
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Leason CBM & Shale Gas Group Company Limited, you should at once hand this Prospectus and the accompanying Application Form to the purchaser, the transferee or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of the Open Offer Documents, together with copies of the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies in Hong Kong” in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (as defined herein). Neither the Securities and Futures Commission of Hong Kong nor the Registrar of Companies in Hong Kong takes any responsibility as to the contents of any of these documents.

Subject to the grant of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

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: 08270)

OPEN OFFER OF 3,170,867,896 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

Underwriter

RHB ◆ **OSK**
RHB OSK Securities Hong Kong Limited

Capitalised terms used in this cover page shall have the same meanings as defined in this Prospectus.

It should be noted that the Shares have been dealt in on an ex-entitlement basis commencing from Wednesday, 8 January 2014 and that dealing in Shares will take place notwithstanding the conditions of the Open Offer remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions of the Open Offer are fulfilled (which is expected to be no later than 4:00 p.m. on Tuesday, 4 February 2014), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed.

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (see the section headed “Termination of the Underwriting Agreement” on page 7 of this Prospectus). Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

The latest time for acceptance of and payment for the Offer Shares is at 4:00 p.m. on Wednesday, 29 January 2014. The procedures for application and payment for the Offer Shares are set out on pages 16 to 17 of this Prospectus.

This Prospectus will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its publication and on the Company’s website at http://www.ilinkfin.net/china_leason/.

15 January 2014

CHARACTERISTICS OF GEM

CHARACTERISTICS OF GEM

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

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

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DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following expressions shall have the following meanings:

“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
“Announcement”	the announcement of the Company dated 22 December 2013 in relation to, among other things, the Open Offer
“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 HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	China Leason CBM & Shale Gas Group Company Limited (stock code: 08270), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“connected person”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	director(s) of the Company

DEFINITIONS

“Eligible Option(s)”	outstanding Option(s) other than those held by Mr. Wang as at the date of the 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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“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 was given by Jumbo Lane on 22 December 2013 in favour of the Company and the Underwriter that, among other things, it will subscribe for its full entitlement of the Offer Shares 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 the Announcement

DEFINITIONS

“Latest Acceptance Time”	being 4:00 p.m. on the tenth Business Day after the Posting Date, which is expected to be Wednesday, 29 January 2014, 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 Lodging Time”	4:30 p.m. on Thursday, 9 January 2014, the latest time for lodging transfer of the Shares in order to qualify for the Open Offer
“Latest Practicable Date”	Friday, 10 January 2014, being the latest practicable date for ascertaining certain information for inclusion in this Prospectus
“Latest Time for Termination”	being 4:00 p.m. on the second Business Day after the day of the Latest Acceptance Time, which is expected to be Tuesday, 4 February 2014, 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 was given by Mr. Wang on 22 December 2013 in favour of the Company and the Underwriter that, among other things, he will subscribe for his full entitlement of the Offer Shares under the Open Offer, and he will not exercise any of his outstanding Options on or before completion of the Open Offer
“Offer Shares”	the 3,170,867,896 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 Open Offer 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 name(s) 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

DEFINITIONS

“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 of the Placing Agreement, which was completed on 30 December 2013
“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 Shares”	880,000,000 Shares beneficially owned by Mr. Wang before completion of the Placing, the placing of which was completed on 30 December 2013
“Posting Date”	Wednesday, 15 January 2014
“PRC”	the People’s Republic of China, which, for the purpose of this Prospectus, 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”	this prospectus issued by the Company 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, being 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 SFO 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

DEFINITIONS

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share 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 of HK\$0.092 per Subscription Share by Mr. Wang pursuant to the terms of the Subscription Agreement, which was completed on 3 January 2014
“Subscription Agreement”	the top-up subscription agreement entered into between the Company and Mr. Wang dated 20 December 2013 in relation to the Subscription
“Subscription Share(s)”	880,000,000 new Shares subscribed for by Mr. Wang pursuant to the Subscription Agreement, which was 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
“taken up”	in relation to any Offer Shares, means those Offer Shares in respect of which duly completed Application Forms (accompanied by cheques or banker’s cashier orders for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have been received on or before the Latest Acceptance Time and references to “take up” shall be construed accordingly
“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

DEFINITIONS

“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”	based on 6,341,735,792 Shares in issue as at the Latest Practicable Date, 2,450,081,837 Offer Shares that the Underwriter has 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
“Untaken Shares”	those (if any) of the Underwritten Shares for which duly completed Application Forms (accompanied by cheques or banker’s cashier orders for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before Latest Acceptance Time
“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 Prospectus 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.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese name shall prevail.

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.

EXPECTED TIMETABLE

EXPECTED TIMETABLE

The expected timetable for the Open Offer is set out below:

2014

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 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.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE OFFER SHARES

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 announcement(s) on any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD

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: 08270)

Executive Directors:

Mr. Wang Zhong Sheng (*Chairman*)

Mr. Shi Liang

Mr. Fu Shou Gang

Mr. Kwok Shun Tim

Registered office:

Cricket Square,

Hutchins Drive,

P.O. Box 2681,

Grand Cayman, KY1-1111,

Cayman Islands

Independent Non-executive Directors:

Mr. Luo Wei Kun

Ms. Pang Yuk Fong

Mr. Wang Zhi He

Principal place of business

in Hong Kong:

Room 910B, 9/F,

East Wing,

Tsim Sha Tsui Centre,

66 Mody Road,

Tsim Sha Tsui East,

Kowloon, Hong Kong

15 January 2014

*To the Qualifying Shareholders and, for information only,
holders of the Options*

Dear Sir or Madam,

**OPEN OFFER OF 3,170,867,896 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**

INTRODUCTION

Reference is made to the Announcement. The Board proposes to raise approximately HK\$126.8 million, before expenses, by an open offer of 3,170,867,896 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. The Open Offer will only be available to the Qualifying Shareholders.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had 6,341,735,792 Shares in issue. Given that the register of members of the Company had been closed from Friday, 10 January 2014, being the next business day immediately after the Latest Lodging Time, to Tuesday, 14 January 2014 and assuming no further Shares were issued or repurchased during the book closure period, the total number of issued Shares on the Record Date was the same as the Latest Practicable Date. As such, on the basis of one Offer Share for every two existing Shares held on the Record Date, 3,170,867,896 Offer Shares will be allotted and issued by the Company. All the Offer Shares (save to Mr. Wang's and Jumbo Lane's entitlement of Offer Shares under the Open Offer) will be underwritten by the Underwriter pursuant to the Underwriting Agreement.

The purpose of this Prospectus is to provide you with, among other things, further details of (i) the Open Offer (including the procedures for application and payment for the Offer Shares); (ii) the financial information of the Group; and (iii) the general information of the Group.

THE 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 Latest Practicable Date:	20,000,000,000 Shares
Number of Shares in issue as at the Latest Practicable Date:	6,341,735,792 Shares
Number of Offer Shares:	3,170,867,896 Offer Shares
Underwriter:	RHB OSK Securities (as the Underwriter)
Number of Underwritten Shares:	2,450,081,837 Offer Shares by RHB OSK Securities
Open Offer Price:	HK\$0.04 per Offer Share
Aggregate nominal value of the Offer Shares:	HK\$31,708,678.96
Gross proceeds from the Open Offer:	Approximately HK\$126.8 million
Estimated net proceeds from the Open Offer:	Approximately HK\$122.4 million
Estimated net price to be raised per Offer Share upon completion of the Open Offer:	Approximately HK\$0.0386 per Share
Enlarged issued share capital immediately upon completion of the Open Offer:	9,512,603,688 Shares

LETTER FROM THE BOARD

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

As at the Latest Practicable Date, 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 Latest Practicable Date, Mr. Wang held Options to subscribe for 2,500,000 Shares.

As no Eligible Option is exercised on or before the Record Date, 3,170,867,896 Offer Shares will be issued under the Open Offer, representing (i) 50% of the issued share capital of the Company as at the Latest Practicable Date, and (ii) approximately 33.33% of the issued share capital of the Company as enlarged by the issue of 3,170,867,896 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 Latest Practicable Date.

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. 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 have lodged any transfers of 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. The last day of dealing in the Shares on the Stock Exchange on cum-entitlement basis was Tuesday, 7 January 2014. Dealing in the Shares on the Stock Exchange on an ex-entitlement basis commenced from Wednesday, 8 January 2014.

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 should have lodged 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.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company. If a Qualifying Shareholder does not take up any of his/her/its entitlement under the Open Offer, his/her/its proportionate shareholding in the Company will be diluted.

LETTER FROM THE BOARD

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. The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. The entitlements of the Prohibited Shareholders under the Open Offer (if any) will be taken up by the Underwriter.

Closure of Register of Members

The register of members of the Company had been closed from Friday, 10 January 2014 to Tuesday, 14 January 2014 (both dates inclusive) for the purpose of determining entitlement of Qualifying Shareholders as at the Record Date. No transfer of Shares have been registered during this book closure period.

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 80.10% to the consolidated net asset value per Share of approximately RMB0.158 per Share (equivalent to approximately HK\$0.201 per Share) based on the audited consolidated net asset value attributable to the Shareholders as at 31 December 2012 and 6,341,735,792 Shares in issue as at the Latest Practicable Date;
- (vi) a discount of approximately 80.86% to the unaudited consolidated net asset value attributable to the Shareholders as at 30 June 2013 of approximately RMB0.164 per Share (equivalent to approximately HK\$0.209 per Share) based on 6,341,735,792 Shares in issue as at the Latest Practicable Date;

LETTER FROM THE BOARD

- (vii) a discount of approximately 63.30% to the closing price of HK\$0.109 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (viii) a discount of approximately 53.49% to the theoretical ex-entitlement price of approximately HK\$0.086 per Share based on the closing price of HK\$0.109 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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 the discounts of subscription prices in recent open offers of other listed issuers on GEM as compared with the closing prices of their issued shares as quoted on the Stock Exchange, 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. In addition, the Directors believe that the Open Offer Price, which was agreed among the Company and the Underwriter, enables the Open Offer to be fully underwritten by the Underwriter pursuant to the Underwriting Agreement. 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.

LETTER FROM THE BOARD

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 to administer the excess application procedures, in particular the efforts in handling application for excess rights shares by certain people or parties who intend to abuse such mechanism, which is not effective so far as the interests of the Group and the Shareholders are concerned.

Untaken Shares 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.

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 has applied 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.

Subject to the granting of the approval for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

LETTER FROM THE BOARD

The Offer Shares will have the same board lot size of 10,000 Shares per board lot.

Dealings in the Offer Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Monday, 10 February 2014.

No Overseas Shareholders or Prohibited Shareholders

The Open Offer Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. No action has been taken to permit the offering of the Offer Shares or the distribution of the Open Offer Documents in any territory other than Hong Kong.

Based on the register of members of the Company as at the Latest Lodging Time, there was no Shareholders with a registered address located outside Hong Kong. Given that the register of members of the Company had been closed from Friday, 10 January 2014 to Tuesday, 14 January 2014 and no Shares was transferred during the book closure period, the Shareholders in the register of members of the Company on the Record Date would be the same as that on the Latest Lodging Time.

Accordingly, there is no Prohibited Shareholder in connection with the Open Offer and the overseas letter is not required to be sent by the Company to explain the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer.

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) the posting on the Posting Date of copies of the Open Offer Documents to the Qualifying Shareholders
- (iv) 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;

LETTER FROM THE BOARD

- (v) 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
- (vi) the performance of the Mr. Wang's Undertaking and the Jumbo Lane's Undertaking;
- (vii) 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.

The Underwriter is entitled to waive condition (vi) above under the Underwriting Agreement. 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 (vi) 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 expected to be 4:00 p.m. on Tuesday, 4 February 2014 or such later time or date as may be agreed between the Underwriter and the Company.

As at the Latest Practicable Date, the Mr. Wang's Undertaking and the Jumbo Lane's Undertaking has been obtained. Details of the Mr. Wang's Undertaking and the Jumbo Lane's Undertaking are set out in the paragraph headed "Undertaking from Mr. Wang and Jumbo Lane" below.

PROCEDURES FOR APPLICATION

The Application Form is enclosed with this Prospectus which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of Offer Shares as shown therein subject to payment in full by the Latest Acceptance Time. Qualifying Shareholders should note that they may subscribe for any number of Offer Shares only up to the number set out in the Application Form.

If Qualifying Shareholders wish to exercise his/her/its rights to subscribe for all the Offer Shares offered to them as specified in the Application Form or to exercise his/her/its rights to subscribe for any number less than their entitlements under the Open Offer, they must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the full amount payable in respect of such number of Offer Shares they have subscribed for with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Wednesday, 29 January 2014. All remittance(s) must be made in Hong Kong dollars and cheques must be drawn on an account with, or banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "China Leason CBM & Shale Gas Group Company Limited — Open Offer A/C" and crossed "Account Payee Only".

LETTER FROM THE BOARD

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance, have been lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, by not later than 4:00 p.m. on Wednesday, 29 January 2014, the relevant assured allotment of Offer Shares and all rights and entitlements in relation thereto shall be deemed to have been declined and will be cancelled.

The Application Form contains full information regarding the procedures to be followed if you wish to accept the whole or part of your assured entitlement.

All cheques or cashier orders accompanying completed Application Form will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of an Application Form with a cheque and/or cashier order, will constitute a warranty by the applicant that the cheque and/or cashier order will be honoured on first presentation. Any application in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Open Offer are not fulfilled and/or the Underwriting Agreement is terminated in accordance with its terms before the Latest Time for Termination, the monies received in respect of acceptance of Offer Shares will be refunded, without interests, by sending a cheque made out to the applicant (or in the case of joint applicants, to the first named applicant) and crossed "Account Payee Only", through ordinary post at the risk of the applicant(s) to the address specified in the register of members of the Company on or before Friday, 7 February 2014.

The Company will not allot any fractions of Offer Shares. The Application Form is for use only by the person(s) named therein and is not transferable. No receipt will be issued in respect of any application monies received.

