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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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.

This announcement, for which the directors (the "Directors") of China Leason CBM & Shale Gas Group Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication.

HIGHLIGHTS

- For the year ended 31 December 2013, the Group's turnover amounted to approximately RMB187,184,000, representing an increase of 1.82% over that of the year ended 31 December 2012.

- For the year ended 31 December 2013, the Group's loss for the year amounted to approximately RMB278,761,000, whereas there was a loss of approximately RMB61,462,000 for the year ended 31 December 2012.

- For the year ended 31 December 2013, the Group's loss per share was RMB5.61 cents (2012: RMB1.40 cents).

- The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2013.

ANNUAL RESULTS

The board of Directors (the "Board") of the Company announces the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2013 (the "Year") together with the comparative figures for the year ended 31 December 2012 as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Turnover	3	**187,184**	183,834
Cost of sales		**(211,469)**	(212,295)
Gross loss		**(24,285)**	(28,461)
Other revenue and net income	4	**4,686**	55,661
Distribution costs		**(2,333)**	(2,003)
Administrative expenses		**(49,686)**	(47,249)
Other operating expenses		**(4,578)**	(4,861)
Finance costs	6(c)	**(27,657)**	(7,214)
Fair value loss on other financial assets		**—**	(17,051)
Impairment loss on goodwill		**(163,000)**	(2,339)
Impairment loss on intangible assets		**(25,000)**	—
Loss before taxation	6	**(291,853)**	(53,517)
Income tax credit/(charge)	7	**13,092**	(7,945)
Loss for the year		**(278,761)**	(61,462)
Attributable to:			
Equity shareholders of the Company		**(271,440)**	(55,130)
Non-controlling interests		**(7,321)**	(6,332)
		(278,761)	(61,462)
		RMB	*RMB*
Loss per share	8		
— Basic		**(5.61) cents**	(1.40) cents
— Diluted		**(5.61) cents**	(1.40) cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Loss for the year	**(278,761)**	(61,462)
Other comprehensive expense for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(1,636)**	(22)
Total comprehensive expense for the year	**(280,397)**	(61,484)
Total comprehensive expense attributable to:		
Equity shareholders of the Company	**(273,076)**	(55,152)
Non-controlling interests	**(7,321)**	(6,332)
	(280,397)	(61,484)

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Goodwill	9	**104,298**	267,298
Property, plant and equipment		**782,941**	601,503
Prepaid lease payments for land under operating leases		**33,499**	34,309
Intangible assets	10	**309,988**	365,231
Deposits and prepayments		**67,055**	53,485
Deferred tax assets		**141**	152
		1,297,922	1,321,978
Current assets			
Prepaid lease payments for land under operating leases		**810**	810
Financial assets at fair value through profit or loss		**200**	200
Inventories		**7,875**	5,949
Trade and other receivables	11	**180,208**	187,387
Tax recoverable		**2,000**	—
Cash and cash equivalents		**17,656**	29,437
		208,749	223,783
Current liabilities			
Trade and other payables	12	**357,163**	280,191
Bank and other borrowings due within one year		**162,751**	110,600
Obligations under finance leases		**33,106**	4,747
Provision		**3,430**	2,507
Tax payable		**13,671**	22,253
		570,121	420,298
Net current liabilities		**(361,372)**	(196,515)
Total assets less current liabilities		**936,550**	1,125,463
Non-current liabilities			
Bank borrowings		**3,000**	5,400
Obligations under finance leases		**30,400**	1,405
Deferred tax liabilities		**82,401**	95,955
		115,801	102,760
Net assets		**820,749**	1,022,703
Capital and reserves			
Share capital		**47,333**	34,828
Reserves		**758,094**	965,232
Equity attributable to equity shareholders of the Company		**805,427**	1,000,060
Non-controlling interests		**15,322**	22,643
Total equity		**820,749**	1,022,703

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to equity shareholders of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	General reserve *RMB'000*	Translation reserve *RMB'000*	Share option reserve *RMB'000*	Convertible bonds reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2012	34,828	878,366	1,523	1,528	28,376	241,209	(133,408)	1,052,422	28,975	1,081,397
Loss for the year	—	—	—	—	—	—	(55,130)	(55,130)	(6,332)	(61,462)
Other comprehensive expense for the year	—	—	—	(22)	—	—	—	(22)	—	(22)
Total comprehensive expense for the year	—	—	—	(22)	—	—	(55,130)	(55,152)	(6,332)	(61,484)
Equity-settled share based payments	—	—	—	—	2,790	—	—	2,790	—	2,790
Lapse of share options	—	—	—	—	(403)	—	403	—	—	—
Transfer to general reserve	—	—	889	—	—	—	(889)	—	—	—
Balance at 31 December 2012 and 1 January 2013	34,828	878,366	2,412	1,506	30,763	241,209	(189,024)	1,000,060	22,643	1,022,703
Loss for the year	—	—	—	—	—	—	(271,440)	(271,440)	(7,321)	(278,761)
Other comprehensive expense for the year	—	—	—	(1,636)	—	—	—	(1,636)	—	(1,636)
Total comprehensive expense for the year	—	—	—	(1,636)	—	—	(271,440)	(273,076)	(7,321)	(280,397)
Issue of new shares										
— Share placement	3,227	77,454	—	—	—	—	—	80,681	—	80,681
— Conversion of convertible bonds	9,278	231,931	—	—	—	(241,209)	—	—	—	—
Transaction costs attributable to issue of new shares	—	(2,830)	—	—	—	—	—	(2,830)	—	(2,830)
Equity-settled share based payments	—	—	—	—	592	—	—	592	—	592
Lapse of share options	—	—	—	—	(506)	—	506	—	—	—
Transfer to general reserve	—	—	2,682	—	—	—	(2,682)	—	—	—
Balance at 31 December 2013	**47,333**	**1,184,921**	**5,094**	**(130)**	**30,849**	**—**	**(462,640)**	**805,427**	**15,322**	**820,749**

Notes:

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENT

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Going concern

The Group incurred a net loss of approximately RMB278,761,000 during the year ended 31 December 2013 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB361,372,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, the Directors of the Company had adopted the going concern basis in the preparation of the consolidated financial statements of the Group based on the following factors:

