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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)**

- (1) PLACING OF EXISTING SHARES AND SUBSCRIPTION  
FOR NEW SHARES UNDER THE GENERAL MANDATE;**  
**(2) PROPOSED OPEN OFFER OF NOT LESS THAN 2,730,867,896 NEW SHARES AND  
NOT MORE THAN 3,293,247,896 NEW SHARES OF HK\$0.01 EACH ON  
THE BASIS OF ONE OFFER SHARE FOR EVERY TWO  
EXISTING SHARES HELD ON THE RECORD DATE  
AT THE OPEN OFFER PRICE OF HK\$0.04 PER OFFER SHARE; AND**  
**(3) RESUMPTION OF TRADING**

**Placing Agent**

**Underwriter for the Open Offer**



### **The Placing and the Subscription**

On 20 December 2013, Mr. Wang and the Placing Agent entered into the Placing Agreement, and the Company and Mr. Wang entered into the Subscription Agreement, pursuant to which (i) the Placing Agent has agreed to place, on behalf of Mr. Wang and on a best effort basis, an aggregate of up to 880,000,000 existing Shares (beneficially owned by Mr. Wang) to not less than six Places at the Placing Price of HK\$0.092 per Placing Share; and (ii) Mr. Wang has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, the Subscription Shares at the Subscription Price of HK\$0.092 per Subscription Share.

The Subscription Price is the same as the Placing Price. The number of Subscription Shares which Mr. Wang has conditionally agreed to subscribe for under the Subscription Agreement is equivalent to the number of the Placing Shares successfully placed by the Placing Agent under the Placing. The Placing Price and the Subscription Price, both being HK\$0.092 per Share, represent (i) a discount of approximately 17.12% to the closing price of HK\$0.111 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 19.58% to the average of the closing prices of the Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.1144 per Share.

The net proceeds from the Subscription is expected to be approximately HK\$79 million (representing a net Subscription Price of approximately HK\$0.090 per Subscription Share, assuming 880,000,000 new Shares will be subscribed for under the Subscription), which will be used by the Company for the repayment of bank and other borrowings, the drilling of wells and natural gas pipeline construction work, and general working capital purpose.

The maximum number of the Placing Shares and that of the Subscription Shares, both being 880,000,000 Shares, represent (i) approximately 16.11% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.88% of the issued share capital of the Company as enlarged by the Subscription. The completion of Subscription is subject to fulfillment of the conditions set out in the paragraph headed “The Subscription Agreement — Subscription Conditions” of this announcement.

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares on GEM.

**Completion of the Placing and the Subscription is subject to the performance of the relevant parties and/or the satisfaction of the conditions precedent under the Placing Agreement and the Subscription Agreement, respectively. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise extreme caution when dealing in the Shares and other securities of the Company.**

### **The Open Offer**

The Board proposes to raise not less than approximately HK\$109.2 million and not more than approximately HK\$131.7 million, before expenses, by an open offer of not less than 2,730,867,896 Offer Shares and not more than 3,293,247,896 Offer Shares at the Open Offer Price of HK\$0.04 per Offer Share, on the basis of one Offer Share for every two existing Shares held on the Record Date payable in full upon application. It is expected that the Record Date would be after the dates of completion of the Placing and the Subscription.

Assuming 2,730,867,896 Offer Shares are to be allotted and issued pursuant to the terms of the Open Offer (assuming the Placing and the Subscription do not proceed to completion, and no exercise of the Eligible Options on or before the latest time for lodging documents for exercise of the Eligible Options), such would represent (i) 50% of the Company’s existing issued share capital as at the date of this announcement; and (ii) approximately 33.33% of the Company’s issued share capital as enlarged by the allotment and issue of the 2,730,867,896 Offer Shares under the Open Offer.

Assuming 3,293,247,896 Offer Shares are to be allotted and issued pursuant to the terms of the Open Offer (as a result of the issue of 880,000,000 Subscription Shares and the issue of 244,760,000 new Shares upon the exercise of all the Eligible Options), such would represent (i) 50% of the Company’s issued share capital immediately after the issue of 880,000,000 Subscription Shares and the issue of 244,760,000 new Shares upon the exercise of all the Eligible Options; and (ii) approximately 33.33% of the Company’s issued share capital as enlarged by the issue of 880,000,000 Subscription Shares and the issue of 244,760,000 new Shares upon the exercise of all the Eligible Options, and the issue of 3,293,247,896 Offer Shares under the Open Offer.

The Open Offer will only be available to the Qualifying Shareholders. To qualify for the Open Offer, all transfers of Shares must be lodged for registration with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, by 4:30 p.m. on Thursday, 9 January 2014 pursuant to the expected timetable set out in this announcement and the Shareholder must not be a Prohibited Shareholder. The register of members of the Company is expected to be closed from Friday, 10 January 2014 to Tuesday, 14 January 2014 (both dates inclusive) to determine the eligibility of the Shareholders to the Open Offer according to the expected timetable.

No excess application of the Offer Shares will be available. The Offer Shares not validly applied for by the Qualifying Shareholders and those which would otherwise be allotted to the Prohibited Shareholders will be taken up by the Underwriter and/or subscribers procured by the Underwriter.

Assuming that 3,293,247,896 Offer Shares would be issued, the Company will receive gross proceeds of approximately HK\$131.7 million and net proceeds of approximately HK\$125.5 million. The net proceeds from the Open Offer will be used by the Company for the repayment of bank and other borrowings, the drilling of wells and natural gas pipeline construction work, and general working capital purpose.

### **Mr. Wang's Undertaking and Jumbo Lane's Undertaking**

On 22 December 2013, Mr. Wang has provided the Mr. Wang's Undertaking, pursuant to which Mr. Wang has irrevocably undertaken to the Company and the Underwriter, among other things, (i) to take up and accept his full entitlement of Offer Shares under the Open Offer; and (ii) not to exercise his Options on or before completion of the Open Offer. On 22 December 2013, Jumbo Lane has provided the Jumbo Lane's Undertaking, pursuant to which Jumbo Lane has irrevocably undertaken to the Company and the Underwriter, among other things, to take up and accept its full entitlement of Offer Shares under the Open Offer.

### **The Underwriting Agreement**

Pursuant to the Underwriting Agreement entered into between the Company and RHB OSK Securities on 20 December 2013, RHB OSK Securities has conditionally agreed to purchase, or procure purchasers to purchase, on a fully underwritten basis, not less than 2,010,081,837 Offer Shares and not more than 2,572,461,837 Offer Shares. RHB OSK Securities shall enter into sub-underwriting letter(s) with Independent Third Party(ies).

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Offer Shares on GEM.

### **Warning of the risks of dealing in the Shares**

**The Open Offer is subject to the satisfaction of certain conditions as described in the section headed "Conditions of the Open Offer". In particular, it is subject to the Underwriting Agreement having become unconditional and not having been terminated (see the section headed "Termination of the Underwriting Agreement" below). Accordingly, the Open Offer may or may not proceed.**

**Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled and before the force majeure under the Underwriting Agreement expires will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their own professional advisers.**

**Shareholders and investors should note that, based on the expected timetable, the Shares will be dealt in on an ex-entitlement basis commencing from Wednesday, 8 January 2014 and that dealing in Shares will take place even though the conditions under the Underwriting Agreement remain unfulfilled.**

## **General**

The Company will send the Open Offer Documents to the Qualifying Shareholders. The Prospectus, but not the Application Form, will be sent to the Prohibited Shareholders (if any) for their information.

### **Resumption of trading in the Shares on GEM**

At the request of the Company, trading in the Shares on GEM has been halted with effect from 9:00 a.m. on Friday, 20 December 2013 pending the release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares on GEM with effect from 9:00 a.m. on Monday, 23 December 2013.

## **THE PLACING AGREEMENT**

### **Date**

20 December 2013

### **Parties Involved**

- (i) Mr. Wang; and
- (ii) the Placing Agent.

### **Relationship with the Company**

Mr. Wang is an executive Director, the chairman of the Board, and a substantial shareholder of the Company, who personally held 1,320,782,118 Shares as of the date of this announcement.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

## **THE PLACING**

### **The Placing and the Placees**

The Placing Agent, on a best effort basis and on behalf of Mr. Wang, will procure the placing of the Placing Shares, being an aggregate of up to 880,000,000 existing Shares owned by Mr. Wang, to not less than six Placees who and whose ultimate beneficial owners will be third parties independent of the Company and its connected persons (including Mr. Wang and Jumbo Lane) and not acting in concert with the connected persons of the Company (including Mr. Wang and Jumbo Lane). It is expected that immediately after completion of the Placing, none of the Placees will become a substantial shareholder of the Company.

## **Placing Price**

The Placing Price of HK\$0.092 per Share represents:

- (i) a discount of approximately 17.12% to the closing price of HK\$0.111 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 19.58% to the average of the closing prices of the Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day, being approximately HK\$0.1144 per Share.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis among the parties under the Placing Agreement. Save for Mr. Wang who abstained from discussion and voting, the Directors (including the independent non-executive Directors) consider that the terms of the Placing, including the Placing Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Placing Shares**

The Placing Shares shall constitute a maximum of 880,000,000 existing Shares owned by Mr. Wang, which represent (i) approximately 16.11% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.88% of the issued share capital of the Company as enlarged by the Subscription.

## **Rights of the Placing Shares**

The Placing Shares are fully paid and will be sold by Mr. Wang free from all Encumbrance.

## **Completion of the Placing**

The Placing is unconditional and shall be completed on the second Business Day immediately after the date of the Placing Agreement, or if later, the date of resumption of trading in the Shares after publication of this announcement or such later time and/or date as Mr. Wang, the Company and the Placing Agent may mutually agree in writing.

## **Placing commission**

The Placing Agent will receive a placing commission of 1.5% (inclusive of sellers brokerage) of the aggregate Placing Price for the Placing Shares successfully placed by the Placing Agent, which was arrived at after arm's length negotiation amongst the parties under the Placing Agreement.

## **Termination**

The Placing Agent may after consultation with Mr. Wang and the Company terminate the Placing Agreement by notice in writing given to Mr. Wang at any time prior to 9:00 a.m. on the date of completion of the Placing upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, has or may have an material adverse effect on the business or financial conditions of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Placing Shares or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement:

- (a) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a material adverse change in, or which may result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would materially adversely affect the success of the Placing; or
- (b) any material breach of any of the representations and warranties as stated in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the completion date of the Pacing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by Mr. Wang of any other provision of the Placing Agreement; or
- (c) there is any adverse change in the financial position of the Company which is material in the context of the Placing.

## **THE SUBSCRIPTION AGREEMENT**

### **Date**

20 December 2013

### **Parties Involved**

- (i) Mr. Wang; and
- (ii) the Company.

## **THE SUBSCRIPTION**

### **Subscriber**

Mr. Wang is an executive Director, the chairman of the Board, and a substantial shareholder of the Company, who personally held 1,320,782,118 Shares as at the date of this announcement.

### **Subscription Price**

The Subscription Price is HK\$0.092 per Subscription Share, which is the same as the Placing Price.

## **Subscription Shares**

The number of Subscription Shares which Mr. Wang has conditionally agreed to subscribe for under the Subscription Agreement shall be the same as the number of Placing Shares successfully placed by the Placing Agent under the Placing. The maximum number of Subscription Shares shall be 880,000,000 new Shares, with an aggregate nominal value of HK\$8.8 million.

## **Ranking of the Subscription Shares**

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with Shares in issue as at the time of issue and allotment of the Subscription Shares.

## **General Mandate**

The Subscription Shares will be allotted and issued under the General Mandate. Pursuant to the General Mandate, the Company is allowed to allot and issue up to a maximum of 880,501,004 new Shares. As at the date of this announcement, no Shares have been issued by the Company under the General Mandate.

## **Subscription Conditions**

The completion of Subscription is conditional upon:

- (i) completion of the Placing having occurred pursuant to the terms of the Placing Agreement;
- (ii) listing of and permission to deal in the Subscription Shares on GEM being granted by the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares); and
- (iii) if necessary, granting of approval by any relevant regulatory authority in relation to the allotment and issue of the Subscription Shares.

If the conditions are not fulfilled on or prior to 2 January 2014 or such later date as may be agreed between the Company and Mr. Wang, the Subscription Agreement shall be terminated and neither of the parties to the Subscription Agreement shall have any claim against the other for costs, damages, compensation or otherwise (save for any breach of warranty).

## **Completion of the Subscription**

Completion of the Subscription shall take place at 5:00 p.m. (Hong Kong time) on the first Business Day after the conditions of the Subscription Agreement are fulfilled or such other date as the parties may agree. If completion of the Subscription Agreement does not take place on or before 3 January 2014, being 14 days from the date of the Subscription Agreement (subject to any extension being made in full compliance with the GEM Listing Rules), the Subscription Price of the Subscription Shares (less the expenses referred to in the Subscription Agreement) shall be refunded, in full, to Mr. Wang.

**Completion of the Placing and the Subscription is subject to the performance of the relevant parties and/or the satisfaction of the conditions precedent under the Placing Agreement and the Subscription Agreement, respectively. As the Placing and the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise extreme caution when dealing in the Shares and other securities of the Company.**

## **Application for listing of the Subscription Shares on GEM**

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on GEM.