WARNING OF THE RISKS OF DEALING IN THE SHARES

The Open Offer is conditional upon, inter alia, the fulfillment of the conditions set out in the paragraph 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"). Accordingly, the Open Offer may or may not proceed.

Any dealing in the Shares from the Latest Practicable Date 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 the Shares have been dealt in on an ex-entitlement basis commencing from Wednesday, 8 January 2014 and that dealings in Shares will take place even though the conditions under the Underwriting Agreement remain unfulfilled.

LETTER FROM THE BOARD

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 Latest Practicable Date, Mr. Wang and parties acting in concert with him held, in aggregate, approximately 22.73% of the issued Shares of the Company.

Mr. Wang and Jumbo Lane held 1,320,782,118 Shares and 120,790,000 Shares as at the Latest Practicable Date, respectively. Based on such number of Shares held as at the Latest Practicable Date, (i) Mr. Wang is entitled to subscribe for 660,391,059 Offer Shares under the Open Offer; and (ii) Jumbo Lane is entitled to subscribe for 60,395,000 Offer Shares under the Open Offer. Mr. Wang held Options to subscribe for 2,500,000 Shares as at the Latest Practicable Date.

For Mr. Wang, RHB OSK Securities did not fall under Class 9 of the presumption in the definition of “acting in concert” under the Takeovers Code as at the Latest Practicable Date, 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 and conditions of the Underwriting Agreement.

Date	:	20 December 2013
Issuer	:	The Company
Underwriter	:	RHB OSK Securities (as the Underwriter)
Number of Underwritten Shares	:	2,450,081,837 Offer Shares by RHB OSK Securities
Commission	:	3.50% of the aggregate subscription price for the Offer Shares

LETTER FROM THE BOARD

Pursuant to the Underwriting Agreement, the Underwriter has agreed to subscribe or procure the subscription for all the Underwritten Shares. Based on 6,341,735,792 Shares in issue as at the Latest Practicable Date, RHB OSK Securities has to underwrite 2,450,081,837 Offer Shares. The aggregate value of such Underwritten Shares amounts to approximately HK\$98.0 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 placees 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 immediately after completion of the Open Offer.

RHB OSK Securities has entered into a sub-underwriting letter with an Independent Third Party. Each of the Underwriter and the sub-underwriter will not hold in aggregate 20% or more of the issued Shares immediately after completion of the Open Offer. 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.

LETTER FROM THE BOARD

THE OUTSTANDING OPTIONS

As at the Latest Practicable Date, the details of the outstanding Options are as follows:

Holder of Options	Number of Shares to be issued upon exercise of all outstanding Options	Exercise price per Share
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
Total	<u>247,260,000</u>	

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 Latest Practicable Date, 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.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company before and after the completion of the Open Offer:

Shareholders	As at the Latest Practicable Date		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	20.83	1,981,173,177	20.83	1,981,173,177	20.83
Jumbo Lane (Note 3)	<u>120,790,000</u>	<u>1.90</u>	<u>181,185,000</u>	<u>1.90</u>	<u>181,185,000</u>	<u>1.90</u>
Sub-total	<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>
The Underwriter (Note 4)	—	—	—	—	2,450,081,837	25.76
Existing public Shareholders	<u>4,900,163,674</u>	<u>77.27</u>	<u>7,350,245,511</u>	<u>77.27</u>	<u>4,900,163,674</u>	<u>51.51</u>
Total	<u>6,341,735,792</u>	<u>100</u>	<u>9,512,603,688</u>	<u>100</u>	<u>9,512,603,688</u>	<u>100</u>

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 all the Untaken Shares 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 has entered into a sub-underwriting letter with an Independent Third Party. Each of the Underwriter and the sub-underwriter will not hold in aggregate 20% or more of the issued Shares immediately after completion of the Open Offer.

In the event that the Underwriter is called upon to subscribe for the Offer Shares in full (save to Mr. Wang's and Jumbo Lane's entitlement of Offer Shares under the Open Offer) pursuant to its obligations under the Underwriting Agreement, the interest of the Underwriter and the sub-underwriter in the issued share capital of the Company would, in aggregate, increase from nil to approximately 25.76% immediately upon completion of the Open Offer. There exists a possibility that each of the Underwriter and the sub-underwriter may become a substantial shareholder of the Company immediately upon completion of the Open Offer. The Directors expect that the Company will be able to maintain sufficient public float of Shares after completion of the Open Offer for the purpose of Rule 11.23(7) of the GEM Listing Rules. The Underwriter confirmed that it did not hold any voting rights of the Company as at the Latest Practicable Date. Thus, the Underwriter was not a connected person of the Company under the GEM Listing Rules as at the Latest Practicable Date.

LETTER FROM THE BOARD

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Company is incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the business of exploitation, liquefaction production and sale of natural gas in the PRC.

An aggregate of 3,170,867,896 Offer Shares will be issued under the Open Offer. The gross proceeds from Open Offer will be approximately HK\$126.8 million, and the net proceeds from the Open Offer will be approximately HK\$122.4 million, out of which approximately 70% will be used by the Company for the repayment of bank and other borrowings, and the remaining will be used for the drilling of wells and natural gas pipeline construction work. 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, reporting accountants' 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. The Board had considered other form of pre-emptive offering like rights issue but opts for an open offer. The Board is of the view that an open offer could be completed faster as compared with a rights issue, as an open offer does not involve any trading of nil-paid rights and would have a shorter timetable. In addition, a rights issue would involve a mechanism which allows application for excess rights shares provisionally allotted but not accepted by the qualifying shareholders. The Board noted that, from rights issues conducted by other listed issuers in recent years, there exists a possibility that such mechanism of application for excess rights shares may be abused by certain people or parties, and the efforts in relation to handling such applications for excess rights shares could be much, as compared with the relatively small fund raising size of the Company.

The Group would be able to strengthen its financial position by the Open Offer, 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.

As at the Last Practicable Date, the Group has already completed the ground work and drilling of 228 CBM wells, of which 126 wells were in production. The average gas production volume of the existing wells ready for immediate gas output is 800 cubic meters per day per well. The Directors expected that 50 to 60 CBM wells will be drilled in 2014, and the related capital expenditure would be approximately RMB90 million.

The Group's related gas pipelines placement work in the Ruyang Industrial Zone were finished. The average gas production volume of the existing wells ready for immediate gas output is 800 cubic meters per day per well and the LNG production capacity is 500,000 cubic meters per day. The Group's related gas pipelines placement work in the Ruyang Industrial Zone were finished.

LETTER FROM THE BOARD

FUND RAISING ACTIVITY IN THE PAST 12 MONTHS PRECEDING THE DATE OF THE ANNOUNCEMENT

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 the 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. Out of the net proceeds of approximately HK\$96.4 million in the 2013 Placing, approximately 10% had been applied for the Group’s general working capital, approximately 30% had been used for pipeline construction work and approximately 60% had been applied for drilling of wells.

RISK FACTOR

Possible risk factor which may be faced by the Company is as following:

Investments in new projects

From time to time, the Group may make investments in new projects in relation to the liquefied coalbed gas business in the PRC. The Group may not be able to assure the timing and amount of any return or benefits that may be received from the new projects. In addition, the new projects may pose significant challenges to the Group’s administrative, financial and operational resources, which may have adverse impacts on the results of operations and financial position of the Group.

