificant.

Liquidity risk

Individual operating entities within the Huiyang New Energy are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board of directors' approval. The Huiyang New Energy's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and longer term.

The following tables set out the weighted average effective interest rate and the remaining contractual maturities at the end of the reporting period of the Huiyang New Energy's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Huiyang New Energy can be required to pay:

	Effective interest rate	On demand or within one year	Over one year	Total contractual undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019					
Non-derivative Financial liabilities					
Amount due to a director	N/A	18,757	–	18,757	18,757
Amount due to non-controlling shareholder	N/A	4,150	–	4,150	4,150
Accrued expenses and other payables	N/A	26,598	–	26,598	26,598
Payables for acquisition of property, plant and equipment	N/A	78,456	–	78,456	78,456
Amounts due to fellow subsidiaries	N/A	327,234	–	327,234	327,234
Amount due to intermediate holding company	N/A	24,264	–	24,264	24,264
Amount due to immediate holding company	N/A	67,301	–	67,301	67,301
Amount due to an associate	N/A	1,170	–	1,170	1,170
		547,930	–	547,930	547,930
At 31 December 2020					
Non-derivative Financial liabilities					
Amount due to a director	N/A	21,432	–	21,432	21,432
Amount due to non-controlling shareholder	N/A	2,500	–	2,500	2,500
Accrued expenses and other payables	N/A	9,653	–	9,653	9,653
Payables for acquisition of property, plant and equipment	N/A	70,767	–	70,767	70,767
Amounts due to fellow subsidiaries	N/A	302,119	–	302,119	302,119
Amount due to intermediate holding company	N/A	24,264	–	24,264	24,264
Amount due to immediate holding company	N/A	66,984	–	66,984	66,984
		497,719	–	497,719	497,719

	Effective interest rate	On demand or within one year	Over one year	Total contractual undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021					
Non-derivative Financial liabilities					
Amount due to a director	N/A	21,432	–	21,432	21,432
Amount due to non-controlling shareholder	N/A	1,103	–	1,103	1,103
Accrued expenses and other payables	N/A	9,468	–	9,468	9,468
Payables for acquisition of property, plant and equipment	N/A	65,552	–	65,552	65,552
Amounts due to fellow subsidiaries	N/A	285,013	–	285,013	285,013
Amount due to intermediate holding company	N/A	24,264	–	24,264	24,264
Amount due to immediate holding company	N/A	67,375	–	67,375	67,375
		474,207	–	474,207	474,207
At 30 June 2022					
Non-derivative Financial liabilities					
Amount due to a director	N/A	17,382	–	17,382	17,382
Amount due to non-controlling shareholder	N/A	3	–	3	3
Accrued expenses and other payables	N/A	8,923	–	8,923	8,923
Payables for acquisition of property, plant and equipment	N/A	62,220	–	62,220	62,220
Amounts due to fellow subsidiaries	N/A	279,980	–	279,980	279,980
Amount due to intermediate holding company	N/A	24,264	–	24,264	24,264
Amount due to immediate holding company	N/A	66,351	–	66,351	66,351
		459,123	–	459,123	459,123

Interest rate risk

The Huiyang New Energy is not exposed to significant interest rate risk. The Huiyang New Energy currently does not have interest rate hedging policy. However, the management of the Huiyang New Energy closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

Currency risk

The functional currency of the Huiyang New Energy is RMB in which most of the transactions are denominated. The Huiyang New Energy currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Huiyang New Energy does not hold significant foreign currencies financial assets and liabilities, in the opinion of the directors of the Huiyang New Energy, foreign currency risks are not significant to the Historical Financial Information.

Other price risk

Oil and gas price risk

Apart from the financial instruments disclosed above, the Huiyang New Energy's activities expose it to market risk relating to oil and gas price risks.

The Huiyang New Energy is engaged in a wide range of gas related activities. The global oil and gas market is affected by international political, economic and global demand for and supply of oil and gas. A decrease in the world prices of cruel oil and gas could adversely affect the Huiyang New Energy's financial position. The Huiyang New Energy has not used any derivative instruments to hedge against potential price fluctuations of crude oil and refined and gas products. The management will consider hedging oil and gas exposure should the need arise.

(c) Fair value measurement of financial instruments

The carrying amounts of the Huiyang New Energy's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019, 2020 and 2021 and 30 June 2022 due to their short term maturities.

30 Contingent liabilities

As at 30 June 2022, the Huiyang New Energy did not have any significant contingent liabilities.

31 Events after the reporting period

There is no significant events taken place subsequent to 30 June 2022.

32 Subsequent financial statements

No audited financial statements have been prepared by the Huiyang New Energy in respect of any period subsequent to 30 June 2022 and up to the date of this report.

*Set out below is the management discussion and analysis on the Target Group and Huiyang New Energy for the three years ended 31 December 2021 and the six months ended 30 June 2022 (the "**Track Record Period**"). The following financial information is based on the audited financial information of the Target Group and Huiyang New Energy as set out in Appendices IIA and IIB respectively to this circular.*

BUSINESS REVIEW

The Target Company is a company incorporated in the BVI with limited liability which is wholly owned by Mr. Wang and is principally engaged in investment holding. Times International is a company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding and is wholly owned by the Target Company. Times International is the holding company of Lvqiao CBM. Lvqiao CBM is a company established in the PRC with limited liability, which is principally engaged in investment holding and is wholly owned by Times International. Lvqiao CBM is interested in 20% equity interest of Huiyang New Energy. Huiyang New Energy is a company established in the PRC with limited liability and is currently held as to 60%, 20% and 20% by Shanxi Yangcheng (a wholly-owned subsidiary of the Company), Lvqiao CBM and Yangcheng Yangtai respectively. Huiyang New Energy is principally engaged in exploration, development and production of coalbed methane.

THE TARGET GROUP

Each of the Target Company and its subsidiaries did not incur any material income or expenses during the Track Record Period, and had immaterial asset in the statement of financial position as at 30 June 2022. Therefore, the financial review and liquidity and financial resource of the Target Group is not specifically discussed in this section.

Segment information

Since the principal business of the Target Company was investment holding, no segmental information is presented.

Share capital

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Target Company had issued share capital of US$1 divided into 1 ordinary share of US$1.

Capital commitment

The Target Group did not have any significant capital commitment as at 31 December 2019, 2020 and 2021 and 30 June 2022.

Treasury policy

The Target Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the Track Record Period.

Gearing ratio

The gearing ratio is calculated as total external borrowings divided shareholders' fund. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Target Group had no external borrowings, hence it is not meaningful to present the gearing ratio.

Risk in foreign exchange

For the Track Record Period, the Target Group was not exposed to any material foreign currency risk as its assets were denominated in HKD which was its functional currency.

Employees and remuneration policy

The Target Group had no staff for the Track Record Period.

Dividend

No dividend was declared for the Track Record Period.

Charge on assets

The Target Company had no charges on assets as at 31 December 2019, 2020 and 2021 and 30 June 2022.

Contingent liabilities

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Target Group did not have any significant contingent liabilities.

Business prospects

The Target Group had not introduced or announced any new products or services for the Track Record Period.

Significant investment, material acquisition and disposal of subsidiaries and associated companies

For the Track Record Period, apart from the Restructuring, the Target Group did not have any significant investment, material acquisition or disposal of subsidiaries and associated companies.

Future plans for material investment or capital assets

The Target Group did not have any future plans for material investments or capital assets in the coming year.

