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China Leason CBM & Shale Gas Group Company Limited **中國聯盛煤層氣頁岩氣產業集團有限公司**

(formerly known as China Leason Investment Group Co., Limited 中國聯盛投資集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8270)

MAJOR TRANSACTION IN RELATION TO FINANCE LEASE ARRANGEMENT

FINANCE LEASE ARRANGEMENT

On 21 May 2012, Qinshui Energy, a direct wholly-owned subsidiary of the Company entered into, among other things, the Finance Lease Agreement with CIMC, pursuant to which (i) Qinshui Energy conditionally agreed to sell and CIMC conditionally agreed to purchase the Equipments for a total consideration of RMB95,000,000 (approximately HK\$117,283,950.62); and (ii) Qinshui Energy conditionally agreed to lease from CIMC, and CIMC conditionally agreed to lease to Qinshui Energy, the Equipments for a total lease consideration of RMB114,570,000 (approximately HK\$141,444,444.44) for a term of 36 months by monthly installments inclusive of interest with a lump sum handling fee in the sum of RMB950,000 (approximately HK\$1,172,839.51). The lease consideration may be adjusted according to the floating lending interest rate to be promulgated by PBC from time to time.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios of the Finance Lease Arrangement exceed 25% but less than 100%, the Finance Lease Arrangement constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. Therefore, the Finance Lease Arrangement is subject to the requirements of announcement and the approval of the Shareholders by way of poll at the EGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any interest in the Finance Lease Arrangement and no Shareholder is required to abstain from voting at the EGM.

A circular containing, among other things, further details of the Finance Lease Arrangement is expected to be dispatched to the Shareholders no later than 30 June 2012 for the Company requires additional time to prepare and finalise the information to be contained in the circular, including, among other things, the audited financial information of the Group for the year ended 31 December 2011.

THE FINANCE LEASE AGREEMENT

Date

21 May 2012

Parties

Lessee: Qinshui Energy, a direct wholly-owned subsidiary of the Company

Lessor: CIMC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, CIMC, a company principally engaged in the business of financial leasing, and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the Finance Lease Agreement, (i) Qinshui Energy conditionally agreed to sell and CIMC conditionally agreed to purchase the Equipments for a total consideration of RMB95,000,000 (approximately HK\$117,283,950.62); and (ii) Qinshui Energy conditionally agreed to lease from CIMC, and CIMC conditionally agreed to lease to Qinshui Energy, the Equipments for a total lease consideration of RMB114,570,000 (approximately HK\$141,444,444.44) for a term of 36 months by monthly installments inclusive of interest, with a lump sum handling fee in the sum of RMB950,000 (approximately HK\$1,172,839.51). However, the lease consideration may be adjusted according to the floating lending interest rate to be promulgated by PBC from time to time as detailed in the paragraph headed "Consideration for the lease of Equipments" below.

Subject matter

The Equipments to be sold by Qinshui Energy to CIMC and thereafter to be leased by Qinshui Energy from CIMC pursuant to the Finance Lease Arrangement. These equipments and facilities are mainly for purpose of liquefying natural gas in the LNG factory of the Group located in Qinshui, Shanxi Province, PRC.

The total net book value of the Equipments as at 31 December 2011 was RMB132,390,281. An accounting loss of RMB37,390,281 is expected to incur for the Finance Lease Agreement, which represents the sales consideration over the total unaudited net book value of the Equipments.

Lease period

The lease consideration would be payable to CIMC by Qinshui Energy by monthly installments for a term of 36 months, commencing on the date that the relevant lease payment be paid by Qinshui Energy tentatively upon the execution of the certificate for the transfer of ownership of the Equipments.

Consideration for the sale of the Equipments

The consideration payable by CIMC to Qinshui Energy for the purchase of the Equipments is RMB95,000,000 (approximately HK\$117,283,950.62) which shall be settled within five business days upon receipt of the valid certificate for the transfer of the ownership of the Equipments by CIMC and the completion of the registration of the pledges in the following manner:

1. RMB47,500,000 (the "First Payment") at the request of Qinshui Energy and its associate. The First Payment shall be used by an associate of Qinshui Energy to acquire equipments for drilling and pipeline transmission projects from third party equipment suppliers, and shall be paid directly by CIMC to such third party equipment suppliers; and

2. RMB47,500,000 (the “**Second Payment**”) at the request of Qinshui Energy. The Second Payment shall be used by Qinshui Energy to acquire equipments for the second phrase of the liquefied natural gas expansion project, and shall be paid directly by CIMC to such third party equipment suppliers.

Consideration for the lease of the Equipments

The total lease consideration of the Equipments payable by Qinshui Energy to CIMC is RMB114,570,000 (approximately HK\$141,444,444.44) for a term of 36 months by monthly installments inclusive of interest, with a lump sum handling fee in the sum of RMB950,000 (approximately HK\$1,172,839.51) which shall be directly deducted from the First Payment. The lease consideration may be adjusted according to the floating lending interest rate to be promulgated by PBC from time to time, that is, the said annual lease interest rate shall be increased/decreased by the same percentage point of change of the floating lending interest rate to be promulgated by PBC from time to time.

Qinshui Energy shall pay an amount of RMB14,250,000 (approximately HK\$17,592,592.59) as warranty money to CIMC which shall be directly deducted from the First Payment payable by CIMC to Qinshui Energy. If Qinshui Energy commits any breach causing penalty or damages, CIMC will deduct such penalty and damages from the warranty money. Qinshui Energy has the option to set off any outstanding lease consideration against the warranty money and any balance thereof will be refunded to Qinshui Energy without interest upon expiry of the lease period.

The consideration under the Finance Lease Agreement (including the consideration for the sale of the Equipments and the consideration for the lease of the Equipments) was determined after arm’s length negotiations between Qinshui Energy and CIMC with reference to the prevailing market price and rate for finance leases of comparable Equipments. It is expected that the funding of the lease consideration will be financed by the Company’s internal financial resources.

The Directors (including the independent non-executive Directors) consider that the terms of the Finance Lease Agreement are fair and reasonable and on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

Condition precedent

The Finance Lease Agreement shall take effect subject to and conditional upon the Company obtaining all necessary or appropriate approval and consent as may be required by it as a company listed on GEM.

Ownership

Subject to Qinshui Energy having duly and satisfactorily performed all its obligations under, and upon the expiry of, the Finance Lease Agreement, Qinshui Energy has an option to purchase the Equipments from CIMC for the Nominal Purchase Price of RMB100.

Pledges and Guarantees

It was agreed between the parties to the Finance Lease Agreement that Qinshui Energy shall pledge Assets I and Guangxi Beiliu shall pledge Assets II to CIMC, respectively to secure due payment by Qinshui Energy under the Finance Lease Agreement.

On 21 May 2012, each of the Company, Luoyang Shunhe, Shanxi Logistics, Hebei Shuntai, Yangcheng Huiyang and Shanxi Yangcheng entered into a guarantee in favour of CIMC to secure due payment by Qinshui Energy to CIMC in accordance with the Finance Lease Agreement. Each of the guarantees will take effect upon the Company obtaining all necessary or appropriate approval and consent as may be required by it as a company listed on GEM.

According to the Finance Lease Agreement, CIMC shall have the right to require additional guarantees in the circumstances where (i) the credibility of Qinshui Energy or its guarantors has dropped; or (ii) the value of the pledged assets has dropped; or (iii) other circumstances arise rendering it reasonable for CIMC to require additional protection.

THE SHARE PLEDGE AGREEMENT

In connection with the Finance Lease Arrangement, the Company entered into the Share Pledge Agreement on 21 May 2012, pursuant to which the Company conditionally agreed to pledge its 93.33% shareholding in Qinshui Energy in favour of CIMC to secure due payment by Qinshui Energy in accordance with the Finance Lease Agreement, and the two finance lease agreements entered into between Qinshui Energy and CIMC dated 2 December 2010, the three finance lease agreements entered into between Shanxi Logistics and CIMC dated 2 December 2010 (details of which were set out in the circular of the Company dated 24 January 2011). The Share Pledge Agreement shall take effect upon the Company obtaining all necessary or appropriate approval and consent as may be required by it as a company listed on GEM.

INFORMATION OF THE GROUP

The Group is principally engaged in the sale of natural gas in the PRC. As at the date of this announcement, the Company has 3,942,505,023 Shares in issue, outstanding convertible bonds with principal amount of HK\$291,000,000 convertible into 1,119,230,769 Shares and options to subscribe for 215,220,000 Shares granted under the share option scheme of the Company. Save for the above, there are no securities of the Company in issue as at the date of this announcement.

INFORMATION OF CIMC

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, CIMC, a company principally engaged in the business of financial leasing, and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Company's LNG plant in Qinshui will be subject to lower gas supply risks and also enjoy a higher utilization rate once the drilling program of the Group ramps up and pipeline transmission project in Yangcheng Huiyang completes. Moreover, in view of the optimistic outlook of natural gas demand in China, Qinshui Energy will eventually benefit from a stronger volume growth after the completion of second phrase of the LNG expansion project, promoting earnings contribution to the Group.

The Directors (including the independent non-executive Directors) are of the opinion that the Finance Lease Arrangement was entered into on normal commercial terms after arm's length negotiation and the terms of the Finance Lease Arrangement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Finance Lease Arrangement and is required to abstain from voting on the board resolutions approving the Finance Lease Arrangement.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios of the Finance Lease Agreement and the transactions contemplated thereunder exceed 25% but less than 100%, the Finance Lease Agreement and the transactions contemplated thereunder constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. Therefore, the Finance Lease Agreement and the transactions contemplated thereunder are subject to, among other things, the requirements of announcement and the approval of the Shareholders by way of poll at the EGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any interest in the Finance Lease Arrangement and no Shareholder is required to, among other things, abstain from voting at the EGM.

