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

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

(Stock Code: 8270)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2017

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 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; there are no other matters the omission of which would make any statement herein or this announcement misleading; and that all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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 2017, the Group's revenue amounted to approximately RMB178,562,000, representing a decrease of 18.4% over that of the year ended 31 December 2016.

- For the year ended 31 December 2017, the Group's loss for the year amounted to approximately RMB66,971,000, whereas there was a loss of approximately RMB102,384,000 for the year ended 31 December 2016.

- For the year ended 31 December 2017, the Group's loss per share was RMB5.32 cents (2016: RMB7.65 cents).

- The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2017.

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 2017 (the "Year") together with the comparative figures for the year ended 31 December 2016 as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
Revenue	3	**178,562**	218,879
Cost of sales		**(145,786)**	(230,567)
Gross profit/(loss)		**32,776**	(11,688)
Other income and gains or losses	4	**(12,818)**	(5,012)
Selling and distribution costs		**(9,239)**	(10,721)
Administrative expenses		**(67,899)**	(60,961)
Finance costs	6(c)	**(9,171)**	(10,925)
Loss before taxation	6	**(66,351)**	(99,307)
Income tax expense	7	**(620)**	(3,077)
Loss for the year		**(66,971)**	(102,384)
Attributable to:			
Equity shareholders of the Company		**(70,219)**	(101,002)
Non-controlling interests		**3,248**	(1,382)
		(66,971)	(102,384)
		RMB	*RMB*
Loss per share	8		
– Basic and diluted		**5.32 cents**	7.65 cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
Loss for the year	**(66,971)**	(102,384)
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	**(17,540)**	116
Total comprehensive expense for the year	**(84,511)**	(102,268)
Total comprehensive expense attributable to:		
Equity shareholders of the Company	**(87,759)**	(100,886)
Non-controlling interests	**3,248**	(1,382)
	(84,511)	(102,268)

Consolidated Statement of Financial Position
At 31 December 2017

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment	9	**664,994**	728,717
Prepaid land lease payments		**34,249**	35,074
Deposits and prepayments		**26,347**	26,347
		725,590	790,138
Current assets			
Prepaid land lease payments		**871**	863
Financial assets at fair value through profit or loss		**–**	200
Inventories		**1,492**	8,115
Trade and other receivables	10	**81,378**	100,285
Tax recoverable		**2,000**	2,000
Cash and cash equivalents		**8,572**	20,534
		94,313	131,997
Current liabilities			
Trade and other payables	11	**378,151**	382,927
Bank and other borrowings		**47,280**	40,080
Obligations under finance leases		**21,912**	19,933
Provision		**10,963**	8,658
Tax payable		**4,924**	6,574
		463,230	458,172
Net current liabilities		**(368,917)**	(326,175)
Total assets less current liabilities		**356,673**	463,963

	Notes	**2017**	2016
		RMB'000	*RMB'000*
Non-current liabilities			
Obligations under finance leases		**3,849**	25,626
Convertible bonds		**9,543**	8,316
Deferred tax liabilities		**9,656**	11,885
		23,048	45,827
Net assets		**333,625**	418,136
Capital and reserves			
Share capital		**10,910**	10,910
Reserves		**333,578**	421,337
Equity attributable to equity shareholders of the Company		**344,488**	432,247
Non-controlling interests		**(10,863)**	(14,111)
Total equity		**333,625**	418,136

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	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
Balance at 1 January 2017	**10,910**	**131,082**	**8,273**	**(5,412)**	**584,838**	**30,849**	**8,652**	**(336,945)**	**432,247**	**(14,111)**	**418,136**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(68,024)**	**(68,024)**	**3,248**	**(64,776)**
Deregistration of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,195)**	**(2,195)**	**–**	**(2,195)**
Other comprehensive income for the year	**–**	**–**	**–**	**(17,540)**	**–**	**–**	**–**	**–**	**(17,540)**	**–**	**(17,540)**
Total comprehensive expense for the year	**–**	**–**	**–**	**(17,540)**	**–**	**–**	**–**	**(70,219)**	**(87,759)**	**3,248**	**(84,511)**
Balance at 31 December 2017	**10,910**	**131,082**	**8,273**	**(22,952)**	**584,838**	**30,849**	**8,652**	**(407,164)**	**344,488**	**(10,863)**	**333,625**