GENERAL

Application has been 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.

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. The Board will instruct its auditors or an independent financial adviser to certify the adjustments, if any, to the outstanding Options and the Company will notify the holders of the Options the adjustments in accordance with the terms of the Share Option Scheme as and when appropriate.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information of the Group set out in the appendices to this Prospectus.

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

FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The audited consolidated financial statements of the Group for the years ended 31 December 2010, 31 December 2011, 31 December 2012, the unaudited consolidated financial statements of the Group for the six months ended 30 June 2013 and the nine months ended 30 September 2013, including the notes thereto, have been published in the annual reports of the Company for the years ended 31 December 2010 (pages 49 to 234), 31 December 2011 (pages 61 to 238), 31 December 2012 (pages 60 to 210) and the interim report of the Company for the six months ended 30 June 2013 (pages 7 to 24) and the quarterly report of the Company for the nine months ended 30 September 2013 (pages 4 to 9) respectively, which are available on the Company's website at http://www.ilinkfin.net/china_leason/ and the GEM website at www.hkgem.com.

STATEMENT OF INDEBTEDNESS**Borrowings**

As at the close of business on 30 November 2013, being the latest practicable date for the purpose of this indebtedness statement, the indebtedness of the Group was as follows:

(i) Bank borrowings

Bank borrowings of approximately RMB25.4 million were secured by the Group's certain property, plant and equipment and prepaid lease payments for land under operating leases.

(ii) Other borrowings

Other borrowings of approximately RMB79.5 million and HK\$70 million were unsecured and unguaranteed.

(iii) Amount due to a non-controlling shareholder of a subsidiary

Amount due to a non-controlling shareholder of a subsidiary of approximately RMB1.6 million was unsecured and unguaranteed.

(iv) Obligation under finance leases

Obligation under finance leases arrangements of approximately RMB74.3 million were secured by the Group's certain property, plant and equipment and prepaid lease payments for land under operating leases, 93.33% shareholding in a subsidiary, Shanxi Qinshui Shuntai Energy Development Company Limited and guaranteed by certain subsidiaries of the Company.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 30 November 2013.

To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Group since 30 November 2013 and up to the Latest Practicable Date.

WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseeable circumstances and after taking into account of the net proceeds from the Subscription and the Open Offer and the internal resources of the Group, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of publication of this Prospectus.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited consolidated accounts of the Group were made up, as at the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECTS

As referred to in 2013 Q3 Report, the Group's revenue for the nine months ended 30 September 2013 amounted to approximately RMB120.9 million, representing an increase of approximately 2.3% as compared with the corresponding amount of approximately RMB118.2 million for the nine months ended 30 September 2012. The Group's net loss attributable to the Shareholders for the nine months ended 30 September 2013 amounted to approximately RMB61.6 million, representing an increase of approximately 10% as compared with the corresponding amount of approximately RMB56 million for the nine months ended 30 September 2012. The slight increase in the Group's net loss attributable to the Shareholders was mainly attributable to (i) the increase in operating income from liquefied coalbed gas of approximately RMB2.4 million; and (ii) the increase in finance costs of approximately RMB8.8 million as a result of a finance lease and other borrowings.

As at 30 September 2013 and as at the Latest Practicable Date, the Group has already completed the ground work and drilling of 228 CBM wells, of which 126 wells were in production. The Board expects to accelerate the output of production wells in the fourth quarter of 2013. The average gas production volume of the existing wells ready for immediate gas output is 800 cubic meters per day per well. The Directors expected that 50 to 60 of CBM wells will be drilled in 2014, and the related capital expenditure would be approximately RMB90 million. The Group's related gas pipelines placement work in the Ruyang Industrial Zone were finished.

As at 30 September 2013, the Group's LNG production capacity was 500,000 cubic metres per day. However, due to the tight supply of domestic natural gas within the PRC, the Group experienced difficulty in sourcing enough natural gas feed for its downstream liquefaction purpose, therefore, the utilization of the Group's LNG plants was relatively low and unsatisfactory. However, the above situation has improved after the Group has started its own gas production in the fourth quarter of 2012.

The Group will actively expand the natural gas consumption market by making full use of its exclusive natural gas operation right in Ruyang County, Henan Province and in Beiliu City, Guangxi Province. The Group's related gas pipelines placement works in the Ruyang Industrial Zone was finished. The Group will increase the utilisation of the LNG plant by continuously participating in the regional gas trading market so as to generate more revenue.

The Group has completed a placing of 400,000,000 new Shares at the placing price of HK\$0.25 per Share in April 2013. Please refer to the paragraph headed "Fund raising activity in the past 12 months" of "Letter from the Board" of this Prospectus.

On 20 June 2013, the Company, Beijing Enterprises Holdings Limited ("**BEHL**") and Vision Finance International Company Limited ("**Vision Finance**") entered into a memorandum of co-operation, pursuant to which the Company conditionally agreed to place 9,300,000,000 new Shares via Vision Finance to BEHL at the placing price of HK\$0.26 per Share. On 4 September 2013, the Company announced that such memorandum of co-operation was cancelled. On 26 October 2013, the Company and Beijing Enterprises Energy Development (Holdings) Company Limited ("**BEEDH**") entered into a memorandum of understanding, pursuant to which the Company conditionally agreed to issue 9,000,000,000 to 10,000,000,000 new Shares to BEEDH at the subscription price of HK\$0.26 per

Share. On 26 November 2013, the Company announced that such memorandum of understanding lapsed. The Directors believe that the lapse of the abovementioned memorandum of co-operation signed in June 2013 was a result of, among other factors, the commercial decision of BEHL. The reason for the lapse of the aforementioned memorandum of understanding signed in October 2013 was that the Directors were given to understand that a board meeting could not be convened by BEEDH before the deadline to enter into a formal agreement to deal with the said matter, and that Beijing Holdings Group did not confirm whether they would enter into a formal agreement with the Company before the deadline.

On 21 October 2013, the Company announced that it had reached a 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. 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.

The Company has reached the Settlement Agreement with China United under the mediation of the Beijing Arbitration Commission with the following key settlement proposals:

- (i) 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
- (ii) 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 six 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.

Please refer to the announcement dated 21 October 2013 issued by the Company for details.

China United has resumed gas supply in November 2013, and the co-operation by jointly investing in exploration and extraction of liquefied coalbed gas in Shanxi Baibiguan area with China United is still under negotiation. Please refer to the announcement dated 19 November 2013 issued by the Company for details.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET
TANGIBLE ASSETS OF THE GROUP**

Capitalised terms used herein shall have the same meanings as those defined in this Prospectus, unless the context requires otherwise.

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2013 (the “Unaudited Pro Forma Financial Information”) which has been prepared by the Directors in accordance with paragraph 7.31 of the GEM Listing Rules to illustrate the effects of the Open Offer on the unaudited consolidated net tangible assets of the Group as if the Open Offer had been completed at the date reported on (i.e. 30 June 2013).

