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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2015

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

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

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

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

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

HIGHLIGHTS

- For the year ended 31 December 2015, the Group's turnover amounted to approximately RMB329,120,000, representing an increase of 9.3% over that of the year ended 31 December 2014.

- For the year ended 31 December 2015, the Group's loss for the year amounted to approximately RMB255,026,000, whereas there was a loss of approximately RMB342,316,000 for the year ended 31 December 2014.

- For the year ended 31 December 2015, the Group's loss per share was RMB20.49 cents (2014: RMB27.35 cents).

- The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2015.

ANNUAL RESULTS

The board of Directors (the "Board") of the Company announces the audited results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015 (the "Year") together with the comparative figures for the year ended 31 December 2014 as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	3	**329,120**	301,119
Cost of sales		**(311,581)**	(274,791)
Gross profit		**17,539**	26,328
Other income and gains	4	**464**	503
Selling and distribution costs		**(8,006)**	(5,540)
Administrative expenses		**(50,625)**	(47,198)
Other operating expenses		**(4,343)**	(38,652)
Loss on extinguishment of financial liability		**—**	(57,024)
Finance costs	6(c)	**(14,324)**	(16,057)
Impairment loss on goodwill		**(3,551)**	(104,298)
Impairment loss on intangible assets		**(134,385)**	(138,702)
Impairment loss on property, plant and equipment		**(92,086)**	—
Loss before taxation	6	**(289,317)**	(380,640)
Income tax credit	7	**34,291**	38,324
Loss for the year		**(255,026)**	(342,316)
Attributable to:			
Equity shareholders of the Company		**(235,943)**	(333,348)
Non-controlling interests		**(19,083)**	(8,968)
		(255,026)	(342,316)
		RMB	*RMB*
Loss per share	8		
— Basic		**(20.49) cents**	(27.35) cents
— Diluted		**(20.49) cents**	(27.35) cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
Loss for the year	**(255,026)**	(342,316)
Other comprehensive expense for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**1,993**	(7,391)
Total comprehensive expense for the year	**(253,033)**	(349,707)
Total comprehensive expense attributable to:		
Equity shareholders of the Company	**(233,950)**	(340,739)
Non-controlling interests	**(19,083)**	(8,968)
	(253,033)	(349,707)

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Goodwill	*9*	**—**	—
Property, plant and equipment		**800,681**	872,877
Prepaid lease payments for land under operating leases		**35,937**	32,689
Intangible assets	*10*	**—**	141,661
Deposits and prepayments		**26,530**	66,365
Deferred tax assets		**58**	88
		863,206	1,113,680
Current assets			
Prepaid lease payments for land under operating leases		**863**	810
Financial assets at fair value through profit or loss		**200**	200
Inventories		**8,052**	9,833
Trade and other receivables	*11*	**111,772**	112,770
Tax recoverable		**2,000**	2,000
Cash and cash equivalents		**45,437**	43,930
		168,324	169,543
Current liabilities			
Trade and other payables	*12*	**364,754**	380,063
Bank and other borrowings due within one year		**43,080**	87,500
Obligations under finance leases		**31,985**	29,145
Provision		**6,612**	4,546
Tax payable		**3,462**	2,901
		449,893	504,155
Net current liabilities		**(281,569)**	(334,612)
Total assets less current liabilities		**581,637**	779,068

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
Non-current liabilities		
Obligations under finance leases	**41,415**	1,255
Convertible bonds	**6,304**	—
Deferred tax liabilities	**13,514**	42,737
	61,233	43,992
Net assets	**520,404**	735,076
Capital and reserves		
Share capital	**10,910**	9,432
Reserves	**522,223**	719,290
Equity attributable to equity shareholders of the Company	**533,133**	728,722
Non-controlling interests	**(12,729)**	6,354
Total equity	**520,404**	735,076

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	General reserve	Translation reserve	Contributed surplus	Share option reserve	Accumulated losses	Total		
	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 year	—	—	—	—	—	—	(333,348)	(333,348)	(8,968)	(342,316)
Other comprehensive expense for the year	—	—	—	(7,391)	—	—	—	(7,391)	—	(7,391)
Total comprehensive expense for the year	—	—	—	(7,391)	—	—	(333,348)	(340,739)	(8,968)	(349,707)
Issue of new shares										
— Placing and subscription	8,438	159,624	—	—	—	—	—	168,062	—	168,062
— Open Offer	24,923	74,769	—	—	—	—	—	99,692	—	99,692
Transaction costs attributable to issue of new shares	—	(3,720)	—	—	—	—	—	(3,720)	—	(3,720)
Capital Reorganisation	(71,262)	(1,312,743)	—	—	1,384,005	—	—	—	—	—
Transfer	—	—	—	—	(799,167)	—	799,167	—	—	—
Transfer to general reserve	—	—	3,179	—	—	—	(3,179)	—	—	—
Balance at 31 December 2014	9,432	102,851	8,273	(7,521)	584,838	30,849	—	728,722	6,354	735,076

