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China Leason CBM & Shale Gas Group Company Limited
中國聯盛煤層氣頁岩氣產業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08270)

PROPOSED CHANGE OF DOMICILE
PROPOSED CHANGE OF COMPANY NAME
PROPOSED CANCELLATION OF
SHARE PREMIUM ACCOUNT
AND
PROPOSED CAPITAL REORGANISATION

PROPOSED CHANGE OF DOMICILE

The Board proposes to change the domicile of the Company from the Cayman Islands to Bermuda by way of deregistration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The implementation of the Change of Domicile will not affect the continuity of the Company and its listing status.

PROPOSED CHANGE OF COMPANY NAME

The Board proposes for the Shareholders' approval that subject to the approval of the Registrar of Companies in Bermuda being obtained, the English name of the Company be changed from "China Leason CBM & Shale Gas Group Company Limited" to "China CBM Group Company Limited" and the Chinese name of the Company from "中國聯盛煤層氣頁岩氣產業集團有限公司" to "中國煤層氣集團有限公司".

PROPOSED CANCELLATION OF SHARE PREMIUM ACCOUNT

The Board proposes to cancel the entire amount standing to the credit of the share premium account of the Company and to transfer the credits arising from such cancellation to an existing account of the Company designated as the contributed surplus account of the Company before the Change of Domicile. As at the date of this announcement, the Company has a credit balance of approximately HK\$1,548,093,456 standing in its share premium account.

The existing account of the Company designated as the contributed surplus account of the Company, subject to the approval of the Shareholders at the EGM by way of special resolution, shall be the contributed surplus account of the Company within the meaning of the Companies Act effective upon the Change of Domicile.

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation upon the Change of Domicile becoming effective which involves the following:

- (1) every 10 issued Existing Shares will be consolidated into one issued Consolidated Share and the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company arising from the Share Consolidation;
- (2) the issued share capital of the Company will be reduced through a cancellation of the paid up capital of the Company to the extent of HK\$0.09 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01; and
- (3) the credit arising in the books of the Company from (a) the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation; and (b) the reduction of the paid-up capital of HK\$85,613,433.2 will be credited to the contributed surplus account of the Company within the meaning of the Companies Act.

WARNING

Shareholders should take note that the Change of Domicile, the Change of Company Name, the Cancellation of Share Premium Account and the Capital Reorganisation are conditional upon satisfaction of conditions set out in the paragraphs headed “Conditions of the Change of Domicile”, “Conditions of the Change of Company Name”, “Condition of the Cancellation of Share Premium Account” and “Conditions of the Capital Reorganisation”. Therefore, the Change of Domicile, the Change of Company Name, the Cancellation of Share Premium Account and the Capital Reorganisation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Change of Domicile, the Change of Company Name, the Cancellation of Share Premium Account and the Capital Reorganisation. A circular containing, among other things, details of the Change of Domicile, the Change of Company Name, the Cancellation of Share Premium Account and the Capital Reorganisation and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

PROPOSED CHANGE OF DOMICILE

The Board proposes to change the domicile of the Company from the Cayman Islands to Bermuda by way of deregistration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The Board also proposes to implement the Capital Reorganisation upon the Change of Domicile becoming effective, details of which are set out in the section headed “Proposed Capital Reorganisation” below.

Effect of the Change of Domicile

Other than the expenses to be incurred, the Change of Domicile will not alter the underlying assets, investments, management or financial position of the Company nor the proportionate interests of the Shareholders. The Company's legal advisers as to the laws of the Cayman Islands and Bermuda are of the view that the continuation of the Company into Bermuda does not create a new legal entity or prejudice or affect the continuity of the Company. The Company will continue to maintain a principal place of business in Hong Kong.

The Change of Domicile also will not involve the formation of a new holding company, the withdrawal of listing of the Existing Shares, any issue of new Existing Shares, any transfer of assets of the Company or any change in the existing shareholding of the Company. Implementation of the Change of Domicile will not affect its listing status on the Stock Exchange.

In connection with the Change of Domicile, it is proposed that a memorandum of continuance and a new set of bye-laws will be adopted by the Company to replace the existing memorandum of association and the Articles respectively in order to comply with Bermuda company law.

Reasons for the Change of Domicile

If the Company proceeds with the Capital Reorganisation, which include, amongst other things, the Capital Reduction in the Cayman Islands, the sanction by the Grand Court of the Cayman Islands would be required, which sanction cannot be obtained in a commercially expedient time frame. If the Capital Reorganisation will be effected by way of a change of domicile of the Company from the Cayman Islands to Bermuda through deregistration in the Cayman Islands and continuation in Bermuda, the legal advisers of the Company as to the laws of the Cayman Islands and Bermuda advised that no court order is required in the Cayman Islands or Bermuda for the Change of Domicile and the Capital Reorganisation after deregistration of the Company in Cayman Islands and its continuation in Bermuda. The Board considers that it would save the Company's time for carrying out the Capital Reorganisation in Bermuda by first implementing the Change of Domicile.

The Board believes that the Change of Domicile is beneficial to and in the interests of the Company and the Shareholders as a whole.

Conditions of the Change of Domicile

The Change of Domicile is conditional upon:

- (a) the passing of the necessary special resolutions by the Shareholders at the EGM to approve the Change of Domicile and the adoption of the memorandum of continuance and new bye-laws of the Company; and
- (b) compliance with the relevant requirements under the GEM Listing Rules and the relevant legal procedures and requirements under the Cayman Islands laws and Bermuda laws in respect of the Change of Domicile; and
- (c) the obtaining of all necessary approvals from the relevant regulatory authorities or otherwise as may be required in respect of the Change of Domicile, if required.

The Change of Domicile is not conditional upon the Capital Reorganisation. However, the Capital Reorganisation is conditional upon the Change of Domicile becoming effective.

PROPOSED CHANGE OF COMPANY NAME

The Board proposes for the Shareholders' approval that subject to the approval of the Registrar of Companies in Bermuda being obtained, the English name of the Company be changed from "China Leason CBM & Shale Gas Group Company Limited" to "China CBM Group Company Limited" and the Chinese name of the Company from "中國聯盛煤層氣頁岩氣產業集團有限公司" to "中國煤層氣集團有限公司".

Reason for the Change of Company Name

The Board considers that the Change of Company Name will better reflect and emphasise the business focus of the Group. The proposed new English name of the Company will provide the Company a better identification and strengthen the Company's corporate image. The Board believes that the Change of Company Name is in the best interests of the Company and the Shareholders as a whole.

Conditions of the Change of Company Name

The Change of Company Name will be subject to the following:

- (1) the Change of Domicile and the Capital Reorganisation becoming effective;
- (2) the passing of a special resolution by the Shareholders at the EGM to approve, among others, the Change of Company Name; and
- (3) the Registrar of Companies in the Bermuda approving the Change of Company Name.

Subject to the satisfaction of the conditions set out above, the Change of Company Name will take effect from the date of registration as set out in the certificate of incorporation on change of name and the certificate of secondary name. The Company will then carry out all necessary filing procedures with the Companies Registry in Hong Kong.

Effects of Change of Company Name

The Change of Company Name will not affect any rights of the holders of securities of the Company. All existing certificates of securities in issue bearing the present name of the Company shall, after the Change of Company Name becoming effective, continue to be evidence of title to such securities and the existing share certificates will continue to be valid for trading, settlement, registration and delivery purposes. There will not be any arrangement for exchange of the existing certificates of securities. Once the Change of Company Name becomes effective, new share certificates will be issued only in the new English name of the Company.

PROPOSED CANCELLATION OF SHARE PREMIUM ACCOUNT

The Board proposes to cancel the entire amount standing to the credit of the share premium account of the Company and to transfer the credits arising from such cancellation to an existing account of the Company designated as the contributed surplus account of the Company before the Change of Domicile. As at the date of this announcement, the Company has a credit balance of approximately HK\$1,548,093,456 standing in its share premium account.

The existing account of the Company designated as the contributed surplus account of the Company, subject to the approval of the Shareholders at the EGM by way of special resolution, shall be the contributed surplus account of the Company within the meaning of the Companies Act effective upon the Change of Domicile.

Condition of the Cancellation of Share Premium Account

The Cancellation of Share Premium Account is conditional upon the passing of a special resolution by the Shareholders at the EGM to approve the transfer to an existing account of the Company designated as the contributed surplus account of the Company credits arising from the cancellation of the entire amount standing to the credit of the share premium account of the Company and that such designated contributed surplus account of the Company shall be the contributed surplus account of the Company within the meaning of the Companies Act effective upon the Change of Domicile.

PROPOSED CAPITAL REORGANISATION

The Company proposes to implement the Capital Reorganisation upon the Change of Domicile becoming effective which involves the following:

(1) Proposed Share Consolidation

The Board proposes to effect the Share Consolidation pursuant to which every 10 issued Existing Shares will be consolidated into one issued Consolidated Share and the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company arising from the Share Consolidation.

(2) Proposed Capital Reduction

- (a) the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$0.09 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01; and
- (b) the credit arising in the books of the Company from (i) the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation; and (ii) the reduction of the paid-up capital of the Company of HK\$85,613,433.2 will be credited to the contributed surplus account of the Company within the meaning of the Companies Act.

As at the date of this announcement, the authorised share capital of the Company was HK\$200,000,000 comprising 20,000,000,000 Existing Shares of HK\$0.01 each, of which 9,512,603,688 Existing Shares have been issued and fully paid. Immediately following the Capital Reorganisation, the authorised share capital of the Company will be HK\$200,000,000 divided into 20,000,000,000 New Shares of HK\$0.01 each, of which 951,260,368 New Shares will be in issue and the aggregate nominal value of the issued share capital of the Company will be HK\$9,512,603.68 (assuming that no Existing Shares are issued from the date hereof until the effective date of the Capital Reorganisation). A credit of HK\$85,613,433.2 will arise as a result of the Capital Reduction. Such credit, together with any credit arising as a result of the cancellation of any fraction in the issued share capital of the Company arising from the Share Consolidation, will be transferred to contributed surplus account of the Company which, together with the amount already in the contributed surplus account as a result of the Cancellation of Share Premium Account, will then be applied by the Board to set off against the accumulated losses of the Company in full on the date of the Capital Reorganisation becoming effective. The total accumulated losses of the Company was approximately RMB169,722,000 as shown in the audited consolidated financial statements of the Company for the year ended 31 December 2012.

Assuming no Existing Shares are issued from the date hereof until the effective date of the Capital Reorganisation, the share capital structure of the Company will be as follows:

	As at the date of this announcement	Immediately after the Share Consolidation becoming effective	Immediately after the Share Consolidation and Capital Reorganisation becoming effective
Authorised share capital	HK\$200,000,000	HK\$200,000,000	HK\$200,000,000
Par Value	HK\$0.01 per Existing Share	HK\$0.10 per Consolidated Share	HK\$0.01 per New Share
Number of authorised shares	20,000,000,000 Existing Shares	2,000,000,000 Consolidated Shares	20,000,000,000 New Shares
Amount of issued share capital	HK\$95,126,036.88	HK\$95,126,036.88	HK\$9,512,603.68
Number of issued shares	9,512,603,688 Existing Shares	951,260,368 Consolidated Shares (<i>Note</i>)	951,260,368 New Shares (<i>Note</i>)
Amount of unissued share capital	HK\$104,873,963.12	HK\$104,873,963.2 (<i>Note</i>)	HK\$190,487,396.32 (<i>Note</i>)
Number of unissued shares	10,487,396,312 Existing Shares	1,048,739,632 Consolidated Shares (<i>Note</i>)	19,048,739,632 New Shares (<i>Note</i>)

All New Shares will rank pari passu in all respects with each other.

As at the date of this announcement, save for the Share Options entitling the holders thereof to subscribe for 321,190,740 Existing Shares, the Company has no other outstanding warrants, options or convertible securities.

Under Bermuda laws, the Directors may apply the contributed surplus in any manner permitted by the laws of Bermuda and the bye-laws of the Company.

Fractional entitlement to the New Shares

Fractions of the New Shares, if any, arising from the Capital Reorganisation will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (a) the Change of Domicile becoming effective;
- (b) the passing of the necessary special resolutions by the Shareholders approving the Capital Reorganisation at the EGM;
- (c) the Stock Exchange granting the listing of, and permission to deal in, the New Shares in issue and to be issued upon the Capital Reorganisation and the New Shares which may fall to be allotted and issued upon exercise of the share options outstanding and to be granted under the share option scheme of the Company;
- (d) the compliance with the relevant procedures and requirements under the Bermuda laws and the GEM Listing Rules to effect the Capital Reorganisation; and
- (e) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

Reasons for the Capital Reorganisation

The Board is of the opinion that the Capital Reorganisation will provide the Company with greater flexibility in possible fund raisings in the future. Further, the credit in the contributed surplus account arising from the Capital Reduction will enable the Company to set off its accumulated losses and may be applied in the future for distribution to the Shareholders or in any manner permitted by the laws of Bermuda and the bye-laws of the Company.

The Board considers that the Capital Reorganisation is beneficial to and in the interests of the Company and the Shareholders as a whole.

Effects of the Capital Reorganisation

Implementation of the Capital Reorganisation will not, of itself, alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, except for the payment of the related expenses. The Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group and that on the date the Capital Reorganisation is to be effected, there are no reasonable grounds for believing that the Company is, or after the Capital Reorganisation would be, unable to pay its liabilities as they become due. No capital will be lost as a result of the Capital Reorganisation and, except for the expenses involved in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Capital Reorganisation becoming effective. The Capital Reorganisation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid up capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Listing and dealings

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation and the New Shares which may fall to be allotted and issued upon exercise of the share options outstanding and to be granted under the share option scheme of the Company.

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange, the New 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 New 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The New Shares will be identical in all respects and rank *pari passu* in all respects with each other as to all future dividends and distributions which are declared, made or paid. All necessary arrangements will be made for the New Shares to be admitted into CCASS.

Free exchange of share certificates and arrangement for matching service for odd lots

Details regarding the arrangement relating the free exchange of share certificates and matching service for odd lots will be announced by the Company as and when appropriate.

Adjustment in relation to the Share Options

As at the date of this announcement, the Company has Share Options entitling the holders thereof to subscribe for 321,190,740 Existing Shares. The Capital Reorganisation will cause adjustments to be made to the exercise prices and/or the number of the Share Options. The Company will engage its auditors or an independent financial adviser to certify the adjustments to the Share Options and will inform the holders of the Share Options of the adjustments accordingly.

Save as aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the date of this announcement.

EXPECTED TIMETABLE

The expected timetable for implementation of the Change of Domicile, the Cancellation of Share Premium Account and the Capital Reorganisation is set out below:

(Hong Kong time)

Despatch of circular with notice and proxy form of the EGM Monday, 17 March 2014

Latest time for lodging transfer of Existing Shares
in order to be qualified for the attendance of the EGM 4:30 p.m.
Monday, 7 April 2014

Register of members closes (both day inclusive) from Tuesday, 8 April 2014
to Wednesday, 9 April 2014

Latest time for lodging the form of proxy for the EGM 9:00 a.m.
Monday, 7 April 2014

EGM 9:00 a.m.
Wednesday, 9 April 2014

Publication of announcement of results of the EGM Wednesday, 9 April 2014

The following events are conditional on the fulfilment of the conditions for the implementation of the Change of Domicile, the Cancellation of Share Premium Account and the Capital Reorganisation:

Expected effective date of the Cancellation of Share Premium Account Wednesday, 9 April 2014

Expected effective date of the Change of Domicile on or after Wednesday,
23 April 2014 (Bermuda time)

Expected effective date of the Capital Reorganisation on or after Monday,
12 May 2014 (Bermuda time)

Further announcement will be made by the Company to notify the Shareholders of the dates relating to the trading arrangement after the Capital Reorganisation has become effective as and when appropriate.

WARNING

Shareholders should take note that the Change of Domicile, the Change of Company Name, the Cancellation of Share Premium Account and the Capital Reorganisation are conditional upon satisfaction of conditions set out in the paragraphs headed “Conditions of the Change of Domicile”, “Conditions of the Change of Company Name”, “Condition of the Cancellation of Share Premium Account” and “Conditions of the Capital Reorganisation”. Therefore, the Change of Domicile, the Change of Company Name, the Cancellation of Share Premium Account and the Capital Reorganisation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

GENERAL

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Change of Domicile, the Change of Company Name, the Cancellation of Share Premium Account and the Capital Reorganisation. In compliance with the GEM Listing Rules, all resolutions will be voted on by way of a poll at the EGM. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, no Shareholders are required to abstain from voting on the resolutions to be proposed at the EGM.

A circular containing, among other things, details of the Change of Domicile, the Change of Company Name, the Cancellation of Share Premium Account and the Capital Reorganisation, and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Articles”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors
“Capital Reduction”	the proposed reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.09 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the Share Consolidation and the Capital Reduction
“Cancellation of Share Premium Account”	the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Change of Company Name”	the proposed change of the English name of the Company from “China Leason CBM & Shale Gas Group Company Limited” to “China CBM Group Company Limited” and the Chinese name of the Company from “中國聯盛煤層氣頁岩氣產業集團有限公司” to “中國煤層氣集團有限公司”
“Change of Domicile”	the proposed change of domicile of the Company from the Cayman Islands to Bermuda
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	China Leason CBM & Shale Gas Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange
“Consolidated Share(s)”	issued ordinary share(s) of HK\$0.10 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, the Change of Domicile, the Change of Company Name, the Cancellation of Share Premium Account and the Capital Reorganisation
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the existing share capital of the Company
“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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganisation becoming effective
“Share Consolidation”	the proposed consolidation of every 10 issued Existing Shares into one issued Consolidated Share
“Share Options”	the outstanding share options granted under the share option scheme of the Company
“Shareholder(s)”	holder(s) of the Existing Share(s), Consolidated Share(s), and/or New Share(s), as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 3 March 2014

As at the date hereof, the executive Directors are Mr. Wang Zhong Sheng, Mr. Shi Liang, Mr. Fu Shou Gang and Mr. Kwok Shun Tim and the independent non-executive Directors are Mr. Luo Wei Kun, Ms. Pang Yuk Fong and Mr. Wang Zhi He.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting.