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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8270)

FIRST QUARTERLY RESULTS ANNOUNCEMENT
For the three months ended 31 March 2013

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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 Announcements" 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 31 March 2013 was approximately RMB33,527,000, representing an increase of 24.5% as compared with corresponding period in the previous financial year.
- The Group realised a loss of approximately RMB25,520,000 for the three months ended 31 March 2013.
- Basic loss per share attributable to equity shareholders of the Company was approximately RMB0.61 cent for the three months ended 31 March 2013.
- The board of Directors (the "Board") does not recommend the payment of any dividend for the three months ended 31 March 2013.

CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results of the Group for the period ended 31 March 2013 (the "Quarter") together with the unaudited comparative figures for the corresponding period in 2012, respectively were as follows:—

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

		Three months ended 31 March	
		2013	2012
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Turnover	*2*	**33,527**	26,923
Cost of sales		**(42,842)**	(38,433)
Gross loss		**(9,315)**	(11,510)
Other revenue	*2*	**1,265**	127
Distribution costs		**(998)**	(350)
Administrative expenses		**(14,488)**	(14,879)
Other operating expenses		**(4)**	(56)
Finance cost		**(3,966)**	(1,366)
Loss before income tax		**(27,506)**	(28,034)
Income tax	*3*	**1,986**	1,928
Loss for the period		**(25,520)**	(26,106)
Other comprehensive income		**(54)**	443
Total comprehensive loss of the period		**(25,574)**	(25,663)
Attributable to:			
Equity shareholders of the Company		**(24,357)**	(24,860)
Minority interest		**(1,163)**	(1,246)
Loss for the period		**(25,520)**	(26,106)
Dividends attributable to the period	*4*	**—**	—
Loss per share — basic (RMB — cents)	*5*	**(0.61)**	(0.63)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company									
	Share capital *RMB'000*	Share premium *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*
2013 (unaudited)										
Balance at 1 January 2013	**34,828**	**878,366**	**2,412**	**1,506**	**30,763**	**241,209**	**(189,024)**	**1,000,060**	**22,643**	**1,022,703**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**(24,357)**	**(24,357)**	**(1,163)**	**(25,520)**
Other comprehensive expense for the period	**—**	**—**	**—**	**(54)**	**—**	**—**	**—**	**(54)**	**—**	**(54)**
Total comprehensive expense for the period	**—**	**—**	**—**	**(54)**	**—**	**—**	**(24,357)**	**(24,411)**	**(1,163)**	**(25,574)**
Issue of new shares — conversion of convertible bonds	**497**	**12,434**	**—**	**—**	**—**	**(12,931)**	**—**	**—**	**—**	**—**
Equity-settled share-based payments	**—**	**—**	**—**	**—**	**414**	**—**	**—**	**414**	**—**	**414**
Balance at 31 March 2013	**35,325**	**890,800**	**2,412**	**1,452**	**31,177**	**228,278**	**(213,381)**	**976,063**	**21,480**	**997,543**
2012 (unaudited)										
Balance at 1 January 2012	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)
Other comprehensive expenses for the period	—	—	—	443	—	—	—	443	—	443
Total comprehensive expenses for the period	—	—	—	443	—	—	(24,860)	(24,417)	(1,246)	(25,663)
Equity-settled share based payments	—	—	—	—	793	—	—	793	—	793
Balance at 31 March 2012	34,828	878,366	1,523	1,971	29,169	241,209	(158,268)	1,028,798	27,729	1,056,527

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 31 December 2012.

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 Quarter is as follows:

	Three months ended 31 March	
	2013	2012
	RMB'000	*RMB'000*
Turnover		
Sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistic services)	**23,987**	18,586
Sales of piped natural gas and provision of gas supply connection services	**9,540**	8,337
	33,527	26,923
Other revenue and net income		
Interest income from bank deposits	**18**	10
Other net income	**1,247**	117
	1,265	127

3. Income tax

(a) Hong Kong profits tax

Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profits for the period ended 31 March 2013 and 2012.