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2015

	Attributable to equity shareholders of the Company										
	Share capital *RMB'000*	Share premium *RMB'000*	General reserve *RMB'000*	Translation reserve *RMB'000*	Contributed surplus *RMB'000*	Share option reserve *RMB'000*	Convertible bonds reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2015	9,432	102,851	8,273	(7,521)	584,838	30,849	—	—	728,722	6,354	735,076
Loss for the year	—	—	—	—	—	—	—	(235,943)	(235,943)	(19,083)	(255,026)
Other comprehensive expense for the year	—	—	—	1,993	—	—	—	—	1,993	—	1,993
Total comprehensive expense for the year	—	—	—	1,993	—	—	—	(235,943)	(233,950)	(19,083)	(253,033)
Issue of consideration shares	1,478	28,231	—	—	—	—	—	—	29,709	—	29,709
Recognition of equity component of convertible bonds	—	—	—	—	—	—	10,544	—	10,544	—	10,544
Deferred tax relating to convertible bonds	—	—	—	—	—	—	(1,892)	—	(1,892)	—	(1,892)
Balance at 31 December 2015	**10,910**	**131,082**	**8,273**	**(5,528)**	**584,838**	**30,849**	**8,652**	**(235,943)**	**533,133**	**(12,729)**	**520,404**

Notes:

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENT

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (HKASs) and Interpretations, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Going concern

The Group incurred a net loss of approximately RMB255,026,000 during the year ended 31 December 2015 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB281,569,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

(1) Other borrowing of RMB13,080,000 disclosed the consolidated financial statements were due for repayment within 12 months in accordance with the loan agreement entered into between the Group and a non-controlling shareholder of a subsidiary of the Company. However, prior to the date of approval of these consolidated financial statements the borrowing had been rolled over for a further 12 months and will be due for repayment after 31 December 2016. Up to the date of approval of these consolidated financial statements, the non-controlling shareholder of the subsidiary of the Company has not indicated its intention to withdraw the credit facilities granted to the Group;

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

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

(4) Subsequent to the end of the reporting period, the Company announced its proposal to raise fund of not less than HK$119.41 million and not more than HK$122.74 million (before expenses and after taking into account of the set-off arrangement) by way of open offer of not less than 3,958,453,602 offer shares and not more than 4,053,836,574 offer shares of HK$0.01 each on the basis of three offer shares for every one existing share held on the record date at the subscription price of HK$0.035 per offer share.

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

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefits plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010 — 2012 Cycle*
- *Annual Improvements to HKFRSs 2011 — 2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amendments to HKFRSs are discussed below:

Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these consolidated financial statements as the Group does not have any defined benefits plans.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

The directors consider that the adoption of the amendments to HKFRSs has no material effect on the Group's consolidated financial statements.

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a few amendments to standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these consolidated financial statements.

HKFRS 9	*Financial Instruments*[3]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agricultural: Bearer Plants*[1]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale and Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 — 2014 Cycle*[1]

1 Effective for accounting periods beginning on or after 1 January 2016.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
3 Effective for accounting periods beginning on or after 1 January 2018.
4 Effective for accounting periods beginning on or after a date to be determined.

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

3. REVENUE

Revenue represents the sales value of goods supplied and services provided to customers, net of value-added and business taxes and trade discounts. The amount of each significant category of revenue recognised in revenue during the year is as follows:

	2015	2014
	RMB'000	*RMB'000*
Sales of liquefied coalbed gas	**268,601**	218,908
Provision of liquefied coalbed gas logistics services	**3,206**	54
Sales of piped natural gas (including provision of gas supply connection services)	**57,313**	82,157
	329,120	301,119

4. OTHER INCOME AND GAINS

	2015	2014
	RMB'000	*RMB'000*
Interest income from bank deposits	**137**	56
Net foreign exchange gain	**131**	—
Reversal of impairment loss on trade and other receivables	—	209
Other income	**196**	238
	464	503

5. SEGMENT REPORTING

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

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

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

(a) Geographical information

The Group principally operates in Hong Kong and the PRC.

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

	Turnover from external customers		Non-current assets*	
	2015	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong	**—**	—	**1,175**	1,485
PRC	**329,120**	301,119	**861,973**	1,112,107
	329,120	301,119	**863,148**	1,113,592

* Non-current assets excluding deferred tax assets.

(b) Information about major customers

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

	2015	2014
	RMB'000	*RMB'000*
Customer A	**N/A**[1]	54,019
Customer B	**52,005**	30,166
Customer C	**65,322**	39,619
Customer D	**35,825**	N/A[1]
	153,152	123,804

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

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2015	2014
	RMB'000	*RMB'000*
(a) Staff costs (including directors' and chief executive's emoluments)		
Salaries and other benefits	**24,635**	23,091
Retirement benefit schemes contributions	**3,796**	3,221
Total staff costs *	**28,431**	26,312

* Amount excluded staff costs capitalised in construction in progress of approximately RMB255,000 (2014: RMB217,000).

	2015	2014
	RMB'000	*RMB'000*
(b) Other items		
Cost of inventories	**205,950**	158,312
Auditors' remuneration		
— audit services	**1,609**	1,431
— non-audit services	**—**	230
Depreciation of property, plant and equipment	**74,582**	55,482
Amortisation of prepaid lease payments for land under operating leases	**591**	810
Amortisation of intangible assets (included in cost of sales)	**7,276**	29,625
Impairment of trade and other receivables (included in other operating expenses)	**2,391**	340
Net foreign exchange loss	**—**	534
Compensation fee on preliminary exploration (included in other operating expenses)	**—**	30,000
Loss on disposal of property, plant and equipment (included in other operating expenses)	**266**	864
Operating lease charges in respect of land and buildings	**685**	551

	2015	2014
	RMB'000	*RMB'000*
(c) Finance costs		
Interest expenses on bank and other borrowings wholly repayable within five years	**5,842**	10,143
Other finance costs	**980**	152
Effective interest on convertible bonds	**77**	—
Finance charges on obligations under finance leases	**7,425**	5,762
Total interest expense on financial liabilities not at fair value through profit or loss	**14,324**	16,057

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

Taxation in the consolidated statement of profit or loss represents:

	2015	2014
	RMB'000	*RMB'000*
Current tax — PRC Enterprise Income Tax ("EIT")		
Provision for the year	**2,310**	747
Under-provision in respect of prior years	**—**	540
	2,310	1,287
Deferred tax		
Origination and reversal of temporary differences	**(36,601)**	(39,611)
Income tax credit	**(34,291)**	(38,324)

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company under the laws of Bermuda and, accordingly, is exempted from payment of the Bermuda income tax.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2015 (2014: 16.5%). No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits arising in or derived from Hong Kong for the years ended 31 December 2015 and 2014.

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

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

8. LOSS PER SHARE

The basic and diluted loss per share is RMB20.49 cents per share (2014: RMB27.35 cents per share). The calculation of the basis loss per share for the year ended 31 December 2015 is based on the loss attributable to equity shareholders of the Company of approximately RMB235,943,000 and the weighted average number of shares of approximately 1,151,722,000 in issued during the year ended 31 December 2015. The calculation for diluted loss per share for the year ended 31 December 2015 is based on the loss attributable to equity shareholders of the Company of approximately RMB235,943,000 and the denominators used are the same as for the basic loss per share. Diluted loss per share attributable to equity shareholders of the Company for the years ended 31 December 2015 and 2014 is the same as the basic loss per share as the effect of potential ordinary shares from the exercise and conversion of share options and convertible bonds are anti-dilutive.

9. GOODWILL

	RMB'000
Cost:	
At 1 January 2014 and 31 December 2014	344,100
Acquisition of subsidiaries	3,551
At 31 December 2015	347,651
Accumulated impairment losses:	
At 1 January 2014	239,802
Impairment loss	104,298
At 31 December 2014 and 1 January 2015	344,100
Impairment loss	3,551
At 31 December 2015	347,651
Carrying amount:	
At 31 December 2015	**—**
At 31 December 2014	—

10. INTANGIBLE ASSETS

	Exclusive right for piped natural gas operation *RMB'000*	Operating license for liquefied coalbed gas logistics *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2014, 31 December 2014 and 2015	334,811	97,300	432,111
Accumulated amortisation and impairment			
At 1 January 2014	54,824	67,299	122,123
Impairment loss	132,683	6,019	138,702
Amortisation for the year	10,165	19,460	29,625
At 31 December 2014 and 1 January 2015	197,672	92,778	290,450
Impairment loss	132,238	2,147	134,385
Amortisation for the year	4,901	2,375	7,276
At 31 December 2015	334,811	97,300	432,111
Carrying amount			
At 31 December 2015	—	—	—
At 31 December 2014	137,139	4,522	141,661

11. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**16,950**	17,795
Less: Allowance for doubtful debts	**(7,744)**	(5,353)
	9,206	12,442
Amount due from a director	**—**	3,536
Bills receivables	**745**	—
Deposits and other receivables	**17,784**	14,781
Amounts due from related companies	**7,261**	11,095
Loans and receivables	**34,996**	41,854
Advances to suppliers	**4,081**	2,848
Prepayment relating to construction expenses	**42,828**	44,978
Other prepayments	**25,715**	18,616
Other taxes recoverable	**4,152**	4,474
	111,772	112,770

As of the end of the reporting period, the ageing analysis of the trade receivables, based on invoice date and net of allowance for doubtful debts, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 1 month	**5,500**	11,133
More than 1 month but less than 3 months	**1,602**	179
More than 3 months but less than 6 months	**995**	—
More than 6 months but less than 12 months	**587**	—
More than 12 months	**522**	1,130
	9,206	12,442

12. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**130,059**	82,616
Amounts due to directors	**14,628**	974
Amounts due to non-controlling shareholders of subsidiaries	**7,497**	8,987
Accrued expenses and other payables	**33,838**	47,718
Payables for acquisition of property, plant and equipment	**157,642**	221,210
Financial liabilities measured at amortised cost	**343,664**	361,505
Deposits received from customers	**16,937**	14,980
Other taxes payables	**4,153**	3,578
	364,754	380,063

As of the end of the reporting period, the ageing analysis of the trade payables, based on invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
Within 1 month	**4,002**	13,362
More than 1 month but less than 3 months	**244**	17,260
More than 3 months but less than 6 months	**59,291**	9,578
More than 6 months but less than 12 months	**65,985**	21,380
More than 12 months	**537**	21,036
	130,059	82,616

13. DIVIDEND

No dividend has been proposed or declared by the Directors for the year ended 31 December 2015 (2014: Nil).