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 GEM of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

(b) Going concern

The Group incurred a net loss of approximately RMB66,971,000 during the year ended 31 December 2017 and as at 31 December 2017, the Group had net current liabilities of approximately RMB368,917,000. 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 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) The directors of the Company will anticipate that the Group will generate possible cash flows from its future operations;

(3) 2 major gas suppliers of the Group with an aggregate amount of approximately RMB135 million, which represents about 91% of the trade payable balance as at 31 December 2017, have agreed that their amount due by the Group would be payable by way of monthly settlement in accordance with the repayment schedule;

(4) Certain construction suppliers of the Group with an aggregate amount of approximately RMB34 million included in payables for acquisition of property, plant and equipment as set out in note 11 under trade and other payables, have agreed not to demand for repayment for their amount due before 30 June 2019;

(5) The lender of an unsecured loan of approximately RMB24 million due to a non-controlling shareholder of PRC subsidiary as at 31 December 2017, has agreed to extend repayment period up to 27 August 2019;

(6) To raise funds by way of issuing additional equity or debt securities; and

(7) To negotiate with certain bankers to obtain additional banking facilities, if necessary.

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

Amendments to HKFRSs that are mandatory effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 37 to the consolidated financial statements. Apart from the additional disclosure in note 37 to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[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 HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

	2017	2016
	RMB'000	*RMB'000*
Sales of liquefied coalbed gas	**35,684**	146,951
Provision of liquefied coalbed gas logistics services	**7,263**	10,013
Sales of piped natural gas (including provision of gas supply connection services)	**135,615**	61,915
	178,562	218,879

4. OTHER INCOME AND GAINS OR LOSSES

	2017	2016
	RMB'000	*RMB'000*
Other income		
Interest income from bank deposits	**32**	85
Net foreign exchange gain	**–**	72
Rental income	**303**	148
Value-added tax refund	**4,003**	–
Sundry income	**603**	424
	4,941	729
Other gains or losses		
Gain/(loss) on disposal of property, plant and equipment	**406**	(228)
Impairment loss on property, plant and equipment	**(8,329)**	–
Impairment loss on trade and other receivables	**(6,080)**	(5,513)
Written-off of other receivables	**(1,561)**	–
Loss on deregistration of a subsidiary	**(2,195)**	–
	(12,818)	(5,012)

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 revenue from external customers and information about its non-current assets by geographical locations are detailed below:

	Revenue from external customers		**Non-current assets***	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Hong Kong	**–**	–	**–**	210
PRC	**178,562**	218,879	**725,590**	789,928
	178,562	218,879	**725,590**	790,138

* 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:

	2017	2016
	RMB'000	*RMB'000*
Customer A	**37,338**	–
Customer B	**26,852**	–
Customer C	**–**	31,047
Customer D	**–**	26,419
Customer E	**–**	25,354
	64,190	82,820

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

		2017	2016
		RMB'000	*RMB'000*
(a)	**Staff costs (including directors' and chief executive's emoluments)**		
	Salaries and other benefits	**24,658**	26,566
	Retirement benefits schemes contributions	**4,161**	4,162
	Total staff costs *	**28,819**	30,728

* Amount excluded staff costs capitalised in construction in progress of approximately RMB29,000 (2016: RMB31,000).

		2017	2016
		RMB'000	*RMB'000*
(b)	**Other items**		
	Cost of inventories	**81,216**	132,301
	Auditors' remuneration		
	– audit services	**2,033**	1,716
	– non-audit services	**–**	189
	Depreciation of property, plant and equipment	**77,805**	80,080
	Amortisation of prepaid land lease payments	**817**	863
	Operating lease charges in respect of land and buildings	**428**	811
	Research and development costs	**317**	579
(c)	**Finance costs**		
	Interest expenses on bank and other borrowings	**4,043**	3,625
	Effective interest on convertible bonds	**1,887**	1,504
	Finance charges on obligations under finance leases	**3,241**	5,796
	Total interest expenses on financial liabilities not at fair value through profit or loss	**9,171**	10,925

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

Taxation in the consolidated statement of profit or loss represents:

	2017	2016
	RMB'000	*RMB'000*
Current tax – PRC Enterprise Income Tax ("EIT")		
Provision for the year	**2,738**	4,769
Deferred tax		
Origination and reversal of temporary differences	**(2,118)**	(1,692)
Income tax expense	**620**	3,077

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 2017 (2016: 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 2017 and 2016.

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 RMB5.32 cents per share (2016: RMB7.65 cents per share). The calculation of the basic loss per share for the year ended 31 December 2017 is based on the loss attributable to equity shareholders of the Company of approximately RMB70,219,000 (2016: RMB101,002,000) and the weighted average number of shares of approximately 1,319,484,000 (2016: 1,319,484,000) in issue during the year ended 31 December 2017.

The calculation for diluted loss per share for the year ended 31 December 2017 is based on the loss attributable to equity shareholders of the Company of approximately RMB70,219,000 (2016: RMB101,002,000) and the denominator 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 2017 and 2016 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. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use *RMB'000*	Leasehold improvements *RMB'000*	Pipelines *RMB'000*	Plant and machinery *RMB'000*	Computer equipment *RMB'000*	Furniture and equipment *RMB'000*	Transportation and motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost									
At 1 January 2016	156,742	675	169,328	619,480	318	2,654	36,400	144,769	1,130,366
Additions	1,152	930	–	1,302	–	311	3,118	3,146	9,959
Transfer from construction in progress	–	–	9,337	–	–	–	–	(9,337)	–
Disposals	–	–	–	–	–	–	(3,479)	–	(3,479)
Exchange adjustments	–	47	–	–	2	7	110	–	166
At 31 December 2016 and 1 January 2017	157,894	1,652	178,665	620,782	320	2,972	36,149	138,578	1,137,012
Additions	–	–	–	224	–	27	58	22,781	23,090
Disposals	–	–	–	–	–	–	(5,764)	–	(5,764)
Deregistration of a subsidiary	–	–	–	–	(5)	–	–	–	(5)
Exchange adjustments	–	(51)	–	–	(3)	(8)	(127)	–	(189)
At 31 December 2017	157,894	1,601	178,665	621,006	312	2,991	30,316	161,359	1,154,144
Accumulated depreciation and impairment									
At 1 January 2016	83,711	675	29,954	181,976	271	2,143	23,661	7,294	329,685
Charge for the year	8,048	258	9,454	57,387	21	225	4,687	–	80,080
Written back on disposals	–	–	–	–	–	–	(1,610)	–	(1,610)
Exchange adjustments	–	47	–	–	2	7	84	–	140
At 31 December 2016 and 1 January 2017	91,759	980	39,408	239,363	294	2,375	26,822	7,294	408,295
Charge for the year	8,062	310	10,574	55,270	10	161	3,418	–	77,805
Impairment	–	–	–	4,408	–	40	–	3,881	8,329
Written back on disposals	–	–	–	–	–	–	(5,092)	–	(5,092)
Deregistration of a subsidiary	–	–	–	–	(4)	–	–	–	(4)
Exchange adjustments	–	(51)	–	–	(3)	(8)	(121)	–	(183)
At 31 December 2017	99,821	1,239	49,982	299,041	297	2,568	25,027	11,175	489,150
Carrying amount									
At 31 December 2017	**58,073**	**362**	**128,683**	**321,965**	**15**	**423**	**5,289**	**150,184**	**664,994**
At 31 December 2016	66,135	672	139,257	381,419	26	597	9,327	131,284	728,717

Notes:

(i) The buildings held for own use are situated on land held under medium-term leases in the PRC.

(ii) The pipelines of the Group are located in the PRC.

(iii) At 31 December 2017, the Group's building held for own use and plant and machinery with carrying amount of approximately RMB53,210,000 (before impairment) (2016: RMB57,301,000 before impairment) and RMB66,220,000 (before impairment) (2016: RMB76,721,000 before impairment) respectively were pledged.

(iv) The carrying amount of the Group's assets held under finance leases at 31 December 2017 of approximately RMB66,220,000 (before impairment) (2016: RMB76,721,000 before impairment) was included in plant and machinery and approximately RMB454,000 (2016: RMB601,000) was included in transportation and motor vehicles.

In view of the continuing operating losses of certain subsidiaries operating in the PRC during the years ended 31 December 2017 and 2016, the directors of the Company have performed impairment assessment on the property, plant and equipment of these subsidiaries as at 31 December 2017 and 2016. The recoverable amounts of these property, plant and equipment have been determined by an independent professional valuer, Asset Appraisal Limited ("Asset Appraisal") based on value-in-use calculations. The pretax discount rates in measuring the amounts of value-in-use range from 24% to 27% per annum in relation to these property, plant and equipment (2016: range from 22% to 29% per annum). There has been no change from the valuation technique used in prior year. As a result of the impairment assessment, no impairment loss had been recognised in respect of these property, plant and equipment during the year ended 31 December 2017 (2016: RMB Nil).

However, due to wear and tear, an impairment loss of approximately RMB8,329,000 (2016: RMB Nil) was recognised in respect of certain property, plant and equipment.

10. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade and bills receivables	**19,107**	20,796
Less: Allowance for doubtful debts	**(13,609)**	(13,257)
	5,498	7,539
Other receivables	**12,840**	22,328
Amount due from a related company	**3,813**	3,730
Loans and receivables	**22,151**	33,597
Advances to suppliers	**4,848**	1,840
Prepayment relating to construction expenses	**42,473**	49,248
Other prepayments	**7,920**	9,904
Value-added tax recoverable	**3,986**	5,696
	81,378	100,285

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

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

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**3,221**	6,271
More than 1 month but less than 3 months	**–**	428
More than 3 months but less than 6 months	**–**	–
More than 6 months but less than 12 months	**1,030**	–
More than 12 months	**1,247**	840
	5,498	7,539

The Group generally allows credit period of 30 to 180 days to its customers. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon the customers' requests.

11. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**148,593**	160,236
Amounts due to directors	**10,171**	13,738
Amounts due to non-controlling shareholders of subsidiaries	**10,797**	6,451
Accrued expenses and other payables	**28,962**	31,039
Payables for acquisition of property, plant and equipment	**164,269**	159,618
Financial liabilities measured at amortised cost	**362,792**	371,082
Deposits received from customers	**13,028**	10,019
Value-added and other taxes payables	**2,331**	1,826
	378,151	382,927

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

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**12,935**	3,294
More than 1 month but less than 3 months	**106**	447
More than 3 months but less than 6 months	**214**	–
More than 6 months but less than 12 months	**264**	155,688
More than 12 months	**135,074**	807
	148,593	160,236

The trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

12. DIVIDEND

No dividend has been proposed or declared by the directors for the year ended 31 December 2017 (2016: Nil).

SUMMARY OF THE INDEPENDENT AUDITORS' REPORT

An extract of the Company's independent auditors' report for the year ended 31 December 2017 is as follows:

QUALIFIED OPINION

Basis for qualified opinion

Corresponding figures

The consolidated financial statements of the Group for the year ended 31 December 2016 which form the basis for the corresponding figures presented the current year's consolidated financial statements were not audited by us. The predecessor auditor's audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2016 was disclaimed because of the significance of the possible effect of the limitation on the scope of their audit and fundamental uncertainty relating to the going concern bases, details of which are set out in the predecessor's auditor's report dated 27 March 2017.

Any adjustments to the figures mentioned above might have consequential effects on the Group's financial performance and cash flow for the year ended 31 December 2016 and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1(b) which indicates that the Group incurred a net loss of approximately RMB66,971,000 for the year ended 31 December 2017, and as of 31 December 2017, the Group's current liabilities exceeded its current assets by approximately RMB368,917,000. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded a consolidated turnover of approximately RMB178,562,000 for the year ended 31 December 2017, representing an decrease of approximately 18.42% compared with year ended 31 December 2016. The Group has suspended the production of liquefied natural gas by Shanxi Qinshui Shuntai since February 2017, and it leads to the decrease in turnover of the Group during the year.

The Group recorded a loss attributable to equity shareholders of the Company for the year ended 31 December 2017 of approximately RMB70,219,000 compared with that of approximately RMB101,002,000 for the year ended 31 December 2016. The decrease in loss attributable to equity shareholders of the Company as a result of the turn around from gross loss of RMB11,688,000 in 2016 to gross profit of RMB32,776,000 in 2017. The reasons for the decrease are as follows:

(i) in 2016, the gross loss are mainly due to the decline in the selling price of LNG, and the shortage in the natural gas supply (it would lead to the increase in the unit cost), as a result, the Group has suspended the LNG plant operation since February 2017. Instead, the natural gas from our wells would sell to our customers directly by pipeline, and it would dispense the cost of liquefaction processing, therefore, the Group recorded a gross profit of RMB32,776,000 in 2017;

(ii) except for the depreciation of approximately RMB14,900,000 is recorded as administrative expenses in 2017, due to the suspension of our LNG plant since February 2017, the administrative expenses of the Group, in fact, was decreased from RMB60,961,000 to RMB52,999,000 (exclude the depreciation) in 2017. It mainly due to our costing saving plan successfully implemented in 2017; and

(iii) other income and gain or losses increased from RMB5,012,000 to RMB12,818,000 in 2017, it mainly due to an impairment loss on trade and other receivable and property, plant and equipment of RMB6,080,000 and RMB8,329,000 respectively in 2017.

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 2017 are set out below:

	Reserve evaluation of the CBM properties as at 31 December 2017 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 2017, the Group has completed the ground work and drilling of 274 CBM wells, among which 225 wells were in production, representing no change in number of wells compared with the number of wells at the end of 2016. It was mainly attributed to the fact that the Company spent part of funds and put certain efforts in stabilizing 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.

MARKETING AND SALES

During 2017, 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 took on a descending trend, which, to some extent, has affected the sales performance.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2017, the Group had net assets of approximately RMB333,625,000, including cash and bank balances of approximately RMB8,572,000. To minimize 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 23.97% as at 31 December 2017 (2016: 21.74%).

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, 2017, the employees of the Group totaled 476, among which 98 were R&D staff and 223 were project and customer service staff; 121 were administration staff and 34 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 RMB28,819,000 (2016: approximately RMB30,728,000). 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 property, plant and equipment

In view of the continuing operating losses of certain subsidiaries operating in the PRC during the years ended 31 December 2017 and 2016, the directors of the Company have performed impairment assessment on the property, plant and equipment of these subsidiaries as at 31 December 2017 and 2016. The recoverable amounts of these property, plant and equipment have been determined by an independent professional valuer, Asset Appraisal Limited ("Asset Appraisal") based on value-in-use calculations. The pretax discount rates in measuring the amounts of value-in-use range from 24% to 27% per annum in relation to these property, plant and equipment (2016: range from 22% to 29% per annum). There has been no change from the valuation technique used in prior year. As a result of the impairment assessment, no impairment loss had been recognised in respect of these property, plant and equipment during the year ended 31 December 2017 (2016: RMB Nil).