FINANCIAL REVIEW OF HUIYANG NEW ENERGY

Revenue

The revenue generated from Huiyang New Energy for the three years ended 31 December 2021 was approximately RMB68,487,000, RMB55,732,000 and RMB49,769,000, respectively. The revenue decreased by approximately RMB12,755,000 from 2019 to 2020, which was mainly due to the decrease in the number of production wells by 6 wells to 193 wells and the decrease in the average unit selling price of piped natural gas as a result of the impact of the COVID-19 pandemic. The revenue decreased by approximately RMB5,963,000 from 2020 to 2021, which was mainly due to the further decrease in the number of production wells by 29 wells to 164 wells.

The revenue generated for the six months ended 30 June 2022 amounted to approximately RMB26,392,000, representing an increase of approximately RMB85,000 as compared to the same period in 2021.

Gross profit

The gross profit for the three years ended 31 December 2021 was approximately RMB23,271,000, RMB10,152,000 and RMB475,000, respectively, and the gross profit margin was approximately 33.97%, 18.21% and 0.95%, respectively. For such three years, (i) higher proportion of depreciation cost, being fixed cost, of approximately RMB32,793,000, RMB32,754,000 and RMB32,754,000 respectively and (ii) maintenance fees of approximately RMB3,596,000, RMB5,341,000 and RMB8,092,000 respectively were included in the cost of sales of the respective year, which resulted in the decrease in the gross profit and gross profit margin over the years.

The gross profit for the six months ended 30 June 2022 amounted to approximately RMB5,887,000, representing an increase of approximately RMB1,180,000 as compared to the same period in 2021, mainly due to the increase in average selling price of the piped natural gas.

Other income and gains or losses

Other income and gains or losses increased by RMB15,477,000 to RMB19,373,000 for the year ended 31 December 2020 as compared to that for the year ended 31 December 2019, which was mainly due to (i) the increase in value-added tax refund from RMB4,335,000 to RMB6,394,000 and (ii) an increase in an extra service income of RMB8,461,000 to

RMB16,492,000 generated from the provision of coalbed gas extraction services recognised for 2020. Other income and gains or losses decreased by RMB14,416,000 to RMB4,957,000 for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020, which was mainly due to no service income generated from coalbed gas extraction services for the year ended 31 December 2021.

The other income and gains or losses for the six months ended 30 June 2022 amounted to RMB2,000, representing a decrease of approximately RMB223,000 as compared to the same period in 2021, mainly due to an amount of RMB198,000 was received during the period in 2021 in relation to the PRC employment support scheme.

Administrative and other expenses

The administrative and other expenses decreased by approximately RMB1,093,000 to RMB5,406,000 for the year ended 31 December 2020 as compared to that for the year ended 31 December 2019, mainly due to the payment of RMB1,020,000 to the local government for rural construction in 2019, while no such fee was incurred in 2020. The administrative and other expenses increased by approximately RMB2,042,000 to approximately RMB7,448,000 for the year ended 31 December 2021 as compared to that for the year ended 31 December 2020, which was mainly due to the payment of a fine of RMB2,455,000 to the construction unit in 2021.

Administrative and other expenses for the six months ended 30 June 2022 amounted to approximately RMB4,017,000, representing an increase of approximately RMB2,020,000 as compared to the same period in 2021, which was mainly due to the payment in relation to the surcharge of late payment of value-added tax and Urban and Town Land Use Tax during the period.

Impairment loss on property, plant and equipment

During the year ended 31 December 2019, certain property, plant and equipment amounting to approximately RMB8,242,000 were written off due to wear and tear in the calculation of the carrying value of the cash-generating unit ("**CGU**") for the purpose of impairment assessment of the CGU of Huiyang New Energy. During the year ended 31 December 2021, under the prolonged and unfavourable impact of COVID-19 pandemic in the PRC, the CGU of Huiyang New Energy dropped significantly and incurred loss during the year ended 31 December 2021. Therefore, the Directors expected that the revenue and net profit of the Huiyang New Energy's CGU will decrease in the near future. As a result, the recoverable amount of Huiyang New Energy's CGU decreased and impairment loss of RMB26,376,000 was recognised for the year ended 31 December 2021.

Finance costs

Finance costs amounted to approximately RMB18.8 million, RMB8.8 million, RMB8.0 million and nil for the Track Record Period which were interest expenses arising from other borrowings, being amount due to other subsidiaries of the Company.

(Loss)/profit for the year/period

Huiyang New Energy recorded a loss of approximately RMB11,672,000 for the year ended 31 December 2019 and a profit of approximately RMB10,906,000 for the year ended 31 December 2020. As mentioned above, although the revenue decreased in 2020, the turnaround from the loss to profit was mainly due to an increase in other income and gains as mentioned above, and a decrease in the impairment losses on property, plant and equipment and finance costs.

A loss of approximately RMB42,145,000 was recorded for the year ended 31 December 2021. As mentioned above, gross profit and other income and gains decreased in 2021, together with the recognition of impairment losses on property, plant and equipment in 2021.

A profit of approximately RMB206,000 was recorded for the six months ended 30 June 2022, compared to a loss of approximately RMB3,935,000 for the same period in 2021, which was mainly due to the decrease in finance costs as mentioned above.

Segment information

For the Track Record Period, Huiyang New Energy had only one reportable operating segment, being the exploration, development and production of coalbed methane. As such, no segmental information thereof is presented.

Liquidity and financial resources and capital structure

Huiyang New Energy financed its operations and capital expenditure primarily by internally generated funds from operations.

Share capital

As at 31 December 2019, 2020 and 2021 and 30 June 2022, Huiyang New Energy had a paid up capital of RMB30,000,000.

Capital commitment

As at 31 December 2019, 2020 and 2021 and 30 June 2022, Huiyang New Energy had capital commitment of approximately RMB10,972,000, RMB9,262,000, RMB7,563,000 and RMB7,034,000 respectively.

Treasury policy

Huiyang New Energy had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the Track Record Period.

Gearing ratio

The gearing ratio is calculated as total external borrowings divided shareholders' fund. As at 31 December 2019, 2020 and 2021 and 30 June 2022, Huiyang New Energy had no external borrowings, hence it is not meaningful to present the gearing ratio.

Risk in foreign exchange

The functional currency of Huiyang New Energy is RMB in which most of the transactions are denominated. Huiyang New Energy had no significant foreign currency risk as it did not hold significant foreign currencies financial assets and liabilities for the Track Record Period.

Employees and remuneration policy

As at 31 December 2019, 2020 and 2021 and 30 June 2022, Huiyang New Energy had in aggregate 68, 66, 61 and 59 employees, respectively in the PRC. Huiyang New Energy recruited, employed, promoted and remunerated its employees based on their qualifications, experience, skills, performances and contributions. Remuneration was also determined with reference to, among others, the market trend.

Remuneration packages comprised salaries and PRC's statutory pension schemes. For the Track Record Period, the total employee costs including director's remuneration amounted to approximately RMB3,956,000, RMB2,930,000, RMB3,196,000 and RMB1,626,000 respectively.

Dividend

No dividend was declared for the Track Record Period.

Charge on assets

As at 31 December 2019, 2020 and 2021 and 30 June 2022, Huiyang New Energy's certain pipelines with carrying amounts of approximately RMB81,355,000, RMB75,506,000, RMB61,758,000 and RMB58,831,000 respectively were pledged as security for lease liabilities of its fellow subsidiary.

Contingent liabilities

Huiyang New Energy did not have any significant contingent liabilities as at 31 December 2019, 2020 and 2021 and 30 June 2022.

Business prospects

Huiyang New Energy had not introduced or announced any new products or services for the Track Record Period.