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group as at 30 June 2013, as extracted from the published unaudited interim financial information of the Group for the six months ended 30 June 2013, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of: (i) the financial position of the Group as at 30 June 2013 or any future date; or (ii) the consolidated net tangible assets per Share of the Group as at 30 June 2013 or any future date.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 RMB'000 (Note 1)	Add: Estimated net proceeds from the Open Offer RMB'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Open Offer RMB'000	Unaudited consolidated net tangible assets per Share attributable to owners of the Company as at 30 June 2013 RMB (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company immediately after completion of the Open Offer RMB (Note 4)
Based on the issue of 3,170,867,896 Offer Shares	419,782	95,885	515,667	0.090	0.066

Notes:

- The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 of approximately RMB419,782,000 is arrived at based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2013 of approximately RMB1,037,134,000, as adjusted to exclude the goodwill and intangible assets of approximately RMB267,298,000 and RMB350,054,000 respectively as shown on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013 as extracted from the published interim report of the Company for the six months ended 30 June 2013.
- The estimated net proceeds from the Open Offer of approximately HK\$122,445,000 (equivalent to approximately RMB95,885,000) are based on 3,170,867,896 Offer Shares assuming to be issued on completion of the Open Offer (assuming no outstanding Options would be exercised on or before the Record Date) at the Subscription Price of HK\$0.04 per Offer Share and after deduction of estimated related expenses of approximately HK\$4,390,000 (equivalent to approximately RMB3,437,000).
- The number of Shares used for the calculation of the unaudited consolidated net tangible assets per Share attributable to owners of the Company as at 30 June 2013 is 4,642,505,023, being the number of Shares in issue as at 30 June 2013.
- The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company immediately after completion of the Open Offer is calculated based on 7,813,372,919 Shares which comprise 4,642,505,023 Shares in issue as at 30 June 2013 and 3,170,867,896 Offer Shares assuming to be issued on completion of the Open Offer (assuming no outstanding Options would be exercised on or before the Record Date) as if the Open Offer had been completed on 30 June 2013.
- On 4 July 2013, an aggregate of 819,230,769 Shares were issued and allotted pursuant to the exercise of the conversion rights under the convertible bonds issued by the Company (the "Conversion of Convertible Bonds").

Completion of the Placing of 880,000,000 Placing Shares beneficially owned by Mr. Wang pursuant of the Placing Agreement took place on 30 December 2013 and completion of the Subscription of 880,000,000 Subscription Shares by Mr. Wang pursuant to the Subscription Agreement took place on 3 January 2014. The net proceeds from the Subscription amounted to approximately HK\$79,660,000 (equivalent to approximately RMB62,380,000).

Assuming the Conversion of the Convertible Bonds, the Placing, the Subscription and the Open Offer had been completed on 30 June 2013, the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company immediately after completion of the Conversion of the Convertible Bonds, the Placing, the Subscription and the Open Offer is RMB0.061, calculated based on 9,512,603,688 Shares which comprise (i) 4,642,505,023 Shares in issue as at 30 June 2013; (ii) 819,230,769 Shares issued on Conversion of the Convertible Bonds; (iii) 880,000,000 Subscription Shares issued on completion of the Subscription; and (iv) 3,170,867,896 Offer Shares assuming to be issued on completion of the Open Offer (assuming no outstanding Options would be exercised on or before the Record Date).

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company had not taken into account the above transactions. The Unaudited Pro Forma Financial Information presented above does not take account of any trading or other transactions of the Group entered into subsequent to 30 June 2013.

**B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
GROUP**

國 衛 會 計 師 事 務 所 有 限 公 司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

15 January 2014

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF CHINA LEASON CBM & SHALE GAS GROUP COMPANY
LIMITED**

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of China Leason CBM & Shale Gas Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2013 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages 28 to 30 of the prospectus dated 15 January 2014 (the "Prospectus") issued by the Company on the open offer at a subscription price of HK\$0.04 per offer share, on the basis of one offer share for every two existing shares in issue (the "Open Offer"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in pages 28 to 30 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Open Offer of the Company on the Group's net tangible assets as at 30 June 2013 as if the transaction had taken place at 30 June 2013. As part of this process, information about the Group's net tangible assets has been extracted by the Directors from the Group's financial statements as at 30 June 2013, on which no audit or review report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Open Offer on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction at 30 June 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Jonathan T. S. Lai
Practising Certificate Number: P04165
Hong Kong

RESPONSIBILITY STATEMENT

This Prospectus, 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 Prospectus 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 Prospectus misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Open Offer are as follows:

(a) Share capital as at the Latest Practicable Date:

<i>Authorised:</i>		<i>HK\$</i>
<u>20,000,000,000</u>	Shares	<u>200,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>6,341,735,792</u>	Shares	<u>63,417,357.92</u>

(b) Share capital immediately upon the completion of the Open Offer:

<i>Authorised:</i>		<i>HK\$</i>
<u>20,000,000,000</u>	Shares	<u>200,000,000.00</u>
<i>Issued and fully paid:</i>		
6,341,735,792	Shares	63,417,357.92
3,170,867,896	Offer Shares to be issued pursuant to the Open Offer	31,708,678.96
<u>9,512,603,688</u>	Shares following the completion of the Open Offer	<u>95,126,036.88</u>

As at the Latest Practicable Date, there were Options entitling the holders thereof to subscribe in cash for up to an aggregate of 247,260,000 Shares at the exercise price of HK\$0.495 per new Share (subject to adjustments). Mr. Wang held Options to subscribe for 2,500,000 Shares as at the Latest Practicable Date. Mr. Wang has undertaken to the Company and the Underwriter to, among other things, not to exercise his Options on or before completion of the Open Offer. Thus, the maximum number of new Shares to be issued upon exercise of the Eligible Options is 244,760,000 new Shares.

Save for the Options, the Company had no other outstanding derivatives, warrants, options and conversion rights or similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

All the Shares in issue and the Offer Shares (when allotted, issued and fully paid) to be allotted and issued rank *pari passu* in all respects with each other including as regards to dividends and voting rights.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, save for the Options, no share or loan capital of the Company or any of its subsidiaries had been put under option or agreed conditionally or unconditionally to be put under option.

DISCLOSURE OF INTERESTS

(a) **Directors' and chief executive's interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations**

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executives were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

(i) *Long position in the Shares and the underlying Shares*

Name	Capacity/Nature of interest	Number of Shares/underlying Shares	Approximate % of shareholding (Note 4)
Mr. Wang	Beneficial owner — Personal interest	1,983,673,177 (Note 1)	20.85%
	Interest of controlled corporation — Corporate interest	181,185,000 (Note 2)	1.91%
Mr. Fu Shou Gang	Beneficial Owner — Personal interest	2,500,000 (Note 3)	0.04%

Notes:

- Out of the 1,983,673,177 Shares/underlying Shares, Mr. Wang is interested as (i) a grantee of Options to subscribe for 2,500,000 Shares under the Share Option Scheme; (ii) a beneficial owner of 1,320,782,118 Shares; (iii) a beneficial entitlement of 660,391,059 Offer Shares under the Open Offer.
- Such Shares/underlying Shares are interested by Jumbo Lane. Mr. Wang owns 100% interest in the issued share capital of Jumbo Lane and he is taken to be interested in all the Shares owned by Jumbo Lane pursuant to Part XV of the SFO. Out of the 181,185,000 Shares/underlying Shares, Jumbo Lane is interested as (i) a beneficial owner of 120,790,000 Shares; and (ii) a beneficial entitlement of 60,395,000 Offer Shares under the Open Offer.
- Mr. Fu Shou Gang is interested as a grantee of options to subscribe for 2,500,000 Shares under the Share Option Scheme.
- The percentage of the shareholding is calculated based on the issued share capital of the Company of 9,512,603,688 Shares immediately after the completion of the Open Offer.

