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## **China CBM Group Company Limited**

**中國煤層氣集團有限公司**

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

**(Stock Code: 8270)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION POSSIBLE ACQUISITION OF ADDITIONAL EQUITY INTEREST OF HUIYANG NEW ENERGY**

#### **THE POSSIBLE ACQUISITION**

The Board is pleased to announce that on 28 March 2023, Shanxi Yangcheng, a wholly-owned subsidiary of the Company, submitted a bid for acquiring the remaining 20% equity interest in Huiyang New Energy with a bidding price of RMB6,723,800 through participating in the bid invitation, auction and listing (招拍掛) organised by the Shanxi Property Trading Market\* (山西省產權交易市場). Upon completion of the Possible Acquisition, the Group will in aggregate be interested in the entire equity interest of Huiyang New Energy, and Huiyang New Energy will become an indirect wholly owned subsidiary of the Company.

#### **GEM LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Chapter 19 of the GEM Listing Rules exceed 5% but less than 25%, the Possible Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules and is only subject to the reporting and announcement requirement under the GEM Listing Rules.

Yangcheng Yangtai is a substantial shareholder of Huiyang New Energy, and therefore a connected person of the Company at the subsidiary level. As such, the Possible Acquisition also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

None of the Directors has a material interest in the Possible Acquisition and therefore none of them is required to abstain from voting on the resolutions of the Board for considering and approving the Possible Acquisition.

Since (i) Yangcheng Yangtai is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Possible Acquisition; and (iii) the independent non-executive Directors have confirmed that the terms of the Possible Acquisition are fair and reasonable, and that the Possible Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Possible Acquisition is subject to the announcement requirement but is exempt from the circular and independent shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

**Shareholders and potential investors of the Company should note that there is no guarantee and/or assurance that Shanxi Yangcheng will eventually win the bid for the 20% equity interest in Huiyang New Energy under the bid invitation, auction and listing and therefore the Possible Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.**

## **INTRODUCTION**

The Board is pleased to announce that on 28 March 2023, Shanxi Yangcheng, a wholly-owned subsidiary of the Company, submitted a bid for acquiring the remaining 20% equity interest in Huiyang New Energy with a bidding price of RMB6,723,800 through participating in the bid invitation, auction and listing (招拍掛) organised by the Shanxi Property Trading Market\* (山西省產權交易市場). Upon completion of the Possible Acquisition, the Group will in aggregate be interested in the entire equity interest of Huiyang New Energy, and Huiyang New Energy will become an indirect wholly owned subsidiary of the Company.

## **THE POSSIBLE ACQUISITION**

Date of the submission of the bid	:	28 March 2023
Transferor	:	Yangcheng Yangtai
Prospective Transferee	:	Shanxi Yangcheng
Assets for auction	:	20% equity interest in Huiyang New Energy
Bidding price	:	The amount payable by Shanxi Yangcheng for the 20% equity interest in Huiyang New Energy is RMB6,723,800, excluding taxes incurred in relation to the transfer of title. The bidding price was determined having taken into account, among others, (i) the base price of the bid of RMB6,723,800 set by Yangcheng Yangtai; (ii) the amount of capital commitment contributed by Yangcheng Yangtai into Huiyang New Energy; and (iii) the reasons for and benefits of the Possible Acquisition as stated under the section headed “Reasons for and benefits of the Possible Acquisition” below. The bidding price was equal to the base price of RMB6,723,800. No independent valuation has been taken as reference for setting the bidding price.

Despite the bidding price is close to the base price, the Board considered the fact that the Group is already holding 80% of the equity interest in Huiyang New Energy and is very familiar with the business operation of Huiyang New Energy, the Group does not anticipate that the auction would attract many competitive bids from other parties and consider the bidding price placed by Shanxi Yangcheng to be fair and reasonable.

The final consideration shall be subject to the final bid price, but in any event it shall not be exceeding RMB6,730,000.

- Settlement of the bidding price : The bidding price shall be settled in the following manner:
- (i) RMB700,000 to be paid within 3 working days upon confirmation of the qualifications of the Prospective Transferee; and
  - (ii) the remaining RMB6,023,800 to be paid within 5 working days from the effective date of the Formal Agreement to the bank account designated by the Shanxi Property Trading Market
- Source of funding : Shanxi Yangcheng intends to settle the bidding price by internal resources of the Group

To complete the Possible Acquisition, Shanxi Yangcheng is required to negotiate and enter into the Formal Agreement with Yangcheng Yangtai in respect of the Possible Acquisition, which shall contain certain conditions precedent to its completion.

## **INFORMATION OF THE GROUP**

### **The Group**

The Group is principally engaged in the business of exploitation, liquefaction production and sales of natural gas in the PRC, including, among others, the manufacturing and sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistics services and provision of coalbed gas liquefied processing services), sales of piped natural gas and provision of gas supply connection services.

## **Shanxi Yangcheng**

Shanxi Yangcheng is a company established in the PRC with limited liability and is a wholly owned subsidiary of the Company. Shanxi Yangcheng is principally engaged in investment holding.

## **INFORMATION OF THE PARTIES INVOLVED IN THE BID INVITATION, AUCTION AND LISTING (招拍掛)**

### **Huiyang New Energy**

Huiyang New Energy is a company established in the PRC with limited liability and is currently held as to 60%, 20% and 20% by Shanxi Yangcheng (a wholly-owned subsidiary of the Company), Qinshui County Lvqiao CBM Technology Services Co., Ltd.\* (沁水縣綠橋煤層氣技術服務有限公司) (an indirect wholly-owned subsidiary of the Company) and Yangcheng Yangtai, respectively. Huiyang New Energy is principally engaged in exploration, development and production of coalbed methane. Upon completion of the Possible Acquisition, the Group will in aggregate be interested in the entire equity interest of Huiyang New Energy, and Huiyang New Energy will become an indirect wholly owned subsidiary of the Company, and the financial information of which will continue to be consolidated into the financial statements of the Group.

Set out below is the unaudited financial information of Huiyang New Energy for the years ended 31 December 2021 and 2022:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	49,769	51,421
(Loss) before taxation	(42,145)	(35,657)
(Loss) after taxation	(42,145)	(35,657)

As at 31 December 2022, Huiyang New Energy had net liabilities of approximately RMB138.7 million.

The original acquisition cost of the 20% equity interest by Yangcheng Yangtai was RMB6.0 million, being the amount of initial capital commitment made in proportion to the 20% equity interest in Huiyang New Energy.

### **Yangcheng Yangtai**

Yangcheng Yangtai is a company established in the PRC with limited liability and is currently held as to (i) approximately 59.5% by Yangcheng County State Owned Capital Investment and Operation Company Limited\* (陽城縣國有資本投資運營有限公司), a state-owned enterprise; (ii) approximately 30.6% by Yangcheng County Association of Municipal and Township Collectively-Owned Industries\* (陽城縣城鎮集體工業聯合社); and (iii) approximately 9.8% by Shangxi Coal Transportation and Marketing Group Jincheng Yangcheng Company Limited\* (山西煤炭運銷集團晉城陽城有限公司), a wholly-owned subsidiary of Jinneng Holding Power Group Company Limited\* (晉能控股電力集團有限公司), a state-owned enterprise.

In July 2011, Yangcheng Yangtai and Huiyang New Energy entered into an entrusted exploitation agreement (the “**Original Agreement**”), pursuant to which Huiyang New Energy agreed to drain and extract coalbed methane from the coal mines which Yangcheng Yangtai possessed the coal exploitation rights, at nil consideration. According to the Original Agreement, Huiyang New Energy was entitled to the ownership of the drained and extracted coalbed methane.

However, there had been disputes over the exploitation right of coalbed methane between Yangcheng Yangtai and the owner (the “**Independent Third Party**”) of the exploitation right of coalbed methane, an independent third party, over the past few years. In November 2021, Yangcheng Yangtai and the Independent Third Party entered into a cooperative agreement (the “**Cooperative Agreement**”) in relation to the exploitation of coalbed methane from the coal mines, pursuant to which the Independent Third Party should be entitled to not less than 15% of the total coalbed methane produced each year. As Yangcheng Yangtai will cease to be a substantial shareholder of Huiyang New Energy, the Directors envisage that upon completion of the Possible Acquisition, Yangcheng Yangtai would enter into a new entrusted exploitation agreement with Huiyang New Energy to replace the Original Agreement, which would reflect the terms of the Cooperative Agreement and enable Huiyang New Energy to continue its extraction and exploitation of coalbed methane.

## **REASONS FOR AND BENEFITS OF THE POSSIBLE ACQUISITION**

As stated in the interim report of the Company for the six months ended 30 June 2022, it is foreseeable that the highly polluted energy will be eliminated from the market more rapidly, and the use of replaceable clean energy will become more popular, resulting in a keener market demand for natural gas. The demand growth in the natural gas market will continue to retain its strong momentum.

As stated in the announcements of the Company dated 30 September 2022 and 16 January 2023, respectively, and the circular of the Company dated 12 December 2022 (the “**Previous Announcements and Circular**”), since July 2011, the Group has made significant investment in resources exploration and exploitation at the coalbed methane blocks located in Yangcheng, Shanxi Province, the PRC. The Board believes that the Possible Acquisition, if materialised, is in line with the development strategy of the Group and can create long-term and strategic interests for the Group, and with full control of Huiyang New Energy, the Group will be able to further promote its market position in Yangcheng, Shanxi Province, the PRC, thereby generating optimal synergy effect among the Group. In addition, the bidding price represents a discount of approximately 84.14% proportionate to the valuation of the entire equity interest in Huiyang New Energy of approximately RMB212,000,000 as at 30 June 2022, details of which are set out in the Previous Announcements and Circular, which the Board considers to be a good opportunity to step up its interest in Huiyang New Energy.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Possible Acquisition, while not in the ordinary and usual course of business of the Group, is in the interest of the Company and the Shareholders as a whole.

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Since (i) Yangcheng Yangtai is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Possible Acquisition; and (iii) the independent non-executive Directors have confirmed that the terms of the Possible Acquisition are fair and reasonable, and that the Possible Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Possible Acquisition is subject to the announcement requirement but is exempt from the circular and independent shareholders' approval requirements pursuant to Rule 20.99 of the GEM Listing Rules.

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## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of the Directors
“Company”	China CBM Group Company Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on GEM
“Director(s)”	director(s) of the Company

“Formal Agreement”	the legally-binding formal equity transfer agreement to be entered into between Shanxi Yangcheng as purchaser and Yangcheng Yangtai as vendor in respect of the Possible Acquisition
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huiyang New Energy”	Yangcheng Huiyang New Energy Development Company Limited* (陽城縣惠陽新能源發展有限公司), a company established in the PRC with limited liability and, as at the date of this announcement, is an indirect non-wholly owned subsidiary of the Company. Upon completion of the Possible Acquisition, the Group will be in aggregate interested in the entire equity interest of Huiyang New Energy
“Possible Acquisition”	the possible acquisition of 20% equity interest in Huiyang New Energy through participating in the bid invitation, auction and listing (招拍掛) and under the Formal Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanxi Property Trading Market”	Shanxi Property Trading Market Company Limited* (山西省產權交易市場有限責任公司)
“Shanxi Yangcheng” or “Prospective Transferee”	Shanxi Yangcheng Shuntai Energy Development Company Limited* (山西陽城順泰能源發展有限公司), a wholly owned subsidiary of the Company
“Share(s)”	ordinary share(s) with a par value of HK\$0.08 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yangcheng Yangtai”	Yangcheng County Yangtai Group Industrial Company Limited* (陽城縣陽泰集團實業有限公司), a company established in the PRC with limited liability
“%”	per cent.

\* For identification purposes only

By order of the Board  
**China CBM Group Company Limited**  
**Wang Zhong Sheng**  
*Executive Director*

Hong Kong, 28 March 2023

*As at the date hereof, the executive Directors are Mr. Wang Zhong Sheng and Mr. Chang Jian, the non-executive Directors are Mr. Duan Shi Chuan, Mr. Liang Feng and Mr. Wang Chen, and the independent non-executive Directors are Mr. Lau Chun Pong, Mr. Xu Yuan Jian 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 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 Listed Company Information” page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the date of its publication and the website of the Company at <https://mediumir.com/c08270/en/index.php>.*