However, due to wear and tear, an impairment loss of approximately RMB8,239,000 (2016: RMB Nil) was recognised in respect of certain property, plant and equipment.

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 2017, 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 2017, 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. However, the shortage in supply of raw gas kept handicapping the Company. Daily gas output of the upstream business was insufficient to allow the 500,000 cubic meters daily production capacity of liquefaction plants to be fully unleased. In view of this, the Group commenced the R&D on natural gas production by coal in 2017, and invited Institute of Process Engineering under Chinese Academy of Sciences to provide technological guidance. As at the date of this announcement, the experiment on natural gas production by coal was largely completed. The Group intends to commence the first stage of the project of natural gas production by coal in June 2018 on a pilot basis, with a daily output of 200,000 cubic meters. In addition, the Group plans to increase the daily output to 800,000 cubic meters by the end of 2018. The Group also plans to resume its LNG business in 2018, as the number of upstream wells and gas output are both steadily increasing, the group successfully developed natural gas production by coal and LNG price stabilized and saw upward momentum in the second half of 2017. The Group's raw gas supply will be further consolidated and the advantage of vertical integration business will emerge. The production capacity of liquefaction plants will be fully unleashed. In 2018, thanks to the stable supply from self-produced well gas and natural gas production by coal, 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 2018, the daily output of gas exploration business will break through beyond 200,000 cubic meters, and daily output of natural gas production by coal will reach about 800,000 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. The demand growth of natural gas market will continue to retain its strong momentum. Management of the Company will spare no effort in overcoming difficulties and be devoted to making contribution to the Company's profit margin and long-term development.

In addition, the Group has since the beginning of 2016 commenced the R&D on liquefied A-class air. However, liquefied A-class air was not launched on market in 2017 due to unstable ratios of nitrogen oxygen in liquefied A-class air. In 2018, the Group will continue with the R&D of liquefied A-class air, and strive to make a breakthrough as soon as possible, in a bid to create a new profit growth driver for the Group.

DISCUSSION ON QUALIFIED OPINION

As the predecessor auditor's audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2016 was disclaimed, therefore, the qualified opinion on corresponding figures is raised in the independent auditor's report. Any adjustments to the figures mentioned above might have consequential effects on the Group's financial performance and cash flow for the year ended 31 December 2016 and the related disclosures thereof in the consolidated financial statements. After review of the financial statements of the Company by the Board and the audit committee of the Company, the opinion of the Group towards this issue is that the corresponding figures are no impact in the financial performance of the Group in the year of 2017 and the financial position of the Group as at 31 December 2017, and there will have no any financial impact in the years onwards.

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

As at 31 December 2017, 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 2017, 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 2017, 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 2017, 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 or Short Positions in Shares, Underlying Shares and Debentures" above and in the section "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 2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	As at 31 December 2017	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 year 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 *HK$*	Number of options
Outstanding as at 1 January 2017	3.81	32,119,074
Granted during the year	–	–
Outstanding as at 31 December 2017	3.81	32,119,074
Exercisable as at 31 December 2017	3.81	32,119,074

The options outstanding as at 31 December 2017 had an exercise price of HK$3.81 and a weighted average remaining contractual life of 3.4 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 2017, 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 Mr. Lau Chun Pong (Chairman).

During the year ended 31 December 2017, the audit committee has held four meetings. The Group's result for the year ended 31 December 2017 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.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditors, KTC Partners CPA Limited ("KTC") to the amounts set out in the Group's consolidated financial statements for the year, The work performed by KTC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KTC on the preliminary announcement.

DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2017.

CORPORATE GOVERNANCE

During the year ended 31 December 2017 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 2017.

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 RMB0.83284: HK$1.

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

China, 27 March 2018

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, Mr. Lau Chun Pong and Mr. Wang Zhi He.

This announcement, for which the directors of the Company (the "Directors") 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 for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting.