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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT
For the three months ended 31 March 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

This announcement, for which the directors (the "Directors") of China Leason CBM & Shale Gas Group Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 that there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company announcement" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication.

FINANCIAL HIGHLIGHTS

- Turnover of the Company together with its subsidiaries (collectively the "Group") for the three months ended 31st March 2012 was approximately RMB26,923,000, representing a decrease of 59.4% as compared with corresponding period in the previous financial year.

- The Group realised a loss of approximately RMB24,860,000 for the three months ended 31st March 2012.

- Loss per share of the Group was approximately RMB0.63 cent for the three months ended 31st March 2012.

- The board of Directors (the "Board") does not recommend the payment of any dividend for the three months ended 31st March 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results of the Group for the period ended 31 March 2012 (the "Quarter") together with the unaudited comparative figures for the corresponding period in 2011, respectively were as follows:—

(Unless otherwise stated, all financial figures in this quarterly results announcement are denominated in Renminbi ("RMB"))

		Three months ended 31 March	
		2012	2011
	Note	***RMB'000***	*RMB'000*
		(unaudited)	*(unaudited)*
Turnover	*2*	**26,923**	66,321
Cost of sales		**(38,433)**	(45,655)
Gross profit/(loss)		**(11,510)**	20,666
Other revenue	*2*	**127**	935
Distribution costs		**(350)**	(3,552)
Administrative expenses		**(14,879)**	(8,557)
Other operating expenses		**(56)**	(15)
Finance Cost		**(1,366)**	(1,223)
Profit/(Loss) before income tax		**(28,034)**	8,254
Income tax	*3*	**1,928**	(2,643)
Profit/(Loss) for the period		**(26,106)**	5,611
Other comprehensive income		**443**	—
Total comprehensive income/(loss) of the period		**(25,663)**	5,611
Attributable to:			
Equity shareholders of the Company		**(24,860)**	5,633
Minority interest		**(1,246)**	(22)
Profit/(Loss) for the period		**(26,106)**	5,611
Dividends attributable to the period	*4*	**—**	—
Earnings/(Loss) per share			
— basic (RMB — cents)	*5*	**(0.63)**	0.24

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2012

	Share capital *RMB'000*	Share premium *RMB'000*	Merger reserve *RMB'000*	Contributed surplus *RMB'000*	General reserve *RMB'000*	Translation reserve *RMB'000*	Share option reserve *RMB'000*	Convertible bonds reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January	**34,828**	**878,366**	**—**	**—**	**1,523**	**1,528**	**28,376**	**241,209**	**(133,408)**	**1,052,422**	**28,975**	**1,081,397**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(24,860)**	**(24,860)**	**(1,246)**	**(26,106)**
Exchange differences on translation of financial statements of foreign operations	**—**	**—**	**—**	**—**	**—**	**443**	**—**	**—**	**—**	**443**	**—**	**443**
Recognition of equity-settled share based payments	**—**	**—**	**—**	**—**	**—**	**—**	**793**	**—**	**—**	**793**	**—**	**793**
As at 31 March	**34,828**	**878,366**	**—**	**—**	**1,523**	**1,971**	**29,169**	**241,209**	**(158,268)**	**1,028,798**	**27,729**	**1,056,527**

2011

	Issued Share Capital *RMB'000*	Share Premium *RMB'000*	Merger Reserve *RMB'000*	Contributed Surplus *RMB'000*	General Reserve Fund *RMB'000*	Translation Reserve *RMB'000*	Share option reserve *RMB'000*	Convertible bonds reserve *RMB'000*	Accumulated Losses *RMB'000*	Total *RMB'000*	Non-controlling Interest *RMB'000*	Total equity *RMB'000*
As at 1 January	20,681	484,532	—	25,160	—	(703)	—	15,810	(112,446)	433,034	21,294	454,328
Issue of new share	3,268	70,268	—	—	—	—	—	—	—	73,536	—	73,536
Net Profit for the period	—	—	—	—	—	—	—	—	5,611	5,611	—	5,611
As at 31 March	23,949	554,800	—	25,160	—	(703)	—	15,810	(106,835)	512,181	21,294	533,475

NOTES:

1. Basis of presentation of financial statements

The unaudited financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They are prepared under the historical cost convention.

The unaudited consolidated results for the Quarter have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee. The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results for the Quarter are consistent with those used in the Company's annual financial statements for the year ended 31st December 2011.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (the "new and revised HKFRS").