(1) Other borrowings of RMB77,000,000 were due for repayment within 12 months in accordance with the loan agreements entered into between the Group and non-controlling shareholders of subsidiaries of the Company. However, prior to the date of approval of these consolidated financial statements, these borrowings had been rolled over for a further 12 months and will be due for repayment after 31 December 2014. Up to the date of approval of these consolidated financial statements, the non-controlling shareholders of subsidiaries of the Company have not indicated their intention to withdraw the credit facilities granted to the Group;

(2) Mr. Wang Zhong Sheng ("Mr. Wang"), a substantial shareholder, the chairman of the Board and executive director of the Company, has confirmed to provide continuing financial support to the Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due in the foreseeable future;

(3) Management is formulating, and will implement, cost saving measures to improve the Group's financial performance and cash flows;

(4) Subsequent to the end of the reporting period and in relation to the top-up placing and subscription, 880,000,000 subscription shares were allotted and issued to Mr. Wang at the subscription price of HK$0.092 per subscription share pursuant to the subscription agreement dated 20 December 2013. The net proceeds from the subscription are approximately HK$79,658,000 (equivalent to approximately RMB62,707,000); and

(5) Subsequent to the end of the reporting date, an aggregate of 3,170,867,896 shares of the Company were alloted on 6 February 2014 pursuant to an 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. The net proceeds from the open offer are approximately HK$123,405,000 (equivalent to approximately RMB97,160,000).

Provided that these measures can successfully improve the liquidity of the Company, the Directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. According, the consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

Amendments to HKAS 1	*Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 13	*Fair Value Measurement*
Revised HKAS 19	*Employee Benefits*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2009 — 2011 Cycle*
Amendments to HKFRS 7	*Disclosures — Offsetting Financial Assets and Financial Liabilities*

The Directors consider that other than the additional disclosures, the adoption of the new HKFRS and amendments to HKFRSs has no material effect on the Group's consolidated financial statements.

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a few amendments and standards which are not yet effective for the year ended 31 December 2013 and which have not been early adopted in these consolidated financial statements.

HKFRS 9	*Financial Instruments*[3]
HKFRS 14	*Regulatory Deferral Accounts*[6]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	*Hedge Accounting and amendments to HKFRS 9, HFKRS 7 and HKAS 39*[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[1]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[2]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 36	*Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010 — 2012 Cycle*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011 — 2013 Cycle*[2]
HK(IFRIC) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 No mandatory effective date yet determined but is available for adoption.
6 Effective for annual periods beginning on or after 1 January 2016.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application but is not yet in a position to state whether those amendments and new standards would have a significant impact on the Group's or the Company's results of operations and financial position.

3. TURNOVER

Turnover represents the sales value of goods supplied and services provided to customers, which excludes value-added tax and is after deduction of any goods returns, trade discounts and business tax. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2013	2012
	RMB'000	*RMB'000*
Sales of liquefied coalbed gas	**132,560**	131,843
Provision of liquefied coalbed gas logistics services	**6,830**	13,470
Sales of piped natural gas (including provision of gas supply connection services)	**47,794**	38,521
	187,184	183,834

4. OTHER REVENUE AND NET INCOME

	2013	2012
	RMB'000	*RMB'000*
Interest income from bank deposits	**47**	44
Net foreign exchange gain	**—**	79
Gain on disposal of property, plant and equipment	**2,148**	—
Rental income	**—**	3,830
Government grants		
— PRC Enterprise Income Tax refund *(note 7(a))*	**—**	821
Reversal of impairment loss on other receivables	**1,050**	—
Other income *(note)*	**1,441**	50,887
	4,686	55,661

Note: Included in other income for the year ended 31 December 2012 was a compensation income of approximately RMB50,750,000 to compensate for the shortage of electricity supply in the industrial zone where the Group operates. There were no other specific conditions attached to the compensation and, therefore, the Group recognised the compensation income in profit or loss for the year ended 31 December 2012.

5. SEGMENT REPORTING

The Group's operating segments are determined based on information reported to the chief operating decision maker (the "CODM"), being the Company's Board, for the purpose of resources allocation and performance assessment. The CODM reviews the Group's internal reporting, assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of exploitation, liquefaction production and sale of natural gas in the People's Republic of China ("PRC"). Therefore, the CODM considers there is only one operating segment under the requirements of HKFRS 8 *Operating Segments*. In this regard, no segment information is presented.

Additional disclosure in relation to segment information is not presented as the CODM assess the performance of the sole operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

The total segment result is equivalent to total comprehensive expense for the year as shown in the consolidated statement of profit or loss and other comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

(a) Geographical information

The Group principally operates in Hong Kong and the PRC.

The Group's turnover from external customers and information about its non-current assets by geographical locations are detailed below:

	Turnover from external customers		**Non-current assets***	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong	**—**	—	**304**	170
PRC	**187,184**	183,834	**1,297,477**	1,321,656
	187,184	183,834	**1,297,781**	1,321,826

* Non-current assets excluding deferred tax assets.

(b) Information about major customers

Turnover from customers of corresponding years contributing over 10% of total revenue of the Group is as follows:

	2013	2012
	RMB'000	*RMB'000*
Customer A	**32,567**	N/A[1]
Customer B	**N/A[1]**	20,176
Customer C	**39,764**	N/A[1]
Customer D	**N/A[1]**	24,237
	72,331	44,413