A circular containing, among other things, further details of the Finance Lease Arrangement is expected to be dispatched to the Shareholders no later than 30 June 2012 for the Company requires additional time to prepare and finalise the information to be contained in the circular, including, among other things, the audited financial information of the Group for the year ended 31 December 2011.

DEFINITIONS

In this announcement, the following terms shall have the meanings set out below, unless the context otherwise requires:

“Assets I”	properties situated at Lizhuang Village, Jiafeng Town, Qinshui County, Pucheng City, Shanxi Province, the PRC (山西省晉城市沁水縣嘉峰鎮李莊村) and the Equipments
“Assets II”	properties situated at Chengdongsan Road, Beiliu City, Guangxi Province, the PRC (廣西省北流市城東三路)
“Board”	the board of Directors

“CIMC”	中集融資租賃有限公司 (CIMC Capital Ltd.) (formerly known as 中集車輛融資租賃有限公司 (CIMC Vehicle Financial Leasing Company Limited)), a company established in the PRC with limited liability
“Company”	China Leason CBM & Shale Gas Group Company Limited (formerly known as China Leason Investment Group Co., Limited), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“EGM”	an extraordinary general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving, among other things, the Finance Lease Agreement and the transactions contemplated thereunder
“Equipments”	certain liquefied natural gas equipments (LNG液化裝置設備)
“Director(s)”	the director(s) of the Company
“Finance Lease Agreement”	the conditional finance lease agreement entered into between Qinshui Energy and CIMC on 21 May 2012 in relation to the sale and lease of the Equipments
“Finance Lease Arrangement”	the finance lease arrangement contemplated, among other things, under the Finance Lease Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guangxi Beiliu”	廣西北流燃氣有限公司 (Guangxi Beiliu Gas Company Limited), a company established in the PRC with limited liability and indirectly owned as to 97.5% by the Company
“Hebei Shuntai”	河北順泰能源有限公司 (Hebei Shuntai Energy Resource Company Limited), a company established in the PRC with limited liability and a directly wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“LNG”	liquefied natural gas

“Luoyang Shunhe”	洛陽順和能源有限公司 (Luoyang Shunhe Energy Company Limited), a company established in the PRC with limited liability and indirectly wholly-owned subsidiary of the Company
“Mr. Wang”	Mr. Wang Zhong Sheng, an executive Director and substantial Shareholder of the Company
“Nominal Purchase Price”	the nominal purchase price of RMB100 by which Qinshui Energy has an option to purchase the Equipments from CIMC upon expiry of the lease period under the Finance Lease Agreement
“PBC”	中國人民銀行 (People’s Bank of China)
“PRC” or “China”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Qinshui Energy”	山西沁水順泰能源發展有限公司 (Shanxi Qinshui Shuntai Energy Development Company Limited), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Company
“Shanxi Logistics”	山西萬志物流有限公司 (Shanxi Wanzhi Logistics Limited), a company established in the PRC on 13 August 2008 with limited liability and indirectly owned as to 83% by the Company, and 17% by 沁水縣盛融投資有限責任公司 (Shanxi Qinshui Prefecture Chengrong Investment Limited), a company established in the PRC with limited liability
“Shanxi Yangcheng”	山西陽城順泰能源發展有限公司 (Shanxi Yangcheng Shuntai Energy Development Company Limited), a company established in the PRC with limited liability and a directly wholly-owned subsidiary of the Company
“Share(s)”	the share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Pledge Agreement”	the conditional share pledge agreement entered into between the Company and CIMC on 21 May 2012
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yangcheng Huiyang”	陽城縣惠陽新能源發展有限公司 (Yangcheng Huiyang New Energy Development Company Limited), a joint venture company established in the PRC with limited liability and owned as to 60% by the Group, 20% by 山西陽城陽泰集團實業有限公司 (Shanxi Yangcheng Yangtai Group Industrial Company Limited), a company established in the PRC with limited liability, and 20% by 鄭州貞成能源技術服務有限公司 (Zhengzhou Zhencheng Energy Technology Service Company Limited), a company established in the PRC with limited liability, respectively

In this announcement, the English names of the PRC entities or enterprises are translation of their Chinese names solely for the purpose of illustration. In the event of any inconsistency, the Chinese names shall prevail.

For the purpose of this announcement and solely for the purpose of illustration, all amounts in RMB are translated into HK\$ at an exchange rate of RMB0.81: HK\$1.

By order of the Board
China Leason CBM & Shale Gas Group Company Limited
WANG ZHONG SHENG
Executive Director

Hong Kong, 21 May 2012

As at the date hereof, the executive Directors are Mr. Wang Zhong Sheng, Mr. Shi Liang, Mr. Zhang Qing Lin, Mr. Fu Shou Gang and Mr. Feng San Li and the independent non-executive Directors are Mr. Luo Wei Kun, Ms. Pang Yuk Fong and Mr. Wang Zhi He.

This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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