## THE PROPOSED OPEN OFFER

### Issue statistics

Basis of the Open Offer:	One Offer Share for every two existing Shares held on the Record Date
Number of authorised Shares as at the date of this announcement:	20,000,000,000 Shares
Number of existing Shares in issue as at the date of this announcement:	5,461,735,792 Shares
Number of Shares in issue assuming 880,000,000 Subscription Shares will be issued upon completion of the Placing and the Subscription:	6,341,735,792 Shares
Number of Shares in issue assuming 880,000,000 Subscription Shares will be issued upon completion of the Placing and the Subscription, and 244,760,000 new Shares will be issued upon exercise of all the Eligible Options:	6,586,495,792 Shares
Number of Offer Shares:	Not less than 2,730,867,896 Offer Shares and not more than 3,293,247,896 Offer Shares
Underwriter:	RHB OSK Securities (as the Underwriter)
Open Offer Price:	HK\$0.04 per Offer Share
Aggregate nominal value of the Offer Shares:	Not less than HK\$27,308,678.96 and not more than HK\$32,932,478.96
Gross proceeds from the Open Offer:	Not less than approximately HK\$109.2 million and not more than approximately HK\$131.7 million
Estimated net proceeds from the Open Offer:	Not less than approximately HK\$104.5 million and not more than approximately HK\$125.5 million
Net price to be raised per Offer Share upon completion of the Open Offer:	Approximately HK\$0.038 per Share
Enlarged issued share capital immediately upon completion of the Subscription and the Open Offer (assuming 880,000,000 Subscription Shares are issued under the Subscription Agreement):	Not less than 9,512,603,688 Shares (assuming no Options are exercised on or before the Record Date) and not more than 9,879,743,688 Shares (assuming all the Eligible Options are exercised on or before the Record Date)

The Open Offer is fully underwritten by the Underwriter pursuant to the Underwriting Agreement.



As at the date of this announcement, the Company has outstanding Options to subscribe for 247,260,000 Shares, all of which were granted pursuant to the Share Option Scheme. Pursuant to the Mr. Wang's Undertaking, Mr. Wang has undertaken to subscribe for all the Offer Shares which he will be entitled under the Open Offer, and not to exercise his outstanding Options before completion of the Open Offer. As at the date of this announcement, Mr. Wang held Options to subscribe for 2,500,000 Shares.

On the assumption that (i) no Eligible Option is exercised on or before the Record Date; and (ii) no Subscription Shares are issued under the Subscription Agreement, 2,730,867,896 Offer Shares would be issued under the Open Offer, representing (1) 50% of the existing issued share capital of the Company as at the date of this announcement; and (2) approximately 33.33% of the issued share capital of the Company as enlarged by the issue of 2,730,867,896 Offer Shares under the Open Offer.

On the assumption that (i) no Eligible Option is exercised on or before the Record Date; and (ii) the issue of 880,000,000 Subscription Shares, 3,170,867,896 Offer Shares would be issued under the Open Offer, representing (1) 50% of the issued share capital of the Company after the issue of 880,000,000 Subscription Shares; and (2) approximately 33.33% of the issued share capital of the Company as enlarged by the issue of 880,000,000 Subscription Shares under the Subscription Agreement, and 3,170,867,896 Offer Shares under the Open Offer.

On the assumption that (i) 244,760,000 new Shares are issued on or before the Record Date upon the exercise of all the Eligible Options; and (ii) the issue of 880,000,000 Subscription Shares under the Subscription Agreement, 3,293,247,896 Offer Shares would be issued under the Open Offer, representing (1) 50% of the issued share capital of the Company as enlarged by the issue of 880,000,000 Subscription Shares, and 244,760,000 new Shares upon the exercise of all the Eligible Options on or before the Record Date; and (2) approximately 33.33% of the issued share capital of the Company as enlarged by the issue of 880,000,000 Subscription Shares under the Subscription Agreement, 244,760,000 new Shares upon the exercise of all the Eligible Options on or before the Record Date, and 3,293,247,896 Offer Shares under the Open Offer.

Save for the outstanding Options to subscribe for up to 247,260,000 Shares, there are no other outstanding warrants, options, convertible securities or other rights to subscribe for Shares as at the date of this announcement.

### **Qualifying Shareholders and Prohibited Shareholders**

The Open Offer will only be available to the Qualifying Shareholders. The Company will send the Open Offer Documents to the Qualifying Shareholders and the Prospectus, for information only, to the Prohibited Shareholders. To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date and must be a Qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of the Shares (together with the relevant share certificates) for registration with the Company's branch share registrar in Hong Kong by no later than 4:30 p.m. (Hong Kong time) on Thursday, 9 January 2014 according to the expected timetable.

The branch share registrar of the Company in Hong Kong is:

**Tricor Tengis Limited**  
26/F  
Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

The Open Offer Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and, if applicable, the Cayman Islands. The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. The Company will send the Prospectus, but not the Application Form, to the Prohibited Shareholders for their information only. The entitlements of the Prohibited Shareholders under the Open Offer will be taken up by the Underwriter.

### **Rights of Overseas Shareholders or Prohibited Shareholders**

If, on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer. The Board will make enquiries with its legal advisers as to whether the offer or the issue of the Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory bodies or stock exchanges pursuant to Rule 17.41(1) of the GEM Listing Rules. If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders. The results of enquiries and the basis of any exclusion of the Overseas Shareholders will be included in the Prospectus. The Offer Shares which would otherwise be allotted to those Overseas Shareholders will be taken up by the Underwriter and/or subscribers procured by them.

### **Closure of Register of Members**

The register of members of the Company is expected to be closed from Friday, 10 January 2014 to Tuesday, 14 January 2014 (both dates inclusive) according to the expected timetable for the purpose of determining entitlement of Qualifying Shareholders as at the Record Date. No transfer of Shares will be registered during this period.

## **TERMS OF THE OPEN OFFER**

### **Open Offer Price**

The Open Offer Price of HK\$0.04 per Offer Share is payable in full on application. The Open Offer Price represents:

- (i) a discount of approximately 63.96% to the closing price of HK\$0.111 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 65.03% to the average closing price of approximately HK\$0.1144 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 69.18% to the average closing price of approximately HK\$0.1298 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 54.18% to the theoretical ex-entitlement price of approximately HK\$0.0873 per Share based on the closing price of HK\$0.111 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 82.90% to the audited consolidated net asset value attributable to the Shareholders as at 31 December 2012 of approximately RMB0.183 per Share (equivalent to approximately HK\$0.234 per Share) based on 5,461,735,792 Shares in issue as at the date of this announcement; and

- (vi) a discount of approximately 83.54% to the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2013 of approximately RMB0.190 per Share (equivalent to approximately HK\$0.243 per Share) based on 5,461,735,792 Shares in issue as at the date of this announcement.

The Open Offer Price was arrived at with reference to the market price of the Shares under the prevailing market conditions and the liquidity of the Shares and was agreed on an arm's length basis between the Company and the Underwriter. The Directors (including the independent non-executive Directors) consider the Open Offer Price and its discount to the closing price on the Last Trading Day to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, on the basis that the Qualifying Shareholders are offered a chance to elect to subscribe for the Offer Shares at a relatively low price and to maintain their respective pro rata shareholdings in the Company. The Directors also consider that the discount will encourage the Qualifying Shareholders to take up their entitlements, so as to participate in and share the potential growth of the Group.