1 The corresponding revenue did not contribute over 10% of the total turnover of the Group.

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		2013	2012
		RMB'000	*RMB'000*
(a)	**Staff costs (including directors' and chief executive's emoluments)**		
	Salaries, wages and other benefits	**23,543**	20,087
	Retirement benefit schemes contributions	**3,231**	2,838
	Equity-settled share-based payment expenses	**394**	1,909
	Total staff costs	**27,168**	24,834
(b)	**Other items**		
	Cost of inventories	**88,900**	95,734
	Auditors' remuneration		
	— audit services	**1,437**	1,466
	— non-audit services	**163**	—
	Depreciation of property, plant and equipment	**38,341**	29,165
	Equity-settled share-based payment expenses in respect of share options granted to consultants	**24**	105
	Amortisation of prepaid lease payments for land under operating leases	**810**	810
	Amortisation of intangible assets (included in cost of sales)	**30,243**	30,243
	Impairment of trade and other receivables (included in other operating expenses)	**3,843**	2,940
	Net foreign exchange loss	**291**	—
	Loss on disposal of property, plant and equipment (included in other operating expenses)	**—**	35
	Operating lease charges in respect of land and buildings	**923**	898
(c)	**Finance costs**		
	Interest expenses on bank and other borrowings wholly repayable within five years	**15,010**	6,113
	Other finance cost	**970**	155
	Finance charges on obligations under finance leases	**11,677**	946
	Total interest expense on financial liabilities not at fair value through profit or loss	**27,657**	7,214

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2013	2012
	RMB'000	*RMB'000*
Current tax — PRC Enterprise Income Tax ("EIT")		
Provision for the year	**424**	15,283
Under-provision in respect of prior years	**27**	683
	451	15,966
Deferred tax		
Origination and reversal of temporary differences	**(13,543)**	(8,021)
Income tax (credit)/charge	**(13,092)**	7,945

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2013 (2012: 16.5%). No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in or derived from Hong Kong for the year ended 31 December 2013 (2012: Nil).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

A PRC subsidiary, namely 河北順泰能源有限公司 (transliterated as Hebei Shuntai Energy Resources Company Limited) ("Hebei Shuntai") is entitled to a preferential EIT refund treatment, the refund is equal to 20% of the EIT paid to the PRC State Bureau of Taxation for the period from January 2011 to December 2013.

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to equity shareholders of the Company is based on the following data:

	2013	2012
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to equity shareholders of the Company for the purposes of basic and diluted loss per share	**(271,440)**	(55,130)

	2013	2012
	'000	*'000*
Number of shares		
Issued ordinary shares at 1 January	**3,942,505**	3,942,505
Effect of issue of shares by share placement	**292,603**	—
Effect of conversion of convertible bonds	**602,523**	—
Weighted average number of ordinary shares at 31 December for the purposes of basic and diluted loss per share	**4,837,631**	3,942,505

Diluted loss per share attributable to equity shareholders of the Company for the years ended 31 December 2013 and 2012 is the same as the basic loss per share as the effect of dilutive potential ordinary shares from share options and convertible bonds are anti-dilutive.

9. GOODWILL

	RMB'000
Cost:	
At 1 January 2012, 31 December 2012 and 2013	344,100
Accumulated impairment losses:	
At 1 January 2012	74,463
Impairment loss	2,339
At 31 December 2012 and 1 January 2013	76,802
Impairment loss	163,000
At 31 December 2013	239,802
Carrying amount:	
At 31 December 2013	**104,298**
At 31 December 2012	267,298

10. INTANGIBLE ASSETS

	Exclusive right for piped natural gas operation *RMB'000*	Operating license for liquefied coalbed gas logistics *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2012, 31 December 2012 and 2013	334,811	97,300	432,111
Accumulated amortisation and impairment			
At 1 January 2012	8,258	28,379	36,637
Amortisation for the year	10,783	19,460	30,243
At 31 December 2012 and 1 January 2013	19,041	47,839	66,880
Impairment loss	25,000	—	25,000
Amortisation for the year	10,783	19,460	30,243
At 31 December 2013	54,824	67,299	122,123
Carrying amount			
At 31 December 2013	**279,987**	**30,001**	**309,988**
At 31 December 2012	315,770	49,461	365,231

11. TRADE AND OTHER RECEIVABLES

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Trade and bills receivables	**17,880**	14,918
Less: Allowance for doubtful debts	**(5,562)**	(1,913)
	12,318	13,005
Amounts due from directors	**—**	945
Other receivables	**6,425**	61,325
Amounts due from related companies	**13,525**	16,247
Loans and receivables	**32,268**	91,522
Advances to suppliers	**2,076**	1,163
Prepayment relating to construction expenses	**123,373**	71,068
Other prepayments	**16,935**	20,166
Other taxes recoverable	**5,556**	3,468
	180,208	187,387

The ageing analysis of the trade and bills receivables, based on invoice date and net of allowance for doubtful debts, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 1 month	**4,810**	5,587
More than 1 month but less than 3 months	**3,144**	4,408
More than 3 months but less than 6 months	**1,076**	2,986
More than 6 months but less than 12 months	**3,288**	—
More than 12 months	**—**	24
	12,318	13,005

The Group generally allows credit period of 30 to 180 days to its customers. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon the customers' requests.

12. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**83,748**	76,621
Amounts due to directors	**12,113**	514
Amounts due to non-controlling shareholders of subsidiaries	**1,569**	1,979
Accrued expenses and other payables	**29,213**	55,753
Payables for acquisition of property, plant and equipment	**215,783**	131,372
Financial liabilities measured at amortised cost	**342,426**	266,239
Deposits received from customers	**13,374**	12,531
Other taxes payables	**1,363**	1,421
	357,163	280,191

The ageing analysis of the trade payables, based on invoice date, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 1 month	**21,955**	19,306
More than 1 month but less than 3 months	**8,570**	958
More than 3 months but less than 6 months	**20,837**	15,989
More than 6 months but less than 12 months	**6,724**	12,946
More than 12 months	**25,662**	27,422
	83,748	76,621

13. DIVIDEND

No dividend has been proposed or declared by the Directors for the year ended 31 December 2013 (2012: Nil).

SUMMARY OF THE INDEPENDENT AUDITORS' REPORT

An extract of the Company's independent auditors' report for the year ended 31 December 2013 is as follows:

"Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2(b) to the consolidated financial statements which indicates that the Group incurred a net loss of approximately RMB278,761,000 during the year ended 31 December 2013 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB361,372,000. These conditions indicate the existence of a material uncertainly that may cast significant doubt about the Group's ability to continue as a going concern."*

* Being Note 1(b) of the notes to financial statements contained in this annual results announcement

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a consolidated turnover of approximately RMB187,184,000 for the year ended 31 December 2013, representing an increase of approximately 1.82% compared with that of the corresponding period in 2012. The increase was mainly attributable to:

(i) the liquefied natural gas ("LNG") plant in Qinshui County, Shanxi Province was shut down for major overhaul between February 2012 and April 2012. However, the production has increased compared with the previous year as the equipment was operating under normal capacity for the year ended 31 December 2013, therefore operating income generated from sales of liquefied coalbed gas and sales of piped natural gas have increased by approximately RMB717,000 and RMB9,273,000 respectively. As the income generated from liquefied coalbed gas has increased, in order to meet the demand for the Group's logistic services, we cut back the external sales of logistics services for the year ended 31 December 2013 which offset the increase in sales of liquefied coalbed gas during the same period.