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 2012: Nil).

5. Loss per share

The calculation of basic and diluted loss per share for the Quarter were based on the unaudited loss attributable to shareholders for the Quarter of approximately RMB24,357,000 (corresponding period in 2012: loss of approximately RMB24,860,000), and the weighted average number of 4,002,505,023 (corresponding period in 2012: 3,942,505,023) 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 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a consolidated turnover of approximately RMB33,527,000 for the Quarter, representing an increase of approximately 24.5% compared with the corresponding period of last year. The increase was mainly attributable to:

(i) The equipment of the liquefied natural gas (LNG) plant in Qinshui County, Shanxi Province were under major overhaul from February to April 2012. During the Quarter, the LNG plant was in normal production and the equipment of which were operated well. Therefore, the consolidated turnover in the Quarter recorded a year-on-year growth compared with the corresponding period last year; and

(ii) As the upstream exploration and the technology for well production become more mature, the CBM well production from the gas field in Yangcheng increased. Together with the commencement of operation of gas pipeline connecting the gas field to our LNG plant during the Quarter, the LNG supply in Qinshui County, Shanxi Province and the daily production of the LNG increased, resulting in a growth of 29.1% to RMB23,987,000 for the sales of trading liquefied coalbed gas during the Quarter.

Loss attributable to equity shareholders of the Company for the Quarter was approximately RMB24,357,000, compared with the loss attributable to equity shareholders of approximately RMB24,860,000 last year. The reasons for the loss are as follows:

(i) During the Quarter, the gross loss of the Group was RMB9,315,000 while that of last year was RMB11,510,000. The increase in the CBM well production from the gas field in Yangcheng and the commencement of operation of gas pipeline connecting the gas field to our LNG plant during the Quarter drastically enhanced the production efficiency of the LNG plant in Qinshui County, Shanxi Province and reduced the production cost per unit, resulting in a decrease in gross loss by RMB2,195,000 during the Quarter;

(ii) The distribution costs increased by approximately RMB648,000 as a result of the increase in turnover during the Quarter;

(iii) The finance cost increased by approximately RMB2,600,000 as a result of the increase in the repayment of bank borrowings compared with the corresponding period of last year.

(iv) Income tax credit for approximately RMB1,986,000, compared with income tax credit for approximately RMB1,928,000 in the corresponding period last year, 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 2013, the Group already completed the ground work and drilling of 220 CBM wells, of which 113 wells were in production. The number of wells drilled was slightly below our previous expectation due to geological and technical difficulties. However, the Group has already solved such geological and technical issues and the Board expects to accelerate the output of production wells in 2013. The average gas production volume of the wells ready for immediate gas output is 800 cubic meters per day per well. As the construction of the Group's natural gas pipeline for delivery of gas from the production field to the liquefaction plant has been essentially completed in 2012, the Group has started to generate revenue, profit and cash flow from the business of exploitation of natural gas.

Liquefaction operation:

As at 31 March 2013, the Group's LNG capacity was 500,000 cubic metres per day. However, due to the tight supply of domestic natural gas within China, the Group experienced difficulty in sourcing enough natural gas feed for its downstream liquefaction purpose, and therefore, the utilisation of the Group's LNG plants was relatively low and unsatisfactory. However, the above situation has been improved after the Group has started its own gas production in the fourth quarter of 2012. The operation of LNG plant has been steady since the Quarter. The LNG plant increased the revenue, profit and cashflow contribution to the Group due to the increase in self-produced gas production supply.

Marketing and sales:

In view of the strong demand of LNG in central China due to the rising industrial and residential demands, the Group developed the vertical integration structure to supply LNG from its LNG plant in Qinshui County, Shanxi Province to its customers in surrounding areas through its own distribution pipes. 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 maximise the profit margins. From the first quarter of 2013 and onwards, the Group will actively expand the natural gas consumption market by making the most of its exclusive natural gas operation right in Ruyang County, Henan Province and in Beiliu City, Guangxi Province. Meanwhile, through the project of building gas stations along the mature transportation routes within China and the market development and maintenance of end users, the Group is able to secure a long term demand from major users while the Group can optimise the overall sales mix and therefore maximise our profit margin.

However, the Group's operations in Ruyang Industrial Zone have not started during the Quarter mainly due to the delay in the completion of the power supply system in the Ruyang Industrial Zone which was newly constructed, resulting in the delay in the gas pipelines placement. As of 31 December 2012, the power supply system in the Ruyang Industrial Zone has been completed and the related gas pipelines placement was in progress. Subject to the completion of the gas pipelines placement, the sales of gas to our customers will be commenced after testing. Moreover, the Group will increase the utilisation of the LNG plant by participating in the regional gas trading market so as to generate more revenue. Nevertheless, this will not be our major business. The trading business only generates a thin margin, but it is one of the measures to minimise the idle capacity and to generate more revenue.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2013, the Group had net assets of approximately RMB997,543,000, including cash and bank balances of approximately RMB13,901,000. 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 9.11%.

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 scaling-down of any current business.

EMPLOYEES

As at 31 March 2013, the Group has an aggregate of 562 employees, of which 88 are research and development staff, 249 are engineering and customer service staff, 192 administrative staff and 33 marketing staff. During the Quarter, the staff cost (including Directors' remuneration) was approximately RMB5,480,000 (For the three months ended 31 March 2012: approximately RMB5,522,000). The salary and bonus policy of the Group is principally determined by the performance of the individual employee. The Group will, on an ongoing basis, provides opportunity for professional development and training to its employees.

RISK IN FOREIGN EXCHANGE

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

OUTLOOK

The Board believes that the Company will sustain long term development and maintain its leading position in China's natural gas market given its vertical integration business structure that reduces, or eliminates risks in gas supply, gas price fluctuation and earning visibility. In light of a publication regarding the 12th Five-Year Plan for the period from 2011 to 2015 of the PRC government, natural gas users in China will increase by 100 million to a total of 250 million. Viewing from the national gas market, the Group has observed inadequate gas supply in general that has rendered midstream gas processing companies in the market in an adverse operating environment causing low utilisation and loss. Unlike most of the above midstream gas processing companies whose business models only focus on certain areas of the gas production or supply chain, the Group has its own gas production in upstream operation which enhance the Group's self-sufficiency in gas supply to the mid-stream LNG plants and downstream gas sales and distribution, and therefore reducing the gas supply risk in the long run. The current situation of inadequate gas supply and the consequent loss arising from operation are only temporary and it is likely that the business will turn profitable and show phenomenal growth as the Group's gas production accelerates in the near future.

Furthermore, the Group, with its own gas supply, is less affected by gas price fluctuation caused by international natural gas market. Nevertheless, the increasing gas price in the international market would make our gas products and supply more competitive and increase our profit margin given our lower operation cost of our full participation in the natural gas value chain. The Group believes that its revenue and profit will increase in the long run. More importantly, the vertical integration strategy would enable the Group to sustain a long term development and become a strong market leader. 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. On the other hand, the construction of the pipeline transporting gas from the Group's own gas fields to the LNG plants in Qinshui County has been essentially completed 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 utilisation 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 2013 to grow significantly and the profitability to improve materially. In the near future, the Group will mainly focus on upstream CBM exploration and production on the existing gas CBM assets. Meanwhile, the Group will be opportunistic in value-accretive upstream gas asset acquisition, if any.

MAJOR TRANSACTIONS AND EVENTS

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. An extraordinary general meeting of the Company for Shareholders to consider and, if thought fit, approve, the Finance Lease Agreement will be held on 27 May 2013.

For details, please refer to the circular of the Company dated 22 April 2013.