Significant investment, material acquisition and disposal of subsidiaries and associated companies

Huiyang New Energy did not have any significant investment, material acquisition or disposal of subsidiaries and associated companies for the Track Record Period.

Future plans for material investment or capital assets

Huiyang New Energy did not have any future plans for material investments or capital assets in the coming year.

Impairment of property, plant and equipment and right-of-use assets

Impairment loss of approximately RMB8,242,000, nil, RMB26,376,000 and nil had been recognised in respect of property, plant and equipment under cash-generating units for the three years ended 31 December 2021 and the six months ended 30 June 2022.

KTC Partners CPA Limited
Certified Public Accountants (Practising)
和信會計師事務所有限公司

REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Set out below is the full text of the report issued by KTC Partners CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

The Board of Directors
China CBM Group Company Limited

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**") and Global Billion Holdings Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") (the Group and the Target Group are hereafter collectively referred to as the "**Enlarged 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 assets and liabilities of the Enlarged Group as at 30 June 2022 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IV-6 to IV-8 of the circular in connection with the (1) major and connected transaction: proposed acquisition involving issue of consideration shares and convertible bonds under specific mandate; (2) proposed share consideration; (3) proposed change in board lot size; and (4) notice of SGM dated 12 December 2022 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IV-5 of the Circular.

The unaudited pro forma financial information has been complied by the Directors to illustrate the impact of the Proposed Acquisition on the Enlarged Group's consolidated statement of assets and liabilities as at 30 June 2022 as if the Proposed Acquisition had taken place at 30 June 2022. As part of this process, information about the Group's and the Target Group's consolidated assets and liabilities has been extracted by the Directors form the Company's unaudited consolidated interim financial statements for the six months ended 30 June 2022, in which no audit or review report has been published and the accountants' report on the Target Group included in Appendix IIA to this Circular, respectively.

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**").

Our 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 the Proposed Acquisition on the unadjusted financial information of the Group as if the Proposed Acquisition had taken place at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition 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.

Yours faithfully,

KTC Partners CPA Limited
Certified Public Accountants (Practising)
Hong Kong, 12 December 2022

Chow Yiu Wah, Joseph
Practising Certificate Number: P04686

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

In connection with the Proposed Acquisition, the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group, comprising the Company and its subsidiaries, (together with the "**Group**") and the Target Group, has been prepared to illustrate the effect of the Proposed Acquisition on the Group's financial position as at 30 June 2022 as if the Proposed Acquisition had taken place on 30 June 2022.

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") is prepared based on (i) the unaudited consolidated assets and liabilities of the Group as at 30 June 2022 which has been extracted from the interim report of the Group for the six months ended 30 June 2022; and (ii) the audited assets and liabilities of the Target Group as at 30 June 2022, which has been extracted from the accountants' report set out in Appendix IIA to this circular.

The Unaudited Pro Forma Financial Information has been prepared by the Directors in accordance with paragraph 7.31(1) of the GEM Listing Rules and is solely for the purpose to illustrate the assets and liabilities of the Enlarged Group as if the Proposed Acquisition had taken place on 30 June 2022.

The Unaudited Pro Forma Financial Information is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described below in the accompanying notes that are (i) directly attributable to the Proposed Acquisition; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the Directors based on certain assumptions and estimates and for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group had the Proposed Acquisition been completed as at 30 June 2022 or at any future dates.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	Note	The Group as at 30 June 2022	Target Group as at 30 June 2022	Pro Forma Adjustment		Unaudited Pro forma of the Enlarged Group
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets						
Property, plant and equipment		206,545	–			206,545
Right-of-use assets		20,302	–			20,302
Deposits and prepayments		29,596	–			29,596
Investment in an associate		–	–	6,000	(6,000)	–
		256,443	–			256,443
Current assets						
Inventories		8,821	–			8,821
Trade and other receivables		49,157	–			49,157
Tax recoverable		2,209	–			2,209
Bank balances and cash		77,622	–			77,622
		137,809	–			137,809
Assets classified as held for sale		68,497	–			68,497
		206,306	–			206,306
Current liabilities						
Trade and other payables		(215,315)	(97)			(215,412)
Other borrowings		(21,600)	–			(21,600)
Lease liabilities		(3,508)	–			(3,508)
Provision		(14,565)	–			(14,565)
		(254,988)	(97)			(255,085)
Liabilities associated with assets classified as held for sale		(98,158)	–			(98,158)
		(353,146)	(97)			(353,243)
NET CURRENT LIABILITIES		(146,840)	(97)			(146,937)
Non-current liabilities						
Lease liabilities		(398)	–			(398)
Convertible bonds		–	–		(7,726)	(7,726)
Deferred tax liabilities		(4,065)	–			(4,065)
		(4,463)	–			(12,189)
NET ASSETS/(LIABILITIES)		105,140	(97)			97,317

Notes:

1 The amounts are extracted from the unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2022 as set out in the published interim report of the Group for the six months ended 30 June 2022.

2 The assets and liabilities of the Target Group as at 30 June 2022, which have been extracted from the audited statement of financial position of the Target Group as set out in Appendix IIA to this Circular.

3 On 3 September 2022, Mr. Fan entered into a conditional sale and purchase agreement between Mr. Wang as the purchaser to acquire 100% equity interest in the Target Company. Upon completion of the such conditional acquisition, the restructuring of the shareholding structure in respect of the holding companies of Huiyang New Energy would be completed. Qinshui County Lvqiao CBM Technology Services Co., Ltd., the subsidiary of the Target Company, will hold 20% equity interest of Huiyang New Energy.

The adjustment amounted of approximately RMB6,000,000 represents the investment cost of the 20% equity interest of Huiyang New Energy in Target Group, as if the Proposed Acquisition had been completed on 30 June 2022.

4 The adjustment represents the effect of increase in equity interest of the subsidiary of the Enlarged Group as if the Proposed Acquisition had been completed on 30 June 2022.

The investment in associate of the Target Group represents the 20% equity interest of Huiyang New Energy which is a subsidiary of the Company in Enlarged Group indirectly holding total its 80% equity interest after the completion of the Proposed Acquisition.

Pursuant to the Proposed Acquisition, the Company has conditionally agreed to purchase, and Mr. Wang has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company for the consideration of HK$42,523,400 (equivalent to approximately RMB38,500,000) shall be satisfied in the following manner:

(i) HK$31,523,400, to be satisfied by the issue of 93,375,000 Consideration Shares at the price of HK$0.3376 per Consideration Share to Mr. Wang; and

(ii) HK$11,000,000, to be satisfied by the issue of the Convertible Bonds to Mr. Wang, which may be converted into 32,582,938 Consolidated Shares upon full exercise of the conversion rights under the Convertible Bonds at the conversion price of HK$0.3376 per Conversion Share.

The aggregate fair values of the Consideration Shares of approximately HK$40,338,000 (equivalent to approximately RMB34,436,000) was calculated at the adjusted price HK$0.43 (after proposed share consolidation which every eight existing shares be consolidated into one consolidated share) as if the Proposed Acquisition had taken place on 30 June 2022.

The aggregate fair values of the liability component and equity component of the Convertible Bonds of approximately HK$9,051,000 (equivalent to approximately RMB7,726,000) and HK$5,025,000 (equivalent to approximately RMB4,290,000) respectively were valued by Norton Appraisals Holdings Limited as if the Proposed Acquisition had taken place on 30 June 2022. The fair value of the liability component of the Convertible Bonds is estimate by using discount cash flow method, at the discount rate of 8.49%.