SUMMARY OF THE INDEPENDENT AUDITORS' REPORT

An extract of the Company's independent auditors' report for the year ended 31 December 2015 is as follows:

"Emphasis of matter

Without qualifying our opinion, we draw attention to note 2(b) to the consolidated financial statements which indicates that the Group incurred a net loss of approximately RMB255,026,000 during the year ended 31 December 2015 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB281,569,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern."*

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a consolidated turnover of approximately RMB329,120,000 for the year ended 31 December 2015, representing an increase of approximately 9.3% compared with that of the corresponding period in 2014. The increase was mainly attributable to the increase in production compared to 2014 as a result of the increase in number of coalbed methane ("CBM") wells in production, and China United Coalbed Methane Co., Ltd. ("China United") provided a stable supply of gas in 2015, therefore, the operating income generated from sales of liquefied coalbed gas has increased by approximately RMB49,693,000.

The sales quantity was increased in 2015 and was mainly attributable to the increase in the production of liquefied coalbed gas. However, the sales unit price was decreased in 2015, and it leads to the gross profit of the Group was decreased by approximately RMB8,789,000 to RMB17,539,000 for the year ended 31 December 2015.

The Group recorded a loss attributable to equity shareholders of the Company for the year ended 31 December 2015 of approximately RMB235,943,000 compared with that of approximately RMB333,348,000 for the year ended 31 December 2014. The reasons for the loss are as follows:

(i) the loss of approximately RMB3,551,000, RMB134,385,000 and RMB92,086,000 are arising from the impairment loss on goodwill, intangible assets and property, plant and equipment were recognised with respect to our operation of coalbed methane exploration and development, natural gas liquefaction and LNG distribution. It was contributed to the selling price of the natural gas was dropped and the decrease of forecasted number of gas wells of each of the financial years over the forecast period due to a change in the business plan of Huiyang New Energy project was designated in 2015. With reduced number of operating gas wells, the gas output from the CBM field are expected to tumble over the forecast period;

(ii) No such loss recorded in 2015, therefore, it leads a loss attributable to equity shareholders of the Company for the year ended 31 December 2015 decrease. As a result of debt-equity swap, a loss on extinguishment of liability of RMB57,024,000 arising from the difference between the share subscription price and the market price of the shares as at the share allotment date was recognised;

(iii) other operating expenses of the Group decreased from RMB38,652,000 to RMB4,343,000 in 2015, it mainly due to a compensation fee on exploration RMB30,000,000 was occurred in 2014; and

The carrying amount of property, plant and equipment decreased from approximately RMB872,877,000 as at 31 December 2014 to approximately RMB800,681,000 as at 31 December 2015. It was mainly attributable to the completion of construction work of gas pipeline placement works, CBM wells and relevant machineries and impairment of property, plant and equipment of approximately RMB92,086,000 during the year.

In 2015, the Group entered a finance lease agreement with CIMC with a total lease consideration of RMB114,836,400. Therefore, the obligation under finance leases under non-current liabilities was increased from RMB1,255,000 to RMB41,415,000.

BUSINESS REVIEW AND DEVELOPMENT PROSPECTS

Resources and reserves

Yangcheng Huiyang New Energy Development Company Limited (hereinafter referred to as "Huiyang New Energy") has interest in certain coalbed methane (CBM) properties located at Shanxi Province, the PRC. The Yangcheng area is approximately 96 km^2 in the Shanxi Province, the PRC. Development within the Yangcheng gas block is focused on the #3 and #15 coal seams. These CBM properties are located at various coal mine areas owned by Shanxi Yangcheng Yangtai Group Industrial Company Limited. Huiyang New Energy is a joint venture company and 60% of its equity interests is held by one of the wholly-owned subsidiaries of the Group.

The movements in the reserves of certain CBM properties as of 31 December 2015 are set out below:

	Reserve evaluation of the CBM properties as at 31 December 2015 BCF	**Reserve evaluation of the CBM properties as at 31 March 2012 BCF**
Total original gas in place on all blocks	2,724	2,724
Net 1P (Proved) reserves	1,419	35
Net 2P (Proved + Probable) reserves	1,869	277
Net 3P (Proved + Probable + Possible) reserves	2,282	2,050

The reserve evaluation of the CBM properties as at 31 March 2012 is the results of evaluation conducted by an independent, US-licensed natural gas reserve engineer, Netherland, Sewell & Associates, Inc. ("NSAI") engaged by the Company in 2011 to evaluate the CBM properties reserves.

Due to continued development of the gas field blocks by the Company, the number and scope of the gas production wells are relatively increased as compared with that of 2012, enabling the Company to collect more data about the CBM properties to evaluate the CBM properties more accurately. Accordingly, the Company engaged an independent professional valuer in the PRC in July 2014 to evaluate certain CBM properties of “Huiyang New Energy” in terms of net 3P (Proved + Probable + Possible) reserves, net 2P (Proved + Probable) reserves and net 1P (Proved) reserves based on substantially the same definitions and guidelines as that of NSAI in 2012. According to the results of the evaluation, the total original gas in place on all blocks was generally unchanged as compared with that of NSAI in 2012. Based on the current costs for developing wells, the technical department of the Group estimates the capital expenditure for each well to be approximately RMB2.15 million, mainly comprising of road maintenance fees of approximately RMB0.18 million, drilling expenses of approximately RMB1.16 million, well testing fees of approximately RMB0.04 million and costs of equipment and materials of approximately RMB0.77 million.

Gas volumes are expressed in billion of cubic feet (BCF) at standard temperature and pressure bases. The reserves shown in the above table are estimates only and should not be construed as exact quantities. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be commercially recoverable; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves. Estimates of reserves may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance.

Natural gas exploration and extraction

As at 31 December, 2015, the Group has completed the ground work and drilling of 274 CBM wells, among which 223 wells were in production, representing an increase in 26 wells in production compared to the end of year 2014. As of the end of 2015, we have completed the ground work and drilling of an aggregate of 274 CBM wells, or 37 less than previously expected. It was mainly attributed to the fact that the Company spent part of funds and put certain efforts in stabilising and increasing the output of producing wells, which, to some extent, has led to slowdown of construction of new wells. The existing gas-output wells produce approximately 800 cubic meters of gas on average per day. The Group expected that by the end of 2016, the total drills and wells in production will reach 280 and 248 respectively and the total gas output will exceed 200,000 cubic meters per day.

Liquefaction operation

As at 31 December 2015, the production capacity of the Group's LNG remained unchanged at the level of approximately 500,000 cubic meters per day. Compared with the prior year, the raw gas supply has significantly improved with an increasingly growing trend. In 2015, the average daily production output was over 300,000 cubic meters but the supply constraints in natural gas in the PRC have not unleashed generally. The Group has not yet purchased adequate natural gas to conduct downstream liquefaction accordingly. The utilisation rate of our LNG plants increased substantially but the production capacity had not achieve its full potential and there is still room for growth. However, with the increase in production output of Huiyang Natural Gas Region and the expected increase of the supply from other gas suppliers, the production capacity of the utilisation rate of Qinshui Shuntai LNG plant will gradually increase, which will continue to increase the income, profit and cash flow contribution to the Group.

Marketing and sales

During 2015, the marketing and sales systems did not change significantly and the personnel structure and sales strategies basically remained the same. Affected by overall environment, the sales price during traditional peak periods did not represent a substantial increase as the previous year and remained stable, which, to some extent, has affected the sales performance. However, thanks to the increased production output and improved internal management, the overall sales revenue and profit grew substantially rather than decreased. As such, the sales system, which has been well established over years, was resilient enough to cope with the increased production output of the Company and we have successfully completed our sales target despite the unfavorable overall sales environment. In 2016, we will continue to be committed to gradually boosting our business volume to secure smooth sales channels and to make more contribution to the Group's profitability.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2015, the Group had net assets of approximately RMB520,404,000, including cash and bank balances of approximately RMB45,437,000. To minimise financial risks, the Group implements stringent financial and risk management strategies and avoids the use of highly-geared financing arrangements. The Group's gearing ratio, calculated by the Group's total external borrowings divided by its shareholders' fund, was approximately 23.03% as at 31 December 2015 (2014: 16.18%).

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

The employees

As at 31 December, 2015, the employees of the Group totaled 517, among which 88 were R&D staff and 208 were project and customer service staff; 193 were administration staff and 28 were marketing and sales staff. During the year, the total cost of staff (including the remuneration of the Board Directors) recognised in profit or loss account was approximately RMB28,431,000 (2014: approximately RMB26,312,000). The remuneration and salary packages and dividend policy of the Group were determined based on the individual performance of staff. The Group will continue to offer professional further studies and training to staff.

Impairment of intangible assets, goodwill and property, plant and equipment

In 2010, 2011 and 2015, the Group acquired 100% equity interest in Million Ideas Group, 100% equity interest of Wealthy Talent Global Group and 100% equity interest of Nuoxin Engineering respectively. The consideration for acquisition of Million Ideas Group was RMB178,000,000. Million Ideas Group is principally engaged in the provision of liquefied coalbed gas logistics services in the PRC. The consideration for acquisition of Wealthy Talent Global Group was HK$499,000,000. Wealthy Talent Global Group is principally engaged in the supply of natural gas and sales of liquefied natural gas ("LNG") in Henan Province. The consideration for acquisition of Nuoxin Engineering was RMB50,300,000. Nuoxin Engineering is principally engaged in the manufacture and sale of PE gas pipeline, metal model in construction use, mining machine, road compacting machine,crane and exhaust fan for natural gas.

Although the natural gas business continued to make steady growth and progress when compared to previous years, it is still under development and far behind the expected development schedule. It has not yet contributed satisfactory return to the Group since the acquisition of the abovementioned two groups.

The recoverable amount of Cash Generating Unit ("CGU") of Coalbed methane exploration and development, natural gas liquefaction and LNG distribution was determined with reference to a valuation conducted by an independent valuer, based on income approach. In July 2014, the Company engaged an independent professional valuer to evaluate certain CBM properties of Huiyang New Energy. As a result of an evaluation, the Group changed its business plan, and has emphasised to develop certain area of Huiyang New Energy. As a result of the change in the business plan, the forecasted number of gas wells of each of the financial years over the forecast period will be reduced. With reduced number of operating gas wells, the gas output from the CBM field are expected to tumble over the forecast period.

The Discounted Cash Flow Method has been employed for the valuation of the CGU and there is no change in the valuation method for the valuation as at 31 December 2015 compared to that as at 31 December 2014. The discount rate used in the valuation of the CGU are 21% for both years ended 2014 and 2015 to reflect specific risks relating to the overall market as well as the relevant businesses and consistent with external sources of information.

As such, an impairment loss of intangible assets, goodwill and property, plant and equipment of approximately RMB97,864,000, RMB3,551,000 and RMB92,086,000 in respect of the exclusive right for piped natural gas operation in Ruyang County and operating licence for liquefied coolbed gas logistics were recognised for the year ended 31 December 2015.

In 2009, the Group acquired 100% equity interest in Allied Rich Group. The consideration for acquisition of Allied Rich Group was RMB203,163,000. Allied Rich Group is principally engaged in the sales of piped natural gas in Beiliu City, Guangxi Zhuang Autonomous Region, the PRC.

The recoverable amount of CGU of piped natural gas located in Guangxi was determined with reference to a valuation conducted by an independent valuer, based on income approach.

The Discounted Cash Flow Method has been employed for the valuation of the CGU and there is no change in the valuation method for the valuation as at 31 December 2015 compared to that as at 31 December 2014. The discount rate used in the valuation of the CGU changed from 22% as at 31 December 2014 to 29% as at 31 December 2015 to reflect specific risks relating to the overall market as well as the relevant businesses and consistent with external sources of information.

As such, an impairment loss of intangible assets of approximately RMB36,521,000 in respect of the exclusive right for piped natural gas operation in Beiliu City were recognised for the year ended 31 December 2015.

Risk in Foreign Exchange

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

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

During the year ended 31 December 2015, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

OUTLOOK

The upstream business of the Company is improving steadily and the well construction and gas output are both increasing constantly. During 2015, apart from constructing new wells, the Company made technological upgrade to some old wells to improve production capacity and output, laying a solid foundation for the Company's long-term performance. With the steady increase in the number of upstream wells and gas output, the foundation of the Company's upstream business is increasingly consolidated and the advantage of vertical integration business will emerge. In recent years, the unfavorable bottleneck of raw gas shortage will gradually be tackled and the production capacity of liquefaction plants will be fully unleashed. Together with the increase in the proportion of self-produced gas, the Company will be gradually less affected by external factors and the uncontrollable risks involved in the operation of the Company will become less. It is projected that by the end of 2016, the daily output of gas exploration business will break through beyond 200,000 cubic meters. The current gas supply of China United has exceeded 200,000 cubic meters while the daily production output of Qinshui Company is expected to reach 450,000 cubic meters in 2016.

As there are growing concerns over the environmental issues, it is foreseen that the highly-polluted energy will be eliminated from the market more rapidly and the use of replaceable clean energy will be more popular, resulting in a keener market demand for natural gas. Although the production capacity of natural gas has been increasing significantly in recent years, the projected demand will not be satisfied still. The demand growth of natural gas market will continue to retain its strong momentum. The situation of operating loss resulting from insufficient natural gas supply has improved significantly and is expected to further improve. The management of the Company will fully seize the opportunities and diligently strive to contribute to the Company's profitability and long-term development.

MAJOR TRANSACTIONS AND EVENTS

Finance lease arrangement

On 28 January 2015, Shanxi Qinshui Shuntai Energy Development Company Limited ("Qinshui Energy"), a direct wholly-owned subsidiary of the Company entered into, among other things, the Finance Lease Agreement with CIMC Capital Limited ("CIMC"), pursuant to which (i) Qinshui Energy conditionally agreed to sell and CIMC conditionally agreed to purchase the certain liquefied natural gas equipments ("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). The lease consideration may be adjusted according to the floating lending interest rate to be promulgated by People's Bank of China from time to time.

As the applicable percentage ratios of the Finance Lease Agreement exceed 25% but less than 100%, the Finance Lease Agreement constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. Therefore, the Finance Lease Agreement is subject to the requirements of announcement and the approval of the shareholders by way of poll at the special general meeting of the Company. An special general meeting of the Company has been convened on 30 March 2015 and the finance lease arrangement was passed by ordinary resolution.

For details of the Finance Lease Arrangement, please refer to the announcement of the Company dated 28 January 2015 and 30 March 2015 and the circular of the Company dated 12 March 2015.

Retirement of Directorship

Mr. Shi Liang ("Mr. Shi") retired by rotation at the Annual General Meeting 2014 ("AGM 2014") in accordance with the Bye-laws. As the resolution was not passed at AGM 2014, Mr. Shi retired as an executive Director at the conclusion of the AGM 2014. For details of the retirement of directorship, please refer to the announcement of the Company dated 26 May 2015.

Discloseable and connected transaction

On 12 October 2015 (after trading hours), Shanxi Yangcheng (a wholly owned subsidiary of the Company) as purchaser and Mr. Wang as vendor entered into the Agreement, pursuant to which Shanxi Yangcheng has conditionally agreed to purchase and Mr. Wang has conditionally agreed to dispose of 100% equity interest of Nuoxin (Xian County) Engineering Materials Company Limited, a company established in the PRC with limited liability and is wholly owned by Mr. Wang at a total consideration of RMB50,300,000 (equivalent to approximately HK$61,396,180).

The total consideration of the acquisition shall be satisfied by Shanxi Yangcheng in the following manners:

(i) as to RMB32,899,999.88 (equivalent to approximately HK$40,157,739.85) by way of allotment and issue of 178,004,166 Consideration Shares, credited as fully paid, at an issue price of approximately HK$0.2256 per Consideration Share to Mr. Wang at Completion; and

(ii) as to RMB17,400,000.12 (equivalent to approximately HK$21,238,440) by way of issue of the Convertible Bond in the principal amount of HK$21,238,440 convertible up to 94,142,021 Conversion Shares upon the exercise of the Conversion Rights attached to the Convertible Bond at a conversion price of HK$0.2256 per Conversion Share to Mr. Wang at Completion.

The Consideration Shares and the Conversion Shares will be allotted and issued under the Specific Mandate.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Company's consolidated financial statements.

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

Since the relevant applicable percentage ratio calculated in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As at the signing date of this agreement, Mr. Wang is the executive Director and he directly and indirectly holds approximately 18.97% of the entire issued share capital of the Company and therefore is a substantial Shareholder within the meaning of the GEM Listing Rules. As such, Mr. Wang is a connected person of the Company and the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

Therefore, the Acquisition is subject to the requirements of announcement and the approval of the shareholders by way of poll at the special general meeting of the Company. An special general meeting of the Company has been convered on 3 December 2015 and the discloseable and connected transaction was passed by ordinary resolution. The acquisition was completed on 11 December 2015.

For details of the discloseable and connected transaction, please refer to the announcements of the Company dated 12 October 2015, 2 November 2015, 6 November 2015, 17 November 2015, 3 December 2015 and 11 December 2015 and the circular of the Company dated 17 November 2015.

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

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

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

Name	Capacity	Nature of interest	Number of shares/ underlying shares	Approximate % of shareholdings
Mr. Wang Zhong Sheng	Interest of controlled corporation	Corporate interest	18,118,500 *(Note 1)*	1.38%
	Beneficial owner	Personal	470,588,254 *(Note 2)*	35.66%
Mr. Fu Shou Gang	Beneficial owner	Personal	324,750 *(Note 3)*	0.02%

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 SFO (Chapter 571 of the Laws of Hong Kong).

2. Out of the 470,588,254 long positions, Mr. Wang Zhong Sheng is interested as (i) a grantee of options to subscribe for 324,750 shares under the new share option scheme adopted by the Company on 18 May 2011; (ii) a beneficial owner of 376,121,483 issued shares of the Company; and (iii) a holder of convertible bonds convertible to 94,142,021 conversion shares.

3. Mr. Fu Shou Gang is interested as a grantee of options to subscribe for 324,750 shares under the new share option scheme adopted by the Company on 18 May 2011.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange. The Group had not issued any debentures during the Year.

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

As at 31 December 2015, 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 of the Company

Name	Number of shares	Nature of Interest	Percentage of shareholding
Ms. Zhao Xin *(Note)*	488,706,754	Interest of spouse	37.04%
RHB OSK Finance Hong Kong Limited	197,366,867	Person having a security interest	14.96%

Note:

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 31 December 2015, no other person (other than the Directors or chief executive of the Company) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under to section 336 of the SFO.

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

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

SHARE OPTION SCHEME

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

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

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

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

Name and category of participants	As at 5 February 2014	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 1 January 2015	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2015	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
Executive Directors														
Mr. Wang Zhong Sheng	2,500,000	3,247,500	324,750	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	–	–	–	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	–	–	–	649,500						
Employees	42,240,000	54,869,760	5,486,976	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	–	–	–	25,982,598	30/5/2011	30/5/2011-29/5/2021	0.495	0.495	0.381	3.81
	247,260,000	321,190,740	32,119,074	32,119,074	–	–	–	32,119,074						

Notes:

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

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

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

	Weighted average exercise price	Number of options *HK$*
Outstanding as at 1 January 2015 *(note iii and note iv)*	3.81	32,119,074
Granted during the year	—	—
Outstanding as at 31 December 2015	3.81	32,119,074
Exercisable as at 31 December 2015	3.81	32,119,074

The options outstanding as at 31 December 2015 had an exercise price of HK$3.81 and a weighted average remaining contractual life of 5.4 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.

CONVERTIBLE SECURITIES, WARRANTS OR SIMILAR RIGHTS

As at the date of this announcement, the Company had outstanding options to subscribe for 32,119,074 shares under the share option scheme adopted on 18 May 2011 and outstanding convertible bonds convertible to 94,142,021 conversion shares.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company 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 year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company nor any of its subsidiaries.

COMPETING INTERESTS

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

RE-DESIGNATION AND RESIGNATION OF DIRECTOR

Mr. Shi retired as the executive Director with effect from 26 May 2015 due to the resolution was not passed at AGM 2014.

POST BALANCE SHEET EVENTS

Open offer, proposed change in board lot size and connected transaction: set-off of the convertible bonds

On 7 January 2016, the Company proposes to raise approximately not less than HK$119.41 million and not more than HK$122.74 million (before expenses and after taking into account of the Set-off Arrangement), by way of Open Offer of not less than 3,958,453,602 Offer Shares and not more than 4,053,836,574 Offer Shares at the Subscription Price of HK$0.035 per Offer Share on the basis of three (3) Offer Shares for every one (1) existing Share held on the Record Date and payable in full on application.

The Board also proposes that the board lot for trading on the Stock Exchange will be changed from 10,000 Shares to 40,000 Shares with effect from 9:00 a.m. on Thursday, 28 January 2016.

As at 7 January 2016, Mr. Wang is the holder of the Convertible Bonds. Pursuant to the Wang's Undertaking, Mr. Wang and the Company have agreed that the Subscription Price required to be paid by Mr. Wang for his subscription in respect of the 1,182,719,949 Offer Shares under the Wang's Undertaking would be settled by way of: (i) HK$19.14 million by the Set-off Arrangement against the Convertible Bonds; and (ii) the remaining balance of approximately HK$22.26 million in cash.

Pursuant to Rule 10.39 of the GEM Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolutions relating to the Open Offer. As at the date of this announcement, as there are no controlling Shareholders, only the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will be required to abstain from voting in favour of the resolutions relating to the Open Offer at the SGM.

As at the date of this announcement, Mr. Wang, the Chairman and an executive Director, together with his associates are holding an aggregate of 394,239,983 Shares, representing approximately 29.88% of the issued share capital of the Company. Save as disclosed above, no other Directors (excluding the independent non-executive Directors), the chief executive of the Company and their associates hold any Shares as at the date of this announcement. Accordingly, Mr. Wang is a connected person of the Company. The Set-off Arrangement as contemplated under the Underwriting Agreement therefore constitutes connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. The Set-off Arrangement is subject to the reporting and announcement requirements and the approval of the Independent Shareholders at the SGM under the GEM Listing Rules.

As Mr. Wang is deemed to have a material interest in the Set-off Arrangement, Mr. Wang and his associates shall abstain from voting at the SGM on the resolutions in relation to the Set-off Arrangement. The voting at the SGM will be taken by way of poll. The SGM of the Company will be convened on 18 April 2016.

For details of open offer, proposed change in board lot size and connected transaction: set-off of the convertible bonds, please refer to the announcement of the Company dated 7 January 2016, 28 January 2016 and 22 February 2016.

Proposed share consolidation, change in board lot size, revised expected timetable of the open offer and entering into the supplemental underwriting agreement

On 15 March 2016, the Board proposes to implement the Share Consolidation on the basis that every ten (10) Shares of HK$0.01 each in the issued and unissued share capital of the Company be consolidated into one (1) New Share of HK$0.10 each in the issued and unissued share capital of the Company.

As at the date of this announcement, there are 1,319,484,534 Shares of HK$0.01 each in issue and fully paid or credited as fully paid. Assuming no Shares will be issued or repurchased from the date of this announcement up to the date of the SGM, there will be approximately 131,948,453 New Shares of HK$0.10 each in issue and fully paid or credited as fully paid following the Share Consolidation becoming effective.

The Share Consolidation is conditional upon, among other things, the approval of Shareholders at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder are required to abstain from voting in approving the Share Consolidation at the SGM.

As at 15 March 2016, the Shares are currently trade in board lot size of 40,000 Shares. The Board also proposed that, upon the Share Consolidation becoming effective, the board lot size of the New Shares for trading on the Stock Exchange will be changed to 8,000 New Shares.

Based on the closing price of HK$0.07 per Share (equivalent to HK$0.70 per New Share) as quoted on the Stock Exchange as at the last trading day immediately before 15 March 2016, the board lot value is HK$2,800 in the current board lot size of 40,000 Shares, and HK$5,600 in the proposed new board lot size of 8,000 New Shares.

As the expected date of despatch of the Circular is postponed, the expected timetable for the Open Offer and the transactions contemplated thereunder will be revised as disclosed herein.

In light of the revised expected timetable for the Open Offer and the Share Consolidation, after arm's length negotiations between the Company and the Underwriter, the Company and the Underwriter have on 15 March 2016 (after trading hours) entered into the Supplemental Underwriting Agreement to reflect the change in the revised expected timetable for the Open Offer and to take into consideration of the Share Consolidation. The voting at the SGM will be taken by way of poll. The SGM of the Company will be convened on 18 April 2016.

For details of proposed share consolidation, change in board lot size, revised expected timetable of the open offer and entering into the supplemental underwriting agreement, please refer to the announcement of the Company dated 15 March 2016, 22 March 2016 and 24 March 2016, and the circular of the Company dated 29 March 2016.

AUDIT COMMITTEE AND AUDITORS

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

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

During the year ended 31 December 2015, the audit committee has held five meetings. The Group's result for the year ended 31 December 2015 have been reviewed and commented by the audit committee members, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the GEM Listing Rules and that adequate disclosures have been made.

CORPORATE GOVERNANCE

During the year ended 31 December 2015 and up to the date of this announcement, save as disclosed below, the Group has complied with all the applicable provisions in the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules (the "Code").

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

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

AMENDMENT TO THE TERMS OF REFERENCE OF NOMINATION COMMITTEE

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

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

The Company has adopted a code of conduct regarding securities dealings by Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with such required standard of dealings during the year ended 31 December 2015.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

For the purpose of this announcement and solely for the propose of illustration, all amount in RMB are translated into HK$ at the exchange rate of RMB0.79: HK$1.

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

China, 29 March 2016

As at the date hereof, the executive Directors are Mr. Wang Zhong Sheng 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.

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

This announcement will remain on GEM website on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company website at http://www.ilinkfin.net/china_cbm/.