The Group has not early adopted the new and revised HKFRS that have been issued but are not yet effective, the Group is in the process of assessing the impact of these new and revised HKFRS on the financial performance and financial position of the Group.

The Group principally operates in the People's Republic of China (the "PRC") with its business activities principally transacted in RMB, the results of the Group are therefore prepared in RMB.

2. Turnover, other revenue and net income

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistic services), sales of piped natural gas and provision of gas supply connection services.

Turnover represents the sales value of goods supplied and services provided to customers, which excludes value-added and business taxes, and is after deduction of any goods returns and trade discounts.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	Three months ended 31st March	
	2012	2011
	RMB'000	*RMB'000*
Turnover		
Sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistic services)	**18,586**	61,045
Sales of piped natural gas and provision of gas supply connection services	**8,337**	5,276
	26,923	66,321
Other revenue and net income		
Interest income from bank deposits	**10**	5
Other net income	**117**	930
	127	935

3. Income tax

(a) Hong Kong profits tax

Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 December 2012 and 2011.

No provision for Hong Kong profits tax has been made as the Group did not derive any income subject to Hong Kong profits tax during the Quarter.

(b) Overseas income tax

Taxes on incomes assessable elsewhere were provided for in accordance with the applicable tax legislations, rules and regulations prevailing in the territories in which the Group operates. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

There was no significant unprovided deferred taxation for the Quarter.

4. Dividends

The Board does not recommend the payment of any dividend for the Quarter (corresponding period in 2011: Nil).

5. (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share for the Quarter were based on the unaudited loss attributable to shareholders for the Quarter of approximately RMB24,860,000 (corresponding period in 2011: profit of approximately RMB5,633,000), and the weighted average number of 3,942,505,023 (2010: 2,311,146,666) shares in issue of the Company. The weighted average number of shares in issue was calculated based on the number of shares in issue or deemed to be in issue before placing but after corresponding adjustments by the Company upon capitalisation of share premium.

Diluted earnings per share

No dilutive earnings per share was presented because there were no dilutive potential ordinary shares in existence during the Quarter. There were also no dilutive potential ordinary shares in existence during the corresponding period in 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a consolidated turnover of approximately RMB26,923,000 for the Quarter, representing a decrease of approximately 59.4% compared with the corresponding period last year. The decrease was mainly attributable to:

(i) the LNG plant in Qinshui County, Shanxi Province, being shut down for major overhaul beginning from February 2012, which was not complete until the end of April 2012. The management decided to shut down the LNG plant for maintenance due to: 1) The utilization of the LNG plant was unsatisfactory due to the tight domestic natural gas supply within China and the Group experienced increasing difficulty in sourcing natural gas feedstock for downstream liquefaction purpose; and 2) The LNG plant did not undertake any major maintenance since it started operation in 2009, and the planned major overhaul was already overdue.

(ii) The gross margin turned into negative as a result of the significant drop in turnover coupled with approximately RMB5,256,000 increase in amortization charges for operating license for liquefied coalbed gas logistics and exclusive right for piped natural gas operation in Ruyang County. The significant decline in turnover and profitability adversely impacted operating cashflow performance for the Quarter.

Loss attributable to shareholders for the Quarter was approximately RMB24,860,000. It was a profit of RMB5,633,000 in the corresponding period last year. The reasons for the loss are as follows:

(i) Decline in turnover of liquefied coalbed gas business for approximately RMB42,459,000 due to major overhaul of LNG production facilities located in Qinshui County, Shanxi Province;

(ii) Increase in administrative expenses for approximately RMB6,322,000 due to increase in depreciation for property, plant and equipment for approximately RMB1,877,000 and non-cash share-based payment in respect to share options granted amounted to approximately RMB793,000, and consultancy fee in relation to gas reserve valuation project for approximately RMB674,000; partly offset by

(iii) Decrease in distribution costs for approximately RMB3,202,000 due to more logistics services provided by Group companies and lower sales volume for the Quarter .

(iv) Income tax credit for approximately RMB1,928,000, compared with income tax charge for approximately RMB5,633,000 in the corresponding period last year, mainly due to the recognition of deferred tax assets in relation to the amortization of intangible assets.

Business Review and Development Prospects

Natural gas exploration and extraction: As at 31 March 2012, the Group completed the ground work and drilling of 165 CBM wells, of which 45 wells were put to production or are ready for immediate gas output. As at 31 August 2012, the Group already completed the ground work and drilling of 200 CBM wells, of which 80 wells were put to production or are ready for immediate gas output. The number of wells drilled was slightly below the management's previous expectation of 250 wells due to geological and technical difficulties. However, the Group have already solved such geological and technical issues; and we expect to accelerate the drilling program in 2013. We expect to complete the ground work and drilling of 303 CBM wells by the end of year 2012 and 552 CBM wells by the end of year 2013. We expect the additional 103 wells to be drilled before the end of 2012 to cost for no more than RMB50 million; and the additional 249 wells planned for drilling in 2013 to cost for no more than RMB 125 million.

The average gas production volume of the existing 80 wells is 500 cubic meter per day per well currently and is expected to increase to 1,300 cubic meter per day per well on average by the end of 2012. The Group's overall gas output would exceed 100,000 cubic meter per day by the end of 2012 and 350,000 cubic meter per day by end of 2013.

As the construction of the Group's natural gas pipeline for delivery of the gas from the production field to the LNG plant is expected to be completed before the end of 2012, the Group will start to generate revenue, profit and cash flow from the gas operation approximately the same time.

Liquefaction operation: As at 31 March 2012, the Group's LNG capacity was 500,000 cubic metre per day. However, due to the tight supply of domestic natural gas within China, the Group experienced increasing difficulty in sourcing natural gas feed for its downstream liquefaction purpose, and therefore, the utilization of our LNG plants was low and unsatisfactory. However, the Group expects that the above situation will improve after the Group has started its own gas production in the fourth quarter of 2012. Furthermore, the Group suspended the operation of the LNG plant for an overhaul between February 2012 and April 2012, which resulted in the sharp decline in turnover and operating cashflow of our Group. The LNG plant has resumed operation since May 2012. After the major overhaul, the Group expects the LNG plant to become more efficient and cost effective, that will increase the revenue, profit and cashflow contribution to the Group in the second half of 2012 and onwards because of the increase in our gas production supply.

The board of directors decided to undertake major overhaul because our liquefaction business may likely be loss making for a short period in either cases, i.e. continuing operation at low utilization or shut-down for overhaul. Having said that, the directors expected the volume to pick up in the second quarter of 2012 as the supply tightness may ease; and the plant could ramp up the utilization and make up the shortfall in revenue and profit in the first quarter of 2012. Thus, the directors believe that the overhaul did not constitute price sensitive information, and that it is not in breach of the obligation under GEM Rule 17.10 and not triggered the Company's disclosure obligations under GEM Rule 17.10.

Marketing and sales: In view of the strong demand of liquefied natural gas in central China due to the rising industrial and residential demands, the Group developed the vertical integration structure to supply liquefied natural gas from its LNG plant in Qinshui County, Shanxi Province to its customers in Henan Province through its own distribution channel. The vertical integration structure can reduce risk of gas supply disruption and increase profit margins. The Group can also decide its customer mix in order to maximize the profit margins. The acquisition of the exclusive natural gas operation right in Ruyang County, Henan Province by the Group was in line with its business strategy. The Group was able to secure a long term demand from major users while the Group can optimize the overall sales mix and therefore maximize our profit margin.

However, the Group's operations in Ruyang Industrial Zone have not started during the year mainly due to the delay in the completion of the power supply system in the Ruyang Industrial Zone which was newly constructed. The management company of the Ruyang Industrial Zone explained that the delay in completion of the power supply system was due to some unforeseeable technical and administrative difficulties, and agreed to pay the Group a compensation income for all the losses incurred due to the delay. After a series of discussion and negotiation with the management company of the Industrial Zone, the Group was granted a before tax compensation income of approximately RMB34 million in 2011. We have been informed that the power supply system is expected to be completed and starting operating before the end of October 2012, and by then the sales of gas to our customers will be commenced after testing. Moreover, the Group will increase the utilization of the LNG plant by participating in the regional gas trading market to generate more revenue. Nevertheless, the margin of the gas trading business will be lower than that of the piped natural gas business.

Liquidity, Financial Resources and Capital Structure

As at 31 March 2012, the Group had net assets of approximately RMB1,056,526,000, including cash, bank and deposit balances of approximately RMB14,574,000. To minimise financial risks, the Group implements stringent financial and risk management strategies and avoids the use of highly-geared financing arrangements. The Group's gearing ratio, calculated by the Group's total external borrowings divided by its shareholders' fund, was approximately 8.2%.

Although the Group has no plan in fund raising currently, the Group is opportunistic in obtaining financing to further improve the cash position given that the natural gas drilling program is capital intensive. If the Group has adequate financing in the future (whether it is from internal cash flow due to increased gas sales, or from fund raising), the Group will accelerate the drilling program. Apart from the intended investment in upstream CBM exploration and extraction, the Group does not have any other plan for acquisition or investment, disposal or scale-down of any current business.

Employees

As at 31 March 2012, the Group has an aggregate of 495 employees, of which 39 are research and development staff, 100 are engineering and customer service staff, 177 Production staff, 151 administrative staff and 28 marketing staff. During the Quarter, the staff costs (including Directors' remuneration) was approximately RMB5,522,000 (three months ended 31 March 2011: approximately RMB4,796,000).

The salary and bonus policy of the Group is principally determined in accordance with the performance of the individual employee. The Group will on an ongoing basis, provide opportunity for professional development and training to its employees.

Risk in Foreign Exchange

The revenue and expenses of the Group were denominated in RMB. The Directors consider that the Group's risk in foreign exchange is insignificant.

OUTLOOK

After a series of corporate restructuring, the Group believes that the build-out of the Group's vertical integration structure is almost complete and now it is high time for the Group to move to the second stage-the growing phase. The Group expects to turn the business into profitable in the near future.

On the upstream exploration and production front, the number of wells ready for gas output would increase and the daily production per well would rise as the wells become more mature. The Group expects the daily gas production to exceed 100,000 cubic meter per day by the end of 2012 and 350,000 cubic meter per day by end of 2013. On the other hand, the Group expects the construction of the pipeline transporting gas from its own gas fields to the LNG plants in Qinshui County to complete by the end of 2012; after then the Group can raise its own LNG plants utilization by feeding more self-produced gas to the LNG plants. More importantly, the utilization of the downstream LNG transportation trunks and the storage facilities would increase too. As the demand for gas in China remains strong and the Group's supply constraint unleashed, the Group expects the gas sales in 4Q2012 and that in 2013 to grow significantly and the profitability to improve materially.

In the near term, the Group will mainly focus on upstream CBM exploration and production on the existing gas CBM assets and may not make any significant investment or acquisition. Meanwhile, the Group will be opportunistic in value-accretive upstream gas asset acquisition, if any.

NON-LEGALLY BINDING COOPERATION AGREEMENT

On 28 February 2012, the Company entered into a framework agreement (the "Cooperation Agreement") to cooperate with Longmen Hui Cheng Investment Limited (龍門匯成投資有限公司) ("Longmen Hui Cheng"). Pursuant to the Cooperation Agreement, the Company wished to closely co-operate with Longmen Hui Cheng in all areas and intends to form a strategic alliance with Longmen Hui Cheng in China's coalbed methane gas sector to form a vertically integrated alliance to cover all the upstream, midstream and downstream areas in the coalbed methane gas value chain (the "Cooperation Project"). Both parties have agreed that a joint working group will be formed immediately following the signing of the Cooperation Agreement to push forward the subsequent signing of a formal agreement. As at the date of this announcement, no binding agreement in relation to the Cooperation Project has been entered into and the Cooperation Project may or may not proceed. For details, please refer to the announcement of the Company dated 29 February 2012.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

(a) Long positions in shares, underlying shares and debentures of the Company

Name	Capacity	Nature of Interest	Number of ordinary shares/ underlying shares	Approximate % of shareholdings
Mr. Wang Zhong Sheng	Interest of controlled corporation	Corporate interest	120,790,000 *(Note 1)*	3.06%
Mr. Wang Zhong Sheng	Beneficial owner	Personal	2,102,512,887 *(Note 2)*	53.33%
Mr. Zhang Qing Lin	Beneficial Owner	Personal	2,500,000 *(Note 3)*	0.06%
Mr. Feng San Li	Beneficial Owner	Personal	2,500,000 *(Note 4)*	0.06%
Mr. Fu Shou Gang	Beneficial Owner	Personal	2,500,000 *(Note 5)*	0.06%

Notes:

1. 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).

2. Out of the 2,102,512,887 long positions, Mr. Wang Zhong Sheng is interested as (i) a grantee of options to subscribe for 2,500,000 shares under the share option scheme adopted by the Company on 18 May 2011; (ii) a holder of convertible bonds convertible to 1,119,230,769 conversion shares; and (iii) a beneficial owner of 980,782,118 issued shares of the Company.

3. Mr. Zhang Qing Lin is interested as a grantee of options to subscribe for 2,500,000 shares under the share option scheme adopted by the Company on 18 May 2011.