The equity component of the Convertible Bonds is estimated using Goldman Sachs' Model. The key assumptions used of the Convertible Bonds are as follows:

Conversion period start date	30 June 2022
Conversion period end date	30 June 2024
Maturity date	30 June 2024
Time to maturity	2 years
Conversion price	HK$0.43
Expected Volatility	129.70%
Expected dividend yield	Nil
Risk-free rate	2.56%
Percentage of principal amount to be repaid at redemption	100%

Upon completion, the fair value of the Convertible Bonds will be re-assessed and may be different from the estimated amounts as presented above.

The pro forma other reserve arising from the Proposed Acquisition as if had taken place on 30 June 2022 is calculated as follows:

	Notes	*RMB'000*	*RMB'000*
Share capital		6,377	
Share premium		28,059	
Total Consideration Shares at fair value			34,436
Liability component of Convertible Bonds		7,726	
Equity component of Convertible Bonds		4,290	
Total Convertible Bonds at fair value			12,016
Pro forma fair value of consideration paid for Proposed Acquisition			46,452
Add: Investment in an associate			6,000
Less: Pro forma assets of Target Group assumed in the Proposed Acquisition			(5,903)
Less: Non-controlling interests of 20% of the Huiyang New Energy			(20,572)
Other reserve			25,977

5 No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, reporting accountants, valuer, and other expenses) and the directors determined that such costs are insignificant.

6 No adjustments have been made to adjust any trading results or other transactions of the Group and the Target Group entered into subsequent to 30 June 2022.

The following is the report prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation of the entire equity interest of Huiyang New Energy as at 30 June 2022.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

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No.145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號安康商業大廈9樓901室
Tel: (852) 2529 9448 Fax: (852) 3544 5854

Date : 12 December 2022

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

Dear Sirs,

Re : Valuation of 100% equity interest of Yangcheng Huiyang New Energy Development Company Limited ("Huiyang New Energy")

INSTRUCTIONS

In accordance with the instructions from **China CBM Group Company Limited** (the "**Company**"), we have conducted a valuation of the entire issued share capital of Huiyang New Energy, a 60%-owned subsidiary of the Company. The relevant date of this valuation is **30 June 2022** (the "**Valuation Date**").

We confirm that we have made relevant enquiries and obtained such information as we consider necessary for the purpose of this analysis.

This report identifies the subject assets being transactions, describes the basis and methodology of valuation and analysis, assumptions, limiting conditions and presents our conclusion.

We must point out that this report does not constitute a technical report and does not express opinions on technologies employed by Huiyang New Energy, legal title on any of its operating assets (whether tangible or intangible), environmental issues and contractual rights involved in the business operations of Huiyang New Energy.

The opinions expressed in this report have been based on the information supplied to Asset Appraisal Limited ("**AAL**") by the Company. Whilst AAL has confirmed that the Company or the management of Huiyang New Energy has represented to AAL that full disclosure has been made of all material information and that to the best of its knowledge and understanding, such information is complete, accurate and true. AAL has no reason to doubt this representation. No responsibility is assumed by AAL for any errors or omissions in the supplied information and AAL does not accept any consequential liability arising from commercial decisions or actions resulting from them.

PURPOSE OF VALUATION

The objective of AAL is to assess the reasonable value of the equity interests of Huiyang New Energy in order to provide the Company with an independent opinion. The responsibility for determining the consideration underlying any transactions involving Huiyang New Energy or its operating assets rests solely with the Company or its subsidiaries. The results of our analysis should not be construed to be an investment recommendation. No one should rely on our report for any transaction price determination purpose or as a substitute for their own due diligence. It is inappropriate to use this report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment and underlying valuation assumptions.

BACKGROUND OF HUIYANG NEW ENERGY

Huiyang New Energy is a joint venture enterprise formed by Shanxi Yangcheng Shuntai Energy Development Company Limited ("**Shanxi Yangcheng**", a wholly-owned subsidiary of the Company), Shanxi Yangcheng Yangtai Group Industrial Company Limited ("**Yangcheng Yangtai**") and Zhengzhou Zhengcheng Energy Technology Service Company Limited ("**Zhengzhou Zhengcheng**") via a Joint Venture Agreement dated 31 December 2010. Huiyang New Energy is owned as to 60%, 20% and 20% by Shanxi Yangcheng, Yangcheng Yangtai and Zhengzhou Zhengcheng respectively. The Business License (Centralized Social Credit Code 911405225733985037) was issued to Huiyang New Energy on 28 April 2018. As mentioned in the Business License, Huiyang New Energy has a registered capital of RMB30,000,000, an authorized operating period spanning between 23 May 2011 and 23 May 2031 and an authorized scope of businesses of coalbed methanol utilization, product development and distribution. In addition, Huiyang New Energy was also accredited with the Safety Production Permit (Serial No. Jin MK An Xu Zheng Zi 2022-EYCM089DY1) on 26 October 2022 for undertaking CBM exploitation.

As provided in the Joint Venture Agreement of Huiyang New Energy dated 31 December 2010 entered into among Shanxi Yangcheng, Yangcheng Yangtai and Zhengzhou Zhengcheng, Huiyang New Energy is eligible to undertake coalbed methanol ("**CBM**") exploitation in the coal mines held by Yangcheng Yangtai in Shanxi Province.

The CBM properties being exploited by Huiyang New Energy are scattering over 12 coal mines held by Yangcheng Yangtai in Shanxi with an aggregate mining area of approximately 96 square kilometres. As at the Valuation Date, a total of 229 gas wells have been drilled of which 164 wells were active. As confirmed by the Company, all the 229 drilled wells are operational. A direct pipeline system for gas transmission has been in place for transmitting CBM from the gas fields to the gas liquefaction plant (the "**LNG Plant**") operated by a subsidiary of the Company namely Shanxi Qinshui Shuntai Energy Development Company Limited and situated at Xializhuang Village (下李莊村), Jiafeng Town (嘉峰鎮), Qinshui County (沁水縣). Besides the LPG Plant, Huiyang New Energy also supplies pipeline CBM to other customers over the region.

According to a gas resource estimation report issued by the China Coal Geology Bureau Exploration Institute (中國煤炭地質總局勘查總院) in August 2014 as updated with relevant operational records of Huiyang New Energy, the gas reserves of the CBM properties as evaluated by Huiyang New Energy are set out as follows:

Reserve Category	**Reserve evaluation as at 30 June 2022** *(billion cubic feet)*	*(billion cubic metre)*
Net 1P (Proved)	108.9	3.08
Net 2P (Proved + Probable)	154.7	4.38
Net 3P (Proved + Probable + Possible)	193.6	5.48

Set out below is the audited financial information of Huiyang New Energy for the 12-month period ended 30 June 2022 (the "**Concerned Period**") prepared according to the Hong Kong accounting standards:

(RMB)	**12-month ended 30 June 2022**	**Normalized Amount**	*Note*
Revenues	49,854,000	74,449,900	*(1) to (5)*
Operating Costs	(48,199,000)	(44,818,000)	*(6)*
Selling Expenses	(4,645,000)	(4,645,000)	
Administrative Expenses	(9,468,000)	(2,368,000)	*(7)*
EBIT	(12,458,000)	22,618,900	
Add back Depreciation and Amortization	37,831,000	37,831,000	
EBITDA	25,373,000	60,449,900	

Notes:

1. The audited amount of revenue of the Concerned Period is exclusive of the value-added tax refund of RMB4,406,000 and the amount of subsidy of RMB12,830,900 received from the Government subsequent to the Valuation Date for the volume of CBM exploited and sold by Huiyang New Energy during the Concerned Period.