(b) Substantial shareholders and others' interests and short positions in Shares and underlying shares of the Company

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person(s), other than a Director or chief executive of the Company, had or were deemed to have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or held any option in respect of such capital:

Long position in the Shares/underlying Shares

Name	Capacity/ Nature of interest	Number of Shares/ underlying Shares	Approximate % of shareholding
Ms. Zhao Xin (<i>Note 1</i>)	Interest of spouse — Family interest	2,164,858,177	22.76%
The Underwriter (<i>Note 2</i>)	Corporate interest	2,572,461,837	27.04% (<i>Note 4</i>)

Short position in the Shares/underlying Shares

Name	Capacity	Number of Shares/ underlying Shares	Approximate % of shareholding
The Underwriter (<i>Note 3</i>)	Corporate interest	1,250,000,000	13.14% (<i>Note 4</i>)

Notes:

- Ms. Zhao Xin (the spouse of Mr. Wang) is deemed to be interested in her spouse's interest in the Company pursuant to the SFO. The percentage of the shareholding is calculated based on the issued share capital of the Company of 9,512,603,688 Shares immediately after the completion of the Open Offer.
- The Underwriter has an interest in the long position of 2,572,461,837 Offer Shares under the Underwriting Agreement, being its underwriting commitment thereunder.
- The Underwriter has entered into a sub-underwriting letter with an Independent Third Party to sub-underwrite 1,250,000,000 Offer Shares. Thus, the Underwriter has an interest in the short position of 1,250,000,000 Offer Shares.
- The percentage of the shareholding is calculated based on the issued share capital of the Company of 9,512,603,688 Shares immediately after the completion of the Open Offer.

Substantial shareholdings in the subsidiaries of the Company

Name	Name of the subsidiary in which the shareholder is interested	Capacity/ Nature of interest	% of shareholding
沁水縣盛融投資 有限責任公司 (Shanxi Qinshui Prefecture Chengrong Investment Limited)	山西萬志物流 有限公司 (Shanxi Wanzhi Logistics Limited)	Beneficial owner	17%
鄭州貞成能源技術 服務有限公司 (Zhengzhou Zhengcheng Energy Technology Service Company Limited)	陽城縣惠陽新 能源有限公司 (Yangcheng Huiyang New Energy Development Company Limited)	Beneficial owner	20%
陽城縣陽泰集團 實業有限公司 (Yangcheng Yangtai Group Industrial Company Limited)	陽城縣惠陽新 能源有限公司 (Yangcheng Huiyang New Energy Development Company Limited)	Beneficial owner	20%

DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

- (a) Save as disclosed in this Prospectus, there was no other transaction which needs to be disclosed as connected transaction in accordance with the requirements of the GEM Listing Rules;
- (b) Save as disclosed in this Prospectus, there was no other contract of significance in relation to the Group's business subsisted as at the Latest Practicable Date to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly; and
- (c) None of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published audited accounts of the Group were made up.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, substantial shareholders or any of their respective associates had an interest in a business which competes or may compete with the business of the Group or had any other conflict of interest which any such person has or may have with the Group.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries, was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this Prospectus which are of material importance to the Group:

- (a) a framework agreement (合作框架協議) dated 28 February 2012 in Chinese entered into between the Company and Longmen Hui Cheng Investment (HK) Limited (香港龍門匯成投資有限公司) in relation to co-operation in China's coalbed methane gas sector;
- (b) an equipment purchase and finance lease (lease back after sale) agreement (設備購買及融資租賃(售後回租)合同) (the "**Finance Lease Agreement**") dated 21 May 2012 in Chinese entered into between 山西沁水順泰能源發展有限公司 (Shanxi Shuntai Energy Development Company Limited, "**Qinshui Energy**") as vendor and leasee, a direct wholly owned subsidiary of the Company, and 中集融資租賃有限公司 (CIMC Capital Limited., "**CIMC**") (formerly known as 中集車輛融資租賃有限公司 (CIMC Vehicle Financial Leasing Company Limited) as purchaser and lessor in relation to (i) the sale and purchase of certain liquefied natural gas equipments at an aggregate consideration of RMB95,000,000; and (ii) the lease of the same equipments at an aggregate consideration of RMB114,570,000 (subject to adjustment);
- (c) a letter of guarantee (擔保函) dated 21 May 2012 in Chinese issued by the Company in favour of CIMC to secure due payment by Qinshui Energy under the Finance Lease Agreement referred to in (b) above;
- (d) a letter of guarantee (擔保函) dated 21 May 2012 in Chinese issued by 洛陽順和能源有限公司 (Luoyang Shunhe Energy Company Limited), an indirectly wholly owned subsidiary of the Company, in favour of CIMC to secure due payment by Qinshui Energy under the Finance Lease Agreement referred to in (b) above;
- (e) a letter of guarantee (擔保函) dated 21 May 2012 in Chinese issued by 山西萬志物流有限公司 (Shanxi Wanzhi Logistic Limited), a non-wholly owned subsidiary of the Company, in favour of CIMC to secure due payment by Qinshui Energy under the Finance Lease Agreement referred to in (b) above;

- (f) a letter of guarantee (擔保函) dated 21 May 2012 in Chinese issued by 河北順泰能源有限公司 (Hebei Shuntai Energy Resource Limited), a directly wholly owned subsidiary of the Company, in favour of CIMC to secure due payment by Qinshui Energy under the Finance Lease Agreement referred to in (b) above;
- (g) a letter of guarantee (擔保函) dated 21 May 2012 in Chinese issued by 陽城縣惠陽新能源發展有限公司 (Yangcheng Huiyang New Energy Development Company Limited), a non-wholly owned subsidiary of the Company, in favour of CIMC to secure due payment by Qinshui Energy under the Finance Lease Agreement referred to in (b) above;
- (h) a letter of guarantee (擔保函) dated 21 May 2012 in Chinese entered into by 山西陽城順泰能源發展有限公司 (Shanxi Yangcheng Shuntai Energy Development Company Limited), a directly wholly-owned subsidiary of the Company, in favour of CIMC to secure due payment by Qinshui Energy under the Finance Lease Agreement referred to in (b) above;
- (i) a share pledge agreement (股權質押合同) dated 21 May 2012 in Chinese entered into between the Company and CIMC in relation to the pledge of 93.33% shareholding of Qinshui Energy to secure due payment by Qinshui Energy under the Finance Lease Agreement referred to in (b) above;
- (j) a pledge agreement (抵押合同) dated 21 May 2012 in Chinese entered into between Qinshui Energy and CIMC in relation to pledge of certain land use rights and properties to secure due payment by Qinshui Energy under the Finance Lease Agreement referred to in (b) above;
- (k) a pledge agreement (抵押合同) dated 21 May 2012 in Chinese entered into between Qinshui Energy and CIMC in relation to pledge of certain equipments to secure due payment by Qinshui Energy under the Finance Lease Agreement referred to in (b) above;
- (l) a pledge agreement (抵押合同) dated 21 May 2012 in Chinese entered into between 廣西北流燃氣有限公司 (Guangxi Beiliu Gas Company Limited), an indirectly non-wholly owned subsidiary of the Company and CIMC in relation to pledge of certain equipments to secure due payment by Qinshui Energy under the Finance Lease Agreement referred to in (b) above;
- (m) a placing agreement dated 14 March 2013 entered into between the Company and Vision Finance International Company Limited (“**Vision Finance**”) (as placing agent), pursuant to which the Company had conditionally agreed to place, through Vision Finance, on a best effort basis, a maximum of 400,000,000 Shares to independent investors at the price of HK\$0.25 per Share;
- (n) a memorandum of co-operation (合作備忘錄) dated 20 June 2013 in Chinese entered into between the Company, Beijing Enterprises Holdings Limited (“**BEHL**”) as subscriber and Vision Finance as placing agent, pursuant to which the Company conditionally agreed to place 9,300,000,000 new Shares via Vision Finance to BEHL at the placing price of HK\$0.26 per Share;

