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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 and continued in Bermuda with limited liability)*  
**(Stock code: 08270)**

**SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE  
AND  
EARLY REDEMPTION OF NOTES DUE 2015**

**SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE AND EARLY REDEMPTION  
OF NOTES DUE 2015**

On 15 May 2014 (after trading hours), the Company and the Subscribers entered into separate and independent Subscription Agreements, pursuant to which, the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 190,220,000 Subscription Shares at a price of HK\$0.305 per Subscription Share. The Company will on Completion exercise the early redemption rights under the Notes to redeem the Notes in full. The aggregate Subscription Price of the Subscription Shares will be partly settled by offsetting the principal amount of the Notes of HK\$51,000,000 to be repaid by the Company under the Redemption Notices and the remaining balance will be settled by cash.

The issue of the Subscription Shares is not subject to Shareholders' approval as the Subscription Shares will be allotted and issued under the Refreshed General Mandate. The 190,220,000 Subscription Shares to be allotted and issued to the Subscribers represent (i) approximately 20% of the existing issued share capital of the Company of 951,260,368 Shares as at the date of this announcement; and (ii) approximately 16.66% of the Company's issued share capital of 1,141,480,368 Shares as enlarged by the issue and allotment of Subscription Shares.

The Subscription Price of HK\$0.305 per Subscription Share was negotiated and agreed at arm's length between the Company and each of the Subscribers with reference to the recent trading price of the Shares immediately prior to the date of the Subscription Agreements, representing (i) a discount of approximately 18.67% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 19.95% to the average closing price of HK\$0.381 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day; and (iii) a discount of approximately 23.46% to the average closing price of HK\$0.3985 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day.

The gross proceeds arising from the Subscription will be HK\$58,017,100 and the net proceeds arising from the Subscription will amount to approximately HK\$57,100,000 which will be used for redeeming the Notes issued by the Company to the Noteholders in full (including the settlement of the interests accrued to the Subscribers for redemption of Notes pursuant to the Instrument) and applied as general working capital. The net proceeds raised per Subscription Share arising from the Subscription will be approximately HK\$0.3 per Subscription Share.

## **REFRESHED GENERAL MANDATE**

The Subscription Shares will be issued under the Refreshed General Mandate granted to the Directors by a resolution of the independent Shareholders passed at the EGM.

**Completion of the Subscription is subject to the satisfaction of the conditions precedent under the Subscription Agreements. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **THE SUBSCRIPTION**

Date: 15 May 2014 (after trading hours)

Parties: the Company  
the Subscribers (each enter into a separate Subscription Agreement)

Each of the Subscribers is a holder of the Notes. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Subscribers is an Independent Third Party.

It is expected that none of the Subscribers will become a substantial shareholder (as defined under the GEM Listing Rules) of the Company immediately after the Subscription.

The terms and conditions of each of the Subscription Agreements are similar in all material respects.

### **The Subscription Shares**

The 190,220,000 Subscription Shares to be allotted and issued to the Subscribers represent (i) approximately 20% of the existing issued share capital of the Company of 951,260,368 Shares as at the date of this announcement; and (ii) approximately 16.66% of the Company's issued share capital of 1,141,480,368 Shares as enlarged by the issue and allotment of Subscription Shares. The Subscription Shares have an aggregate nominal value of HK\$1,902,200.

### **Ranking of the Subscription Shares**

The Subscription Shares will be allotted and issued free of any Encumbrance, and will rank pari passu with all other issued Shares as at the Completion Date in all respects, including the right to receive all dividends declared or payable or distribution made or proposed to be made at any time by reference to a record date falling on or after the Completion Date.

### **Subscription Price**

The Subscription Price of HK\$0.305 represents:

- (i) a discount of approximately 18.67% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 19.95% to the average closing price of HK\$0.381 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 23.46% to the average closing price of HK\$0.3985 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day.

After deduction of relevant expenses of Subscription, the net Subscription Price per Subscription Share is approximately HK\$0.3.

The Subscription Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Subscribers. The Directors consider that the terms of the Subscription are on normal commercial terms and are fair and reasonable.