2. Over the Concerned Period, Huiyang New Energy supplied CBM to certain customers at selling prices far below the market price level as prevailing over the Concerned Period under various existing agreements that have been clinched long time ago. Based on the information provided by Huiyang New Energy, the CBM transactions in question involved 2 customers with a total throughput of approximately 4,712,000m^3 and generated a total revenue of approximately RMB6,204,000. As confirmed by Huiyang New Energy, all these agreements were terminated over the Concerned Period.

3. In addition to the customers mentioned in note 2 above, Huiyang New Energy is also supplying CBM to a natural gas distribution company which is closely related to a local Government at discounted selling prices. Over the Concerned Period, the total throughput to the gas company is approximately 4,663,000m^3 and a sale revenue of approximately RMB6,870,500 was generated. As confirmed by Huiyang New Energy, similar arrangements have been operated for the past few years with annual throughput similar the level of the Concerned Period. It is confirmed by Huiyang New Energy that such arrangements shall be scaled down in the second half of this year and shall be gradually phased out thereafter. Huiyang New Energy expects that throughput to the gas distribution company would be reduced by not less than 3,000,000m^3 each year.

4. Prior to 31 December 2021, CBM was supplied by Huiyang New Energy to the LNG Plant of the Company at discounted selling prices. In entering 2022, Huiyang New Energy has rectified this pricing policy by charging the LNG Plant based on market price level. For the 6-month period ended 31 December 2021, the total throughput to and sale revenue generated from the LNG Plant are approximately 6,472,000m^3 and RMB8,016,000 respectively.

5. As confirmed by the Company, the LNG Plant was able to take up the full amount of throughput of 4,712,000m^3 mentioned in note 2 above and the expected reduced throughput of 3,000,000m^3 as mentioned in note 3 above during the Concerned Period. Based on the sale records of Huiyang New Energy, its normal CBM selling prices for the 6-month period ended 31 December 2021 and the 6-month period ended 30 June 2022 are RMB1.73/m^3 and RMB2.29/m^3 respectively. Given the aforesaid normal selling prices, the selling price difference in relation to the throughput mentioned in note 2, the expected reduced throughput mentioned in note 3 and the throughput for the 6-month period ended 31 December 2021 mentioned in note 4 above is calculated at a total amount of RMB7,359,000. Such amount is added to the reported revenue in figuring out the normalized revenue of Huiyang New Energy over the Concerned Period.

6. The audited amount of operating costs of the Concerned Period are inclusive of the costs for technical overhaul with an amount of RMB3,381,000 which, as confirmed by the Company, is an one-off payment and is non-recurring in nature.

7. The audited amount of administrative expenses of the Concerned Period are inclusive of the legal costs and penalty in relation to legal proceedings and administrative enforcement actions with a total amount of approximately RMB7,100,000 which, as confirmed by the Company, is an one-off payment and is non-recurring in nature.

As at 30 June 2022, the reported total assets and the net assets / (liabilities) of Huiyang New Energy are reported at RMB357,007,000 and RMB(102,860,000) respectively.

BASIS OF ANALYSIS

This analysis has been undertaken on the basis of fair value. International Financial Reporting Standard 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

SOURCE OF INFORMATION

In the course of our analysis, we have been furnished by the Company with the financial and operational information of Huiyang New Energy.

We made reference to or reviewed the following major documents and data:

1. the historical operating data of Huiyang New Energy in relation to its CBM exploitation operations;

2. related government policies and relevant licenses in the gas industry in the PRC;

3. audited financial information and the financial positions of Huiyang New Energy of financial years 2021 and the first 6 months of 2022; and

4. descriptions of operating assets held and engaged by Huiyang New Energy in undertaking its normal operations.

We assumed that the data and information we obtained in the course of our analysis, along with the opinions and representations provided to us by the Management are true, accurate and complete and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading.

In addition, we have also obtained market data, industrial information and statistical figures from Bloomberg database and other publicly available sources.

SCOPE OF WORK AND KEY ASSUMPTIONS

Our investigation included discussion with the Management with regard to the history, operation and prospects of the businesses of Huiyang New Energy, an overview of certain financial data, an analysis of the industry and competitive environment, analysis of historical and prospective financial results, an analysis of comparable transactions and review of transaction documents, operating statistics and other due diligence documents.

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the PRC and specific competitive environments affecting the industry;
- the legal and regulatory issues of the industry in general;
- the business risks of Huiyang New Energy;
- the price multiples of the comparable companies engaging in business operations similar to Huiyang New Energy; and
- the experience of the management team of Huiyang New Energy and support from its shareholders.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- there will be no material changes in the laws, rules or regulations, financial, economic, market and political conditions where Huiyang New Energy operates which may materially and adversely affect its businesses;
- there will be no major changes in the current taxation law in the PRC;
- Huiyang New Energy shall fulfill all legal and regulatory requirements necessary to conduct its normal course of businesses;
- Huiyang New Energy shall not be constrained by the availability of finance and there will be no material fluctuation of the finance costs;
- Huiyang New Energy shall have uninterrupted rights to operate its existing businesses during the unexpired term of its authorised operating period, if any;
- the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations;
- Huiyang New Energy shall retain competent management, key personnel and technical staff for its operations and the relevant shareholders will support its ongoing operations;
- Huiyang New Energy has obtained all necessary permits, approvals and technical credentials to carry out its businesses and its ancillary services and shall be entitled to renew those permits and approvals upon their expiry subject to no legal impediment and costs of substantial amount;

- except those stated in the audited financial statement, Huiyang New Energy is free and clear of any lien, charge, option, pre-emption rights or other encumbrances or rights whatsoever; and
- the estimated fair value does not include considerations of any extraordinary financing or income guarantees, special tax considerations or any other typical benefits which may influence the ordinary business enterprise value of Huiyang New Energy.

VALUATION METHODOLOGY

In the appraisal of Huiyang New Energy, we have considered three generally accepted approaches namely Cost Approach, Income Approach and Market Approach.

Cost approach establishes value based on the cost of reproducing or replacing the assets less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent assets with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established market may be appraised by this approach.

Given the nature of the business operations of Huiyang New Energy and the availability of market information, it is considered that the market approach is the most optimal approach to value Huiyang New Energy. Both the cost approach and the income approach have been disclaimed and have also not been engaged as secondary approach to cross-check the valuation results derived from the market approach.

Under the cost approach (also known as the asset based approach), the fair value of equity interest is determined based on the replacement costs or reproduction costs of assets rather than the ability to generate streams of benefits in the future. As the economic value of Huiyang New Energy is mainly attributable to its ability to generate revenues through its products and services but not the value or replacement costs of its assets, the cost approach is incapable to reliably reflect the value of its equity interest. Therefore, this approach has been disclaimed as both primary valuation approach and secondary approach for counter-checking purpose.

Under the income approach, the fair value of equity interest is the function of future net cash flows that can be generated from the business operations of Huiyang New Energy and the discount rate by which the future net cash flow stream is discounted to present values. The reasonableness of the fair value determined by the income approach depending on the estimation of various projected inputs including but not limiting to CBM throughput, product and service pricing, operating costs and its growth rates over the projection period. Despite the fact that a business plan has been prepared by the management of Huiyang New Energy, given the uncertainty and dynamic nature of gas businesses, it is difficult to form a reliable basis for estimating various projection inputs. Furthermore, as discussed with the management of Huiyang New Energy, there is tremendous uncertainty in the future market on gas trading. In the absence of relative solid and certain business projection, the reliability of the results from the income approach would be greatly impaired. Hence, the income approach has been disclaimed as both primary valuation approach and secondary approach for counter-checking purpose.

Huiyang New Energy, as a CBM producer, has sufficient track records and has participated in the sector for more than 3 years. As advised by the Company, Huiyang New Energy is expected to sustain its existing business operations in long term in the future. Therefore, we concur with the view of the management of the Company that market approach is the most optimal approach in pricing Huiyang New Energy.

The market approach determines the fair value of the assets by reference to the transaction prices, or "valuation multiples" implicit in the transaction prices, of identical or similar assets on the market. A valuation multiple is a multiple determined by dividing the transaction price paid for similar business enterprises by a financial parameter, such as historical or prospective turnover or profit at a given level. Valuation multiples are applied to the corresponding financial parameter of the subject asset in order to value it. Adjustments are required to the transaction prices or valuation multiples to reflect the differentiating characteristics of the business enterprises and the comparable business enterprises for which the transaction prices or valuation multiples are known.

In valuing Huiyang New Energy, we have employed the Guideline Public Company Method. By this method, valuation is based on trading multiples derived from publicly traded companies that are engaged in business operations similar to Huiyang New Energy.

Selection of Comparable Companies

Several listed entities engaging in similar line of businesses have been identified and their share trading price ratios against various economic measures have been analysed for comparison purpose.

In selecting appropriate comparable companies, we have adopted the following selection criteria, all of which must be satisfied:

- the company must be a gas exploitation operator;

- the company's share trading prices and financial information are publicly available;
- the company has more than 50% revenues generated from gas and gas related operations;
- the operating profit for the latest 12 months financial reporting period is positive; and
- the company's shares have more than 2 years' exchange trading history as newly listed stocks have relatively higher potential to be traded at unreasonable price level.

Given the above selection criteria, the following comparable companies have been identified for comparison purpose:

Ticker	Company Name	Description of Business
FDE FP	Francaise Energie	La Francaise de l Energie SA is a France-based company, which is active in the gas exploration. It is holding the prospective resources equivalent to nearly 10 years of French national consumption. It uses, never used in France and Europe before, a technique for gas exploration: multilateral well drilling. It transforms a coal bed methane gas into a strategic, clean energy.
PHX US	PHX Minerals Inc	PHX Minerals Inc. is a natural gas and oil mineral company. It is an owner and manager of perpetual natural gas and oil mineral interests in resource plays in the United States. It also owns interests in leasehold acreage and non-operated working interests in natural gas and oil properties. Exploration and development of its oil and natural gas properties are conducted by third-party oil and natural gas exploration and production companies. Its focus is on growth through mineral acquisitions and development of its mineral acreage inventory in its core areas of focus, which include the SCOOP, STACK and Arkoma Stack plays in Oklahoma, the Permian Basin in Texas and New Mexico, the Haynesville and Eagle Ford plays in Texas, and the Bakken/Three Forks play in North Dakota. It also has approximately 575 net royalty acres located primarily in Caddo and DeSoto Parishes, Louisiana.

NWMD IT	Newmed Energy LP	Delek Drilling LP (The Partnership) is an Israel-based company engaged in oil and gas exploration, development and production in Israel, as well as in oil and gas exploration in the territorial waters of Cyprus. The Company operates in partnership with Delek Drilling Management (1993) Ltd and Delek Drilling Trusts Ltd. The Partnership's holdings include Yam Tethys Ltd, Delek Driling (Leviatan Finance) Ltd, Delek Driling (Yam Tethys Finance) Ltd, Delek and Avner Yam Tethys Ltd and Delek Driling (Tamar Finance) Ltd. The Partnership's operations mainly focus on supplying natural gas from the Ashkelon lease (the Mari B reservoir) in the Yam Tethys project, developing the Tamar and Noa gas reservoirs, exploration and development of the satellite reservoirs of the Mari B reservoir (the Pinnacles), appraisal at the Leviathan reservoir, exploration in the territorial waters of Cyprus and exploration in areas covered by licenses in which the Partnership owns.
TOEN IT	Tomer Energy Royalties 2012 Ltd	Delek Royalties 2012 Ltd is an Israel-based company, which operates as an independent exploration and production company. It explores and produces natural gas assets.
RATI IT	Ratio Energies Finance LP	Ratio Energies LP, formerly known as Ratio Oil Exploration 1992 LP is an Israel-based company. It holds two plots in which it is actively exploring for gas and petroleum. In addition, the Company has a partnership in a few exploration fields: Mad Yavne (12.3%), Sarit (25%), Rachel (15%), Amit (15%), Hanna (15%), David (15%), Eran (15%) and Gal (90%).
ALGS IT	Alon Gas Energy Development Ltd	Alon Gas Energy Development Ltd, formerly known as Alon Natural Gas Exploration Lt, is an Israel-based company prioperates in area of exploration, development and production of crude oil and natural gas. It is a subsidiary of Alon Holdings Blue Square Israel Ltd.

Selection of Price Multiples

Under market approach, price multiples are the tools for conducting comparison. A valuation multiple is a ratio that relates share value to some economic measures of the comparable companies. Typical price multiples commonly used are:

- Price-to-Book Value Ratio (PB Ratio);
- Price-to-Sales Ratio (PS Ratio); and
- Enterprise Value-to-Earnings before Interest, Tax, Depreciation and Amortization (EV/EBITDA Ratio).

In view of the nature of business operations of Huiyang New Energy, PB Ratio is considered not appropriate for this valuation on the ground that Huiyang New Energy, which are not an investment holding company, has its fair value being determined based on its abilities to generate future income streams rather than the costs of replacement of its assets and liabilities. The company specific advantages are not captured in Price-to-Book Value Ratio. The PS Ratio is also considered not appropriate for this valuation since revenues may not consider the cost structure and profitability (which are considered primary factors affecting the value of a company of the same kind).

Therefore, we have employed the EV-to-EBITDA Ratio based on publicly available information including Bloomberg database and the financial statements and announcements of respective comparable companies, because it relates the business value of a company to its profitability. EV-to-EBITDA Ratio is considered to be more appropriate to Price-to-Earnings Ratio (PE Ratio) on the ground that EV-to-EBITDA Ratio is neutral to the choice of capital structure, depreciation and amortization policy and is more suitable for valuation of gas companies which are normally fixed asset intensive. Considering that the capital structure, amortization and depreciation policy may have great variation among comparable companies and Huiyang New Energy, EV-to-EBITDA Ratio is considered to be the most appropriate measure to value Huiyang New Energy.

EV-to-EBITDA Ratio

EV-to-EBITDA ratios of the selected comparable companies are listed as follows:

Company Ticker	Currency	Market Capitalization[1] *(million)*	Enterprise Value (EV)[2] *(million)*	Trailing 12-Month EBITDA[3] *(million)*	EV-to-EBITDA Ratio
FDE FP	EUR	264.85	296.40	16.36	18.11
PHX US	US$	107.09	132.10	18.16	7.27
NWMD IT	US$	2,810.20	4,753.19	697.23	6.82
TOEN IT	ILS	157.57	370.31	48.35	7.66
RATI IT	US$	793.32	1,363.16	225.40	6.05
ALGS IT	US$	114.44	181.96	32.69	5.57
				Sample Mean	8.58

Notes:

1. Market capitalization of each of the companies is based on the respective share closing price as at 30 June 2022.

2. Enterprise value represents the market capitalization plus gross debt, non-controlling interests, preferred shares less cash and cash equivalents.

3. Trailing 12-month EBITDA of each of the comparable companies covers the following period:

Comparable Company	**Trailing 12-month period**
FDE FP	1 July 2021 to 30 June 2022
PHX US	1 July 2021 to 30 June 2022
NWMD IT	1 July 2021 to 30 June 2022
TOEN IT	1 October 2020 to 30 September 2021
RATI IT	1 July 2021 to 30 June 2022
ALGS IT	1 July 2021 to 30 June 2022

Determination of Share Equity Value of Huiyang New Energy

The above determined EV-to-EBITDA ratio is taken as the expected multiple for determination of the enterprise value of Huiyang New Energy as at 30 June 2022. Based on the audited financial statement of Huiyang New Energy for the 12-month period ended **30 June 2022**, the equity value of Huiyang New Energy is determined as follows:

In RMB	**Fair Value**
Normalized Trailing 12-Month EBITDA	60,449,900
EV-to-EBITDA ratio	8.58
Enterprise Value	518,660,142
Add cash	1,380,000
Add prepayment paid to contractors	13,613,000
Add amounts due from fellow subsidiaries	128,769,000
Less amount due to a director	(17,382,000)
Less payable to contractors	(62,220,000)
Less amount due to intermediate holding company	(24,264,000)
Less amount due to immediate holding company	(66,351,000)
Less amount due to fellow subsidiaries	(279,980,000)
100% Equity Value	212,225,142
Round to	**212,000,000**

LIMITING CONDITIONS

During the course of our valuation, we have reviewed the financial information, management representations and other pertinent data and the information made available to us. We have no reason to doubt the truth and accuracy of the information provided to us. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We shall not be required to give testimony or attendance in court or to any government agency by reason of this analysis and with reference to the project described herein unless prior arrangements have been made. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the business enterprise and its operating assets valued. In this valuation, it is presumed that, unless otherwise noted, the owners' claim is valid, the property rights are good and marketable, and there are no encumbrances which cannot be cleared through normal processes.

No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond that customarily employed by us.

Our conclusions assume continuation of prudent management policies over whatever period of time considered to be necessary in order to maintain the character and integrity of the assets valued. We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect its market value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

We do not investigate any industrial safety and health related regulations in association with the business operations in question. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the government legislation and guidance.

No allowance has been made in our valuation for any off-balance sheet charges, debts or amounts owing on the assets valued nor for any expenses or taxation which may be incurred in effecting a sale. It is assumed that the assets valued are free from any off-balance sheet encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

CONCLUSION OF ANALYSIS

Based on the investigation and analysis stated above, the fair value of 100% equity interest of Huiyang New Energy as at the Valuation Date is reasonably represented by an amount of **RMB212,000,000 (RENMINBI YUAN TWO HUNDRED AND TWELVE MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interest in the Company, Huiyang New Energy and the opinion reported.

This analysis was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

This valuation has been performed in compliance with the International Valuation Standards effective 31 January 2021 and issued by the International Valuation Standards Council.

We have not investigated the title to or any liabilities against the asset appraised.

Yours faithfully,
For and on behalf of
Asset Appraisal Limited

Tse Wai Leung
CFA MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a holder of Chartered Financial Analyst (CFA). He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC. He has previous experiences in valuing mining projects in the PRC and the Asian Pacific Regions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars 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 not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:		*HK$*
20,000,000,000	Existing Shares of HK$0.01 each	200,000,000
Issued and fully paid or credited as fully paid:		*HK$*
2,078,000,248	Existing Shares of HK$0.01 each	20,780,002

Immediately upon completion of the Share Consolidation and after the allotment and issue of the Consideration Shares (assuming no Conversion Shares have been allotted and issued), the authorised and issued share capital of the Company will be as follows:

Authorised:		*HK$*
2,500,000,000	Consolidated Shares of HK$0.08 each	200,000,000
Issued and fully paid or credited as fully paid:		*HK$*
259,750,030	Consolidated Shares of HK$0.08 each	20,780,002
93,375,000	Number of Consideration Shares to be issued	7,470,000
353,125,030		28,250,002

Immediately upon completion of the Share Consolidation and after the allotment and issue of the Consideration Shares and the Consolidated Shares (assuming full conversion of the Convertible Bonds), the authorised and issued share capital of the Company will be as follows:

Authorised:		*HK$*
2,500,000,000	Consolidated Shares of HK$0.08 each	200,000,000
Issued and fully paid or credited as fully paid:		*HK$*
259,750,030	Consolidated Shares of HK$0.08 each	20,780,002
93,375,000	Number of Consideration Shares to be issued	7,470,000
32,582,938	Number of Conversion Shares to be issued	2,606,635
353,707,968		30,856,638

All the issued Shares rank *pari passu* with each other in all respects including the rights in respect of capital, dividends and voting.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares. The Consideration Shares and the Conversion Shares to be allotted and issued shall rank *pari passu* among themselves and with all the Shares in issue on the Completion Date.

Subject to the granting of the approval of listing of, and permission to deal in, the Conversion Shares and the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Conversion Shares and the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Conversion Shares and the Consolidated Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

3. 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 Existing Shares and the underlying shares

Name	Capacity	Nature of interest	Number of Existing 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	1,353,566,412 (L)	65.14%

(L) denotes long position

Note: 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 Existing 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 Existing Shares

Name	Number of Existing Shares	Nature of interest	Approximate percentage of shareholding
Ms. Zhao Xin *(Note)*	1,371,684,912 (L)	Interest of spouse	66.01%

(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 Enlarged Group.

4. 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 Enlarged Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

5. 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 Enlarged Group or has any other conflict of interests which any person has or may have with the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged 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 Enlarged Group.

7. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save for Mr. Wang's interest in the Sale and Purchase Agreement, no contract or arrangement of significance in relation to the Enlarged 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 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 2021, the date to which the latest published audited financial statements of the Enlarged Group were made up, up to and including the Latest Practicable Date.

8. EXPENSES

The expenses in connection with the Proposed Acquisition, including financial, legal and other professional advisory fees, printing and translation expenses are estimated to be approximately HK$1.5 million and will be payable by the Company.

9. MATERIAL CONTRACTS

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

(i) 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;

(ii) the conditional sale and purchase agreement dated 30 June 2021 entered into between 香港中和能源產業投資有限公司 (Hong Kong Chung Wo Energy Investments Limited), 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) 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.#) for a cash consideration of RMB73,984,445 (excluding payment of tax);

(iii) the conditional sale and purchase agreement dated 2 December 2021 entered into between 廣西聯富商務服務有限公司 (Guangxi Lianfu Business Service Co., Ltd.), a wholly-owned subsidiary of the Company, and 孫桂蘭 (Sun Guilan) as vendor and 廣西銅州能源有限公司 (Guangxi Tongzhou Energy Co., Ltd. as purchaser in relation to, among others, the sale and purchase of 100% equity interest in 廣西北流燃氣有限公司 (Guangxi Beiliu Gas Co., Ltd.) for a cash consideration of RMB80,000,000; and

(iv) the Sale and Purchase Agreement.

10. QUALIFICATIONS AND EXPERT'S CONSENT

The following are the qualifications of the expert who has been named in this circular or has given opinion or letter contained in this circular:

Name	Qualifications
Asset Appraisal Limited	Independent valuer
KTC Partners CPA Limited	Certified Public Accountants
Silverbricks Securities Company Limited	A corporation licensed to carry on Type 1 (dealing in securities), 2 (dealing in futures contracts) and 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Enlarged 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 Enlarged Group.

As at the Latest Practicable Date, each of the above experts did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2021 (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 Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Each of (i) the letter from Silverbricks Securities Company Limited; (ii) the accountants' report of the Target Group and Huiyang New Energy set out in Appendix II; (iii) the report on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV; and (iv) the valuation report of Huiyang New Energy set out in Appendix V is given as of the date of this circular for incorporation herein.

