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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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8270)

INSIDE INFORMATION

This announcement is made pursuant to Rule 17.10 of the Rules Governing the Listing of Securities (the “**GEM Listing Rules**”) on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of China Leason CBM & Shale Gas Group Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has reached a settlement agreement (the “**Settlement Agreement**”) with China United Coalbed Methane Co., Ltd. (中聯煤層氣有限責任公司) (“**China United**”) dated 18 October 2013 regarding a contractual dispute (the “**Dispute**”) in the supply of gas. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, China United is independent of, and not connected with, the Company and its connected persons.

The Group entered into a gas purchase agreement with China United (as gas supplier) in August 2007, and two related supplemental agreements (together the “**Gas Supply Contracts**”) in 2009 and 2011, respectively. As China United did not supply gas to the Group in the way as stipulated in the Gas Supply Contracts, the Group had informed China United to terminate the Gas Supply Contracts in September 2011 and had taken arbitration proceedings against China United in the Beijing Arbitration Commission in December 2011. China United had made counter-claims against the Group during the arbitration proceedings. Against this background, the Company has reached the Settlement Agreement with China United under the mediation of the Beijing Arbitration Commission with the following key settlement proposals:

1. The parties will resume the performance under the Gas Supply Contracts, and the parties will enter into supplemental agreement to amend the disputed terms under the Gas Supply Contracts and such negotiation shall be concluded within two weeks from the date of the Settlement Agreement; and
2. The parties will strengthen their co-operation by jointly investing in exploration and extraction of liquefied coalbed gas (煤層氣) in Shanxi Baibiguan area (山西白壁關區塊) (with an exploration area of approximately 237 square kilometres) and Liaoning Chenbei area (遼寧沈北區塊) (with an exploration area of approximately 76 square kilometres) (the “**Exploration Project**”). As China United has already conducted preliminary exploration work in both areas, the Group will compensate China United with an exploration fee of RMB30,000,000 for its preliminary exploration work, which shall be paid within 6 months after completion of the procedures for the joint co-operation in the exploration work and the formal commencement of the joint co-operation. The investment and profit sharing ratio is 30% (China United) and 70% (the Group). If the finalized profit sharing ratio for the Group is lower than 70%, the expenses incurred in the preliminary exploration work shall be shared by the parties in proportion to their profit sharing ratio. Details of the co-operation shall be set out in the co-operation contract to be entered into by the parties. The parties shall enter into a co-operation contract for the exploration and extraction in liquefied coalbed gas in the aforesaid areas within 2 weeks from the date of the Settlement Agreement and complete the approval and filing procedures of the co-operation contract within one month, and the parties may agree to extend the deadline in case of policy adjustment or force majeure events. If the Company decides not to proceed with the co-operation in the Exploration Project, the relevant clause of the Settlement Agreement will be automatically terminated and would not constitute a breach of contract.

The Dispute is still under the review of the Beijing Arbitration Commission but the parties agree that the Settlement Agreement shall form the basis for the arbitration results. After conclusion of the arbitration, both parties agree not to proceed further against the other party regarding the Dispute or the Gas Supply Contract.

The Board cautions that there can be no assurance that any definitive agreement will be executed in respect of the co-operation of the Exploration Project or that the Exploration Project will be approved by the Company. The Board will make further announcement as and when necessary in accordance with the GEM Listing Rules and applicable laws and regulations.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares and other securities of the Company.

By Order of the Board
China Leason CBM & Shale Gas Group Company Limited
Wang Zhong Sheng
Chairman

Hong Kong, 21 October 2013

As at the date hereof, the executive Directors are Mr. Wang Zhong Sheng, Mr. Shi Liang, Mr. Fu Shou Gang and Mr. Kwok Shun Tim 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 deceptive; and 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 for at least 7 days from the date of its posting.