The Group recorded gross loss of approximately RMB24,285,000 for the year ended 31 December 2013, mainly attributable to:

(i) due to the increase in the production of liquefied coalbed gas, the production cost of liquefied coalbed gas was lowered, resulting in the decrease in gross loss of approximately RMB4,176,000 for the year ended 31 December 2013 as compared with that of the year ended 31 December 2012.

The Group recorded a loss attributable to equity shareholders of the Company for the year ended 31 December 2013 of approximately RMB271,440,000 compared with that of approximately RMB55,130,000 for the year ended 31 December 2012. The reasons for the loss are as follows:

(i) the decrease of approximately RMB50,975,000 in other revenue and net income to approximately RMB4,686,000 for the year ended 31 December 2013 as a result of not receiving any monetary compensation income to for the shortage of electricity supply in the industrial zone for the Year;

(ii) the loss of approximately RMB163,000,000 arising from impairment on goodwill of our operation of coalbed methane exploration and development, natural gas liquefaction and LNG distribution;

(iii) the loss of approximately RMB25,000,000 arising from an impairment on intangible assets as a result of the difficult operating environment that has lasted since 2010 in Guangxi Province, the PRC;

(iv) Shanxi Qinshui Shuntai Energy Development Company Limited, a direct wholly-owned subsidiary of the Company, entered into a conditional finance lease agreement in relation to the sale and lease of equipment with CIMC Capital Limited and a total lease consideration of RMB114,570,000 (subject to adjustments) for a term of 36 months by monthly installments, therefore, it led to an increase of approximately RMB10,731,000 in finance charges on obligations under finance lease to approximately RMB11,677,000 for the Year; and

(v) the interest expenses on bank and other borrowings wholly repayable within five years increased from approximately RMB6,113,000 to approximately RMB15,010,000 for the year ended 31 December 2013 as a result of the increased in bank and other borrowings due with one year increased from approximately RMB110,600,000 to approximately RMB162,751,000 during the Year.

The property, plant and equipment increased from approximately RMB601,503,000 to approximately RMB782,941,000 during the year ended 31 December 2013. It was mainly contributed to the completion of construction work of gas pipeline placement works, CBM wells and relevant machineries during the Year.

The balance of prepayment relating to construction expenses increased from approximately RMB71,068,000 to approximately RMB123,373,000 during the year ended 31 December 2013, which are mainly constituted by the prepaid expenses on ground work, drilling and pipeline placement for CBM wells.

The balance of the Group's trade and other payables increased significantly by approximately RMB76,972,000 during the year ended 31 December 2013. This was mainly attributable to the increased in property, plant and equipment as a result of Group's focus on natural gas exploration and extraction business in 2013.

Resources and reserves

Yangcheng Huiyang New Energy Development Company Limited (hereinafter referred to as "Huiyang New Energy") has interest in certain coalbed methane (CBM) properties located at Shanxi Province, the PRC. These CBM properties are located at various coal mine areas owned by Shanxi Yangcheng Yangtai Group Industrial Company Limited. Huiyang New Energy is a joint venture company and 60% of its equity interests is held by one of the wholly-owned subsidiary of the Group.

The Company has engaged an independent, US-licensed natural gas reserve engineer, the Netherland, Sewell & Associates, Inc. ("NSAI"), to evaluate the CBM properties reserves as of 31 March 2012. The Yangcheng area is approximately 96 km^2 in the Shanxi Province, the PRC. Development within the Yangcheng gas block is focused on the #3 and #15 coal seams.

The results of the NSAI reserve evaluation as of 31 March 2012 are summarised as follows:

1. Total original gas in place of 272.4 BCF on all blocks

2. Net 3P (Proved + Probable + Possible) reserves of 205 BCF

3. Net 2P (Proved + Probable) reserves of 27.7 BCF

4. Net 1P (Proved) reserves of 3.5 BCF

Gas volumes are expressed in billion of cubic feet (BCF) at standard temperature and pressure bases.

The reserves show in the above table are estimates only and should not be construed as exact quantities. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be commercially recoverable; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered that proved reserves. Estimates of reserves may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance.

Natural gas exploration and extraction:

As at 31 December 2013, the Group has already completed the ground work and drilling of 228 CBM wells, of which 138 wells were in production. The average gas production volume of the existing wells ready for immediate gas output is 800 cubic metres per day. The number of wells drilled was slightly below our previous expectation as the Group was focus on increasing the output of production and the stability of gas output. The Board expects to accelerate the drilling program in 2014. The Group expects to complete the ground work and drilling of 70 CBM wells during 2014 and a total of 298 CBM wells by the end of 2014. The average gas production volume of the existing production wells is 800 cubic metres per day per well. The Group expects its overall gas output to exceed 200,000 cubic metres per day by the end of 2014. As the construction of the Group's natural gas pipelines for delivery of gas from the Yangcheng gas block to the Qinshui Shuntai LNG plant has been completed and put into operation, the utilisation rate of Qinshui Shuntai LNG plant is expected to significantly improve in the future.

Liquefaction operation:

As at 31 December 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 China, the Group experienced difficulty in sourcing enough natural gas feed for its downstream liquefaction purpose. Therefore, the utilisation of the Group's LNG plants was relatively low and unsatisfactory. However, the above situation has been improved as the production volume of Huiyang New Energy increased. Furthermore, in order to ensure the efficient and safety operation of our equipment, the Group suspended the operation of the LNG plant for an overhaul for the period during which the Group did not secure sufficient gas feed. After the overhaul, the Group expects the LNG plant to become more efficient and cost effective, which will increase the revenue, profit and cashflow contribution to the Group in 2014 because of the increase in our self-produced gas production supply.