11. 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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. Set out below are the background of members of the Audit Committee.

Mr. Lau Chun Pong ("**Mr. Lau**"), aged 48, was appointed as an independent non-executive director on November 2017. Mr. Lau graduated from the University of California, Los Angeles with a Bachelor of Arts degree in Business Economics in 1997. Mr. Lau is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lau has extensive experience in accounting, auditing and corporate finance. He was (i) the qualified accountant and company secretary of Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司) (listed on the GEM of the Stock Exchange with stock code: 8301) from April 2005 to May 2006; (ii) the financial controller and company secretary of We Solutions Limited (former names: Ming Fung Jewellery Group Limited and O Luxe Holdings Limited) (listed on the Main Board of the Stock Exchange with stock code: 860) from June 2008 and November 2008 respectively to November 2017; (iii) the group financial controller and company secretary of AV Promotions Holdings Limited (listed on the

GEM of the Stock Exchange with stock code: 8419) from June 2018 to June 2019; and (iv) the company secretary of Grand T G Gold Holdings Ltd（大唐潼金控股有限公司）(listed on the GEM of the Stock Exchange with stock code: 8299) from January 2019 to February 2020. Mr. Lau is currently the Company Secretary and Chief Financial Officer of Clifford Modern Living Holdings Limited (listed on the Main Board of the Stock Exchange with stock code: 3686), and the independent non-executive director of China Longevity Group Company Limited（中國龍天集團有限公司）(listed on the Main Board of the Stock Exchange with stock code: 1863).

Mr. Wang Zhi He ("**Mr. Wang ZH**"), aged 74, has been an independent non-executive director of the Company since August 2006. Mr. Wang ZH is a senior accountant. Mr. Wang ZH graduated from Anhui University of Finance and Economics in February 1972, and was assigned to finance department of Anhui Huaibei Mining Bureau and worked as a commissioner, deputy section chief, section chief, deputy director and director. Mr. Wang ZH was transferred to the Ministry of Coal Industry in May 1995, and worked as a director of Asset Capital Management Division and State-owned Assets Management department. In October 1997, Mr. Wang ZH was re-designated as a chief accountant of China Coal Construction Group Corporation, and worked as a deputy general manager and chief accountant in May 1999. Mr. Wang ZH was transferred to Zhonglian Gas Company Limited and worked as a chief accountant in March 2004. Mr. Wang ZH has years of relevant experience.

Mr. Xu Yuan Jian ("**Mr. Xu**"), aged 48, was appointed as an independent non-executive director on August 2019. Mr. Xu graduated from Beijing Normal University with a bachelor's degree in Chemistry in 1994. He pursued the doctorate in the National University of Singapore from 1997 to 2000. Mr. Xu has years of working experience in research areas of organic chemical technology as well as in physiochemical treatment for organic pollutants.

(g) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

12. DOCUMENTS ON DISPLAY

Copies of the following documents are available on the website of the Company at https://mediumir.com/c08270/en/index.php and on the website of the Stock Exchange from the date of this circular up to and including the date of SGM:

(a) the Sale and Purchase Agreement, being the contract pertaining to the transaction disclosed in this circular;

(b) the letter from the Board as set out in this circular;

(c) the letter from the Independent Board Committee as set out in this circular;

(d) the letter from the Independent Financial Adviser as set out in this circular;

(e) the accountant's report of the Target Group and Huiyang New Energy as set out in Appendices IIA and IIB respectively to this circular;

(f) the report of the unaudited pro forma financial information of the Enlarged Group, the text of which as set out in Appendix IV to this circular;

(g) the valuation report of Huiyang New Energy, the text of which as set out in Appendix V to this circular;

(h) the written consent of the expert as referred to in the section headed "Qualifications and Expert's Consent" of this appendix; and

(i) 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, Main Building, Lizhuang Village, Jiafeng Town, Qinshui County, Jincheng City, Shanxi Province, PRC on Tuesday, 3 January 2023 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** subject to and conditional upon, among others, the granting by the Stock Exchange of the listing of, and permission to deal in, the issued ordinary shares of the Company consolidated in the manner as set out in paragraph (a) of this resolution below (the "**Share Consolidation**"):

   (a) with effect from the business day immediately following the date on which this resolution is passed, being a day on which shares are traded on the Stock Exchange, every eight issued and unissued ordinary shares of HK$0.01 each in the share capital of the Company (the "**Existing Shares**") be consolidated into one share of HK$0.08 (each a "**Consolidated Share**"), such Consolidated Shares shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the Bye-laws of the Company;

   (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (the "**Directors**") of the Company may think fit; and

   (c) the Directors be and are generally authorised to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary, desirable or expedient to give effect to the foregoing arrangements for the Share Consolidation."

2. “**THAT**:

(a) subject to the fulfillment of the terms and conditions set out in the agreement for sale and purchase dated 30 September 2022 (the “**Sale and Purchase Agreement**”, a copy of which has been produced to the SGM and initialled by the chairman of the Meeting (the “**Chairman**”) for identification purpose) entered into between the Company and Mr. Wang Zhong Sheng (“**Mr. Wang**”) in relation to the proposed acquisition (the “**Proposed Acquisition**”) of the entire issued share capital of the Global Billion Holdings Limited (the “**Target Company**”), at a total consideration of HK$42,523,400, which shall be satisfied by way of (i) allotment and issue of 93,375,000 Consolidated Shares (the “**Consideration Shares**”) to Mr. Wang to settle part of the consideration of the Proposed Acquisition at completion of the Proposed Acquisition (“**Completion**”); and (ii) issue of the convertible bonds in the principal amount of HK$11,000,000 to Mr. Wang or his nominee(s) upon Completion to satisfy part of the consideration pursuant to the Sale and Purchase Agreement (“**Convertible Bonds**”) be and are hereby approved, confirmed and ratified;

(b) the issue of the Convertible Bonds by the Company to Mr. Wang (or at his direction) to settle part of the consideration payable by the Company under the Sale and Purchase Agreement in accordance with the terms and conditions of the Sale and Purchase Agreement and all transactions contemplated be and is hereby approved;

(c) the allotment and issue of a maximum number of up to 32,582,938 Consolidated Shares (the “**Conversion Share(s)**”) in the share capital of the Company at the initial conversion price of HK$0.3376 per Conversion Share which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds to the relevant holder(s) of the Convertible Bonds be and are hereby approved;

(d) the allotment and issue of the Consideration Shares at the issue price of approximately HK$0.3376 per Consideration Share by the Company to Mr. Wang (or at his direction) to settle part of the consideration payable by the Company under the Sale and Purchase Agreement in accordance with the terms and conditions of the Sale and Purchase Agreement and all transactions contemplated be and is hereby approved;

(e) subject to The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares to be allotted and issued, the Directors be and are hereby granted a specific mandate (the "**Specific Mandate**") to allot and issue the Consideration Shares and the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds pursuant to the Sale and Purchase Agreement. The Specific Mandate is in addition to, and shall not prejudice nor revoke any existing or such other general or special mandates which may from time to time be granted to the Directors prior to passing of this resolution; and

(f) any of the Director be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents, instruments and agreements (whether under common seal or not) and to take all steps and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Sale and Purchase Agreement and the transactions contemplated thereunder as he/she may in his/her absolute discretion consider necessary, desirable or expedient to give effect to the Sale and Purchase Agreement and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."

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

Hong Kong, 12 December 2022

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 17/F, Far East Finance Centre, 16 Harcourt Road, 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.