### **Basis of allotment**

One Offer Share for every two existing Shares held by any Qualifying Shareholder on the Record Date.

### **Status of the Offer Shares**

The Offer Shares, when allotted, issued and fully-paid, will rank pari passu with the Shares in issue in all respects. Holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

### **Fractions of Offer Shares**

Fractional entitlements to the Offer Shares will not be issued but will be aggregated and taken up by the Underwriter. The Company will not allot any fractions of Offer Shares.

### **No Application for Excess Offer Shares**

No application for excess Offer Shares will be made available to any Qualifying Shareholders to apply for any entitlements of the Prohibited Shareholders, or any Offer Shares offered to, but not accepted by, the Qualifying Shareholders and any fractional entitlements. The Directors consider that each Qualifying Shareholder will be given equal and fair opportunities to participate in the Company's future development by subscribing for his/her/its assured entitlements under the Open Offer. If an application for excess Offer Shares were arranged, the Company would be required to put in additional effort and costs to administer the excess application procedures, which is not cost-effective so far as the interests of the Group and the Shareholders are concerned.

Offer Shares not taken up by Qualifying Shareholders (excluding those to be taken up by Mr. Wang and Jumbo Lane pursuant to the Mr. Wang's Undertaking and the Jumbo Lane's Undertaking, respectively) and the abovementioned aggregated fractional entitlements will be taken up by the Underwriter. The Open Offer is not subject to Shareholders' approval according to the GEM Listing Rules. No odd lot matching services will be provided by the Company in respect of the Open Offer, as it appears to be not cost-effective for the Company to appoint any designated broker to stand in the market to provide matching services for odd lot of the Offer Shares, comparing the fees to be charged by such broker and the market value of such odd lot of the Offer Shares.

Shareholders with their Shares held by a nominee (or CCASS) should note that the Board will regard the nominee (including CCASS) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by a nominee (or CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders should consult their professional advisers if they are in any doubt as to whether they should register their shareholding in their own names.

For Shareholders whose Shares are held by their nominee(s) (or CCASS) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents for registration with Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong, by 4:30 p.m. (Hong Kong time) on Thursday, 9 January 2014 according to the expected timetable.

### **Certificates and refund cheques for the Offer Shares**

Subject to the fulfillment of the conditions of the Open Offer, as set out in the paragraph headed “Conditions of the Open Offer” below, share certificates for all Offer Shares are expected to be posted by ordinary post on or before Friday, 7 February 2014 to those Qualifying Shareholders who have accepted and paid for the Offer Shares, at their own risk. Refund cheques in respect of the Offer Shares (if the Open Offer is terminated) are expected to be posted by Friday, 7 February 2014 by ordinary post to the applicants at their own risk.

### **Application for listing of the Offer Shares on GEM**

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Offer Shares on GEM. Dealings in the Offer Shares on GEM will be subject to the payment of stamp duty and any other charges and fees in Hong Kong.

### **CONDITIONS OF THE OPEN OFFER**

The Open Offer is conditional upon the following conditions having been fulfilled:

- (i) the signing by or on behalf of all of the Directors on or before the Posting Date of two copies of each of the Open Offer Documents and the certification by two Directors (or by their agents duly authorised in writing) of two copies of each of the Open Offer Documents;
- (ii) the delivery to the Stock Exchange for authorisation and filing and registration with the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Open Offer Documents each duly certified by two Directors (or by their agents duly authorised in writing) in compliance with section 342C of the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance and the GEM Listing Rules;
- (iii) if applicable, the filing with the Registrar of Companies in Cayman Islands one copy of each of the Open Offer Documents duly signed by either all Directors or one of the Directors for and on behalf of all the Directors (and all other documents required to be attached thereto) on or before the Posting Date or otherwise the posting on the Posting Date of copies of the Open Offer Documents or otherwise in compliance with the applicable laws and regulations of Cayman Islands;

- (iv) the posting on the Posting Date of copies of the Open Offer Documents to the Qualifying Shareholders and the posting on the Posting Date of the Prospectus stamped “For information only” and a letter in the agreed form to the Prohibited Shareholders (if any) for information purposes only explaining the circumstances under which the Open Offer is not extended to them;
- (v) the Stock Exchange granting or agreeing to grant (subject to allotment of the Offer Shares) the listing of, and permission to deal in, the Offer Shares on GEM and such grant not having withdrawn or revoked before the first day of their dealings;
- (vi) the obtaining of all approvals by the Company as required under the GEM Listing Rules (if necessary) or other applicable laws and regulations in respect of the Open Offer before the settlement date of the Open Offer; and
- (vii) the performance of the Mr. Wang’s Undertaking and the Jumbo Lane’s Undertaking;
- (viii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement is not being terminated by the Underwriter in accordance with the terms thereof.

**In the event that the conditions have not been satisfied by the Company and/or waived by the Underwriter (in respect of the condition in (vii) and (viii) only) on or before the respective dates referred to therein (or in each case, such later date as the Underwriter and the Company may agree in writing), all liabilities of the parties thereto shall cease and determine and no party shall have any claim against the other parties. The latest time to terminate the Underwriting Agreement is 4:00 p.m. on the second Business Day after the day of the Latest Acceptance Time or such later time or date as may be agreed between the Underwriter and the Company.**

#### **UNDERTAKINGS FROM MR. WANG AND JUMBO LANE**

Mr. Wang is an executive Director and the chairman of the Board, and a substantial shareholder of the Company. Jumbo Lane is an investment holding company which is wholly-owned by Mr. Wang and thus is a party acting in concert with him. As at the date of this announcement, Mr. Wang and parties acting in concert with him hold approximately 26.39% of the issued Shares of the Company.

Each of Mr. Wang and Jumbo Lane held 1,320,782,118 Shares and 120,790,000 Shares as at the date of this announcement, respectively. Mr. Wang held Options to subscribe for 2,500,000 Shares as at the date of this announcement.

For Mr. Wang, RHB OSK Securities does not fall under Class 9 of the presumption in the definition of “acting in concert” under the Takeovers Code, as each of Mr. Wang and Jumbo Lane is not a party to the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Company has procured Mr. Wang and Jumbo Lane to give the Mr. Wang’s Undertaking and the Jumbo Lane’s Undertaking, respectively, in favour of the Company and the Underwriter to subscribe for all the Offer Shares each will be entitled under the Open Offer.

Mr. Wang has undertaken to the Company and the Underwriter to, among other things, (i) take up and accept his full entitlement of Offer Shares under the Open Offer; and (ii) not to exercise his Options on or before completion of the Open Offer. Jumbo Lane (which is wholly-owned by Mr. Wang) has undertaken to the Company and the Underwriter, among other things, to take up and accept its full entitlement of Offer Shares under the Open Offer.

## UNDERWRITING ARRANGEMENT

Any Offer Share not taken up by the Qualifying Shareholders, other than Mr. Wang and Jumbo Lane, will be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement.

