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 2016

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 2016, the Group's revenue amounted to approximately RMB218,879,000, representing a decrease of 33.5% over that of the year ended 31 December 2015.

- For the year ended 31 December 2016, the Group's loss for the year amounted to approximately RMB102,384,000, whereas there was a loss of approximately RMB255,026,000 for the year ended 31 December 2015.

- For the year ended 31 December 2016, the Group's loss per share was RMB7.65 cents (2015: RMB20.49 cents).

- The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2016.

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 2016 (the "Year") together with the comparative figures for the year ended 31 December 2015 as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Revenue	3	**218,879**	329,120
Cost of sales		**(230,567)**	(311,581)
Gross (loss)/profit		**(11,688)**	17,539
Other income and gains	4	**729**	464
Selling and distribution costs		**(10,721)**	(8,006)
Administrative expenses		**(58,447)**	(50,625)
Other operating expenses		**(8,255)**	(4,343)
Finance costs	6(c)	**(10,925)**	(14,324)
Impairment loss on goodwill		**–**	(3,551)
Impairment loss on intangible assets		**–**	(134,385)
Impairment loss on property, plant and equipment		**–**	(92,086)
Loss before taxation	6	**(99,307)**	(289,317)
Income tax (expense)/credit	7	**(3,077)**	34,291
Loss for the year		**(102,384)**	(255,026)
Attributable to:			
Equity shareholders of the Company		**(101,002)**	(235,943)
Non-controlling interests		**(1,382)**	(19,083)
		(102,384)	(255,026)
		RMB	*RMB*
Loss per share	8		
– Basic and diluted		**(7.65) cents**	(20.49) cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
Loss for the year	**(102,384)**	(255,026)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**116**	1,993
Total comprehensive expense for the year	**(102,268)**	(253,033)
Total comprehensive expense attributable to:		
Equity shareholders of the Company	**(100,886)**	(233,950)
Non-controlling interests	**(1,382)**	(19,083)
	(102,268)	(253,033)

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**728,717**	800,681
Prepaid land lease payments		**35,074**	35,937
Deposits and prepayments		**26,347**	26,530
Deferred tax assets		**–**	58
		790,138	863,206
Current assets			
Prepaid land lease payments		**863**	863
Financial assets at fair value through profit or loss		**200**	200
Inventories		**8,115**	8,052
Trade and other receivables	9	**100,285**	111,772
Tax recoverable		**2,000**	2,000
Cash and cash equivalents		**20,534**	45,437
		131,997	168,324
Current liabilities			
Trade and other payables	10	**382,927**	364,754
Other borrowings		**40,080**	43,080
Obligations under finance leases		**19,933**	31,985
Provision		**8,658**	6,612
Tax payable		**6,574**	3,462
		458,172	449,893
Net current liabilities		**(326,175)**	(281,569)
Total assets less current liabilities		**463,963**	581,637

Consolidated Statement of Financial Position *(Continued)*

At 31 December 2016

	Notes	**2016** **RMB'000**	2015 *RMB'000*
Non-current liabilities			
Obligations under finance leases		**25,626**	41,415
Convertible bonds		**8,316**	6,304
Deferred tax liabilities		**11,885**	13,514
		45,827	61,233
Net assets		**418,136**	520,404
Capital and reserves			
Share capital		**10,910**	10,910
Reserves		**421,337**	522,223
Equity attributable to equity shareholders of the Company		**432,247**	533,133
Non-controlling interests		**(14,111)**	(12,729)
Total equity		**418,136**	520,404

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to equity shareholders of the Company										
	Share capital	**Share premium**	**General reserve**	**Translation reserve**	**Contributed surplus**	**Share option reserve**	**Convertible bonds reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 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 income 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

Consolidated Statement of Changes in Equity *(Continued)*

For the year ended 31 December 2016

	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 2016	10,910	131,082	8,273	(5,528)	584,838	30,849	8,652	(235,943)	533,133	(12,729)	520,404
Loss for the year	–	–	–	–	–	–	–	(101,002)	(101,002)	(1,382)	(102,384)
Other comprehensive income for the year	–	–	–	116	–	–	–	–	116	–	116
Total comprehensive expense for the year	–	–	–	116	–	–	–	(101,002)	(100,886)	(1,382)	(102,268)
Balance at 31 December 2016	10,910	131,082	8,273	(5,412)	584,838	30,849	8,652	(336,945)	432,247	(14,111)	418,136