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 31 March 2013, 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)*	3.02%
	Beneficial owner	Personal	2,042,512,887 *(Note 2)*	51.03%
Mr. Zhang Qing Lin	Beneficial Owner	Personal	2,500,000 *(Note 3)*	0.06%
Mr. Fu Shou Gang	Beneficial Owner	Personal	2,500,000 *(Note 4)*	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 SFO.

2. Out of the 2,042,512,887 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 1,059,230,769 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. 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.

Save as disclosed above, as at 31 March 2013, 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 2013, 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
Ms. Zhao Xin *(Note)*	2,163,302,887	Interest of spouse	54.05%

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 31 March 2013 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 New Share Option 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 2013	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 31 March 2013	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
	7,500,000	—	—	—	7,500,000				
Employees	39,740,000	—	—	—	39,740,000	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
	247,260,000	—	—	—	247,260,000				

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	10 years
30 May 2011	43,080,000	Half on each of the first and second anniversaries of grant date	10 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 2013	0.495	247,260,000
Granted during the period	—	—
Outstanding as at 31 March 2013	0.495	247,260,000
Exercisable as at 31 March 2013	0.495	229,990,000

The options outstanding as at 31 March 2013 had an exercise price of HK$0.495 and a weighted average remaining contractual life of 8.1 years.

CONTINGENT ASSETS AND LIABILITIES

(i) During the year ended 31 December 2011, the Company filed a claim with 北京仲裁委員會 ("Beijing Arbitration Commission") against one of its coalbed methane suppliers (the "CBM Supplier"), claiming for financial losses of approximately RMB407,193,000 arising from insufficient supply of coalbed methane under contract. In February 2012, the CBM Supplier filed a counterclaim with the Beijing Arbitration Commission against the Company, claiming for (i) financial losses of approximately RMB155,336,000; (ii) late payment interest of approximately RMB3,771,000; and (iii) financial loss arising from early termination of contract of approximately RMB102,775,000. The Directors consider, based on the legal advice obtained from the Company's legal counsel, that the Company has a valid defence against the above counterclaim and, accordingly, no provision has been made in the consolidated financial statements for the three months ended 31 March 2012 and ended 31 March 2013, respectively in relation to these proceedings.

(ii) During the year ended 31 December 2011, a customer claim 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 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 the consolidated financial statements for the three months ended 31 March 2012 and ended 31 March 2013, respectively in relation to these proceedings.

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 2013, the Company had outstanding convertible bonds convertible to 1,059,230,769 conversion shares and outstanding options to subscribe for 247,260,000 Shares under the New Share Option Scheme adopted on 18 May 2011. Details of the New Share Option Scheme are disclosed in page 12 of this announcement.

During the Quarter, 60,000,000 shares were allotted and issued by the Company pursuant to the exercise of conversion rights attached to the said convertible bonds.

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

THE PLACING

The Company and the placing agent, Vision Finance International Company Limited (the "Placing Agent") entered into the placing agreement on 14 March 2013, whereby the Company conditionally agreed to place, through the Placing Agent, on a best efforts basis, a maximum of 400,000,000 shares ("Placing Shares") to independent investors at a price of HK$0.25 per Placing Share (the "Placing").

The 400,000,000 Placing Shares represent (i) approximately 9.99% of the then issued share capital of the Company of 4,002,505,023 shares; and (ii) approximately 9.09% of the Company's issued share capital of 4,402,505,023 shares as enlarged by completion of the Placing.

The Placing was completed on 9 April 2013. The net proceeds from the Placing of approximately HK$96.4 million has been and will be used for the drilling of wells and natural gas pipeline construction work. For details of the Placing, please refer to the announcements of the Company dated 15 March 2013 and 9 April 2013 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, save as disclosed below, 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 Code Provision A.4.1 of the HKSE Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently, the non-executive Directors and the independent non-executive Directors have no specific 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 Quarter.

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
Wang Zhong Sheng
Chairman

China, 13 May 2013

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. Kwok Shun Tim and the independent non-executive Directors are Mr. Luo Wei Kun and Ms. Pang Yuk Fong and Mr. Wang Zhi He.