Date	:	20 December 2013
Issuer	:	The Company
Underwriter	:	RHB OSK Securities (as the Underwriter)
Number of Underwritten Shares	:	Not less than 2,010,081,837 Offer Shares and not more than 2,572,461,837 Offer Shares by RHB OSK Securities
Commission	:	3.50% of the aggregate subscription price for the Offer Shares

Pursuant to the Underwriting Agreement, the Underwriter has agreed to subscribe or procure the subscription for all the Underwritten Shares. The maximum aggregate value of such Underwritten Shares amounts to approximately HK\$102.9 million at the Open Offer Price. To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owners are Independent Third Parties. The Underwriter has warranted and undertaken to the Company that any sub-underwriter to be appointed by the Underwriter and its ultimate beneficial owners shall be independent of and not connected with the Company, the connected persons of the Company and/or the Underwriter and/or their respective associates, such that none of the Underwriter together with its parties acting in concert nor any of the sub-underwriters and their respective parties acting in concert shall trigger any general offer obligations under Rule 26 of the Takeovers Code.

The Underwriter shall, and shall cause the sub-underwriters to procure independent subscribers or places to take up such number of Offer Shares as necessary to ensure that the public float requirements under the GEM Listing Rules are complied with immediately after the Open Offer. The Underwriter shall ensure that each of the Underwriter and any sub-underwriter that may be appointed and their respective parties acting in concert will not hold in aggregate 20% or more of the issued Shares after completion of the Open Offer.

RHB OSK Securities shall enter into sub-underwriting letter(s) with Independent Third Party(ies). The Directors understand that completion of the Open Offer in accordance with the terms of the Underwriting Agreement will not trigger any general offer obligations under Rule 26 of the Takeovers Code, and the public float requirement under the GEM Listing Rules will be complied with.

In relation to the underwriting commission, the Board considers the terms of the Underwriting Agreement (including the commission rate) accord with the market practice and are fair and reasonable so far as the Company and the Shareholders are concerned.

### **Conditions of the Underwriting Agreement**

The conditions of the Underwriting Agreement have been set out in the paragraph headed "Conditions of the Open Offer" above.

## Termination of the Underwriting Agreement

If at any time on or before the Latest Time for Termination:

- (a) there comes to the notice of the Underwriter any matter or event showing, or the Underwriter shall have reasonable cause to believe that, any of the warranties in the Underwriting Agreement to be untrue, inaccurate or misleading or as having been breached in any respect considered by the Underwriter to be material in the context of the Open Offer; or any breach by the Company of any of its obligations or undertakings under the Underwriting Agreement to be material in the context of the Open Offer; or
- (b) there shall be:
  - (A) any new law or regulation is enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
  - (B) any change in local, national or international financial, political, industrial or economic conditions;
  - (C) any change in the conditions of local, national or international equity securities or currency markets;
  - (D) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
  - (E) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange,

which is or are, in the reasonable opinion of the Underwriter:

- (1) likely to have an adverse effect on the business, financial position or prospects of the Group taken as a whole or the Open Offer; or
- (2) likely to have an adverse effect on the success of the Open Offer or the level of Offer Shares to be taken up; or
- (3) makes it inappropriate, inadvisable or inexpedient to proceed further with the Open Offer,

then and, in such case, the Underwriter may, by notice in writing given to the Company on or before the Latest Time for Termination, rescind the Underwriting Agreement and thereupon all obligations of the Underwriter hereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement and the Open Offer shall not proceed.

**If the Underwriting Agreement is terminated on or before the aforesaid deadline or does not become unconditional, the Open Offer will not proceed.**

## WARNING OF THE RISKS OF DEALING IN THE SHARES

The Open Offer is conditional, inter alia, upon the fulfillment of the conditions set out above under the section headed “Conditions of the Open Offer” above. It is subject to the Underwriting Agreement having become unconditional and not having been terminated (see the section headed “Termination of the Underwriting Agreement” above). Accordingly, the Open Offer may or may not proceed.

Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled and before the force majeure under the Underwriting Agreement expires will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their own professional advisers.

Shareholders and investors should note that, based on the expected timetable, the Shares will be dealt in on an ex-entitlement basis commencing from Wednesday, 8 January 2014 and that dealing in Shares will take place even though the conditions under the Underwriting Agreement remain unfulfilled.

## THE OUTSTANDING OPTIONS

As at the date of this announcement, the details of the outstanding Options are as follows:

<b>Holder of Options</b>	<b>Number of Shares to be issued upon exercise of all outstanding Options</b>	<b>Exercise price per Share</b>
Mr. Wang, the chairman of the Board, an executive Director and a substantial shareholder of the Company	2,500,000	HK\$0.495
Mr. Fu Shou Gang, an executive Director	2,500,000	HK\$0.495
Employees	42,240,000	HK\$0.495
Consultants	200,020,000	HK\$0.495
<b>Total</b>	<b><u>247,260,000</u></b>	

The Company has procured Mr. Wang to give the Mr. Wang’s Undertaking in favour of the Company and the Underwriter not to exercise his Options before completion of the Open Offer.

As at the date of this announcement, other than the Mr. Wang’s Undertaking and the Jumbo Lane’s Undertaking, the Company has not procured any other undertaking and has not received any undertaking provided by any other Shareholders to subscribe for his/her/its entitlement under the Open Offer or any arrangement that may have an effect to the Open Offer.



## CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The simplified shareholding structures of the Company under the following scenarios are set out below (for illustration purposes only):

### *Scenario I:*

*Assuming each of the Placing and the Subscription does not proceed to completion, and no exercise of the Eligible Options on or before the latest time for lodging documents for exercise of the Eligible Options*

Shareholders	As at the date of this announcement		Immediately after completion of the Open Offer on the assumption as set out in Note 1		Immediately after completion of the Open Offer on the assumption as set out in Note 2	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Wang	1,320,782,118	24.18	1,981,173,177	24.18	1,981,173,177	24.18
Jumbo Lane (Note 3)	120,790,000	2.21	181,185,000	2.21	181,185,000	2.21
<i>Sub-total</i>	<u>1,441,572,118</u>	<u>26.39</u>	<u>2,162,358,177</u>	<u>26.39</u>	<u>2,162,358,177</u>	<u>26.39</u>
The Underwriter (Note 4)	—	—	—	—	2,010,081,837	24.54
Existing public Shareholders	<u>4,020,163,674</u>	<u>73.61</u>	<u>6,030,245,511</u>	<u>73.61</u>	<u>4,020,163,674</u>	<u>49.07</u>
<b>Total</b>	<b><u>5,461,735,792</u></b>	<b><u>100</u></b>	<b><u>8,192,603,688</u></b>	<b><u>100</u></b>	<b><u>8,192,603,688</u></b>	<b><u>100</u></b>

*Scenario II:*

*Assuming each of the Placing and the Subscription does not proceed to completion, and 244,760,000 new Shares are issued upon the exercise of all of the Eligible Options on or before the Record Date*