### **Refreshed General Mandate**

The issue of the Subscription Shares is not subject to Shareholders' approval. The Subscription Shares will be issued under the Refreshed General Mandate granted to the Directors by a resolution of the independent Shareholders passed at the EGM subject to the limit of up to 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the EGM (i.e. HK\$19,025,207, representing 20% of the aggregate nominal amount of the issued Shares of HK\$95,126,036 as at the date of the EGM). As at the date of this announcement, no portion of the Refreshed General Mandate has been utilized. As a result of the Capital Reorganisation, such limit of the Refreshed General Mandate is correspondingly reduced from HK\$19,025,207 to HK\$1,902,520. Hence, as at the date of this announcement, the available number of Shares that can be issued under the Refreshed General Mandate is 190,252,000 and the 190,220,000 Subscription Shares to be allotted and issued will utilise approximately 99.98% of the Refreshed General Mandate. The Company has not repurchased any Shares within the last 30 days prior to the date of this announcement.

### **Conditions of the Subscription**

The conditions precedent under the Subscription Agreements are as follows:

- (i) the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; and
- (ii) granting of approval by any relevant regulatory authority in relation to the allotment and issue of the Subscription Shares, if necessary.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued.

In the event that any condition precedent is not fulfilled in full on or before the Long Stop Date, the Subscription Agreements shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any breach of warranties, representations and undertakings under the Subscription Agreements.

### **Completion and Early Redemption of the Notes**

Completion under the Subscription Agreements shall take place on the Completion Date. The Company will on Completion exercise the early redemption rights under the Notes to redeem the Notes in full (including the settlement of the interests accrued to the Subscribers for redemption of Notes pursuant to the Instrument). The aggregate Subscription Price of the Subscription Shares will be partly settled by offsetting the principal amount of the Notes of HK\$51,000,000 to be repaid by the Company under the Redemption Notices and the remaining balance will be settled by cash.

**Completion of the Subscription is subject to the satisfaction of the conditions precedent under the Subscription Agreements. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The gross proceeds arising from the Subscription will be HK\$58,017,100 and the net proceeds arising from the Subscription will amount to approximately HK\$57,100,000 which will be used for redeeming the Notes issued by the Company to the Noteholders in full (including the settlement of the interests accrued to the Subscribers for redemption of Notes pursuant to the Instrument) and applied as general working capital. The net proceeds raised per Subscription Share arising from the Subscription will be approximately HK\$0.3 per Subscription Share.

The Board is of the view that the early redemption of the Notes could save the finance cost to the Company by the Subscription. It also represents a good opportunity to raise additional capital for the Company to strengthen the capital base and enhance the liquidity position for its future business development.

Based on the above, the Directors consider that the Subscription is in the interests of the Company and the Shareholders as a whole.

## EFFECTS ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company immediately before and after the completion of the Subscription is set out below:

	As at the date of this announcement		Immediately after completion of the Subscription after all Subscription Shares are fully allotted and issued (Note 2)	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Mr. Wang	198,117,317	20.83%	198,117,317	17.35%
Jumbo Lane (Note 1)	18,118,500	1.90%	18,118,500	1.60%
Subscribers	—	—	190,220,000	16.66%
Other public Shareholders	735,024,551	77.27%	735,024,551	64.39%
	<u>951,260,368</u>	<u>100%</u>	<u>1,141,480,368</u>	<u>100%</u>

Notes:

1. The entire issued share capital of Jumbo Lane is owned by Mr. Wang, the chairman of the Board, an executive Director and a substantial shareholder (as defined under the GEM Listing Rules) of the Company.
2. This does not include any Shares which may be issued pursuant to the exercise of options of the Company in place as at the date of the Subscription Agreements.

