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**China CBM Group Company Limited**  
**中國煤層氣集團有限公司**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

**(Stock code: 08270)**

**INTERIM RESULTS ANNOUNCEMENT**

**For the six months ended 30 June 2014**

**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.**

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## FINANCIAL HIGHLIGHTS

- Turnover of the Company together with its subsidiaries (collectively the “Group”) for the quarter ended 30 June 2014 (the “Quarterly Period”) and the six months ended 30 June 2014 (the “Interim Period”) were approximately RMB63,277,000 and RMB112,530,000 respectively, representing an increase of approximately 48% and 47% respectively compared with corresponding periods in the previous financial year.
- The Group recorded a loss attributable to owners of the Company of approximately RMB40,412,000 for the Interim Period.
- Loss per share of the Group was approximately RMB4.41 cents for the Interim Period.
- The board of Directors (the “Board”) does not recommend the payment of any dividend for the Interim Period.

## CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results of the Group for the Quarterly Period and the Interim Period, together with the unaudited comparative figures for the corresponding periods in 2013, respectively were as follows:—

(Unless otherwise stated, all financial figures presented in this interim results are denominated in Renminbi (“RMB”)).

	Note	Quarterly ended 30 June		Half year ended 30 June	
		2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited) (restated)	2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited) (restated)
Turnover	3	<b>63,277</b>	42,768	<b>112,530</b>	76,295
Cost of sales		<b>(72,529)</b>	(44,782)	<b>(122,665)</b>	(87,624)
Gross Loss		<b>(9,252)</b>	(2,014)	<b>(10,135)</b>	(11,329)
Other revenue and net income	3	<b>21</b>	9	<b>31</b>	1,274
Distribution costs		<b>(1,673)</b>	(1,654)	<b>(2,356)</b>	(2,652)
Administrative and other operating expenses		<b>(9,963)</b>	(8,013)	<b>(22,814)</b>	(22,505)
Finance costs		<b>(5,170)</b>	(4,933)	<b>(10,123)</b>	(8,899)
Loss before income tax	4	<b>(26,037)</b>	(16,605)	<b>(45,397)</b>	(44,111)
Income tax	5	<b>(1,197)</b>	(549)	<b>615</b>	1,437
Loss for the period		<b><u>(27,234)</u></b>	<u>(17,154)</u>	<b><u>(44,782)</u></b>	<u>(42,674)</u>
<b>Attributable to:</b>					
Owners of the Company		<b>(24,832)</b>	(15,751)	<b>(40,412)</b>	(40,108)
Non-controlling interests		<b>(2,402)</b>	(1,403)	<b>(4,370)</b>	(2,566)
<b>Loss for the period</b>		<b><u>(27,234)</u></b>	<u>(17,154)</u>	<b><u>(44,782)</u></b>	<u>(42,674)</u>
Dividends attributable to the period	6	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<b>RMB (cents)</b>	<b>RMB (cents)</b>	<b>RMB (cents)</b>	<b>RMB (cents)</b>
<b>Loss per share</b>					
— basic	7	<b><u>(2.71)</u></b>	<u>(3.4)</u>	<b><u>(4.41)</u></b>	<u>(8.6)</u>
— diluted		<b><u>(2.71)</u></b>	<u>(3.4)</u>	<b><u>(4.41)</u></b>	<u>(8.6)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarterly ended 30 June		Half year ended 30 June	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Loss for the period</b>	<b>(27,234)</b>	(17,154)	<b>(44,782)</b>	(42,674)
<b>Other comprehensive income/(expense) for the period</b>				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of foreign entities	<u>(7)</u>	<u>(1,207)</u>	<u>678</u>	<u>(1,261)</u>
<b>Total comprehensive expense for the period</b>	<b>(27,241)</b>	(18,361)	<b>(44,104)</b>	(43,935)
<b>Total comprehensive expense attributable to:</b>				
Equity shareholders of the Company	<b>(24,839)</b>	(16,958)	<b>(39,734)</b>	(41,369)
Non-controlling interests	<u>(2,402)</u>	<u>(1,403)</u>	<u>(4,370)</u>	<u>(2,566)</u>
	<b><u>(27,241)</u></b>	<b><u>(18,361)</u></b>	<b><u>(44,104)</u></b>	<b><u>(43,935)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2014 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2013 <i>RMB'000</i> <i>(audited)</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Goodwill		104,298	104,298
Property, plant and equipment		768,460	782,941
Prepaid lease payments for land under operating leases		33,217	33,499
Intangible assets		295,524	309,988
Deposits and prepayments		67,052	67,055
Deferred tax assets		505	141
		<b>1,269,056</b>	<b>1,297,922</b>
<b>Current assets</b>			
Prepaid lease payments for land under operating leases		810	810
Financial asset at fair value through profit or loss		200	200
Inventories		16,478	7,875
Trade and other receivables	9	202,099	180,208
Tax recoverable		—	2,000
Cash and cash equivalents		36,554	17,656
		<b>256,141</b>	<b>208,749</b>
<b>Current liabilities</b>			
Trade and other payables	10	308,886	357,163
Bank and other borrowings due within one year	11	91,000	162,751
Obligation under finance leases		35,935	33,106
Provision		3,850	3,430
Tax payable		4,698	13,671
		<b>444,369</b>	<b>570,121</b>
<b>Net current liabilities</b>		<b>(188,228)</b>	<b>(361,372)</b>
<b>Total assets less current liabilities</b>		<b>1,080,828</b>	<b>936,550</b>
<b>Non-current liabilities</b>			
Bank and other borrowings	11	3,000	3,000
Obligation under finance leases		12,633	30,400
Deferred tax liabilities		81,607	82,401
		<b>97,240</b>	<b>115,801</b>
<b>Net assets</b>		<b>983,588</b>	<b>820,749</b>
<b>Capital and Reserves</b>			
Share capital	12	12,845	47,333
Reserves		959,791	758,094
Equity attributable to equity shareholders of the Company		<b>972,636</b>	<b>805,427</b>
Non-controlling interests		10,952	15,322
<b>Total equity</b>		<b>983,588</b>	<b>820,749</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
CASH OUTFLOW FROM OPERATING ACTIVITIES	(32,169)	(25,879)
CASH OUTFLOW FROM INVESTING ACTIVITIES	(67,187)	(151,396)
CASH INFLOW FROM FINANCING ACTIVITIES	<u>118,254</u>	<u>177,112</u>
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	18,898	(163)
CASH AND BANK BALANCES AT 1 JANUARY	<u>17,656</u>	<u>29,437</u>
CASH AND BANK BALANCES AT 30 JUNE	<u><u>36,554</u></u>	<u><u>29,274</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Attributable to equity shareholders of the Company

(unaudited)	Share	Share	General	Translation	Contributed	Share	Convertible	Accumulated	Total	Non-controlling interests	Total equity
	capital	premium	reserve	reserve	surplus	option	bonds	losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	47,333	1,184,921	5,094	(130)	—	30,849	—	(462,640)	805,427	15,322	820,749
Loss for the period	—	—	—	—	—	—	—	(40,412)	(40,412)	(4,370)	(44,782)
Other comprehensive income for the period	—	—	—	678	—	—	—	—	678	—	678
Total comprehensive expense for the period	—	—	—	678	—	—	—	(40,412)	(39,734)	(4,370)	(44,104)
Issue of new shares											
– Share placement	6,927	56,804	—	—	—	—	—	—	63,731	—	63,731
– Open offer	24,965	74,896	—	—	—	—	—	—	99,861	—	99,861
– Subscription of new shares	1,513	45,563	—	—	—	—	—	—	47,076	—	47,076
Transaction costs attributable to issue of new shares	—	(3,725)	—	—	—	—	—	—	(3,725)	—	(3,725)
Capital reorganisation	(67,893)	(1,312,896)	—	—	877,737	—	—	503,052	—	—	—
Balance at 30 June 2014	<u>12,845</u>	<u>45,563</u>	<u>5,094</u>	<u>548</u>	<u>877,737</u>	<u>30,849</u>	<u>—</u>	<u>—</u>	<u>972,636</u>	<u>10,952</u>	<u>983,588</u>

### Attributable to equity shareholders of the Company

(Unaudited)	Share	Share	General	Translation	Share	Convertible	Accumulated	Total	Non-controlling interests	Total equity	
	capital	premium	reserve	reserve	option	bonds	losses				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 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	
Changes in equity for the six months ended 30 June 2013											
Loss for the period	—	—	—	—	—	—	—	(40,108)	(40,108)	(2,566)	(42,674)
Exchange differences arising from translation	—	—	—	(1,261)	—	—	—	—	(1,261)	—	(1,261)
Total comprehensive expenses for the period	—	—	—	(1,261)	—	—	—	(40,108)	(41,369)	(2,566)	(43,935)
Issue of new shares											
– Share placement	3,227	77,454	—	—	—	—	—	80,681	—	80,681	
– Conversion of convertible bonds	2,487	62,167	—	—	—	(64,654)	—	—	—	—	
– Transaction costs attributable to issue of new shares	—	(2,830)	—	—	—	—	—	(2,830)	—	(2,830)	
Equity-settled share based payments	—	—	—	—	592	—	—	592	—	592	
Balance at 30 June 2013	<u>40,542</u>	<u>1,015,157</u>	<u>2,412</u>	<u>245</u>	<u>31,355</u>	<u>176,555</u>	<u>(229,132)</u>	<u>1,037,134</u>	<u>20,077</u>	<u>1,057,211</u>	

*NOTES:*

**1. Basis of presentation of financial statements**

The unaudited financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They are prepared under the historical cost convention.

The unaudited consolidated results for the six months ended 30 June 2014 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results for the six months ended 30 June 2014 are consistent with those used in the Company’s annual financial statements for the year ended 31 December 2013.

The Group principally operates in the People’s Republic of China (the “PRC”) with its business activities principally transacted in RMB, the results of the Group are therefore prepared in RMB.

**2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)**

In the Interim Period, the Group has, where applicable, applied the new and revised HKFRSs issued by the HKICPA which are or have become effective.

The application of the new and revised HKFRSs in the current period had no material effect on the Group’s financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretation which are not yet effective for the period ended 30 June 2014 and which have not been adopted in these financial statements.

The Group is in the process of assessing the impact of these new and revised standards, amendments or interpretation is expected to be in the period of initial application but is not yet in a position to state whether those new and revised standards, amendments or interpretation would have a significant impact on the Group’s or the Company’s results of operations and financial position.

**3. Turnover and segment information**

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistics services), sales of piped natural gas and provision of gas supply connection services.

Turnover represents the sales value of goods supplied and services provided to customers, which excludes value-added and business taxes, and is after deduction of any goods returns and trade discounts.



- The amount of each significant category of revenue recognised in turnover during the Quarterly Period and the Interim Period, and the corresponding periods in 2013 is as follows:

	Quarterly ended 30 June		Half year ended 30 June	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover				
Sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistic services)	<b>51,564</b>	33,083	<b>91,810</b>	57,070
Sales of piped natural gas and provision of gas supply connection services	<b>11,713</b>	9,685	<b>20,720</b>	19,225
	<b><u>63,277</u></b>	<u>42,768</u>	<b><u>112,530</u></b>	<u>76,295</u>
Other revenue and net income				
Interest income from bank deposits	<b>21</b>	9	<b>31</b>	27
Others	<b>—</b>	—	<b>—</b>	1,247
	<b><u>21</u></b>	<u>9</u>	<b><u>31</u></b>	<u>1,274</u>

The Group's turnover and assets were mainly derived from and related to the liquefied coalbed gas business in China while other segments were immaterial. Hence no geographical segment information is presented.

#### 4. Loss before income tax

Loss before income tax was arrived at after charging:

	Quarterly ended 30 June		Half year ended 30 June	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Staff costs (including Directors' remuneration)				
— share-based payments	<b>—</b>	178	<b>—</b>	592
— others	<b>6,400</b>	4,080	<b>12,130</b>	9,560
	<b>6,400</b>	4,258	<b>12,130</b>	10,152
Depreciation of property, plant and equipment	<b>15,326</b>	9,134	<b>28,820</b>	17,532

## 5. Income tax

### (a) Hong Kong profits tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period ended 30 June 2014 and 2013.

No provision for Hong Kong profits tax has been made as the Group did not derive any income subject to Hong Kong profits tax during the Interim Period.

### (b) Overseas income tax

Taxes on incomes assessable elsewhere were provided for in accordance with the applicable tax legislations, rules and regulations prevailing in the territories in which the Group operates. Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and the Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

There was no significant unprovided deferred taxation for the Quarterly Period and Interim Period.

## 6. Dividends

The Board does not recommend payment of any interim dividend for the Interim Period (six-month ended 30 June 2013: Nil).

## 7. Loss per share

The calculation of basic and diluted loss per share for the Quarterly Period and Interim Period were based on the respective unaudited data as follows:

	Quarterly ended 30 June		Half year ended 30 June	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
		<i>(restated)</i>		<i>(restated)</i>
Loss attributable to owners of the Company	<u>(24,832)</u>	<u>(15,751)</u>	<u>(40,412)</u>	<u>(40,108)</u>
	Shares	Shares	Shares	Shares
	<i>('000)</i>	<i>('000)</i>	<i>('000)</i>	<i>('000)</i>
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	<u>915,793</u>	<u>464,250</u>	<u>915,793</u>	<u>464,250</u>

No dilutive loss per share was presented because there were no dilutive potential ordinary share in existence during the quarters and six months ended 30 June 2014 and 30 June 2013 respectively.

## 8. Additions and disposals of property, plant and equipment

During the Interim Period, the Group have acquired approximately RMB12,839,000 (six months ended 30 June 2013: approximately RMB6,118,000) property, plant and equipment. There was no material disposal in the Interim Period (six months ended 30 June 2013: Nil).

## 9. Trade and other receivables

The Group's trade receivables relate to sales of goods to third party customers. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on trade receivables.

The Group's trade and other receivables are as follows:

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Trade and bills receivables	10,838	12,318
Amounts due from related companies	13,364	13,525
Advances to suppliers	—	2,076
Prepayments and other receivables	171,788	146,733
Other tax recoverable	6,109	5,556
	<u>202,099</u>	<u>180,208</u>

The ageing analysis of the trade and bills receivables based on invoice date is as follows:

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Within 1 month	3,702	4,810
More than 1 month but less than 3 months	2,444	3,144
More than 3 months but less than 6 months	4,692	1,076
More than 6 months but less than 12 months	—	3,288
More than 12 months	—	—
	<u>10,838</u>	<u>12,318</u>

## 10. Trade and other payables

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Trade payables	65,850	83,748
Amounts due to directors ( <i>note (a)</i> )	448	12,113
Amount due to a non-controlling shareholder of a subsidiary ( <i>note (a)</i> )	1,569	1,569
Accrued expenses and other payables	215,200	244,996
Deposits received from customers	25,263	13,374
Other taxes payables	556	1,363
	<u>308,886</u>	<u>357,163</u>

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

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Within 1 month	21,724	21,955
More than 1 month but less than 3 months	5,128	8,570
More than 3 months but less than 6 months	21,819	20,837
More than 6 months but less than 12 months	6,724	6,724
More than 12 months	10,455	25,662
	<u>65,850</u>	<u>83,748</u>

*Note:*

(a) The amounts are unsecured, interest-free and repayable on demand.

## 11. Bank and other borrowings

As at 30 June 2014, the bank and other loans were repayable as follows:

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Secured bank loans repayable:		
Within 1 year or on demand	<b>30,000</b>	22,400
After 1 year but within 2 years	<b>3,000</b>	3,000
	<b>33,000</b>	25,400
Unsecured other loans repayable:		
Within 1 year or on demand	<b>61,000</b>	140,351
	<b>94,000</b>	165,751
Less: Amount due within 1 year shown under current liabilities	<b>(91,000)</b>	(162,751)
Amount due after 1 year shown under non-current liabilities	<b>3,000</b>	3,000

Notes:

- (a) Unsecured other loans of RMB61,000,000 (2013: RMB77,000,000) represent loans due to non-controlling shareholders of PRC subsidiaries of the Group. The loans bear interest at fixed rates ranging from 5.69% to 11.5% (2013: 5.69% to 11.50%) per annum.
- (b) As at 30 June 2014, bank borrowings of RMB3,000,000 (2013: RMB5,400,000) were secured by the Group's property, plant and equipment with carrying amount of approximately RMB25,709,000 (2013: RMB26,605,000). The remaining bank borrowings of RMB30,000,000 (2013: RMB20,000,000) were secured by the pledge of certain plant and equipment of 諾信(獻縣)機械工程材料有限公司 (transliterated as Nopin (Xian Country) Engineering Material & Machinery Co., Ltd. ("Nopin Engineering")). Nopin Engineering is a company owned by Mr. Wang Zhong Sheng. As at 30 June 2014, the Group did not have any undrawn banking facilities (2013: Nil).

## 12. Share capital

	30 June 2014 ( <i>unaudited</i> )		31 December 2013 ( <i>audited</i> )	
	Number of shares '000	Total nominal value RMB'000	Number of shares '000	Total nominal value RMB'000
Authorised	<u>20,000,000</u>	<u>174,064</u>	<u>20,000,000</u>	<u>174,064</u>
Issued and fully paid				
At 1 January ordinary shares of HK\$0.01 each	5,461,736	47,333	3,942,505	34,828
Issue of shares by share placement	880,000	6,927	400,000	3,227
Issue of shares upon conversion of convertible bonds	—	—	1,119,231	9,278
Issue of shares by open offer	3,170,868	24,965	—	—
Share consolidation	(8,561,344)	—	—	—
Capital reduction	—	(67,893)	—	—
Issue of shares by subscription of new shares	<u>190,220</u>	<u>1,513</u>	<u>—</u>	<u>—</u>
At 30 June/31 December	<u>1,141,480</u>	<u>12,845</u>	<u>5,461,736</u>	<u>47,337</u>

Pursuant to special resolutions passed at the extraordinary general meeting of the Company on 9 April 2014 in relation to the capital reorganisation of the Company (“Capital Reorganisation”), among other things:

- (i) the entire amount standing to the credit of the share premium account of the Company was cancelled and transferred to an account of the Company designated as the contributed surplus account of the Company on 9 April 2014;
- (ii) on 12 May 2014, the Company had undergone the Capital Reorganisation in the following manner:
  - (1) every 10 existing shares of HK\$0.01 each of the Company were consolidated into 1 share of HK\$0.10 (“Consolidated Share”) (“Share Consolidation”); and
  - (2) the issued share capital of the Company was 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 was reduced from HK\$0.10 into HK\$0.01 (“Capital Reduction”);

### *Share option scheme*

Pursuant to an ordinary resolution passed on 18 May 2011, the Company adopted a share option scheme (the “Scheme”) for the purpose of enabling the Company to recruit and retain high-calibre employees and attract resources that are available to the Group and to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to such persons who contribute or may bring benefit to the Group. The Scheme will remain in force for a period of 10 years from adoption of the 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 Scheme.

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 New 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.

As a result of the capital reorganisation, 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 New Share Option Scheme with effect from 12 May 2014.

After the aforesaid adjustment upon the completion of the capital reorganisation, the total number of the outstanding share options has been adjusted from 321,190,740 to 32,119,074 on 12 May 2014 and the exercise price of the outstanding options has been adjusted from HK\$0.381 to HK\$3.81.

The options outstanding at 30 June 2014 had an exercise price of HK\$3.81 and a weighted average remaining contractual life of 6.9 years. The exercise periods for the above options granted under the Scheme shall end not later than 10 years from 30 May 2011.

### 13. Commitments

- (a) At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases in respect of office premises are payable as follows:

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Within 1 year	384	576
After 1 year but within 5 years	—	96
	<u>384</u>	<u>672</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease with all terms renegotiable. None of the leases includes contingent rentals.

- (b) At 30 June 2014, the Group had the following capital commitments:

	<b>30 June 2014 RMB'000 (unaudited)</b>	31 December 2013 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment and in respect of construction in progress:		
— contracted but not provided for in the financial statements	<u>82,059</u>	<u>100,629</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Group recorded a consolidated turnover of approximately RMB112,530,000 for the Interim Period, representing an increase of approximately 47% compared with the corresponding period last year.

The increase was mainly attributable to the increase in production compared with the corresponding period in 2013 as a result of the increase in number of coalbed methane (“CBM”) wells in production, and China United Coalbed Methane Co., Ltd. (“China United”) started to resume the supply of gas in November 2013, therefore, the operating income generated from sales of liquefied coalbed gas has increased by approximately RMB34,740,000.

Loss attributable to shareholders for the Interim Period was approximately RMB40,412,000, compared with the loss attributable to shareholders of approximately RMB40,108,000 in the corresponding period last year. The reasons for the increase in loss are as follows:

- (i) The production of liquefied coalbed gas has increased during the Interim Period, therefore the cost of liquefied coalbed gas was lowered, resulting in the decrease in gross loss as compared with the corresponding period last year.
- (ii) The finance costs increased by approximately RMB1,224,000 as a result of the increase in the finance charges on obligations under finance lease compared with that of the corresponding period last year.

### Business Review and Development Prospects

**Natural gas exploration and extraction:** As at 30 June 2014, the Group has already completed the ground work and drilling of 244 CBM wells, of which 156 wells were in production, representing an increase of 18 wells compared with the number of wells at the end of 2013. The Board expects to accelerate the drilling program in 2014, and expects to complete the ground work and drilling of 70 CBM wells during 2014, resulting in 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 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 gas fields to the 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 30 June 2014, the Group’s LNG production capacity was 500,000 cubic metres per day. No significant improvement of the tight supply of domestic natural gas was seen in China. The Group experienced difficulty in sourcing enough natural gas feed for its downstream liquefaction purpose and the utilisation of our LNG plants was unsatisfactory. However, the utilisation rate of Qinshui Shuntai LNG plant will be improved gradually as the production volume of Huiyang gas block increases, as well as the expected increase of the supply from other gas suppliers, which will increase the revenue, profit and cash flow contribution to the Group.

**Marketing and sales:** The Group has developed the vertical integration structure to supply LNG from Qinshui Shuntai 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 Interim Period, 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 optimize 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 30 June 2014, the Group had net assets of approximately RMB983,588,000, including cash and bank balances of approximately RMB36,554,000. To minimise financial risks, the Group implements stringent financial and risk management strategies and avoids the use of highly-g geared financing arrangements. The Group's gearing ratio, calculated by the Group's total external borrowings divided by its shareholders' fund, was approximately 9.7%.

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 scaling-down of any current business.

### **Employees**

As at 30 June 2014, the Group has an aggregate of 485 employees, of which 86 are research and development staff, 198 are engineering and customer service staff, 174 administrative staff and 27 marketing staff. During the Interim period, the staff cost (including Directors' remuneration) was approximately RMB12,130,000 (six months ended 30 June 2013: approximately RMB10,152,000). 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 also adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out in the paragraph headed "Share Option Scheme" in this announcement.

### **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.

### **Charge on assets**

As at 30 June 2014, bank borrowings of RMB3,000,000 were secured by the Group's property, plant and equipment with carrying amount of approximately RMB25,709,000.

## **Significant investment, material acquisitions and disposal of subsidiaries**

Save as disclosed in this announcement, the Group did not have any significant investment, material acquisition and disposal of subsidiaries and associated companies during the Interim Period.

## **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. In light of a publication regarding the 12th Five-Year Plan for the period from 2011 to 2015 of the PRC government, natural gas users in China will increase by 100 million to a total of 250 million. Viewing from the national gas market, 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 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 mid-stream LNG plants and downstream gas sales and distribution, and therefore reducing the gas supply risk in the long run. The current situation of inadequate gas supply and the consequent loss arising from operation are only temporary and it is likely that the business will turn profitable and show phenomenal growth as the Group's gas production accelerates in the near future.

Furthermore, the Group, with its own gas supply, is less affected by gas price fluctuation in the international natural gas market. Moreover, increase in gas price 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, as the development of wells gradually matures, the number of wells ready for gas output would increase and the daily production per well would rise. On the other hand, the construction of the pipelines that transport gas from the Group's Huiyang gas block to Qinshui Shuntai LNG Plant has been essentially completed. China United has resumed its supply of gas since November 2013. Currently, the gas supply of China United is around 150,000 cubic meters per day, which, the Group expects, will rise to around 200,000 cubic meters per day by the end of the third quarter of the year 2014. The Group can since then increase its own LNG plants utilization and mitigate losses by feeding more self-produced gas to Qinshui Shuntai LNG Plant. More importantly, the utilization 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"). Pursuant to the Cooperation Agreement, the Company wished to closely co-operate with Longmen Hui Cheng in all areas and intends 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"). A joint working group will be formed 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.

### Completion of the Subscription

On 20 December 2013, Mr. Wang Zhong Sheng (the chairman of the Company, an executive Director and a substantial shareholder of the Company) ("Mr Wang") and RHB OSK Securities Hong Kong Limited ("RHB OSK Securities") 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 places at the placing price of HK\$0.092 per placing share (the "Placing"); 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 "Subscription").

The Placing was completed on 30 December 2013. 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 were approximately HK\$79,658,000, and they have been used for (i) repayment of bank and other borrowings, (ii) drilling of wells, (iii) natural gas pipeline construction work, and (iv) general working capital.

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

### Results of the Open Offer

On 20 December 2013, the Board proposed 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 6 February 2014, 3,170,867,896 offer shares were allotted pursuant to the Open Offer. The net proceeds from the Open Offer were approximately HK\$123,405,000 (equivalent to approximately RMB97,160,000).

70% of such net proceeds had been applied for the repayment of bank and other borrowings, and the remaining 30% had been used for drilling of wells and natural gas pipeline construction work.

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.

## **Refreshment of existing general mandate to issue and allot shares**

On 29 January 2014, the Board proposed 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.

## **Change of domicile, change of Company name, cancellation of share premium account and capital reorganisation**

On 3 March 2014, the Board proposed the following changes (the “Proposed Changes”), subject to the approval of the shareholders at the extraordinary general meeting:

- (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” (the “Change of Company Name”) 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 (the “Cancellation of Share Premium Account”).

An extraordinary general meeting of the Company has been held on 9 April 2014 and the Proposed Changes were passed by special resolutions.

The Company has been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda and the Change of Domicile became effective on 23 April 2014 (Bermuda time).

The Capital Reorganisation became effective on 12 May 2014 (Hong Kong time). Immediately following the Capital Reorganisation, the authorised share capital of the Company is HK\$200,000,000 divided into 20,000,000,000 shares of HK\$0.01 each, of which 951,260,368 shares of HK\$0.01 each are in issue. The board lot size for trading remains unchanged at 10,000 shares. The amount in the sum of HK\$1,548,093,456 in the contributed surplus account of the Company have been applied by the Board to set off against the accumulated losses of the Company in full on the effective date of the Capital Reorganisation.

The name of the Company has been changed from “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” to “China CBM Group Company Limited 中國煤層氣集團有限公司” with effect from 12 May 2014. Following the Change of Company Name, the stock short name of the Company for trading in the shares of the Company on the Stock Exchange has been changed from “CHINA LEASON” to “CHINA CBM” in English, and from “中國聯盛” to “中國煤層氣” in Chinese with effect from 25 June 2014.

For details of the Change of Domicile, Change of Company Name, Cancellation of Share Premium account, and Capital Reorganisation, please refer to the announcements of the Company dated 3 March 2014, 12 March 2014, 9 April 2014, 24 April 2014 and 20 June 2014, and the circular of the Company dated 16 March 2014.

### **Re-designation and Resignation of Directorship**

On 15 April 2014, Mr. Kwok Shun Tim (“Mr Kwok”) had been re-designated from an executive Director to a non-executive Director. Mr. Kwok resigned as the non-executive Director with effect from 22 July 2014 due to his personal commitments on his other business. For details of the aforesaid re-designation and resignation of directorship, please refer to the announcements of the Company dated 15 April 2014 and 22 July 2014.

### **Arranger Agreement in respect of the issue of unlisted, unsecured and fixed rate Notes**

On 15 April 2014, the Company and Kingsway Financial Services Group Limited (the “Arranger”) entered into an arranger agreement (the “Arranger Agreement”) pursuant to which the Company conditionally agrees to appoint the Arranger as the sole arranger during the period from the date of Arranger Agreement up to the date of completion or 14 May 2014 (whichever is earlier) to procure, on a best effort basis, investors to subscribe for the 10% unsecured and unlisted fixed rate notes (the “Notes”) for an aggregate principal amount of up to HK\$51 million at the issue price of 100% of the principal amount of the Notes (the “Notes Issue”). Upon successful procurement of the investors by the Arranger, a subscription agreement will be entered into between the Company as issuer and each investor as subscriber in respect of the Notes Issue. For details of Arranger Agreement, please refer to the announcement of the Company dated 15 April 2014.

The Company proceeded with the Notes Issue and on 16 April 2014, entered into the subscription agreement with each of the subscribers of the Notes in respect of the Notes Issue. For the details of Notes Issue, please refer to the announcement of the Company dated 16 April 2014.

On 15 May 2014 (after trading hours), the Company and the subscribers (being also the subscribers of the Notes in the aforesaid Arranger Agreement, the “Subscribers”) entered into separate and independent subscription agreements (the “Subscription Agreements”), pursuant to which, the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue and aggregate of 190,220,000 subscription shares at a price of HK\$0.305 per subscription share under the general mandate.

On 22 May 2014, due to an inadvertent mistake relating to the calculation of subscription price, the Company and the Subscribers entered into separate and independent supplemental deeds to the Subscription Agreements (the “Supplemental Deeds”) pursuant to which, the previous subscription price was amended to HK\$0.311.

Net proceeds of HK\$58,858,000 have been raised from the subscription (being HK\$0.311 per subscription share), and has been 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.

For details of the Subscription Agreements and the Supplemental Deeds, please refer to the announcement of the Company dated 15 April 2014 and 22 May 2014.

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

As at 30 June 2014, 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 ordinary shares/ underlying shares	Approximate % of shareholdings
Mr. Wang Zhong Sheng	Interest of controlled corporation	Corporate interest	18,118,500 (Note 1)	1.59%
	Beneficial owner	Personal	198,442,067 (Note 2)	17.38%
Mr. Fu Shou Gang	Beneficial Owner	Personal	324,750 (Note 3)	0.03%

#### Notes:

1. Such shares are owned by Jumbo Lane Investments Limited.

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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

2. Out of the 198,442,067 long positions, Mr. Wang Zhong Sheng is interested as (i) a grantee of options to subscribe for 324,750 shares under the share option scheme adopted by the Company on 18 May 2011; (ii) a beneficial owner of 198,117,317 issued shares of the Company.
3. Mr. Fu Shou Gang is interested as a grantee of options to subscribe for 324,750 shares under the share option scheme adopted by the Company on 18 May 2011.

Save as disclosed above, as at 30 June 2014, 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 Interim Period.

## **SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES AND OPTIONS UNDER SFO**

As at 30 June 2014, 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**

<b>Name</b>	<b>Number of Shares</b>	<b>Nature of Interest</b>	<b>Approximate percentage of shareholding</b>
Ms. Zhao Xin ( <i>Note</i> )	216,560,567	Interest of spouse	18.97%
RHB OSK Finance Hong Kong Limited	197,366,867	Person having a security interest	17.29%

#### *Notes:*

Ms. Zhao Xin (the spouse of Mr. Wang Zhong Sheng) is deemed to be interested in her spouse's interest in the Company pursuant to the SFO.

Save as disclosed above, as at 30 June 2014, 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 pursuant to Section 336 of the SFO.

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

Apart from as disclosed under the heading "Directors' and Chief Executive's Interests or Short Positions in Shares, Underlying Shares and Debentures" above and in the section "Share Option Scheme" below, at no time during the Interim Period 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 during the Interim Period disclosed in accordance with the GEM Listing Rules was as follows:

Name and category of participants	As at 1 January 2014	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Adjusted on 6 February 2014 as a result of the Open Offer (note iii)	Adjusted on 12 May 2014 as a result of the capital reorganisation (note iv)	As at 30 June 2014	Date of grant of share options	Exercise period of share options	Exercise price of per share as at the date of grant of share options	Exercise price per share option as at 1 January 2014	Adjusted exercise price per share as a result of the Open Offer (note iii)	Adjusted exercise price per share as a result of the capital reorganisation
<i>Executive Directors</i>													
Mr. Wang Zhong Sheng	2,500,000	—	—	—	3,247,500	324,750	324,750	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495	0.381	3.81
Mr. Fu Shou Gang	2,500,000	—	—	—	3,247,500	324,750	324,750	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495	0.381	3.81
	5,000,000	—	—	—	6,495,000	649,500	649,500						
Employees	42,240,000	—	—	—	54,869,760	5,486,976	5,486,976	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495	0.381	3.81
Consultants	200,020,000	—	—	—	259,825,980	25,982,598	25,982,598	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495	0.381	3.81
	<u>247,260,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>321,190,740</u>	<u>32,119,074</u>	<u>32,119,074</u>						

Notes:

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

	Number of options	Vesting conditions	Remaining 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 2014 (note iii and note iv)	3.81	32,119,074
Granted during the period	—	—
Outstanding as at 30 June 2014	3.81	32,119,074
Exercisable as at 30 June 2014	3.81	32,119,074

The options outstanding as at 30 June 2014 had an exercise price of HK\$3.81 and a weighted average remaining contractual life of 6.9 years.

- (iii) 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 New 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.

- (iv) As a result of the Capital Reorganisation, 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 New Share Option Scheme with effect from 12 May 2014.

After the aforesaid adjustment upon the completion of the Capital Reorganisation, the total number of the outstanding share options has been adjusted from 321,190,740 to 32,119,074 on 12 May 2014 and the exercise price of the outstanding options has been adjusted from HK\$0.381 to HK\$3.81.

## **CONTINGENT LIABILITIES**

During the year ended 31 December 2011, the Company filed a claim with 北京仲裁委員會 ("Beijing Arbitration Commission") against Coalbed Methane Co., Ltd (中聯煤層氣有限責任公司) ("China United"), claiming for financial losses of approximately RMB407,193,000 arising from insufficient supply of coalbed methane under contract. In February 2012, China United filed a counterclaim with the Beijing Arbitration Commission against the Company, claiming for (i) financial losses of approximately RMB155,336,000; (ii) late payment interest of approximately RMB3,771,000; and (iii) financial loss arising from early termination of contract of approximately RMB102,775,000. The Directors consider, based on the legal advice obtained from the Company's PRC legal counsel, that the Company has a valid defence against the above counterclaim and, accordingly, no provision has been made in the consolidated financial statements for the Interim Period in relation to these proceedings.

On 18 October 2013, the Company has reached a settlement agreement with China United regarding the aforesaid contractual dispute. The Group may enter into supplemental agreement in relation to supply of gas and further cooperation contract in relation to any 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.

Save as disclosed above, as at 30 June 2014, the Group had no material contingent liabilities.

## **AMOUNT OF CAPITALISED INTEREST**

Save as disclosed in this announcement, no interest has been capitalised by the Group during the Interim Period.

## **CONVERTIBLE SECURITIES, WARRANTS OR SIMILAR RIGHTS**

As at 30 June 2014, the Company had outstanding options to subscribe for 32,119,074 Shares under the share option scheme adopted on 18 May 2011. Details of New Share Option Scheme are set out in the paragraph headed "Share Option Scheme" in this announcement.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, 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 Interim Period, 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.

## **CHANGE IN INFORMATION OF DIRECTOR**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of the Director since the date of the annual results of the Company for the year ended 31 December 2013 are set out below:

<b>Name of Director</b>	<b>Details of changes</b>
Mr. Kwok Shun Tim	<p>resigned as (i) an independent non-executive director and (ii) the chairman of the audit committee of the board of directors, and a member of each of the nomination committee and the remuneration committee of the board of directors, of Rui Kang Pharmaceutical Group Investments Limited (Stock code: 08037), a company of which shares are listed on GEM of the Stock Exchange with effect from 30 June 2014, and resigned as executive director of Convoy Financial Services Holdings Limited (Stock code: 01019), a company of which shares are listed on Main Board of the Stock Exchange, with effect from 2 July 2014.</p> <p>Mr. Kwok had been re-designated from an executive Director to a non-executive Director on 15 April 2014. Mr. Kwok resigned as the non-executive Director with effect from 22 July 2014 due to his personal commitments on his other business.</p>

## **AUDIT COMMITTEE**

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

During the Interim Period, the audit committee has held one meeting. The Group's unaudited consolidated results for the Interim Period have been reviewed and commented by the audit committee members.

In order to maintain a high quality of Corporate Governance, the audit committee concluded that the Group has employed sufficient staff for the purpose of accounting, financial and internal control.

## CORPORATE GOVERNANCE

During the Interim Period, save as disclosed below, the Group has complied with the code provisions in the Corporate Governance Code and the Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules (“HKSE Code”).

Under code provision A.4.1 of the HKSE Code, non-executive directors should be appointed for specific terms, subject to re-election. Currently, the independent non-executive Directors have no set term of office but are subject to retirement by rotation at annual general meetings of the Company in accordance with the Company’s bye-laws. The Board considers the current arrangement will allow flexibility to the Board in terms of appointment of Directors.

Under code provision A.2.1 of the HKSE Code, the roles of chairman and the chief executive should be separate and should not be performed by the same individual. The Company does not have any officer with the title of “chief executive”. This deviates from the code provision A.2.1 of the HKSE Code.

Mr. Wang Zhong Sheng, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 of the HKSE Code and will continue to consider the feasibility of appointing a separate chief executive. The Company will make timely announcement if the chief executive has been appointed.

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 specified enquiry of all Directors, the Company was not aware of any non-compliance with such code of conduct during the Interim Period.

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 CBM Group Company Limited**  
**Wang Zhong Sheng**  
*Chairman*

China, 13 August 2014

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