- (o) a settlement agreement (和解協議) dated 18 October 2013 in Chinese entered into between the Company and China United Coalbed Methane Co., Ltd. (中聯煤層氣有限責任公司) (“**China United**”) and its supplemental agreement dated 8 November 2013 in Chinese entered into between the Company, China United and Qinshui Energy, both in relation to the settlement of a contractual dispute between the Group and China United in the supply of gas;
- (p) a memorandum of understanding (合作備忘錄) dated 26 October 2013 in Chinese entered into between the Company and Beijing Enterprises Energy Development (Holdings) Company Limited (“**BEEDH**”), pursuant to which the Company conditionally agreed to issue 9,000,000,000 to 10,000,000,000 new Shares to BEEDH at the subscription price of HK\$0.26 per Share;
- (q) the Subscription Agreement; and
- (r) the Underwriting Agreement.

Save as disclosed above, no material contract has been entered into by the Group within the two years immediately preceding the Latest Practicable Date.

EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this Prospectus or has given opinions and advices, which are contained in this Prospectus:

Name	Qualification
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

HLB Hodgson Impey Cheng Limited has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and references to its name and/or its advice in the form and context in which it appears.

As at the Latest Practicable Date, HLB Hodgson Impey Cheng Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, HLB Hodgson Impey Cheng Limited has no interest, direct or indirect, in any asset which have been, since 31 December 2012, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation), between any of the Directors and any member of the Group.

CORPORATE INFORMATION, DIRECTORS AND PARTIES INVOLVED IN THE OPEN OFFER**Directors***Executive Directors*

Name	Address
Mr. Wang Zhong Sheng	Room 910B, 9th Floor, East Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong
Mr. Shi Liang	Room 910B, 9th Floor, East Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong
Mr. Fu Shou Gang	Room 910B, 9th Floor, East Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong
Mr. Kwok Shun Tim	Room 910B, 9th Floor, East Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong

Independent Non-executive Directors

Name	Address
Mr. Luo Wei Kun	Room 910B, 9th Floor, East Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong
Ms. Pang Yuk Fong	Room 910B, 9th Floor, East Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong
Mr. Wang Zhi He	Room 910B, 9th Floor, East Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong

Senior Management

Name	Address
Mr. Lui Chi Keung	Room 910B, 9th Floor, East Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong

Corporate Information and Other Parties Involved in the Open Offer

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room 910B, 9th Floor East Wing, Tsim Sha Tsui Centre 66 Mody Road Tsim Sha Tsui East Kowloon Hong Kong
Company secretary	Mr. Lui Chi Keung, <i>FHKICPA, FCCA</i>
Compliance officer	Mr. Wang Zhong Sheng
Authorised representatives	Mr. Wang Zhong Sheng Room 910B, 9th Floor East Wing, Tsim Sha Tsui Centre 66 Mody Road Tsim Sha Tsui East Kowloon Hong Kong Mr. Lui Chi Keung, <i>FHKICPA, FCCA</i> Room 910B, 9th Floor East Wing, Tsim Sha Tsui Centre 66 Mody Road Tsim Sha Tsui East Kowloon Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Sheolder Road, George Town Grand Cayman KY-1110 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Tengis Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

Principal banker	Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central
Reporting accountants and auditors	HLB Hodgson Impey Cheng Limited 31st Floor, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong
Legal advisers to the Company as to the laws of Hong Kong in relation to the Open Offer	Loong & Yeung Suites 2001-2005, 20th Floor, Jardine House, 1 Connaght Place, Central, Hong Kong
Underwriter	RHB OSK Securities Hong Kong Limited 12/F, World-Wide House 19 Des Voeux Road Central Hong Kong

EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges, registration and other related expenses, are estimated to be approximately HK\$4.4 million and are payable by the Company.

PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wang Zhong Sheng, aged 49, has been appointed as the chairman of the Board, an executive Director and the compliance officer of the Company since May 2006. From 9 January 2004 to 26 May 2006, Mr. Wang was an executive director of Tianjin Tianlian Public Utilities Company Limited, (currently known as Tianjin Jinran Public Utilities Company Limited, "**Tianjin Jinran**"), a company then listed on the Growth Enterprise Market of the Stock Exchange and subsequently transferred to the Main Board of the Stock Exchange (stock code: 01265), and was responsible for its business strategies. He graduated from the University of Tianjin with a bachelor degree in engineering in 1984. Mr. Wang is also a director of Tianjin Leason Investment Group Company Limited (天津市聯盛投資集團有限公司). Details of Mr. Wang's interests under the provisions of SFO are set out in the paragraph "Disclosure of Interests" in this Appendix.

Mr. Shi Liang, aged 45, has been appointed as an executive Director since May 2006. Mr. Shi graduated with a bachelor degree in Material Science in the Shanghai University of Science and Technology of the PRC and a master degree in management from the Business School of the People's University in the PRC. He was a vice general manager of Tianjin Jinran. He had worked for Jiangsu Nan Tong Electric Melter Company and Electronic Industrial Division Basic Products Department. He had also worked for Jiangsu Hua Yong Electronic Group Company as deputy manager of international cooperation department and secretary to the board of directors. He had also held various positions as a project manager, senior manager and an assistant to executive director in the investment banking of United Securities Limited, a securities company in the PRC.

Mr. Fu Shou Gang, aged 48, has been appointed as an executive Director since December 2010. Mr. Fu has years of experiences in the natural gas sector. Prior to joining the Group, he worked in Tianjin Jinran, where was pointed as an executive Director. As at the Latest Practicable Date, Mr. Fu was interested as a grantee of Options to subscribe for 2,500,000 Shares under the Share Option Scheme.

Mr. Kwok Shun Tim, aged 39, was appointed as an executive Director in January 2013. Mr. Kwok holds a master of science in China Business Studies from The Hong Kong Polytechnic University and a master of laws (International Economic Law) from the City University of Hong Kong and a Bachelor Degree of Business Administration in Accounting from The Hong Kong University of Science and Technology. He is an associate member of Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants), an ordinary member of Hong Kong Securities Institute, a full member of IT Accountants Association and a fellow of the Association of Chartered Certified Accountants. Mr. Kwok is currently a member of Guangdong Province Zhaoqing City Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省肇慶市委員會), a director of Yan Oi Tong for the year 2012/2013, an executive director of Convoy Financial Services Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 01019) and a school manager of C.C.C. Kwei Wah Shan College. Mr. Kwok is currently an executive director of Computech Holdings Limited, a company whose shares are listed on the GEM of the Stock Exchange (stock code: 08081), and an independent non-executive director both of Hong Kong Education (Int'l) Investments Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 01082), and Longlife Group Holdings Limited, a company whose shares are listed on the GEM of the Stock Exchange (stock code: 08037), and the company secretary of Tianjin Jinran. Mr. Kwok is a licensed person for Type 4 and Type 9 regulated activities under the SFO.

Independent Non-executive Directors

Mr. Luo Wei Kun, aged 74, has been an independent non-executive Director since August 2006. He graduated from the Tsinghua University with a bachelor's degree in civil engineering in 1964 and started postgraduate studies in the same year. He was awarded a postgraduate diploma in civil engineering (土建系) in 1967. He acted as a technician in Wuhan Branch of the Chinese Medicine Industrial Limited (中國醫藥工業公司武漢分公司) during 1968 to 1969 and as a technician, deputy section chief, section chief, engineer and vice chief engineer in the State Ministry of Medicine - Hubei Medical Manufactory Branch (國家醫藥總局湖北製藥製劑分廠) during 1969 to 1985. He then worked as a senior engineer, section chief and assistant factory manager in Tianjin Second Coal Gas Factory (天津市第二煤氣廠) during 1986 to 1992. From 1992 to 2000, he acted as a vice chief

engineer in Tianjin Utility Department (天津市公用局) and at the same time, worked as a chief engineer in Tianjin City Gas Administrative Office (天津市燃氣管理處). After his retirement in March 2000, Mr. Luo acted as a consultant of Tianjin City Gas Administrative Office and a committee member of the Tianjin City Gas Planning Office (天津市建設管理委員會技術顧問委員會). Currently, he is an independent non-executive director of Tianjin Jinran.

Ms. Pang Yuk Fong, Yvonne, aged 47, is an experienced practising certified public accountant in Hong Kong with over 25 years of professional experience in accounting and auditing. Ms. Pang is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, an associate of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Pang holds a Master of Professional Accounting Degree from the Hong Kong Polytechnic University.

Ms. Pang's professional career started in Deloitte (one of the Big-4 International Accountancy Firms) and subsequently held the accounting positions in the listed company in Hong Kong. Ms. Pang has been running her own practice of Certified Public Accountant (practicing) in Hong Kong since 1990's and has been the Managing Director of Focus Asia CPA Limited. She has also been the Managing Director of Focus Secretarial Services Limited which is engaged in providing multilateral company secretarial services and the Managing Director of Focus Asia Market Consultants Limited and Focus Corporate Consultancy Limited which are engaged in providing business advisory services to her clients in various aspects.

Ms. Pang has been appointed as an independent non-executive Director since 2006.

Mr. Wang Zhi He, aged 66, has been an independent non-executive Director since September 2010. Mr. Wang is a senior accountant. Mr. Wang graduated from Anhui University of Finance and Economics in February 1972, and was assigned to finance department of Anhui Huaibei Mining Bureau and worked as a commissioner, deputy section chief, section chief, deputy director and director. Mr. Wang was transferred to the Ministry of Coal Industry in May 1995, and worked as a director of Asset Capital Management Division and State-owned Assets Management department. In October 1997, Mr. Wang was re-designated as a chief accountant of China Coal Construction Group Corporation, and worked as a deputy general manager and chief accountant in May 1999. Mr. Wang was transferred to Zhonglian Gas Company Limited and worked as a chief accountant in March 2004. Mr. Wang has years of relevant experience.

Senior Management and Company Secretary

Mr. Lui Chi Keung, aged 55, has been appointed as the company secretary and authorised representative of the Company since September 2007. Mr. Lui is a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Association of Chartered Certified Accountants. Mr. Lui has over 30 years of experience in auditing, accounting, financial and business management.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 28 July 2003 and currently comprises all three independent non-executive Directors, namely, Mr. Luo Wei Kun, Ms. Pang Yuk Fong (Chairman) and Mr. Wang Zhi He. The primary duties of the Audit Committee are, among other things, (i) to review the Group’s financial statements, annual reports, interim reports and quarterly reports; (ii) to serve as a focal point for communication between Directors, the external auditors and internal auditors; (iii) to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, and the effectiveness of the Group’s internal control system; and (iv) to review the appointment of external auditors on an annual basis as well as to ensure independence of the continuing auditor.

Currently, Mr. Luo Wei Kun is an independent non-executive director of Tianjin Jinran. Save as the aforesaid, the members of the Audit Committee do not hold directorships in any listed companies.

Details of the biographical information of each of the members of the Audit Committee are set out in the paragraph headed “Particulars of Directors and Senior Management” in this Appendix.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Open Offer Documents and the consent letter referred to in the paragraph headed “Expert and consent” in this Appendix has been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance.

MISCELLANEOUS

- (a) The English texts of this Prospectus and the Application Form shall prevail over their respective Chinese texts.
- (b) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong. Save and except for RMB, the Group has no exposure to foreign exchange liabilities. The Group will have sufficient foreign exchange, generated from the operation of its subsidiaries to pay forecasted or planned dividends and to meet its foreign exchange liabilities as they become due.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Room 910B, 9th Floor, East Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong during normal business hours on any weekday other than public holidays, from the date of this Prospectus up to and including the Latest Acceptance Time at 4:00 p.m. on Wednesday, 29 January 2014:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed “Material contracts” in this Appendix;

- (c) the annual reports of the Company for the financial years ended 31 December 2011 and 2012;
- (d) the 2013 Interim Report and the 2013 3Q Report;
- (e) the report from HLB Hodgson Impey Cheng Limited regarding the unaudited pro forma financial information of the Group as set out in Appendix II to this Prospectus;
- (f) the circular dated 22 April 2013 issued by the Company in relation to, among other things, a major transaction of the Company concerning finance lease arrangement;
- (g) the written consent referred to in the paragraph headed “Expert and consent” in this Appendix; and
- (h) the Open Offer Documents.

BINDING EFFECT

The Open Offer Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. When an acceptance or application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance.

TAXATION

All Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, holding, disposing of or dealing in the Offer Shares. It is emphasised that none of the Company, the Directors or any other parties involved in the Open Offer accepts responsibility of any tax effects or liabilities of holders of the Offer Shares resulting from the application for, holding, disposal of, or dealing in the Offer Shares.

* The English translation of the Chinese name(s), where indicated in this Appendix, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).