Shareholders	As at the date of this announcement		After exercise of all of the Eligible Options		Immediately after completion of the Open Offer on the assumption as set out in Note 1		Immediately after completion of the Open Offer on the assumption as set out in Note 2	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Wang	1,320,782,118	24.18	1,320,782,118	23.15	1,981,173,177	23.15	1,981,173,177	23.15
Jumbo Lane (Note 3)	120,790,000	2.21	120,790,000	2.12	181,185,000	2.12	181,185,000	2.12
Mr. Fu Shou Gang, an executive Director	—	—	2,500,000	0.04	3,750,000	0.04	2,500,000	0.03
<i>Sub-total</i>	<u>1,441,572,118</u>	<u>26.39</u>	<u>1,444,072,118</u>	<u>25.31</u>	<u>2,166,108,177</u>	<u>25.31</u>	<u>2,164,858,177</u>	<u>25.30</u>
Other holders of Options	—	—	242,260,000	4.24	363,390,000	4.24	242,260,000	2.83
The Underwriter (Note 4)	—	—	—	—	—	—	2,132,461,837	24.91
Existing public Shareholders	<u>4,020,163,674</u>	<u>73.61</u>	<u>4,020,163,674</u>	<u>70.45</u>	<u>6,030,245,511</u>	<u>70.45</u>	<u>4,020,163,674</u>	<u>46.96</u>
<b>Total</b>	<b><u>5,461,735,792</u></b>	<b><u>100</u></b>	<b><u>5,706,495,792</u></b>	<b><u>100</u></b>	<b><u>8,559,743,688</u></b>	<b><u>100</u></b>	<b><u>8,559,743,688</u></b>	<b><u>100</u></b>

*Scenario III:*

*Assuming each of the Placing and the Subscription proceeds to completion (with the issue of 880,000,000 Subscription Shares), and no exercise of the Eligible Options on or before the latest time for lodging documents for exercise of the Eligible Options*

Shareholders	As at the date of this announcement		After completion of the Placing and the Subscription		Immediately after completion of the Open Offer on the assumption as set out in Note 1		Immediately after completion of the Open Offer on the assumption as set out in Note 2	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Wang	1,320,782,118	24.18	1,320,782,118	20.83	1,981,173,177	20.83	1,981,173,177	20.83
Jumbo Lane (Note 3)	120,790,000	2.21	120,790,000	1.90	181,185,000	1.90	181,185,000	1.90
<i>Sub-total</i>	<u>1,441,572,118</u>	<u>26.39</u>	<u>1,441,572,118</u>	<u>22.73</u>	<u>2,162,358,177</u>	<u>22.73</u>	<u>2,162,358,177</u>	<u>22.73</u>
Placees	—	—	880,000,000	13.88	1,320,000,000	13.88	880,000,000	9.25
The Underwriter (Note 4)	—	—	—	—	—	—	2,450,081,837	25.76
Existing public Shareholders	<u>4,020,163,674</u>	<u>73.61</u>	<u>4,020,163,674</u>	<u>63.39</u>	<u>6,030,245,511</u>	<u>63.39</u>	<u>4,020,163,674</u>	<u>42.26</u>
<b>Total</b>	<b><u>5,461,735,792</u></b>	<b><u>100</u></b>	<b><u>6,341,735,792</u></b>	<b><u>100</u></b>	<b><u>9,512,603,688</u></b>	<b><u>100</u></b>	<b><u>9,512,603,688</u></b>	<b><u>100</u></b>

*Scenario IV:*

*Assuming each of the Placing and the Subscription proceeds to completion (with the issue of 880,000,000 Subscription Shares), and 244,760,000 Shares are issued upon the exercise of all the Eligible Options on or before the Record Date*

Shareholders	As at the date of this announcement		After completion of the Placing and the Subscription		After exercise of all the Eligible Options		Immediately after completion of the Open Offer on the assumption as set out in Note 1		Immediately after completion of the Open Offer on the assumption as set out in Note 2	
	Number of Approximate		Number of Approximate		Number of Approximate		Number of Approximate		Number of Approximate	
	Shares	%	Shares	%	Shares	%	Shares	%	Shares	%
Mr. Wang	1,320,782,118	24.18	1,320,782,118	20.83	1,320,782,118	20.05	1,981,173,177	20.05	1,981,173,177	20.05
Jumbo Lane (Note 3)	120,790,000	2.21	120,790,000	1.90	120,790,000	1.83	181,185,000	1.83	181,185,000	1.83
Mr. Fu Shou Gang, an executive Director	—	—	—	—	2,500,000	0.04	3,750,000	0.04	2,500,000	0.03
<i>Sub-total</i>	<u>1,441,572,118</u>	<u>26.39</u>	<u>1,441,572,118</u>	<u>22.73</u>	<u>1,444,072,118</u>	<u>21.92</u>	<u>2,166,108,177</u>	<u>21.92</u>	<u>2,164,858,177</u>	<u>21.91</u>
Placees	—	—	880,000,000	13.88	880,000,000	13.36	1,320,000,000	13.36	880,000,000	8.91
Other holders of Options	—	—	—	—	242,260,000	3.68	363,390,000	3.68	242,260,000	2.45
The Underwriter (Note 4)	—	—	—	—	—	—	—	—	2,572,461,837	26.04
Existing public Shareholders	<u>4,020,163,674</u>	<u>73.61</u>	<u>4,020,163,674</u>	<u>63.39</u>	<u>4,020,163,674</u>	<u>61.04</u>	<u>6,030,245,511</u>	<u>61.04</u>	<u>4,020,163,674</u>	<u>40.69</u>
<b>Total</b>	<b><u>5,461,735,792</u></b>	<b><u>100</u></b>	<b><u>6,341,735,792</u></b>	<b><u>100</u></b>	<b><u>6,586,495,792</u></b>	<b><u>100</u></b>	<b><u>9,879,743,688</u></b>	<b><u>100</u></b>	<b><u>9,879,743,688</u></b>	<b><u>100</u></b>

*Notes:*

1. Assuming all Shareholders take up their respective allotments of the Offer Shares in full.
2. Assuming all Shareholders do not take up any allotments of the Offer Shares, save for Mr. Wang and Jumbo Lane; and (ii) the allotment of the Offer Shares to all Shareholders (other than Mr. Wang and Jumbo Lane) are taken up by the Underwriter pursuant to the Underwriting Agreement.
3. Jumbo Lane is legally and beneficially owned by Mr. Wang, the chairman of the Board, an executive Director and a substantial shareholder of the Company.
4. RHB OSK Securities shall enter into sub-underwriting letter(s) with Independent Third Party(ies).

In the event that the Underwriter is called upon to subscribe for the balance of the Offer Shares in full pursuant to its obligations under the Underwriting Agreement, the interest of the Underwriter in the issued share capital of the Company would increase from nil to approximately 26.04% immediately upon completion of the Open Offer, assuming (i) 880,000,000 Subscription Shares are issued under the Subscription Agreement, (ii) 244,760,000 new Shares are issued upon exercise of all the Eligible Options on or before the Record Date; and (iii) 3,293,247,896 Offer Shares are issued under the Open Offer.

