
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China CBM Group Company Limited (the “**Company**”), you should at once hand this circular and accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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: 8270)

MAJOR TRANSACTION
IN RELATION TO
FINANCE LEASE ARRANGEMENT

A notice convening a special general meeting (the “**SGM**”) of the Company to be held at Conference Room, Building 27-2, Yard No. 1, Disheng North Street, Beijing Economic – Technology Development Area, Beijing, PRC on 30 March 2015 (Monday) at 10:30 a.m. is set out on pages 21 to 22 of this circular. A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the SGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

12 March 2015

CHARACTERISTICS OF GEM

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

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

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

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| “Assets I” | properties situated at Lizhuang Village, Jiafeng Town, Qinshui County, Pucheng City, Shanxi Province, the PRC (山西省晉城市沁水縣嘉峰鎮李莊村) and the Equipments |
| “Assets II” | properties situated at Chengdongsan Road, Beiliu City, Guangxi Province, the PRC (廣西省北流市城東三路) |
| “Board” | the board of Directors |
| “CIMC” | 中集融資租賃有限公司 (CIMC Capital Ltd.), a company established in the PRC with limited liability |
| “Company” | China CBM 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 |
| “connected person(s)” | has the meaning ascribed thereto in the GEM Listing Rules |
| “Equipments” | certain liquefied natural gas equipments (LNG液化裝置設備) |
| “Director(s)” | the director(s) of the Company |
| “Finance Lease Agreement” | the conditional finance lease agreement entered into between Qinshui Energy and CIMC on 28 January 2015 in relation to the sale and lease of the Equipments |
| “Finance Lease Arrangement” | the finance lease arrangement contemplated, among other things, under the Finance Lease Agreement |
| “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 |
| “Guangxi Beiliu” | 廣西北流燃氣有限公司 (Guangxi Beiliu Gas Company Limited), a company established in the PRC with limited liability and indirectly owned as to 97.5% by the Company and the remaining shareholdings held by Independent Third Party(ies) |
| “Hebei Shuntai” | 河北順泰能源有限公司 (Hebei Shuntai Energy Resource Company Limited), a company established in the PRC with limited liability and a directly wholly-owned subsidiary of the Company |

DEFINITIONS

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| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | any person or company and their respective ultimate beneficial owner(s) (if applicable) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules) |
| “Latest Practicable Date” | 6 March 2015, being the latest practicable date for ascertaining certain information for inclusion in this circular |
| “LNG” | liquefied natural gas |
| “Luoyang Shunhe” | 洛陽順和能源有限公司 (Luoyang Shunhe Energy Company Limited), a company established in the PRC with limited liability and indirectly wholly-owned subsidiary of the Company |
| “Mr. Wang” | Mr. Wang Zhong Sheng, an executive Director and substantial Shareholder of the Company |
| “Nominal Purchase Price” | the nominal purchase price of RMB100 by which Qinshui Energy has an option to purchase the Equipments from CIMC upon expiry of the lease period under the Finance Lease Agreement |
| “PBC” | 中國人民銀行 (People’s Bank of China) |
| “PRC” or “China” | the People’s Republic of China which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Previous Finance Lease Arrangement” | the previous finance lease arrangement between the Group and CIMC as disclosed in the circular of the Company dated 22 April 2013 |
| “Qinshui Energy” | 山西沁水順泰能源發展有限公司 (Shanxi Qinshui Shuntai Energy Development Company Limited), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Company |
| “SFO” | Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong |
| “SGM” | the special general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving, among others, the Finance Lease Agreement and the transactions contemplated thereunder |

DEFINITIONS

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| “Shanxi Logistics” | 山西萬志物流有限公司 (Shanxi Wanzhi Logistics Limited), a company established in the PRC on 13 August 2008 with limited liability and indirectly owned as to 83% by the Company, and 17% by 沁水縣盛融投資有限責任公司 (Shanxi Qinshui Prefecture Chengrong Investment Limited), a company established in the PRC with limited liability and an Independent Third Party (other than in respect of its interest in Shanxi Logistics) |
| “Shanxi Yangcheng” | 山西陽城順泰能源發展有限公司 (Shanxi Yangcheng Shuntai Energy Development Company Limited), a company established in the PRC with limited liability and a directly wholly-owned subsidiary of the Company |
| “Share(s)” | the share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | the holder(s) of the Share(s) |
| “Share Pledge Agreement” | the conditional share pledge agreement entered into between the Company and CIMC on 28 January 2015 |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Yangcheng Huiyang” | 陽城縣惠陽新能源發展有限公司 (Yangcheng Huiyang New Energy Development Company Limited), a joint venture company established in the PRC with limited liability and owned as to 60% by the Group, 20% by 山西陽城陽泰集團實業有限公司 (Shanxi Yangcheng Yangtai Group Industrial Company Limited), a company established in the PRC with limited liability and an Independent Third Party (other than in respect of its shareholding in Yangcheng Huiyang), 20% by 鄭州貞成能源技術服務有限公司 (Zhengzhou Zhencheng Energy Technology Service Company Limited), a company established in the PRC with limited liability and an Independent Third Party (other than in respect of its shareholding in Yangcheng Huiyang), respectively |

In this circular, the English names of the PRC entities, enterprises, departments, facilities or titles are translation of their Chinese names solely for the purpose of illustration. In the event of any inconsistency, the Chinese names shall prevail.

For the purpose of this circular and solely for the purpose of illustration, all amounts in RMB are translated into HK\$ at an exchange rate of RMB0.79: HK\$1. No representation has been made by the Company that any amount have been, could have been or could be converted at such rate or at any other rates or at all.

LETTER FROM THE BOARD

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: 8270)

Executive Directors:

Mr. Wang Zhong Sheng (*Chairman*)
Mr. Shi Liang
Mr. Fu Shou Gang

Independent non-executive Directors:

Mr. Luo Wei Kun
Ms. Pang Yuk Fong
Mr. Wang Zhi He

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and principal place of
business in Hong Kong:*

Room 910B, 9/F
East Wing
Tsim Sha Tsui Centre
66 Mody Road
Tsim Sha Tsui
Kowloon, Hong Kong

12 March 2015

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO FINANCE LEASE ARRANGEMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 28 January 2015 in relation to, inter alia, the Finance Lease Arrangement. The Finance Lease Arrangement constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules.

The purpose of this circular is to provide you with further details in relation to, among others, the Finance Lease Arrangement in accordance with the GEM Listing Rules and a notice of the SGM for the Shareholders to consider and, if thought fit, pass the resolution to approve the Finance Lease Arrangement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

THE FINANCE LEASE AGREEMENT

Date

28 January 2015

Parties

Lessee: Qinshui Energy, a direct wholly-owned subsidiary of the Company

Lessor: CIMC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, CIMC, a company principally engaged in the business of financial leasing, disposal and maintenance for residual value of leased property and advisory for leasing transaction and has obtained the necessary licenses to conduct the business. Save for being the lessor in the Previous Finance Lease Arrangement, CIMC has no other past relationship with the Group, and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the Finance Lease Agreement, (i) Qinshui Energy conditionally agreed to sell and CIMC conditionally agreed to purchase the Equipments for a total consideration of RMB98,000,000 (approximately HK\$124,051,000); and (ii) Qinshui Energy conditionally agreed to lease from CIMC, and CIMC conditionally agreed to lease to Qinshui Energy, the Equipments for a total lease consideration of RMB114,836,400 (approximately HK\$145,363,000) for a term of 36 months by monthly installments inclusive of interest, with a lump sum handling fee in the sum of RMB980,000 (approximately HK\$1,241,000). However, the lease consideration may be adjusted according to the floating lending interest rate to be promulgated by PBC from time to time as detailed in the paragraph headed "Consideration for the lease of Equipments" below.

Subject matter

The Equipments to be sold by Qinshui Energy to CIMC and thereafter to be leased by Qinshui Energy from CIMC pursuant to the Finance Lease Arrangement. These equipments and facilities are mainly for purpose of liquefying natural gas in the LNG factory of the Group located in Qinshui, Shanxi Province, PRC.

The Equipments include gas pressurization system, low-temperature liquefaction system, gas compression system, LNG storage and automated monitoring system, transformers and gas delivery pipelines which were acquired by the Group in 2009 at the total acquisition cost of RMB155,354,068 (approximately HK\$196,650,000). As at the Latest Practicable Date, the Equipments were operating in normal conditions and have an expected remaining useful life of 4 to 9 years. The Equipments are the same equipments under the Previous Finance Lease Arrangement.

Lease period

The lease consideration would be payable to CIMC by Qinshui Energy by monthly installments for a term of 36 months, commencing on the date that the relevant lease payment be paid by Qinshui Energy tentatively upon the execution of the certificate for the transfer of ownership of the Equipments.

LETTER FROM THE BOARD

Though the legal title of the Equipments will be transferred to CIMC as lessor as part of the whole Finance Lease Arrangement, the Equipments are treated as security of the Finance Lease Arrangement and the Group will continue to utilise the Equipments during the whole finance lease period. In other words, the arrangement is different from a disposal where the Group would lose control and enjoyment of the Equipments. Having further considered that the Group will acquire the Equipments at a nominal value of RMB100 at the end of the lease period, the Board considers that the sales consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Consideration for the sale of the Equipments

The consideration payable by CIMC to Qinshui Energy for the purchase of the Equipments is RMB98,000,000 (approximately HK\$124,051,000) which shall be settled within five business days upon receipt of the valid certificate for the transfer of the ownership of the Equipments by CIMC and the completion of the registration of the pledges.

Reference is also made to the circular of the Company dated 22 April 2013 in relation to the Previous Finance Lease Arrangement with CIMC. Qinshui Energy and CIMC agreed that the outstanding lease payments payable by Qinshui Energy to CIMC under the Previous Finance Lease Arrangement will be set off against part of the sales consideration of the Equipments. In the event that the condition precedent of the Finance Lease Agreement cannot be fulfilled on or before 15 March 2015 (or such other date as the parties thereto may agree), Qinshui Energy shall be responsible to pay the outstanding lease payments in accordance with the terms of the Previous Finance Lease Arrangement.

As the Previous Finance Lease Arrangement will be expired in 2015, having taking into consideration of the finance need of Qinshui Energy, the parties to the Previous Finance Lease Arrangement reached consensus on the terms of the current Finance Lease Arrangement and the Previous Finance Lease Arrangement will terminate upon the current Finance Lease Arrangement becoming effective.

As at 22 January 2015, the amount of the outstanding lease payment payable under the Previous Finance Lease Arrangement was RMB28,869,227.84.

Consideration for the lease of the Equipments

The total lease consideration of the Equipments payable by Qinshui Energy to CIMC is RMB114,836,400 (approximately HK\$145,363,000) for a term of 36 months by monthly installments inclusive of interest, with a lump sum handling fee in the sum of RMB980,000 (approximately HK\$1,241,000) which shall be directly deducted from the sales consideration. The current lease consideration is calculated with referencing to the PBC floating leading rate of around 6% per annum at the time of signing of the Finance Lease Agreement. The monthly payment will be approximately RMB3,189,900 based on the prevailing PBC floating lending interest rate. The lease consideration may be adjusted according to the floating lending interest rate to be promulgated by PBC from time to time, that is, the said annual lease interest rate shall be increased/decreased by the same percentage point of change of the floating lending interest rate to be promulgated by PBC from time to time. Interest will be adjusted 10 days after the day of the change of the PBC floating lending interest rate takes effect.

LETTER FROM THE BOARD

Qinshui Energy shall pay an amount of RMB14,700,000 (approximately HK\$18,608,000) as warranty money to CIMC which shall be directly deducted from the sales consideration payable by CIMC to Qinshui Energy. If Qinshui Energy commits any breach causing penalty or damages, CIMC will deduct such penalty and damages from the warranty money. Qinshui Energy has the option to set off any outstanding lease consideration against the warranty money and any balance thereof will be refunded to Qinshui Energy without interest upon expiry of the lease period.

Based on the lease consideration and the sales consideration, the implicit interest rate for the Finance Lease Arrangement is approximately 10.6% per annum.

The lease consideration is calculated with reference to the sales consideration and also the PBC floating lending rate. Based on the PBC floating lending rate of approximately 6% per annum, taking into account of sales consideration of RMB98,000,000 as principal, the total amount of principal and interest for three years would be approximately equivalent to the lease consideration. The sales consideration is determined with reference to the net book value of the Equipments, which amounts to approximately RMB103,684,000 as at 30 June 2014, with the corresponding expected depreciation in book value since 30 June 2014. Both the lease consideration and the sales consideration were arrived at after arm's length negotiations between Qinshui Energy and CIMC. It is expected that the funding of the lease consideration will be financed by the Group's internal financial resources.

The Directors (including the independent non-executive Directors) consider that the terms of the Finance Lease Agreement are fair and reasonable and on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

Condition precedent

The Finance Lease Agreement and the transactions contemplated thereunder shall take effect subject to and conditional upon the Company obtaining all necessary or appropriate approval and consents as may be required by it as a company listed on GEM. No stipulation was made in relation to the latest time for fulfilment of such condition precedent under the Finance Lease Agreement.

Ownership

Subject to Qinshui Energy having duly and satisfactorily performed all its obligations under, and upon the expiry of, the Finance Lease Agreement, Qinshui Energy has an option to purchase the Equipments from CIMC for the Nominal Purchase Price of RMB100. The Company intends to exercise the option to purchase the Equipments upon expiry of the Finance Lease Agreement.

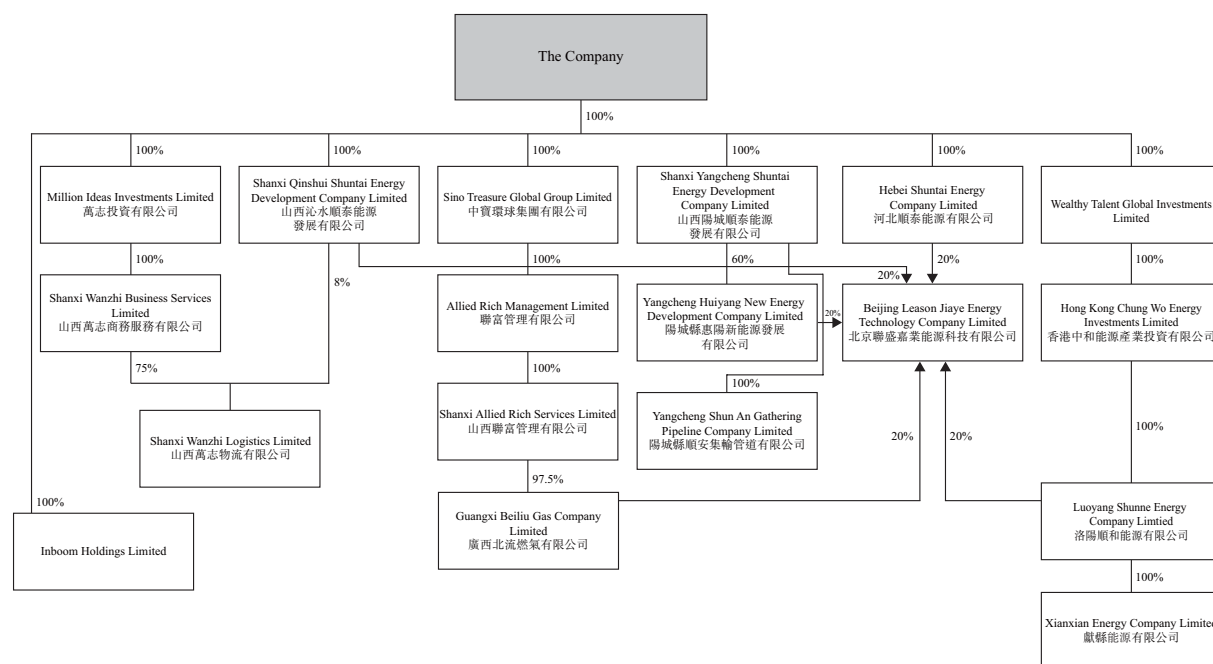
Pledges and Guarantees

It was agreed between the parties to the Finance Lease Agreement that Qinshui Energy shall pledge Assets I, and Guangxi Beiliu shall pledge Assets II, to CIMC, respectively to secure due payment by Qinshui Energy under the Finance Lease Agreement. Assets I includes buildings and land use rights of properties situated at Lizhuang Village, Jiafeng Town, Qinshui County, Pucheng City, Shanxi Province, the PRC (山西省晉城市沁水縣嘉峰鎮李莊村) and the Equipments, which have a total carrying value of approximately RMB201,131,000 as of December 2013. Assets II includes buildings and land use rights of properties situated at Chengdongsan Road, Beiliu City, Guangxi Province, the PRC (廣西省北流市城東三路), which have a total carrying value of approximately RMB10,982,000 as of December 2013.

LETTER FROM THE BOARD

On 28 January 2015, each of the Company, Luoyang Shunhe, Shanxi Logistics, Hebei Shuntai, Yangcheng Huiyang and Shanxi Yangcheng entered into a Guarantee in favour of CIMC to secure due payment by Qinshui Energy to CIMC in accordance with the Finance Lease Agreement. Each of the Guarantees will take effect upon the Company obtaining all necessary or appropriate approval and consent as may be required by it as a company listed on GEM.

The following chart sets out the corporate structure of the Group as at the Latest Practicable Date:



According to the Finance Lease Agreement, CIMC shall have the right to require additional guarantees in the circumstances where (i) the credibility of Qinshui Energy or its guarantors has dropped; or (ii) the value of the pledged assets has dropped; or (iii) other circumstances arise rendering it reasonable for CIMC to require additional protection.

While the Finance Lease Agreement itself does not explicitly state the mechanism to assess the drop in credibility and asset value, if CIMC notices any unreasonable delay in the monthly installment payment or damage of the Equipments, there will be an indication of drop in credibility of Qinshui Energy or its guarantors and the value of the pledged assets. CIMC has the right to access into the Company by its appointed staff or agent periodically without giving notice to the Company to inspect the usage and existence of the Equipments and make assessment to determine whether the amount of additional guarantee is needed. The additional guarantee amount would be mutually agreed between parties under the Finance Lease Agreement.

LETTER FROM THE BOARD

THE SHARE PLEDGE AGREEMENT

In connection with the Finance Lease Arrangement, the Company entered into the Share Pledge Agreement on 28 January 2015, pursuant to which the Company conditionally agreed to pledge its shareholding in Qinshui Energy in favour of CIMC to secure due payment by Qinshui Energy in accordance with the Finance Lease Agreement. The Share Pledge Agreement shall take effect upon the Company obtaining all necessary or appropriate approval and consent as may be required by it as a company listed on GEM.

Upon the termination of the Previous Finance Lease Arrangement, the previous share pledge arrangement will be terminated and be replaced by the Share Pledge Agreement as security for the current Finance Lease Arrangement.

The Board considers that the entering into of the Share Pledge Agreement to pledge the Company's shareholding in Qinshui Energy in favour of CIMC is part of the whole Finance Lease Arrangement and were commercial terms arrived at after arm's length negotiations between the parties to the Finance Lease Agreement. As long as the Group complies with the terms of the Finance Lease Agreement, the Company believes that the risk of enforcement of the Share Pledge Agreement by CIMC is minimal. Taking into consideration of the Finance Lease Arrangement as a whole, the Board considers that the pledges and guarantees requested by CIMC for the Finance Lease Arrangement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

The Company is a company incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Group is principally engaged in exploitation, liquefaction production and sales of natural gas in the PRC.

INFORMATION OF CIMC

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, CIMC, a company principally engaged in the business of financial leasing, and its ultimate beneficial owners are Independent Third Parties.

To the best of the Directors' knowledge and information, CIMC is a wholly-owned subsidiary of China International Marine Containers (Group) Co., Ltd., the A shares of which are listed on Shenzhen Stock Exchange (Stock Code: 39) and the H shares of which are listed on the main board of the Stock Exchange (Stock Code: 2039).

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Company's LNG plant in Qinshui will enjoy a higher utilisation rate once the sufficient and stable gas supply could be provided. For this reason, the funds from finance lease arrangement will be used for the prepayment on purchasing of gas and repayment of outstanding balance of major gas suppliers.

LETTER FROM THE BOARD

The Directors consider that the entering into of the Finance Lease Agreement would enhance the working capital position of Qinshui Energy whilst at the same time allow Qinshui Energy to continue to utilise the Equipments to further develop its business. As such, the entering into of the Finance Lease Agreement would allow Qinshui Energy to optimize its asset and debt structure. The terms under the Finance Lease Agreement have been agreed after arm's length negotiations between the relevant parties with reference to the prevailing market practice and rate.

The Directors (including the independent non-executive Directors) are of the opinion that the Finance Lease Arrangement was entered into on normal commercial terms after arm's length negotiation and the terms of the Finance Lease Arrangement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the Finance Lease Arrangement and is required to abstain from voting on the board resolutions approving the Finance Lease Arrangement.

FINANCIAL EFFECTS OF THE FINANCE LEASE ARRANGEMENT

The directors consider that the Finance Lease Arrangement will be classified as finance lease in accordance with HKAS 17 Leases issued by the Hong Kong Institute of Certified Public Accountants for accounting purpose. The Company has consulted the auditors of the Company HLB Hodgson Impey Cheng Limited, and they considered that the accounting treatments adopted by the Company for the Finance Lease Arrangement has no material inconsistency with the applicable accounting standards.

Upon closing of the Finance Lease Arrangement, it is expected that (i) the total assets of the Group will increase to reflect the sale proceeds of the Equipments and no financial impact on the fixed assets of the Group; and (ii) the total liabilities of the Group will increase to reflect the payment obligation of the Group under the finance leases. While the company considers that there is no immediate material impact (no fair value adjustment on the Equipment and no changes on the depreciation charges are made) on the earnings of the Group as a result of the Finance Lease Arrangement other than the finance charges as a result thereof, the Directors consider that the sales consideration of the Equipments will improve the liquidity of the Group.

The total net book value of the Equipments as at 31 December 2013 was approximately RMB108,961,000 and the total net book value of the Equipments as at 30 June 2014 was approximately RMB103,684,000. The sales consideration of RMB98,000,000 represents a deficit of approximately RMB10,961,000 to the net book value of the Equipments as at 31 December 2013 and a deficit of approximately RMB5,684,000 to the net book value of the Equipments as at 30 June 2014.

Save as described above, it is not expected that there will be any material impact on the earnings and assets and liabilities of the Group as a result of the Finance Lease Arrangement.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios of the Finance Lease Agreement and the transactions contemplated thereunder exceed 25% but less than 100%, the Finance Lease Arrangement and the transactions contemplated thereunder constitute a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. Therefore, the Finance Lease Arrangement and the transactions contemplated thereunder are subject to, among other things, the requirements of announcement and the approval of the Shareholders by way of poll at the SGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Finance Lease Arrangement and no Shareholder is required to, among other things, abstain from voting at the SGM.

SGM

A notice convening the SGM to be held at Conference Room, Building 27-2, Yard No. 1, Disheng North Street, Beijing Economic – Technology Development Area, Beijing, PRC on 30 March 2015 (Monday) at 10:30 a.m. is set out on pages 21 to 22 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Board considers that the terms of the Finance Lease Arrangement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution as set out in the notice of the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
China CBM Group company Limited
Wang Zhong Sheng
Chairman

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 can be found in the annual reports of the Company for each of the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 (pages 65 - 214 of the 2013 Annual Report published on 30 March 2014, pages 60 - 210 of the 2012 Annual Report published on 2 April 2013 and pages 61 - 238 of the 2011 Annual Report published on 12 October 2012) respectively and the financial information of the Group for the six months ended 30 June 2014 can be found in the interim report of the Company for the six months ended 30 June 2014 (pages 6 - 26 of the 2014 Interim Report published on 14 August 2014), all of which have been published on the HKExnews website at www.hkexnews.hk and the company's website at www.ilinkfin.net/china_cbm/.

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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 of the Group 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, the Group has also taken different measures to maximize the profitability of our gas sale.

The Group used different sales mix and flexibly selected various equipment such as pipeline, cylinder group, gas station and skid-mounted equipment to sell gas to its customers. With commencement of the related work, it is expected that the Group 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. The Group will strive to ramp up the business progressively.

During the year of 2014, the Group has completed relevant ground work and drilling of CBM wells and expects to continue the acceleration of the drilling program in future. It is the aim of the Group to further increase its overall gas output. As the construction of the Group's natural gas pipelines for delivery of gas from gas fields to the LNG plant has been completed and put into operation, it is expected that it will assist the sales of the Group.

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. The sale consideration of the Finance Lease Arrangement will allow the Group to stabilise the gas supply and improve its cash position to further accelerate the drilling program.

3. INDEBTEDNESS

Statement of Indebtedness

Borrowings

As at the close of business on 31 January 2015, being the latest practicable date for the purpose of this indebtedness statement, the indebtedness of the Group was as follows:

(i) *Bank borrowings*

Bank borrowings of approximately RMB33 million were secured by the Group's certain property, plant and equipment and prepaid lease payments for land under operating leases.

(ii) *Other borrowings*

Other borrowings of approximately RMB54.5 million was unsecured and unguaranteed.

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

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

(iv) *Obligation under finance leases arrangements*

Obligation under finance leases arrangements of approximately RMB28.7 million were secured by the Group's certain property plant and equipment and prepaid lease payments for land under operating leases, 93.33% shareholding in a subsidiary, Shanxi Qinshui Shuntai and guaranteed by certain subsidiaries of the Company.

Disclaimer

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 January 2015.

To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Group since 31 January 2015 and up to the Latest Practicable Date.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the present bank and other facilities, the Group will have sufficient working capital for at least twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group as at 31 December 2013, the date to which the latest published audited financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Director had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) or which were otherwise required to notify the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange:

(i) Long positions in the Shares and the underlying shares

| Name | Capacity | Nature of Interest | Number of ordinary shares/ underlying shares | Approximate % of shareholdings |
|----------------------|------------------------|--------------------|---|--------------------------------|
| Mr. Wang Zhong Sheng | Interest of controlled | Corporate interest | 18,118,500 <i>(Note 1)</i> | 1.59% |
| | Beneficial owner | Personal | 198,442,067 <i>(Note 2)</i> | 17.38% |
| Mr. Fu Shou Gang | Beneficial Owner | Personal | 324,750 <i>(Note 3)</i> | 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 the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

| Name | Number of Shares | Nature of Interest | Approximate percentage of shareholding |
|--------------------------------------|------------------|--------------------------------------|--|
| 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 the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

4. COMPETING INTERESTS

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

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors nor experts referred to in paragraph 8 below has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries during the period since 31 December 2013, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) a placing agreement dated 14 March 2013 entered into between the Company and Vision Finance International Company Limited (“**Vision Finance**”) (as placing agent) an Independent Third Party, pursuant to which the Company had conditionally agreed to place, through Vision Finance, on a best effort basis, a maximum of 400,000,000 Shares to independent investors at the price of HK\$0.25 per Share;
- (b) a memorandum of understanding (合作備忘錄) dated 26 October 2013 in Chinese entered into between the Company and Beijing Enterprises Energy Development (Holdings) Company Limited (“**BEEDH**”) an Independent Third Party (as subscriber), pursuant to which the Company conditionally agreed to issue 9,000,000,000 to 10,000,000,000 new Shares to BEEDH at the subscription price of HK\$0.26 per Share;

- (c) the top-up subscription agreement entered into between the Company as issuer and Mr. Wang Zhong Sheng, the Chairman of the Company and a connected person, as subscriber dated 20 December 2013 in relation the subscription of 880,000,000 new Shares by Mr. Wang pursuant to the subscription agreement at the subscription price of HK\$0.092 per subscription share;
- (d) the underwriting agreement entered into between the Company as issuer and RHB OSK Securities, an Independent Third Party, as the underwriter dated 20 December 2013 in relation to the open offer 3,170,867,896 new Shares on the basis of one offer Share for every two then existing Shares held by the qualifying shareholders on the record date at the open offer price of HK\$0.04 per offer Share;
- (e) the arranger agreement dated 15 April 2014 and entered into between the Company and Kingsway Financial Services Group Limited, an Independent Third Party, as the arranger in relation to the proposed issue of the 10% unsecured and unlisted fixed rate notes (“Notes”) of an aggregate principal amount of up to HK\$51 million;
- (f) the subscription agreement dated 16 April 2014 and entered into between the Company as issuer and 7 institutional or private investors as subscribers (the “Noteholders”), all being Independent Third Parties, in relation to the issue of the Notes of an aggregate principal amount of HK\$51 million;
- (g) the subscription agreements dated 15 May 2014 (as supplemented and amended by the supplemental deeds dated 22 May 2014) and entered into between the Company as issuer and each of the Noteholders, all being Independent Third Parties, as subscribers in relation to the subscription of 190,220,000 subscription Shares at the subscription price of HK\$0.311 per Share;
- (h) the Finance Lease Agreement;
- (i) the Guarantees; and
- (j) the Share Pledge Agreement.

8. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is Room 910B, 9/F., East Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (c) The branch share registrar and transfer office in Hong Kong of the Company is Tricor Tengis Limited located at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

- (d) The company secretary of the Company is Mr. Lui Chi Keung, who has been appointed as the company secretary and authorised representative of the Company since September 2007. Mr. Lui is a fellow member of the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Association of Chartered Certified Accountants. Mr. Lui has over 30 years of experience in auditing, accounting, financial and business management.
- (e) The compliance officer of the Company is Mr. Wang Zhong Sheng, who is also the Chairman and an executive Director of the Company.
- (f) The Company's Audit Committee was established on 28 July 2003 and is currently composed of all three independent non-executive Directors, namely, Mr. Luo Wei Kun, Ms. Pang Yuk Fong (Chairman) and Mr. Wang Zhi He. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports; (b) to serve as a focal point for communication between Directors, the external auditors and internal auditors; (c) to assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, and the effectiveness of the Group's internal control system; and (d) to review the appointment of external auditors on an annual basis as well as to ensure independence of the continuing auditor. Currently, Mr. Luo Wei Kun is an independent non-executive director of Tianjin Jinran Public Utilities Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1265). Save as the aforesaid, the members of the Company's Audit Committee do not hold directorships in any listed companies.

The biographical details of each of the audit committee members are as follows:

Mr. Luo Wei Kun has been an independent non-executive director of the Company since August 2006. He graduated from the Tsinghua University with a bachelor's degree in civil engineering in 1964 and started postgraduate studies in the same year. He was awarded a postgraduate diploma in civil engineering in 1967. He acted as a technician in Wuhan Branch of the Chinese Medicine Industrial Limited during 1968 to 1969 and as a technician, deputy section chief, section chief, engineer and vice chief engineer in the State Ministry of Medicine - Hubei Medical Manufactory Branch during 1969 to 1985. He then worked as a senior engineer, section chief and assistant factory manager in Tianjin Second Coal Gas Factory during 1986 to 1992. From 1992 to 2000, he acted as a vice chief engineer in Tianjin Utility Department and at the same time, worked as a chief engineer in Tianjin City Gas Administrative Office.

After his retirement in March 2000, Mr. Luo acted as a consultant of Tianjin City Gas Administrative Office and Tianjin City Gas Planning Office. Currently, he is an independent non-executive director of Tianjin Jinran.

Ms. Pang Yuk Fong, Yvonne has been appointed as an independent non-executive director of the Company since 2006 and is an experienced practicing certified public accountant in Hong Kong with over 25 years of professional experience in accounting and auditing. Ms. Pang is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators and an associate of the Institute of Chartered Accountants in England and Wales. Ms. Pang holds a Master of Professional Accounting Degree from the Hong Kong Polytechnic University.

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

Mr. Wang Zhi He has been an independent non-executive director of the Company since August 2006. Mr. Wang is a senior accountant. Mr. Wang graduated from Anhui University of Finance and Economics in February 1972, and was assigned to finance department of Anhui Huaibei Mining Bureau and worked as a commissioner, deputy section chief, section chief, deputy director and director. Mr. Wang was transferred to the Ministry of Coal Industry in May 1995, and worked as a director of Asset Capital Management Division and State-owned Assets Management department. In October 1997, Mr. Wang was re-designated as a chief accountant of China Coal Construction Group Corporation, and worked as a deputy general manager and chief accountant in May 1999. Mr. Wang was transferred to Zhonglian Gas Company Limited and worked as a chief accountant in March 2004. Mr. Wang has years of relevant experience.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room 910B, 9/F., East Wing, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of SGM:

- (a) the memorandum of continuance of the Company and the bye-laws of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 December 2011, 2012 and 2013 and the interim report of the Company for the six months ended 30 June 2014;
- (c) the material contracts referred to under the paragraph "Material contracts" in this appendix; and
- (d) this circular.

NOTICE OF SPECIAL GENERAL MEETING

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: 8270)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of China CBM Group Company Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) will be held at Conference Room, Building 27-2, Yard No. 1, Disheng North Street, Beijing Economic – Technology Development Area, Beijing, PRC on 30 March 2015 (Monday) at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT**

- (a) the finance lease agreement entered into, among other things, between 山西沁水順泰能源發展有限公司 (Shanxi Qinshui Shuntai Energy Development Company Limited) (“**Qinshui Energy**”) (as lessee and seller) and 中集融資租賃有限公司 (CIMC Capital Ltd.) (“**CIMC**”) (as lessor and purchaser) dated 28 January 2015, pursuant to which, among other things, (i) Qinshui Energy conditionally agreed to sell and CIMC conditionally agreed to purchase certain liquefied natural gas equipments (the “**Equipments**”) for a total consideration of RMB98,000,000; and (ii) Qinshui Energy conditionally agreed to lease from CIMC, and CIMC conditionally agreed to lease to Qinshui Energy, the Equipments for a total lease consideration of RMB114,836,400 (subject to adjustments) for a term of 36 months by monthly installments inclusive of interest with a lump sum handling fee in the sum of RMB980,000 and subject to floating lending interest rate as promulgated by People’s Bank of China from time to time (the “**Finance Lease Agreement**”) (a copy of which has been produced to the Meeting marked “A” and initialled by the Chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder, including but not limited to the execution of relevant security documents including guarantees and share pledge by the Company and/or certain other subsidiaries of the Group in favour of CIMC in respect of the finance lease arrangement, be and are hereby approved, confirmed and ratified; and
- (b) any of the directors of the Company be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents, instruments and agreements (whether under common seal or not) and to take all steps and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Finance Lease Agreement as he/she may in his/her absolute discretion consider necessary, desirable or expedient to give effect to the Finance Lease

NOTICE OF SPECIAL GENERAL MEETING

Agreement and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the directors of the Company, in the interest of the Company and its shareholders as a whole.”

By order of the Board
China CBM Group company Limited
Wang Zhong Sheng
Chairman

Hong Kong, 12 March 2015

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and principal place of
business in Hong Kong:*
Room 910B, 9/F
East Wing
Tsim Sha Tsui Centre
66 Mody Road
Tsim Sha Tsui
Kowloon, Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy needs not be a member of the Company.
2. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.
3. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.