Notes:

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENT

(a) Statement of compliance

The 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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

(b) Going concern

The Group incurred a gross loss of approximately RMB11,688,000 and a net loss of approximately RMB102,384,000 during the year ended 31 December 2016. In addition, the Group had net current liabilities of approximately RMB326,175,000 and significant capital and other commitments as at 31 December 2016. 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 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) 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;

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

(3) Pursuant to the Company's announcement on 8 March 2017, during the year ended 31 December 2016, the Group conducted an in-depth research and development and market demonstration on automotive and household bottled liquefied A-class air technology. In addition, the Group had conducted product transfer test for its existing liquefied coalbed gas equipment. The directors of the Company consider that the bottled liquefied A-class air business has a huge development potential and accordingly, the Group has suspended its production of liquefied coalbed gas since February 2017 for a comprehensive process adjustment and certain equipment transformation of liquefied coalbed gas equipment. The directors of the Company expected the transformation will be fully completed and put into production of liquefied A-class air in June 2017 and will generate operating cash flows to the Group.

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 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*
Amendments to HKFRS 10, *HKFRS 12 and HKAS 28*	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 – 2014*

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 2016 and which have not been adopted in these consolidated financial statements.

HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transaction*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 15	*Clarification to HKFRS 15 Revenue from Contracts with Customers*[2]

1 Effective for accounting periods beginning on or after 1 January 2017.

2 Effective for accounting periods beginning on or after 1 January 2018.

3 Effective for accounting periods beginning on or after 1 January 2019.

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

3. REVENUE

	2016	2015
	RMB'000	*RMB'000*
Sales of liquefied coalbed gas	**146,951**	268,601
Provision of liquefied coalbed gas logistics services	**10,013**	3,206
Sales of piped natural gas (including provision of gas supply connection services)	**61,915**	57,313
	218,879	329,120

4. OTHER INCOME AND GAINS

	2016	2015
	RMB'000	*RMB'000*
Interest income from bank deposits	**85**	137
Net foreign exchange gain	**72**	131
Rental income	**148**	–
Other income	**424**	196
	729	464

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 People's Republic of China ("PRC"). Therefore, the CODM considers there is only one operating segment under the requirements of HKFRS 8 Operating Segments. In this regard, no segment information is presented.

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

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

(a) Geographical information

The Group principally operates in Hong Kong and the PRC.

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

	Revenue from external customers		Non-current assets*	
	2016	2015	2016	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong	**–**	–	**210**	1,175
PRC	**218,879**	329,120	**789,928**	861,973
	218,879	329,120	**790,138**	863,148

* *Non-current assets excluding deferred tax assets.*

(b) Information about major customers

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

	2016	2015
	RMB'000	*RMB'000*
Customer A	**25,354**	52,005
Customer B	**31,047**	65,322
Customer C	**26,419**	35,825
	82,820	153,152

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2016	2015
	RMB'000	*RMB'000*
(a) Staff costs (including directors' and chief executive's emoluments)		
Salaries and other benefits	**26,566**	24,635
Retirement benefits schemes contributions	**4,162**	3,796
Total staff costs *	**30,728**	28,431

* Amount excluded staff costs capitalised in construction in progress of approximately RMB31,000 (2015: RMB255,000).

		2016	2015
		RMB'000	*RMB'000*
(b)	Other items		
	Cost of inventories	**132,301**	205,950
	Auditors' remuneration		
	– audit services	**1,716**	1,609
	– non-audit services	**189**	–
	Depreciation of property, plant and equipment	**80,080**	74,582
	Amortisation of prepaid land lease payments	**863**	591
	Amortisation of intangible assets (included in cost of sales)	**–**	7,276
	Impairment loss on trade receivables (included in other operating expenses)	**5,513**	2,391
	Net loss on disposal of property, plant and equipment (included in other operating expenses)	**228**	266
	Operating lease charges in respect of land and buildings	**811**	685
	Research and development costs	**579**	–
(c)	Finance costs		
	Interest expenses on bank and other borrowings wholly repayable within five years	**3,625**	5,842
	Other finance costs	**–**	980
	Effective interest on convertible bonds	**1,504**	77
	Finance charges on obligations under finance leases	**5,796**	7,425
	Total interest expenses on financial liabilities not at fair value through profit or loss	**10,925**	14,324

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

Taxation in the consolidated statement of profit or loss represents:

	2016	2015
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax ("EIT")		
Provision for the year	**4,769**	2,310
Deferred tax		
Origination and reversal of temporary differences	**(1,692)**	(36,601)
Income tax expense/(credit)	**3,077**	(34,291)

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 2016 (2015: 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 2016 and 2015.

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 RMB7.65 cents per share (2015: RMB20.49 cents per share). The calculation of the basic loss per share for the year ended 31 December 2016 is based on the loss attributable to equity shareholders of the Company of approximately RMB101,002,000 (2015: RMB235,943,000) and the weighted average number of shares of approximately 1,319,484,000 (2015: RMB1,151,722,000) in issued during the year ended 31 December 2016. The calculation for diluted loss per share for the year ended 31 December 2016 is based on the loss attributable to equity shareholders of the Company of approximately RMB101,002,000 (2015: 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 2016 and 2015 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. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**17,603**	16,950
Less: Allowance for doubtful debts	**(13,257)**	(7,744)
	4,346	9,206
Bills receivable	**3,193**	745
Other receivables	**22,328**	17,784
Amount due from a related company	**3,730**	7,261
Loans and receivables	**33,597**	34,996
Advances to suppliers	**1,840**	4,081
Prepayment relating to construction expenses	**49,248**	42,828
Other prepayments	**9,904**	25,715
Value-added tax recoverable	**5,696**	4,152
	100,285	111,772

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:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**3,078**	5,500
More than 1 month but less than 3 months	**428**	1,602
More than 3 months but less than 6 months	**–**	995
More than 6 months but less than 12 months	**–**	587
More than 12 months	**840**	522
	4,346	9,206

10. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**160,236**	130,059
Amounts due to directors	**13,738**	14,628
Amounts due to non-controlling shareholders of subsidiaries	**6,451**	7,497
Accrued expenses and other payables	**52,595**	33,838
Payables for acquisition of property, plant and equipment	**138,062**	157,642
Financial liabilities measured at amortised cost	**371,082**	343,664
Deposits received from customers	**10,019**	16,937
Value-added and other taxes payables	**1,826**	4,153
	382,927	364,754

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

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**3,294**	4,002
More than 1 month but less than 3 months	**447**	244
More than 3 months but less than 6 months	**–**	59,291
More than 6 months but less than 12 months	**155,688**	65,985
More than 12 months	**807**	537
	160,236	130,059

11. DIVIDEND

No dividend has been proposed or declared by the Directors for the year ended 31 December 2016 (2015: Nil).

SUMMARY OF THE INDEPENDENT AUDITORS' REPORT

An extract of the Company's independent auditors' report for the year ended 31 December 2016 is as follows:

Basis for disclaimer of opinion

1. Going concern

The Group incurred a gross loss of approximately RMB11,688,000 and a net loss of approximately RMB102,384,000 during the year ended 31 December 2016. In addition, the Group had net current liabilities of approximately RMB326,175,000 and significant capital and other commitments as at 31 December 2016. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the uncertain favourable outcomes of the steps being taken by the directors of the Company as described in note 2(b) to the consolidated financial statements. 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 and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and therefore do not include any adjustments relating to the realisation and classification of non-current assets that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at other than the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets.

In the absence of sufficient reliable documentary evidence, we were unable to ascertain whether the assumptions made by the directors of the Company in the preparation of the consolidated financial statements on a going concern basis were fair and reasonable. Accordingly, we were unable to satisfy ourselves that the use of the going concern assumption was appropriate. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the appropriateness of the use of the going concern assumption, which might have a consequential significant effect on the Group's net assets as at 31 December 2016 and the Group's loss for the year then ended, and the related disclosures in these consolidated financial statements.

2. ***Impairment of property, plant and equipment and prepaid land lease payments***
   As at 31 December 2016, the carrying amounts of the Group's property, plant and equipment and prepaid land lease payments amounted to approximately RMB728,717,000 and RMB35,937,000 respectively. The fact that the Group incurred a gross loss and a net loss for the year ended 31 December 2016, constitutes an indicator of impairment, triggering an impairment test. Based on the directors' determination of the related cash-generating units' recoverable amounts based on value in use calculations, no impairment losses were recognised for the year ended 31 December 2016. Because of the interacting uncertainties described in the paragraphs above, we were unable to satisfy ourselves as to the appropriateness of the assumptions made by the directors of the Company in the preparation of their value in use calculations and accordingly, we were unable to assess whether the recoverable amounts of these assets exceeded their carrying amounts as at 31 December 2016, and whether any impairment losses should be recognised in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". Any adjustments found to be necessary would affect the Group's net assets as at 31 December 2016 and the Group's loss for the year then ended, and the related disclosures in these consolidated financial statements."

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a consolidated revenue of approximately RMB218,879,000 for the year ended 31 December 2016, representing an decrease of approximately 33.5% compared with that of the corresponding period in 2015. The sales quantity was at roughly the same level in the year compared with the last year. However, the sales unit price was decreased in the year, therefore, the operating income generated from sales of liquefied coalbed gas has decreased by approximately RMB121,650,000.

The sales unit price was decreased in 2016, and it leads to the gross loss of the Group approximately RMB11,688,000 for the year ended 31 December 2016. The Group recorded a loss attributable to equity shareholders of the Company for the year ended 31 December 2016 of approximately RMB101,002,000 compared with that of approximately RMB235,943,000 for the year ended 31 December 2015. The decrease in loss attributable to equity shareholders of the Company as a result of no impairment loss on goodwill, intangible assets and property, plant and equipment was incurred in 2016, and it was amounting to RMB230,022,000 in 2015. The reasons for the loss are as follows:

(i) the gross loss of the Group approximately RMB11,688,000 as a result of then sales unit price was decreased in the year

(ii) administrative expenses of the Group increased from RMB50,625,000 to RMB58,447,000, it mainly due to an increase in depreciation as a result of the acquisition of subsidiary in December 2015;

(iii) other operating expenses of the Group increased from RMB4,343,000 to RMB8,255,000 in 2016, it mainly due to an impairment of trade receivable of RMB5,513,000 was occurred in 2016; and

The increase in trade and other payables from RMB364,754,000 to RMB382,927,000 as a result of the increase in the amount due to the main gas supplier during the year.

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 2016 are set out below:

	Reserve evaluation of the CBM properties as at 31 December 2016 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 RMB1.4 million, mainly comprising of road maintenance fees of approximately RMB0.09 million, drilling expenses of approximately RMB0.86 million, well testing fees of approximately RMB0.04 million and costs of equipment and materials of approximately RMB0.41 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, 2016, the Group has completed the ground work and drilling of 274 CBM wells, among which 225 wells were in production, representing an increase in 2 wells in production compared to the end of year 2015. As of the end of 2016, we have completed the ground work and drilling of an aggregate of 274 CBM wells, or 6 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 2017, the total drills and wells in production will reach 288 and 264 respectively and the total gas output will exceed 200,000 cubic meters per day.

Liquefaction operation

As at 31 December 2016, 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 2016, 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 2016, 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, by contrast, the sales price takes on a desending trend, which, to some extent, has affected the sales performance.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2016, the Group had net assets of approximately RMB418,136,000, including cash and bank balances of approximately RMB20,534,000. 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 21.74% as at 31 December 2016 (2015: 23.03%).

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, 2016, the employees of the Group totaled 543, among which 92 were R&D staff and 262 were project and customer service staff; 152 were administration staff and 37 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 RMB30,728,000 (2015: approximately RMB28,431,000). 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 2016 compared to that as at 31 December 2015. The discount rate used in the valuation of the CGU are 22% for 2016 (2015: 21%) 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 2016 compared to that as at 31 December 2015. The discount rate used in the valuation of the CGU are 29% for both years ended 2015 and 2016 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 2016, 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 2016, 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 2017, the daily output of gas exploration business will break through beyond 200,000 cubic meters.

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. However, the drop in selling prices of natural gas has resulted in operating losses. Management of the Company will sparing no effort in overcoming difficulties and be devoted to making contribution to the Company's profit margin and long – term development.

In addition, against a backdrop of air pollution in Mainland China that cannot be effectively improved in the short run, the public, especially residents in Northeast China where the pollution is relatively more severe, have an increasingly strong demand for fresh air. In response to such market demand, the Group has conducted the R&D on liquefied A-class air technology since the beginning of 2016. Liquefied A-class air refers to air undergone multiply filtration, liquefied and pumped into various sealed bottles. It is released slowly when used to provide A-class fresh air that sustains normal respiration by users. This product possesses advantages over ordinary air purifying devices as it is of low cost, easy to carry and subjected to no conditions of usage, such that it can be widely applied in household vehicles, family lives, and business or office venues. As an extremely desirable new product, the production of which is expected to bring about consideration cost-effectiveness for the Group. In respect of household vehicles, the Group's target cities are Beijing, Tianjin, Zhengzhou and Shijiazhuang, and the total number of vehicles in such places amounts to approximately 7.5 million. Based on the estimated production capacity of 山西沁水順泰液化工廠 (Shanxi Qinshui Shuntai Liquefying Plant), the Group will only be able to meet 1.9% demand of the targeted cities. As such, the Group believes that the liquefied A-class air business has a huge development potential. Currently, the R&D on liquefied A-class air has entered the stage of transformation and calibration for liquefying equipment and optimized molding for liquefied air bottles. In order to expedite R&D of this new product that may kickoff a new business for the Group, the Group has suspended the production of liquefied natural gas by Shanxi Qinshui Shuntai since February 2017 with an aim to lower the subsequent production cost of R&D on liquefied A-class air. Trial production of liquefied A-class air has commenced by making use of our existing liquefied natural gas equipping with some necessary transformation and process adjustment. It is anticipated that such R&D will yield results in 2017.

Despite that the Group has suspended the production of liquefied natural gas by Shanxi Qinshui Shuntai since February 2017, the Group is fully confident in the prospect of the natural gas market in China. In 2017, the Group is intending to transport natural gas from gas blocks directly to industrial users through pipelines, so as to secure profit contribution from the natural gas business.

MAJOR TRANSACTIONS AND 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 would 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 Mr. 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 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 Special General Meeting ("SGM").

As at 7 January 2016, 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 7 January 2016. 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 would be 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.

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 15 March 2016, 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 15 March 2016 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 was 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 were 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

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 proposed Share Consolidation, Open Offer and connected transaction: set-off of the convertible bonds were not approved by the Shareholders or Independent Shareholder by way of ordinary resolution at the SGM of the Company held 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 and results of the SGM, please refer to the announcement of the Company dated 15 March 2016, 22 March 2016, 24 March 2016 and 18 April 2016, and the circular of the Company dated 29 March 2016.

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

As at 31 December 2016, 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 2016, 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 2016, 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%

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 2016, 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 1 January 2016	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2016	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	Adjusted exercise price per share option
Executive Directors									
Mr. Wang Zhong Sheng	324,750	–	–	–	324,750	30/5/2011	30/5/2011-29/5/2021	0.495	3.81
Mr. Fu Shou Gang	324,750	–	–	–	324,750	30/5/2011	30/5/2011-29/5/2021	0.495	3.81
	649,500	–	–	–	649,500				
Employees	5,486,976	–	–	–	5,486,976	30/5/2011	30/5/2011-29/5/2021	0.495	3.81
Consultants	25,982,598	–	–	–	25,982,598	30/5/2011	30/5/2011-29/5/2021	0.495	3.81
	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 2016	3.81	32,119,074
Granted during the year	–	–
Outstanding as at 31 December 2016	3.81	32,119,074
Exercisable as at 31 December 2016	3.81	32,119,074

The option outstanding as at 31 December 2016 had an exercise price of HK3.81 and a weighted average remaining contractual life of 4.4 years.

The subscription price per share under the New Share Option Scheme is solely determined by the Board, and shall be at least the higher of : (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer to grant option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer to grant option; and (iii) the nominal value of a share on the date of offer to grant option, provided that in the event of fractional prices, the subscription price per share shall be rounded upwards to the nearest whole cent.

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 2016, 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.

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 2016, the audit committee has held four meetings. The Group's result for the year ended 31 December 2016 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 2016 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 2016.

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 RMB0.89583: HK$1.

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

China, 27 March 2017

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.capitalfp.com.hk/eng/index.jsp?co=8270.