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

<b>Date of Announcement</b>	<b>Event</b>	<b>Net Proceeds</b>	<b>Intended use of Proceeds</b>	<b>Actual use of Proceeds as at the Latest Practicable Date</b>
15 March 2013	Issue of 400,000,000 Shares under general mandate	Approximately HK\$96.4 million	Drilling of wells and natural gas pipeline construction work	90% of funds were used for drilling of wells and natural gas pipeline construction work and 10% of funds were used for general working capital
22 December 2013	Issue of 880,000,000 Shares under general mandate	Approximately HK\$79 million	Repayment of bank and other borrowings; the drilling of wells and natural gas pipeline construction work; and general working capital	Have been applied as intended
22 December 2013	Open Offer of 3,170,867,896 Shares	Approximately HK\$122.4 million	(i) as to approximately 70% for the repayment of bank and other borrowings; and  (ii) as to approximately 30% for the drilling of wells and natural gas pipeline construction work	60% of funds were used for the repayment of bank and other borrowings and 40% have been deposited in the bank account

Save as and except the above, the Company had not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

### GENERAL

The Group is principally engaged in the exploitation, liquefaction production and sale of natural gas in the PRC.

## TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meaning:

“Board”	board of Directors
“Business Day(s)”	any day on which commercial banks generally are open for business in Hong Kong other than (i) a Saturday or (ii) a “general holiday” as defined in section 2 of the General Holiday Ordinance (Chapter 149, Laws of Hong Kong), or one of the days specified from time to time in the Schedule of that Ordinance as being “general holidays” under section 3 thereof or (iii) a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
“Capital Reorganisation”	the reorganisation of the share capital of the Company, involving share consolidation and capital reduction, as detailed in the circular of the Company dated 17 March 2014
“Company”	China Leason CBM & Shale Gas Group Company Limited, a company incorporated in the Cayman islands and continued in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Completion”	completion of the Subscription
“Completion Date”	the date on which the Subscription Shares will be allotted and issued to the Subscribers by the Company, which shall be the date falling second Business Day after the date on which the conditions of the Subscription Agreements are fulfilled, but in any event no later than the Long Stop Date unless otherwise agreed between the Company and the Subscribers
“Director(s)”	director(s) of the Company
“EGM”	The extraordinary general meeting of the Company held on 17 March 2014
“Encumbrance”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect
“Jumbo Lane”	Jumbo Lane Investments Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly owned by Mr. Wang
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party which is a third party independent of the Company and its connected persons (as defined under the GEM Listing Rules)
“Instrument”	the instrument dated 16 April 2014 constituting up to HK\$51,000,000 10% unlisted and unsecured fixed rate notes due 2015 issued by the Company
“Last Trading Day”	15 May 2014, being the last trading day for the Shares on the date of the Subscription Agreements
“Long Stop Date”	14 June 2014 or such later date as may be agreed between the Company and the Subscribers
“Mr. Wang”	Mr. Wang Zhong Sheng, an executive Director, the chairman of the Board and a substantial shareholder (as defined under the GEM Listing Rules) of the Company
“Note(s)”	the 10% unsecured and unlisted fixed rate notes of an aggregate principal amount of HK\$51,000,000 created by the Instrument and for the time being outstanding or, as the context may require, any part of the principal amount
“Open Offer”	open offer of the Company as detailed in the prospectus of the Company dated 15 January 2014
“Redemption Notices”	the early redemption notices to be issued by the Company to the Subscribers pursuant to the Instrument and the Subscription Agreements
“Refreshed General Mandate”	the refreshed general mandate to allot, issue and deal with Shares granted to the Directors by a resolution of the independent Shareholders passed at the EGM
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers” or “Noteholders”	the holders of the Notes and the subscribers of the Subscription Shares under the Subscription Agreements, being the same batch of investors and each of them is an Independent Third Party
“Subscription”	the subscription by the Subscribers of the Subscription Shares pursuant to the Subscription Agreements
“Subscription Agreement(s)”	the subscription agreements entered into between the Company and each of the Subscribers, respectively, all dated 15 May 2014
“Subscription Price”	HK\$0.305 per Subscription Share

“Subscription Share(s)”	new Share(s) to be allotted and issued to the Subscribers pursuant to the Subscription Agreements, comprising a total of 190,220,000 new Shares to be allotted and issued to the Subscribers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 15 May 2014

*As at the date hereof, the executive Directors are Mr. Wang Zhong Sheng, Mr. Shi Liang and Mr. Fu Shou Gang; the non-executive Director is 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*