## EXPECTED TIMETABLE

The expected timetable for the Subscription and the Open Offer set out below is indicative only based on the assumption that (1) the Placing and the Subscription will be completed; and (2) the Underwriting Agreement having been become unconditional and not having been terminated. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

2014

Completion of the Subscription Agreement .....	On or before Friday, 3 January
Last day of dealings in the existing Shares on a cum-entitlement basis .....	Tuesday, 7 January
First day of dealings in the existing Shares on an ex-entitlement basis .....	Wednesday, 8 January
Latest time for lodging transfer of the Shares in order to qualify for the Open Offer .....	4:30 p.m. on Thursday, 9 January
Register of members of the Company closes (both dates inclusive) .....	Friday, 10 January to Tuesday, 14 January (both dates inclusive)
Record Date .....	Tuesday, 14 January
Register of members of the Company re-opens .....	Wednesday, 15 January
Date of despatch of the Open Offer Documents .....	Wednesday, 15 January
Latest time for acceptance of, and payment for, the Offer Shares .....	4:00 p.m. on Wednesday, 29 January
Latest time for the Open Offer becoming unconditional .....	4:00 p.m. on Tuesday, 4 February
Announcement of results of the Open Offer on or before .....	Thursday, 6 February
If the Open Offer is terminated, despatch of refund cheques expected to be posted on or before .....	Friday, 7 February
Despatch of certificates for the Offer Shares on or before .....	Friday, 7 February
Commencement of dealings in Offer Shares on the Stock Exchange .....	9:00 a.m. on Monday, 10 February

Dates or deadlines specified above are in Hong Kong time and indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable above will be published or notified to the Shareholders appropriately.

The Latest Acceptance Time for the Offer Shares is expected to be at 4:00 p.m. on Wednesday, 29 January 2014. The Latest Acceptance Time for the Offer Shares will not take place at 4:00 p.m. on Wednesday, 29 January 2014 if there is a tropical cyclone warning signal Number 8 or above, or a “Black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 29 January 2014. Instead, the Latest Acceptance Time for the Offer Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 29 January 2014. Instead, the Latest Acceptance Time for the Offer Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If Latest Acceptance Time for the Offer Shares does not take place on Wednesday, 29 January 2014, the dates mentioned in the expected timetable above may be affected. The Company will notify Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

## **REASONS FOR THE PLACING, THE SUBSCRIPTION, THE OPEN OFFER AND USE OF PROCEEDS**

The Company is incorporated in the Cayman Islands with limited liability. The Group is principally engaged in production and sales of liquefied coalbed gas in the PRC.

The net proceeds from the Subscription is expected to be approximately HK\$79 million (representing a net Subscription Price of approximately HK\$0.090 per Subscription Share, assuming 880,000,000 new Shares will be subscribed for under the Subscription Agreement), which will be used by the Company for the repayment of bank and other borrowings, the drilling of wells and natural gas pipeline construction work, and general working capital purpose.

The Directors (including the independent non-executive Directors) are of the view that the Placing and the Subscription will enlarge the capital base of the Company and will strengthen the financial position of the Group. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Placing and the Subscription are fair and reasonable and in the interests of the Shareholders as a whole.

On the assumption that (i) 244,760,000 new Shares are issued on or before the Record Date upon the exercise of all the Eligible Options; and (ii) the issue of 880,000,000 Subscription Shares under the Subscription Agreement, 3,293,247,896 Offer Shares would be issued under the Open Offer, the maximum gross proceeds from the Open Offer will be approximately HK\$131.7 million, and the maximum net proceeds from the Open Offer will be approximately HK\$125.5 million, which will be used by the Company for the repayment of bank and other borrowings, the drilling of wells and natural gas pipeline construction work, and general working capital purpose. The fees and expenses in connection with the Open Offer would include underwriting commission payable to the Underwriter by the Company, legal fees, documentation fees, auditors' fees, printer's charges, registrar's charges and other fees.

As referred to in the 2013 3Q Report, the unaudited net loss of the Group attributable to the Shareholders for the nine months ended 30 September 2013 amounted to approximately RMB61.6 million. The reasons for the net loss of the Group for the nine months ended 30 September 2013 were set out in the 2013 3Q Report. Based on the 2013 Interim Report, the cash and cash equivalents of the Group (excluding pledged deposits) as at 30 June 2013 amounted to approximately RMB29.3 million, whilst interest-bearing bank loans as at 30 June 2013 amounted to approximately RMB125.4 million.

The Board intends to reduce the gearing level and improve the liquidity position of the Group through fund raising by way of a pre-emptive offering of Shares to existing Shareholders and the Subscription. The Group would be able to strengthen its financial position by the Open Offer and the Subscription, which will enable the Company to expand its capital base. The Directors consider that it is in the interests of the Company and the Shareholders to raise capital to meet the Group's funding requirements by way of the Open Offer, which will allow all Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company. The Directors (including the independent non-executive Directors) are of the view that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **FUND RAISING ACTIVITY IN THE PAST 12 MONTHS**

The Company had completed a placing of 400,000,000 new Shares at the placing price of HK\$0.25 per Share in April 2013 (the "**2013 Placing**"). Save for the aforementioned, the Group had not conducted any equity fund raising activity in the past 12 months immediately preceding the date of this announcement. The net proceeds raised from the 2013 Placing amounted to approximately HK\$96.4 million and which were intended by the Board to be used by the Company for the drilling of wells and natural gas pipeline construction work, and have been applied as intended.

### **GENERAL**

Mr. Wang is a substantial shareholder and a connected person of the Company under the GEM Listing Rules. The Subscription is therefore a connected transaction for the Company but is a fully exempted connected transaction under the GEM Listing Rules if the Subscription is to be completed within 14 days after the date of the Subscription Agreement, that is, on or before Friday, 3 January 2014.

Applications will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares and the Offer Shares on GEM.

The Company will send the Open Offer Documents containing, among other things, the Prospectus incorporating details of the Open Offer and the Application Form to the Qualifying Shareholders. The Prospectus, but not the Application Form, will be sent to the Prohibited Shareholders (if any) for their information.

### **ADJUSTMENTS IN RELATION TO THE SHARE OPTION SCHEME**

Pursuant to the terms of the Share Option Scheme, the exercise prices and the number of new Shares to be issued under the Options will be adjusted in accordance with the Share Option Scheme upon the Open Offer becoming unconditional. Such adjustments will be verified by auditors of the Company and the Company will notify the holders of the Options the adjustments in accordance with the terms of the Share Option Scheme.

## RESUMPTION OF TRADING IN THE SHARES ON GEM

At the request of the Company, trading in the Shares on GEM has been halted with effect from 9:00 a.m. on Friday, 20 December 2013 pending the release of this announcement. Application has been made to Stock Exchange for resumption of trading in the Shares on GEM with effect from 9:00 a.m. on Monday, 23 December 2013.

### DEFINITIONS

“2013 3Q Report”	the quarterly report of the Company dated 13 November 2013 for the nine months ended 30 September 2013
“2013 Interim Report”	the interim report of the Company dated 14 August 2013 for the six months ended 30 June 2013
“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Application Form”	the application form for use by the Qualifying Shareholders to apply for the Offer Shares
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	means any day on which commercial banks generally are open for business in Hong Kong other than (i) a Saturday or (ii) a “general holiday” as defined in Section 2 of the General Holidays Ordinance (Cap.149, Laws of Hong Kong), or one of the days specified from time to time in the Schedule to that Ordinance as being “general holidays” under Section 3 thereof or (iii) a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	China Leason CBM & Shale Gas Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which (stock code: 8270) are listed on GEM
“connected person”	has the meaning ascribed thereto under the GEM Listing Rules
“Directors”	directors of the Company
“Eligible Option(s)”	outstanding Option(s) other than those held by Mr. Wang as at the date of this announcement, being outstanding Options to subscribe for up to 244,760,000 Shares



“Encumbrance”	means any interest or equity of any person (including any right to acquire, option or right of pre-emption), voting arrangement, mortgage, charge, pledge, bill of sale, lien, any other encumbrance, priority or security interest or arrangement or interest under any contract or trust or any other third party interest of whatsoever nature over or in the relevant property
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by way of an ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 27 May 2013 subject to the limit up to 20% of the then issued share capital of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	to the best knowledge, information and belief and having made all reasonable enquiries by the Directors, it/they and its/their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons, and is/are not acting in concert with any substantial shareholder of the Company (including Mr. Wang)
“Jumbo Lane”	Jumbo Lane Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly owned by Mr. Wang
“Jumbo Lane’s Undertaking”	irrevocable undertaking which has been given by Jumbo Lane on 22 December 2013 in favour of the Company and the Underwriter to subscribe for all the Offer Shares it will be entitled under the Open Offer
“Last Trading Day”	Thursday, 19 December 2013, being the last trading day of the Shares on GEM prior to the suspension of trading in the Shares on GEM with effect from 9:00 a.m. on Friday, 20 December 2013, pending the release of this announcement
“Latest Acceptance Time”	being 4:00 p.m. on the tenth Business Day after the Posting Date or such later time or date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Offer Shares as described in the Prospectus
“Latest Time for Termination”	being 4:00 p.m. on the second business day after the day of the Latest Acceptance Time or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Mr. Wang”	Mr. Wang Zhong Sheng, an executive Director, the chairman of the Board and a substantial shareholder of the Company

“Mr. Wang’s Undertaking”	the irrevocable undertaking which has been given by Mr. Wang on 22 December 2013 in favour of the Company and the Underwriter that, among other things, he will subscribe for or procure the subscription of his full entitlement of the Offer Shares pursuant to the Open Offer, and he will not exercise any of his outstanding Options on or before completion of the Open Offer
“Offer Share(s)”	not less than 2,730,867,896 new Share(s) and not more than 3,293,247,896 new Shares to be allotted and issued pursuant to the Open Offer
“Open Offer”	the offer of the Offer Shares on the basis of one Offer Share for every two existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Open Offer Documents
“Open Offer Documents”	the Prospectus and the Application Form
“Open Offer Price”	the subscription price for the Open Offer, being HK\$0.04 per Offer Share
“Options”	options granted by the Company under the Share Option Scheme
“Overseas Shareholder(s)”	person(s) whose names appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“Placee(s)”	any professional, institutional and/or individual investor(s) procured by the Placing Agent, on a best effort basis, to subscribe for any of the Placing Shares pursuant to the terms and conditions of the Placing Agreement
“Placing”	placing of the Placing Shares by the Placing Agent on a best effort basis and on behalf of Mr. Wang pursuant to the terms and conditions of the Placing Agreement
“Placing Agent”	RHB OSK Securities, being the placing agent to the Placing
“Placing Agreement”	the placing agreement dated 20 December 2013 entered into between Mr. Wang and the Placing Agent in relation to the Placing
“Placing Price”	the placing price of HK\$0.092 per Placing Share
“Placing Shares”	up to 880,000,000 existing Shares beneficially owned by Mr. Wang to be placed pursuant to the Placing
“Posting Date”	Wednesday, 15 January 2014 or such other date as the Company and the Underwriter may agree in writing for the despatch of the Open Offer Documents
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Prohibited Shareholders”	those Overseas Shareholders to whom the Company considers it necessary or expedient not to offer the Offer Shares where, in the opinion of the Board (having obtained relevant and necessary legal advice), it would or might be unlawful or impracticable to offer Offer Shares in such places on account of any legal or regulatory restrictions or special formalities in such places
“Prospectus”	the prospectus to be issued by the Company to the Shareholders as required under the Companies Ordinance in relation to the Open Offer
“Qualifying Shareholder(s)”	person(s) whose name(s) appear on the register of members of the Company on the Record Date, other than those Prohibited Shareholders
“Record Date”	Tuesday, 14 January 2014, or such other date to be agreed between the Company and the Underwriter, the record date to determine entitlements of the Shareholders to participate in the Open Offer
“RHB OSK Securities”	RHB OSK Securities Hong Kong Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) permitted to engage in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, being an Underwriter for the Open Offer and the Placing Agent
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the share option scheme adopted by the Company on 18 May 2011
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares at the Subscription Price by Mr. Wang pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the top-up subscription agreement entered into between the Company and Mr. Wang dated 20 December 2013 in respect of the Subscription
“Subscription Price”	the subscription price of HK\$0.092 per Subscription Share
“Subscription Share(s)”	such number of new Shares to be subscribed for by Mr. Wang pursuant to the Subscription Agreement and the number of new Shares to be subscribed by Mr. Wang shall be equivalent to the number of Placing Shares successfully placed by the Placing Agent under the Placing
“subsidiary”	has the same meaning ascribed thereto in section 2 of the Companies Ordinance and “subsidiaries” shall be construed accordingly
“substantial shareholder”	has the meaning ascribed thereto in the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for trading

“Underwriter”	RHB OSK Securities, being the underwriter for the Open Offer
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter dated 20 December 2013 in relation to the Open Offer
“Underwritten Shares”	not less than 2,010,081,837 Offer Shares and not more than 2,572,461,837 Offer Shares that the Underwriter have agreed to subscribe or procure subscribers to subscribe for, which are not subscribed by the Qualifying Shareholders (other than Mr. Wang and Jumbo Lane) pursuant to the Underwriting Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*Unless the context requires otherwise, amounts denominated in RMB in this announcement have been translated into HK\$ solely for the purpose of illustration only, using the exchange rate of RMB1.000 = HK\$1.277. No representation is made by the Company that any amount expressed in RMB has been, could have been or could be converted at the above rates or at any other rates or at all.*

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

Hong Kong, 22 December 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 or 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.*