Marketing and sales:

The Group has developed the vertical integration structure to supply LNG from its LNG plant in Qinshui County, Shanxi Province through its own distribution pipes and through the distribution network in Henan, Hebei and Guangxi provinces to its customers in surrounding areas. The vertical integration structure can reduce the risk of gas supply disruption and increase profit margins. After years of development, the Group has developed a diversified customer base comprising industrial, commercial and resident customers and established complete distribution channel and network. In addition, we have also taken different measures to maximise the profitability of our gas sale. During the Year, we used different sales mix and flexibly selected various equipment such as pipeline, cylinder group, gas station and skid-mounted equipment to sell gas to our customers. With commencement of the related work , we will be able to reduce the uncertainty in future natural gas sales and optimise our sales mix, i.e. shifting towards a balanced mix from a residential user dominated mix. We will strive to ramp up the business progressively in 2014, and contribute more earnings to the Group.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2013, the Group had net assets of approximately RMB820,749,000, including cash and bank balances of approximately RMB17,656,000. To minimise financial risks, the Group implements stringent financial and risk management strategies and avoids the use of highly-geared financing arrangements. The Group's gearing ratio, calculated by the Group's total external borrowings divided by its shareholders' fund, was approximately 12% for the year ended 31 December 2013 (2012: 11%).

The Group is opportunistic in obtaining financing to further improve the cash position given that the natural gas drilling program is capital intensive. If the Group has adequate financing in the future (whether it is from internal cash flow due to increased gas sales, or from fund raising), the Group will accelerate the drilling program. Apart from the intended investment in upstream CBM exploration and extraction, the Group does not have any other plan for acquisition or investment, disposal or scale-down of any current business.

Employees

As at 31 December 2013, the Group has an aggregate of 509 employees, of which 78 are research and development staff, 245 are engineering and customer service staff, 165 administrative staff and 21 marketing staff. During the year ended 31 December 2013, the staff costs (including Directors' remuneration and share-based payment) was approximately RMB27,168,000 (2012: approximately RMB24,834,000).

The salary and bonus policy of the Group is principally determined by the performance of the individual employee. The Group will, on an ongoing basis, provides opportunity for professional development and training to its employees.

The Company has adopted a share option scheme as incentive to the Directors and eligible employees.

Risk in Foreign Exchange

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

Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associated Companies

During the year ended 31 December 2013, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

OUTLOOK

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

Furthermore, the Group, with its own gas supply, is less affected by gas price fluctuation in the international natural gas market. Moreover, gas price increases in the international market would in fact make our gas products and supply more competitive and increase our profit margin given our lower operation cost resulting from our full participation in the natural gas value chain. The Group believes that its revenue and profit will increase in the long run. More importantly, the vertical integration strategy would enable the Group to sustain long term development and become a strong market leader. After a series of corporate restructuring, the Group believes that the buildout of the Group's vertical integration structure is almost complete and now it is high time for the Group to move to the second stage - the growing phase. The Group expects to turn the business into profitable in the near future. On the upstream exploration and production front, the number of wells ready for gas output would increase and the daily production per well would rise as the wells become more mature. On the other hand, the construction of the pipelines that transport gas to the LNG plants in Qinshui County from the Group's own gas fields has been essentially completed, and China United Coalbed Methane Co., Ltd. (中聯煤層氣有限責任公司) ("China United") has resumed gas supply since mid-November 2013 increasing gas supply by approximately 200,000 cubic metre per day. Since then, the Group can increase its own LNG plants utilisation and thus to reduce loss by feeding more self-produced gas to the LNG plants. More importantly, the utilisation of the downstream LNG transportation trunks and the storage facilities would also increase. As the gas price increases, demand for gas in China remains strong and the Group's supply constraints unleash, the Group expects the gas sales in 2014 to grow significantly and the profitability to improve substantially. In the near future, the Group will mainly focus on upstream CBM exploration and production on the existing CBM assets. Meanwhile, the Group will be opportunistic in value-accretive upstream gas asset acquisition, if any.

MAJOR TRANSACTIONS AND EVENTS

Non-legally Binding Cooperation Agreement

On 28 February 2012, the Company entered into a framework agreement (the "Cooperation Agreement") to cooperate with Longmen Hui Cheng Investment Limited (龍門匯成投資有限公司) ("Longmen Hui Cheng"). By entering into the Cooperation Agreement, the Company hoped to closely co-operate with Longmen Hui Cheng in all areas and intended to form a strategic alliance with Longmen Hui Cheng in China's coalbed methane gas sector to form a vertically integrated alliance to cover all the upstream, midstream and downstream areas in the coalbed methane gas value chain (the "Cooperation Project"). Both parties have agreed that a joint working group will be formed immediately following the signing of the Cooperation Agreement to push forward the subsequent signing of a formal agreement. As at the date of this announcement, no binding agreement in relation to the Cooperation Project has been entered into and the Cooperation Project may or may not proceed. For details, please refer to the announcement of the Company dated 29 February 2012.

The Placing

The Company and the placing agent, Vision Finance International Company Limited (the "Placing Agent") entered into the placing agreement on 14 March 2013, whereby the Company conditionally agreed to place, through the Placing Agent, on a best efforts basis, a maximum of 400,000,000 placing shares of the Company to not less then six independent investors at a price of HK$0.25 per placing share (the "Placing").

The Placing was completed on 9 April 2013. The net proceeds from the Placing of approximately HK$96.4 million have been used for the drilling of wells and natural gas pipeline construction work and general working Capital. For details of the Placing, please refer to the announcements of the Company dated 15 March 2013 and 9 April 2013 respectively.

Finance Lease Agreement

On 21 May 2012, Shanxi Qinshui Shuntai Energy Development Company Limited ("Qinshui Energy"), a direct wholly-owned subsidiary of the Company, entered into a conditional finance lease agreement in relation to the sale and lease of equipments (the "Finance Lease Agreement") with CIMC Capital Limited ("CIMC"), pursuant to which, (i) Qinshui Energy conditionally agreed to sell, and CIMC conditionally agreed to purchase certain liquefied natural gas equipment for a total consideration of RMB95,000,000 (approximately HK$117,284,000); and (ii) Qinshui Energy conditionally agreed to lease from CIMC, and CIMC conditionally agreed to lease to Qinshui Energy, the said equipment for a total lease consideration of RMB114,570,000 (approximately HK$141,444,000) for a term of 36 months by monthly installments inclusive of interest with a lump sum handling fee in the sum of RMB950,000 (approximately HK$1,173,000). The lease consideration may be adjusted according to the floating lending interest rate to be promulgated by People's Bank of China from time to time.

As the applicable percentage ratios of the Finance Lease Agreement exceeded 25% but less than 100%, the Finance Lease Agreement constituted a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. The Finance Lease Agreement was approved by the shareholders by way of ordinary resolution at the extraordinary general meeting of the Company held on 27 May 2013. For details of the Finance Lease Agreement, please refer to the announcements of the Company dated 21 May 2012 and 27 May 2013, and the circular of the Company dated 22 April 2013 respectively.

Increase in Authorised Share Capital

The Company increased the authorised share capital from HK$100,000,000 divided into 10,000,000,000 shares to HK$200,000,000 divided into 20,000,000,000 shares by the creation of an additional 10,000,000,000 new shares by passing an ordinary resolution by shareholders at the extraordinary general meeting of the Company held on 18 June 2013.

For details of the increase in authorised share capital of the Company, please refer to the announcements of the Company dated 24 May 2013 and 18 June 2013, and the circular of the Company dated 30 May 2013.

Memorandum of Co-operation in respect of the possible subscription by Beijing Enterprises Holdings Limited and its cancellation

On 20 June 2013, the Company, Beijing Enterprises Holdings Limited ("BEHL") and the Placing Agent entered into a memorandum of co-operation (the "Memorandum of Co-operation") pursuant to which the Company conditionally agreed to place, through the Placing Agent, 9,300,000,000 Placing shares of the Company to BEHL (or its wholly-owned subsidiary(ies)) at a price of HK$0.26 per placing share (the "Placing and Subscription"), and the offer period commenced on 26 June 2013.

On 4 September 2013, the Company confirmed the cancellation of the Memorandum of Co-operation by BEHL and thus there was no Placing and Subscription and the offer period ended on 30 August 2013. On the other hand, the Company and Beijing Enterprises Group Company Limited, the parent company of BEHL had commenced discussions to explore possible ways of cooperation.

For details of the Memorandum of Co-operation and its cancellation, please refer to the announcements of the Company dated 26 June 2013, 25 July 2013, 22 August 2013 and 4 September 2013.

Conversion of Convertible Bonds

On 4 July 2013, (i) 340,000,000 shares of the Company were issued to Mr. Wang Zhong Sheng ("Mr. Wang"), an executive Director, the chairman of the Board and a substantial shareholder of the Company and (ii) 479,230,769 shares of the Company were issued to two independent third parties on exercise of their respective conversion rights under the convertible bonds issued by the Company due on 12 July 2013. For details, please refer to the announcement of the Company dated 4 July 2013.

Settlement on contractual dispute

On 18 October 2013, the Company has reached a settlement agreement (the "Settlement Agreement") with China United regarding a contractual dispute (the "Dispute") in the supply of gas. The Group may enter into supplemental agreement in relation to supply of gas and further cooperation contract in relation to ant joint investment in exploration and extraction of liquefied coal bed gas. As at the date of this announcement, no such supplemental agreement and/or cooperation contract has been entered into between the Group and China United. For details of the settlement and possible joint investment, please refer to the announcement of the Company dated 21 October 2013.

Memorandum of Understanding in respect of the possible subscription by Beijing Enterprises Energy Development (Holdings) Company Limited and the lapse of it

On 26 October 2013, the Company and Beijing Enterprises Energy Development (Holdings) Company Limited ("BEEDH"), a wholly-owned subsidiary of Beijing Enterprises Group Company Limited, entered into a memorandum of understanding (the "Memorandum of Understanding") pursuant to which the Company agreed to issue, subject to the fulfilment of the conditions precedent contained therein, 9,000,000,000 to 10,000,000,000 subscription shares to BEEDH at a price of HK$0.26 per subscription share pursuant to the terms of a formal agreement the offer period commenced on 28 October 2013.

On 26 November 2013, the Company announced that no formal agreement has been reached between the Company and BEEDH within one month after the date of the Memorandum of Understanding. The parties thereto did not extend the validity period of the Memorandum of Understanding, and therefore it lapsed on 26 November 2013, and the offer period ended on 26 November 2013. For details, please refer to the announcements of the Company dated 28 October 2013 and 26 November 2013.

The Placing and the Subscription

On 20 December 2013, Mr. Wang and RHB OSK Securities Hong Kong Limited entered into a placing agreement, and the Company and Mr. Wang entered into a subscription agreement, pursuant to which (i) RHB OSK Securities has agreed to place, on behalf of Mr. Wang and on a best effort basis, an aggregate of up to 880,000,000 existing Shares (beneficially owned by Mr. Wang) to not less than six placees at the placing price of HK$0.092 per placing share; and (ii) Mr. Wang has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, the subscription shares equivalent to the number of placing shares successfully placed at the subscription price of HK$0.092 per subscription share.

The placing was completed on 30 December 2013 in accordance with the placing agreement. An aggregate of 880,000,000 placing shares have been successfully placed to not less than six placees who are independent third parties, at the placing price of HK$0.092 per placing share.

The subscription took place on 3 January 2014 whereby 880,000,000 Subscription Shares were allotted and issued to Mr. Wang at the subscription price of HK$0.092 per subscription share. The net proceeds from the subscription are approximately HK$79,658,000.

For details of the placing and subscription, please refer to the announcements of the Company dated 22 December 2013 and 3 January 2014.

The Open Offer

On 20 December 2013, the Board proposes to raise not less than approximately HK$109,200,000 and not more than approximately HK$131,700,000, before expenses, by an open offer of not less than 2,730,867,896 offer shares and not more than 3,293,247,896 offer shares at the open offer price of HK$0.04 per offer share, on the basis of one offer share for every two existing shares held on the record date (the “Open Offer”).

On 22 December 2013, the Company has entered into an underwriting agreement with RHB OSK Securities, pursuant to which RHB OSK Securities has conditionally agreed to purchase, or procure purchasers to purchase, on a fully underwritten basis, not less than 2,010,081,837 offer shares and not more than 2,572,461,837 offer shares. RHB OSK Securities shall enter into sub-underwriting letter(s) with independent third party(ies).

On 22 December 2013, Mr. Wang has provided an undertaking to the Company and RHB OSK Securities, among other things, (i) to take up and accept his full entitlement of offer shares under the Open Offer; and (ii) not to exercise his options on or before completion of the Open Offer (the “Mr. Wang’s Undertaking”). On the same date, Jumbo Lane Investments Limited has provided undertaking to the Company and RHB OSK Securities, among other things, to take up and accept its full entitlement of offer shares under the Open Offer (the “Jumbo Lane’s Undertaking”).

On 6 February 2014, 3,170,867,896 offer shares were issued and allotted pursuant to the Open Offer. Pursuant to the Mr. Wang’s Undertaking and the Jumbo Lane’s Undertaking, Mr. Wang and Jumbo Lane have subscribed for all the offer shares each is entitled under the Open Offer.

For details of the Open Offer, please refer to the announcements of the Company dated 22 December 2013, 15 January 2014 and 6 February 2014 and the prospectus of the Company dated 15 January 2014.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in shares, underlying shares and debentures of the Company

Name	Capacity	Nature of interest	Number of shares/ underlying shares	Approximate percentage of shareholdings
Mr. Wang Zhong Sheng	Interest of controlled corporation	Corporate interest	181,185,000 *(Note 1)*	2.21%
	Beneficial owner	Personal	1,983,673,177 *(Note 2)*	24.21%
Mr. Fu Shou Gang	Beneficial owner	Personal	2,500,000 *(Note 3)*	0.03%

Notes:

1. As at 31 December 2013, Jumbo Lane Investments Limited was interested in (i) 120,790,000 shares of the Company, and (ii) 60,395,000 shares to be issued under the Open Offer.

   Mr. Wang Zhong Sheng owns 100% interest in the issued share capital of Jumbo Lane Investments Limited and he is taken to be interested in the shares owned by Jumbo Lane Investments Limited pursuant to Part XV of the SFO.

2. Out of the 1,983,673,177 long positions in shares and underlying shares, Mr. Wang Zhong Sheng is interested as (i) a grantee of options to subscribe for 2,500,000 shares under the new share option scheme adopted by the Company on 18 May 2011 (which were subsequently adjusted to 3,247,500 upon the completion of the Open Offer on 6 January 2014); (ii) a beneficial owner of 1,320,782,118 shares of the Company; and (iii) 660,391,059 shares to be issued under the Open Offer.

3. Mr. Fu Shou Gang is interested as a grantee of options to subscribe for 2,500,000 shares (which were subsequently adjusted to 3,247,500 shares upon the completion of the Open Offer on 6 January 2014) under the new share option scheme adopted by the Company on 18 May 2011.

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange. The Group had not issued any debentures during the Year.

SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES UNDER THE SFO

As at 31 December 2013, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in shares and underlying shares of the Company

Name	Number of shares/ underlying shares	Nature of Interest	Approximate percentage of shareholding
Ms. Zhao Xin *(Note)*	2,164,858,177	Interest of spouse	26.42%
RHB OSK Securities Hong Kong Limited *(Note 2)*	2,572,461,837	Underwriting commitment in the Open Offer	31.39%

Short positions in shares of the Company

Name	Number of Shares	Nature of Interest	Approximate percentage of shareholding
RHB OSK Securities Hong Kong Limited	1,250,000,000	Sub-underwriting arrangement with sub-underwriter	15.25%

Note:

Ms. Zhao Xin (the spouse of Mr. Wang Zhong Sheng) is deemed to be interested in her spouse's interest in the Company which represent the same parcel of shares held by Mr. Wang Zhong Sheng and Jumbo Lane Investments Limited or which any of he/it is interested in pursuant to the SFO.

Save as disclosed above, as at 31 December 2013, no other person (other than the Directors or chief executive of the Company) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under to section 336 of the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Placing and Subscription", and "Directors' and Chief Executive's Interests and Long Positions in Shares and Underlying Shares" above and in the section "Share Option Scheme" below, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children or chief executive or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 18 May 2011, the Company's share option scheme adopted on 28 July 2003 (the "Old Share Option Scheme") was terminated and a new share option scheme (the "New Share Option Scheme") was adopted which will remain in force for a period of 10 years from adoption of the New Share Option Scheme and will expire on 17 May 2021. On 30 May 2011, the Board approved to grant options in respect of 258,300,000 ordinary shares to the Company's Directors, employees and consultants under the New Share Option Scheme.

There were no share options that had been granted remained outstanding under the Old Share Option Scheme prior to its termination.

For details of the New Share Option Scheme, please refer to the circular of the Company dated 20 April 2011.

Information in relation to share options disclosed in accordance with the GEM Listing Rules was as follows:

Name and category of participants	As at 1 January 2013	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2013	Date of grant of share options	Exercise period of share options	Exercise price per share option *(HK$)*	Share price of the Company as at the date of grant of share options *(HK$)*
Executive Directors									
Mr. Wang Zhong Sheng	2,500,000	—	—	—	2,500,000	30/5/2011	30/5/2011-29/5/2021	0.495	0.495
Mr. Zhang Qing Lin *(Note (iii))*	2,500,000	—	—	—	— (Note (iii))	30/5/2011	30/5/2011-29/5/2021	0.495	0.495
Mr. Fu Shou Gang	2,500,000	—	—	—	2,500,000	30/5/2011	30/5/2011-29/5/2021	0.495	0.495
Mr. Feng San Li	2,500,000	—	—	(2,500,000)	—	30/5/2011	30/5/2011-29/5/2021	0.495	0.495
	10,000,000	—	—	(2,500,000)	5,000,000				
Employees	39,740,000	—	—	—	42,240,000 (Note (iii))	30/5/2011	30/5/2011-29/5/2021	0.495	0.495
Consultants	200,020,000	—	—	—	200,020,000	30/5/2011	30/5/2011-29/5/2021	0.495	0.495
Total	249,760,000	—	—	(2,500,000)	247,260,000				

Notes:

(i) The terms and conditions of the grants that existed during the year are as follows:

	Number of options	Vesting conditions	Contractual life of options
Options granted:			
30 May 2011	215,220,000	Vest immediately	10 years
30 May 2011	43,080,000	Half on each of the first and second anniversaries of grant date	10 years

(ii) The number and weighted average exercise prices of options are as follows:

	Weighted average exercise price *HK$*	Number of options
Outstanding as at 1 January 2013	0.495	249,760,000
Granted during the year	—	—
Lapsed during the year	0.495	(2,500,000)
Outstanding as at 31 December 2013	0.495	247,260,000
Exercisable as at 31 December 2013	0.495	247,260,000

The options outstanding as at 31 December 2013 had an exercise price of HK$0.495 and a weighted average remaining contractual life of 7.4 years.

(iii) Mr. Zhang Qing Lin retired as an executive Director on 27 May 2013 but remained as an employee of the Company.

(iv) The following table sets out the details of the Company's share options as at 5 February 2014:

Total number of share options	As at 5 February 2014 (immediately before adjustment*)
Granted	258,300,000
Exercised	—
Lapsed/cancelled	11,040,000
Outstanding	247,260,000

* As a result of the Open Offer, adjustment has been made, among others, to the number of the share options to subscribe for Shares granted and the exercise price of the outstanding share options pursuant to the Share Option Scheme with effect from 6 February 2014.

After the aforesaid adjustment upon the completion of the Open Offer, the total number of the outstanding share options has been adjusted from 247,260,000 to 321,190,740 on 6 February 2014 and the exercise price of the outstanding share options had been adjusted from HK$0.495 to HK$0.381.

CONVERTIBLE SECURITIES, WARRANTS OR SIMILAR RIGHTS

As at the date of this announcement, the Company had outstanding options to subscribe for 321,190,740 shares under the share option scheme adopted on 18 May 2011.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company nor any of its subsidiaries.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause any significant competition with the business as of the Group.

APPOINTMENT AND RETIREMENT OF EXECUTIVE DIRECTOR

Mr. Kwok Shun Tim was appointed as an executive Director with effect from 2 January 2013 and Mr. Zhang Qing Lin was retired as an executive Director with effect from 27 May 2013.

POST BALANCE SHEET EVENTS

Proposed refreshment of existing general mandate to issue and allot shares

On 29 January 2014, the Board proposes to seek refreshment of the existing general mandate (the "Existing General Mandate") for the Directors to allot and issue new shares not exceeding 20% of the issued share capital of the Company as at the date of passing of such resolution by the independent shareholders of the Company. An extraordinary general meeting of the Company has been convened on 17 March 2014 and the proposed refreshment of the existing general mandate was passed by ordinary resolution.

For details of the refreshment of the Existing General Mandate, please refer to the announcements of the Company dated 29 January 2014 and 17 March 2014, and the circular of the Company dated 28 February 2014.

Proposed change of domicile, proposed change of Company name, proposed cancellation of share premium account and proposed capital reorganisatiion

On 3 March 2014, the Board proposed the following changes, subject to the approval of the shareholders at the extraordinary general meeting to be held on 9 April 2014:

(1) 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 "Change of Domicile");

(2) to reorganise the share capital of the Company by (i) consolidation of every 10 issued existing shares into one issued consolidated share; and (ii) capital 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 (together referred to as the "Capital Reorganisation") upon the Change of Domicile becoming effective;

(3) subject to the approval of the Registrar of Companies in Bermuda being obtained, to change 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" upon the Change of Domicile and the Capital Reorganisation becoming effective; and

(4) to cancel the share premium account and transfer credits arising from such cancellation to the contributed surplus account of the Company.

For details of the above proposals, please refer to the announcements of the Company dated 3 March 2014 and 12 March 2014, and the circular of the Company dated 16 March 2014.

AUDIT COMMITTEE AND AUDITORS

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules on 28 July 2003. The primary duties of the audit committee are, among others, to review and oversee the financial reporting principles and practices adopted as well as internal control procedures and issues of the Group. It also reviews quarterly, interim and the final results of the Group prior to recommending the same to the Board for consideration.

The audit committee comprises the three independent non-executive Directors, namely Mr. Wang Zhi He, Mr. Luo Wei Kun and Ms. Pang Yuk Fong (Chairman).

During the year ended 31 December 2013, the audit committee has held four meetings. The Group's result for the year ended 31 December 2013 have been reviewed and commented by the audit committee members, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the GEM Listing Rules and that adequate disclosures have been made.

CORPORATE GOVERNANCE

During the year ended 31 December 2013 and up to the date of this announcement, save as disclosed below, the Group has complied with all the applicable provisions in the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules (the "Code").

Under the code provision A.2.1 of the Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Prior to the retirement of Mr. Feng San Li on 26 November 2012, Mr. Feng San Li was holding the title of CEO. Mr. Wang Zhong Sheng is the chairman of the Board. After Mr. Feng's retirement, Mr. Wang Zhong Sheng continues to act as the chairman and the duties of the chief executive have been undertaken by the other executive Directors. The Board meets regularly to consider major matters affecting the business and operations of the Group. The Board considers that this structure will balance the power and authority between the Board and management and believes that this structure enables the Group to make and implement decision promptly and efficiently.

Under code provision A.4.1 of the Code, non-executive directors should be appointed for specific terms, subject to re-election. Currently, the independent non-executive Directors have no fixed term of office but are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company's Articles of Association.

AMENDMENT TO THE TERMS OF REFERENCE OF NOMINATION COMMITTEE

The terms of reference of the nomination committee of the Company was amended on 14 August 2013 to include the review of the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duty.

REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding securities dealings by Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings during the year ended 31 December 2013.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of its independent non-executive Directors are independent.

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

China, 28 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.