4. Mr. Feng San Li is interested as a grantee of options to subscribe for 2,500,000 shares under the share option scheme adopted by the Company on 18 May 2011.

5. Mr. Fu Shou Gang is interested as a grantee of options to subscribe for 2,500,000 shares under the share option scheme adopted by the Company on 18 May 2011.

(b) Associated corporations — interests in shares

Director	**Name of associated corporation**	**Nature of Interest**	**Percentage of interests in the registered capital of the associated corporation**
Mr. Wang Zhong Sheng	Jumbo Lane Investments Limited *(Note 1)*	Personal	100%

Note:

1. Jumbo Lane Investments Limited is a holding Company of the Group, owns 3.06% of the shareholding of the Group. Mr. Wang Zhong Sheng owns 100% interest in the issued share capital of Jumbo Lane Investments Limited.

Save as disclosed above, as at 31 March 2012, none of the Directors or chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange. The Group had not issued any debentures during the Quarter.

SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES AND OPTIONS UNDER SFO

As at 31 March 2012, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in shares

Name	Number of Shares	Nature of Interest	Percentage of shareholding
Mr. Wang Zhong Sheng *(Note 1)*	120,790,000	Interest of controlled corporation	3.06%
Mr. Wang Zhong Sheng *(Note 2)*	2,102,512,887	Personal	53.33%
Ms. Zhao Xin *(Note 3)*	120,790,000	Interest of spouse	3.06%
Ms. Zhao Xin *(Note 4)*	2,102,512,887	Interest of spouse	53.33%
Edmond de Rothschild Asset Management Hong Kong Limited *(Note 5)*	198,690,000	Interest manager	5.04%
Edmond de Rothschild Asset Management *(Note 6)*	198,690,000	Interest manager	5.04%

Notes:

1. Such shares represent the same parcel of shares owned by Jumbo Lane Investments Limited. Mr. Wang Zhong Sheng is the beneficial owner of the 100% of the total issued share capital of Jumbo Lane Investments Limited. Mr. Wang is taken to be interested in the shares owned by Jumbo Lane Investments Limited pursuant to the SFO.

2. Out of the 2,102,512,887 long positions, Mr. Wang Zhong Sheng is interested as (i) a grantee of options to subscribe for 2,500,000 shares under the share option scheme adopted by the Company on 18 May 2011; (ii) a holder of convertible bonds convertible to 1,119,230,769 conversion shares; and (iii) a beneficial owner of 980,782,118 issued shares of the Company.

3. Ms. Zhao Xin (the spouse of Mr. Wang Zhong Sheng) is deemed to be interested in her spouse's interest in the Company which represent the same parcel of shares held by Jumbo Lane Investments Limited pursuant to the SFO.

4. 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.

5. Such shares in long position were held in the capacity as investment manager.

6. Edmond de Rothschild Asset Management is deemed to be interested in 198,690,000 Shares through its controlled corporation, Edmond de Rothschild Asset Management Hong Kong Limited.

Save as disclosed above, as at 31 March 2012 no other person (other than the Directors or chief executive of the Company) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Directors' and Chief Executive's Interests or Short Positions in Shares, Underlying Shares and Debentures" above and in the section "Share Option Scheme" below, at no time during the quarter were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children or chief executive or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 18 May 2011, the Company's share option scheme adopted on 28 July 2003 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted which will remain in force for a period of 10 years from adoption of the New Share Option Scheme and will expire on 17 May 2021. On 30 May 2011, the Board approved to grant options in respect of 258,300,000 ordinary shares to the Company's directors, employees and consultants under the scheme.

There were no share options that had been granted remained outstanding under the Old Share Option Scheme prior to its termination.

For details of the New Share Option Scheme, please refer to the circular of the company dated 20 April 2011.

Information in relation to share options disclosed in accordance with the GEM Listing Rules was as follows:

Name and category of participants	As at 1 January 2012	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 31 March 2012	Date of grant of share options	Exercise period of share options	Exercise price per share option	Share price of the Company as at the date of grant of share options
Executive Directors									
Mr. Wang Zhong Sheng	2,500,000	—	—	—	2,500,000	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495
Mr. Zhang Qing Lin	2,500,000	—	—	—	2,500,000	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495
Mr. Fu Shou Gang	2,500,000	—	—	—	2,500,000	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495
Mr. Feng San Li	2,500,000	—	—	—	2,500,000	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495
	10,000,000	—	—	—	10,000,000				
Employees	43,690,000	—	—	—	43,690,000	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495
Consultants	200,020,000	—	—	—	200,020,000	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495
	253,710,000	—	—	—	253,710,000				

Notes:

(i) The terms and conditions of the grants that existed during the quarter are as follows:

	Number of options	Vesting conditions	Remaining Contractual life of options
Options granted:			
30 May 2011	215,220,000	Vest immediately	9.2 years
30 May 2011	38,490,000	Half on each of the first and second anniversaries of grant date	9.2 years

(ii) The number and weighted average exercise prices of options are as follows:

	Weighted average exercise price *HK$*	Number of options
Outstanding as at 1 January 2012	0.495	253,710,000
Granted during the period	—	—
Outstanding as at 31 March 2012	0.495	253,710,000
Exercisable as at 31 March 2012	0.495	215,220,000

The options outstanding as at 31 March 2012 had an exercise price of HK$0.495 and a weighted average remaining contractual life of 9.2 years.

CONTINGENT LIABILITIES

A customer initiated claims against a subsidiary of the Group for compensation of approximately RMB6,954,000 arising from alleged failure on the part of the subsidiary to supply gas under contract. The directors of the Company consider, based on the legal advice obtained from the Group's legal counsel, that the subsidiary has a valid defence against the above claim and, accordingly, no provision has been made in these financial statement in relation to these proceedings. (2011: RMB6,964,000)

AMOUNT OF CAPITALISED INTEREST

Save as disclosed in this announcement, no interest has been capitalised by the Group during the Quarter.

CONVERTIBLE SECURITIES, WARRANTS OR SIMILAR RIGHTS

As at 31 March 2012, the Company had outstanding convertible bonds convertible to 1,119,230,769 conversion shares and outstanding options to subscribe for 253,710,000 Shares under the share option scheme adopted on 18 May 2011. Details are disclosed in page 12 of this announcement.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Quarter, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company nor any of its subsidiaries.

SUBSEQUENT EVENTS

Major Transaction — Finance Lease Agreement

On 21 May 2012, Shanxi Qinshui Shuntai Energy Development Company Limited ("Qinshui Energy"), a direct wholly-owned subsidiary of the Company entered into a conditional finance lease agreement in relation to the sale and lease of equipments ("Finance Lease Agreement") with CIMC Capital Limited ("CIMC"), pursuant to which, (i) Qinshui Energy conditionally agreed to sell, and CIMC conditionally agreed to purchase certain liquefied natural gas equipment 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 said equipment 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 People's Bank of China from time to time.

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

For details, please refer to the announcements of the Company dated 21 May 2012 and 28 June 2012 respectively.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules on 28 July 2003. 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.

The audit committee comprises of the three independent non-executive Directors, namely Mr. Wang Zhi He, Mr. Luo Wei Kun and Ms. Pang Yuk Fong (Chairman).

During the Quarter, the audit committee has held one meetings. The Group's unaudited consolidated results for the Quarter have been reviewed and commented by the audit committee members.

In order to maintain a high quality of corporate governance, the Group employed a qualified accountant in current quarter and will still employ a qualified accountant in the coming years. The audit committee also concluded that the Group has employed sufficient staff for the propose of accounting, financial and internal control.

CORPORATE GOVERNANCE

During the Quarter, the Group has complied with the code provisions in the Code of Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules ("HKSE Code").

Under the Code Provision A.2.1 of the HKSE Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Feng San Li is holding the title of chief executive officer. Mr. Wang Zhong Sheng is the Chairman of the Board. The Board meets regularly to consider major matters affecting the business and operations of the Group. The Board considers that this structure will balance the power and authority between the Board and management and believes that this structure enables the Group to make and implement decision promptly and efficiently.

Under Code Provision A.4.1 of the HKSE Code, non-executive directors should be appointed for specific terms, subject to re-election, Currently, the non-executive Directors and the independent non-executive directors have no set term of office but are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's Articles of Association. The Board considers the current arrangement will allow flexibility to the Board in terms of appointment of Directors.

The Company has adopted a code of conduct regarding securities dealings by Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry of all Directors, the Company was not aware of any non-compliance with such code of conduct during the Review Period.

The Company has received from each of the independent non-executive Directors a confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of its independent non-executive Directors are independent.

By order of the Board
China Leason CBM & Shale Gas Group Company Limited
(formerly known as China Leason Investment Group Co., Limited)
Wang Zhong Sheng
Chairman

China, 3 October 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.