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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: 08270)**

**INTERIM RESULTS ANNOUNCEMENT**  
**For the six months ended 30 June 2015**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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

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

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*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.*

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## FINANCIAL HIGHLIGHTS

- Turnover of the Company together with its subsidiaries (collectively the “Group”) for the quarter ended 30 June 2015 (the “Quarterly Period”) and the six months ended 30 June 2015 (the “Interim Period”) were approximately RMB87,014,000 and RMB158,192,000 respectively, representing an increase of approximately 38% and 41% respectively compared with corresponding periods in the previous financial year.
- The Group recorded a loss attributable to owners of the Company of approximately RMB17,154,000 for the Interim Period.
- Loss per share of the Group was approximately RMB1.5 cents for the Interim Period.
- The board of Directors (the “Board”) does not recommend the payment of any dividend for the Interim Period.

## CONDENSED CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results of the Group for the Quarterly Period and the Interim Period, together with the unaudited comparative figures for the corresponding periods in 2014, respectively were as follows:—

(Unless otherwise stated, all financial figures presented in this interim announcement are denominated in Renminbi (“RMB”).

	Note	Quarterly ended 30 June		Half year ended 30 June	
		2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Turnover	3	87,014	63,277	158,192	112,530
Cost of sales		<u>(94,696)</u>	<u>(72,529)</u>	<u>(148,724)</u>	<u>(122,665)</u>
Gross (loss)/profit		(7,682)	(9,252)	9,468	(10,135)
Other revenue and net income	3	135	21	246	31
Distribution costs		(2,736)	(1,673)	(3,370)	(2,356)
Administrative and other operating expenses		(11,921)	(9,963)	(22,486)	(22,814)
Finance costs		<u>(2,533)</u>	<u>(5,170)</u>	<u>(6,681)</u>	<u>(10,123)</u>
Loss before income tax	4	(24,737)	(26,037)	(22,823)	(45,397)
Income tax credit/(charge)	5	<u>141</u>	<u>(1,197)</u>	<u>640</u>	<u>615</u>
Loss for the period		<u><b>(24,596)</b></u>	<u><b>(27,234)</b></u>	<u><b>(22,183)</b></u>	<u><b>(44,782)</b></u>
<b>Attributable to:</b>					
Owners of the Company		(20,298)	(24,832)	(17,154)	(40,412)
Non-controlling interests		<u>(4,298)</u>	<u>(2,402)</u>	<u>(5,029)</u>	<u>(4,370)</u>
<b>Loss for the period</b>		<u><b>(24,596)</b></u>	<u><b>(27,234)</b></u>	<u><b>(22,183)</b></u>	<u><b>(44,782)</b></u>
Dividends attributable to the period	6	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<b>RMB (cents)</b>	<b>RMB (cents)</b>	<b>RMB (cents)</b>	<b>RMB (cents)</b>
<b>Loss per share</b>					
— basic	7	<u><b>(1.78)</b></u>	<u><b>(2.71)</b></u>	<u><b>(1.50)</b></u>	<u><b>(4.41)</b></u>
— diluted		<u><b>(1.78)</b></u>	<u><b>(2.71)</b></u>	<u><b>(1.50)</b></u>	<u><b>(4.41)</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarterly ended 30 June		Half year ended 30 June	
	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Loss for the period</b>	<b>(24,596)</b>	(27,234)	<b>(22,183)</b>	(44,782)
<b>Other comprehensive (expense)/income for the period</b>				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of foreign entities	<b>(158)</b>	(7)	<b>(125)</b>	678
<b>Total comprehensive expense for the period</b>	<b>(24,754)</b>	(27,241)	<b>(22,308)</b>	(44,104)
<b>Total comprehensive expense attributable to:</b>				
Equity shareholders of the Company	<b>(20,456)</b>	(24,839)	<b>(17,279)</b>	(39,734)
Non-controlling interests	<b>(4,298)</b>	(2,402)	<b>(5,029)</b>	(4,370)
	<b>(24,754)</b>	(27,241)	<b>(22,308)</b>	(44,104)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2015 <i>RMB'000</i> <i>(unaudited)</i>	31 December 2014 <i>RMB'000</i> <i>(audited)</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Goodwill		—	—
Property, plant and equipment		849,058	872,877
Prepaid lease payments for land under operating leases		32,338	32,689
Intangible assets		134,729	141,661
Deposits and prepayments		72,537	66,365
Deferred tax assets		88	88
		1,088,750	1,113,680
<b>Current assets</b>			
Prepaid lease payments for land under operating leases		810	810
Financial asset at fair value through profit or loss		200	200
Inventories		32,592	9,833
Trade and other receivables	9	128,287	112,770
Tax recoverable		3,197	2,000
Cash and cash equivalents		62,606	43,930
		227,692	169,543
<b>Current liabilities</b>			
Trade and other payables	10	380,229	380,063
Bank and other borrowings due within one year	11	78,080	87,500
Obligation under finance leases		29,060	29,145
Provision		5,654	4,546
Tax payable		5,562	2,901
		498,585	504,155

		<b>30 June 2015 RMB'000 (unaudited)</b>	31 December 2014 RMB'000 (audited)
<b>Net current liabilities</b>		<b>(270,893)</b>	(334,612)
<b>Total assets less current liabilities</b>		<b>817,857</b>	779,068
<b>Non-current liabilities</b>			
Bank and other borrowings	<i>11</i>	—	—
Obligation under finance leases		<b>63,114</b>	1,255
Deferred tax liabilities		<b>41,975</b>	42,737
		<b>105,089</b>	43,992
<b>Net assets</b>		<b>712,768</b>	735,076
<b>Capital and Reserves</b>			
Share capital	<i>12</i>	<b>9,432</b>	9,432
Reserves		<b>702,011</b>	719,290
Equity attributable to equity shareholders of the Company		<b>711,443</b>	728,722
Non-controlling interests		<b>1,325</b>	6,354
<b>Total equity</b>		<b>712,768</b>	735,076

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	41,576	(32,169)
CASH OUTFLOW FROM INVESTING ACTIVITIES	(69,749)	(67,187)
CASH INFLOW FROM FINANCING ACTIVITIES	46,849	118,254
NET INCREASE IN CASH AND BANK BALANCES	18,676	18,898
CASH AND BANK BALANCES AT 1 JANUARY	43,930	17,656
CASH AND BANK BALANCES AT 30 JUNE	62,606	36,554

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited)	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	General reserve	Translation reserve	Contributed surplus	Share option reserve	Accumulated losses	Total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
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 period	—	—	—	—	—	—	(17,154)	(17,154)	(5,029)	(22,183)
Other comprehensive expense for the period	—	—	—	(125)	—	—	—	(125)	—	(125)
Total comprehensive expense for the period	—	—	—	(125)	—	—	(17,154)	(17,279)	(5,029)	(22,308)
Balance at 30 June 2015	<u>9,432</u>	<u>102,851</u>	<u>8,273</u>	<u>(7,646)</u>	<u>584,838</u>	<u>30,849</u>	<u>(17,154)</u>	<u>711,443</u>	<u>1,325</u>	<u>712,768</u>

(unaudited)	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	General reserve	Translation reserve	Contributed surplus	Share option reserve	Convertible bonds reserve	Accumulated losses			Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>			<i>RMB'000</i>
Balance at 1 January 2014	47,333	1,184,921	5,094	(130)	—	30,849	—	(462,640)	805,427	15,322	820,749
Loss for the period	—	—	—	—	—	—	—	(40,412)	(40,412)	(4,370)	(44,782)
Other comprehensive income for the period	—	—	—	678	—	—	—	—	678	—	678
Total comprehensive expense for the period	—	—	—	678	—	—	—	(40,412)	(39,734)	(4,370)	(44,104)
Issue of new shares											
– Share placement	6,927	56,804	—	—	—	—	—	—	63,731	—	63,731
– Open offer	24,965	74,896	—	—	—	—	—	—	99,861	—	99,861
– Subscription of new shares	1,513	45,563	—	—	—	—	—	—	47,076	—	47,076
Transaction costs attributable to issue of new shares	—	(3,725)	—	—	—	—	—	—	(3,725)	—	(3,725)
Capital reorganisation	(67,893)	(1,312,896)	—	—	877,737	—	—	503,052	—	—	—
Balance at 30 June 2014	<u>12,845</u>	<u>45,563</u>	<u>5,094</u>	<u>548</u>	<u>877,737</u>	<u>30,849</u>	<u>—</u>	<u>—</u>	<u>972,636</u>	<u>10,952</u>	<u>983,588</u>



*NOTES:*

**1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

The unaudited financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They are prepared under the historical cost convention.

The unaudited consolidated results for the six months ended 30 June 2015 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results for the six months ended 30 June 2015 are consistent with those used in the Company’s annual financial statements for the year ended 31 December 2014.

The Group principally operates in the People’s Republic of China (the “PRC”) with its business activities principally transacted in RMB, the results of the Group are therefore prepared in RMB.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the Interim Period, the Group has, where applicable, applied the new and revised HKFRSs issued by the HKICPA which are or have become effective.

The application of the new and revised HKFRSs in the current period had no material effect on the Group’s financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretation which are not yet effective for the period ended 30 June 2015 and which have not been adopted in these financial statements.

The Group is in the process of assessing the impact of these new and revised standards, amendments or interpretation is expected to be in the period of initial application but is not yet in a position to state whether those new and revised standards, amendments or interpretation would have a significant impact on the Group’s or the Company’s results of operations and financial position.

### 3. TURNOVER AND SEGMENT INFORMATION

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistics services), sales of piped natural gas and provision of gas supply connection services.

Turnover represents the sales value of goods supplied and services provided to customers, which excludes value-added and business taxes, and is after deduction of any goods returns and trade discounts.

— The amount of each significant category of revenue recognised in turnover during the Quarterly Period and the Interim Period, and the corresponding periods in 2014 is as follows:

	Quarterly ended 30 June		Half year ended 30 June	
	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Turnover				
Sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistic services)	<b>86,152</b>	51,564	<b>155,284</b>	91,810
Sales of piped natural gas and provision of gas supply connection services	<b>862</b>	11,713	<b>2,908</b>	20,720
	<b>87,014</b>	63,277	<b>158,192</b>	112,530
Other revenue and net income				
Interest income from bank deposits	<b>30</b>	21	<b>59</b>	31
Others	<b>105</b>	—	<b>187</b>	—
	<b>135</b>	21	<b>246</b>	31

The Group's turnover and assets were mainly derived from and related to the liquefied coalbed gas business in China while other segments were immaterial. Hence no geographical segment information is presented.

#### 4. LOSS BEFORE INCOME TAX

Loss before income tax was arrived at after charging:

	Quarterly ended 30 June		Half year ended 30 June	
	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Staff costs (including Directors' remuneration) — Salaries, wages, retirement benefit schemes contributions and other benefit	6,803	6,400	12,981	12,130
Depreciation of property, plant and equipment	15,702	15,326	31,881	28,820

#### 5. INCOME TAX

##### (a) Hong Kong profits tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period ended 30 June 2015 and 2014.

No provision for Hong Kong profits tax has been made as the Group did not derive any income subject to Hong Kong profits tax during the Interim Period.

##### (b) Overseas income tax

Taxes on incomes assessable elsewhere were provided for in accordance with the applicable tax legislations, rules and regulations prevailing in the territories in which the Group operates. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

There was no significant unprovided deferred taxation for the Quarterly Period and Interim Period.

## 6. DIVIDENDS

The Board does not recommend payment of any interim dividend for the Interim Period (six-month ended 30 June 2014: Nil).

## 7. LOSS PER SHARE

The calculation of basic and diluted loss per share for the Quarterly Period and Interim Period were based on the respective unaudited data as follows:

	Quarterly ended 30 June		Half year ended 30 June	
	2015	2014	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Loss attributable				
to owners of the Company	<b><u>(20,298)</u></b>	<b><u>(24,832)</u></b>	<b><u>(17,154)</u></b>	<b><u>(40,412)</u></b>
	<b>Shares</b>	<i>Shares</i>	<b>Shares</b>	<i>Shares</i>
	<b><i>('000)</i></b>	<i><i>('000)</i></i>	<b><i>('000)</i></b>	<i><i>('000)</i></i>
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	<b><u>1,141,480</u></b>	<b><u>915,793</u></b>	<b><u>1,141,480</u></b>	<b><u>915,793</u></b>

No dilutive loss per share was presented because there were no dilutive potential ordinary share in existence during the quarters and six months ended 30 June 2015 and 30 June 2014 respectively.

## 8. ADDITIONS AND DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT

During the Interim Period, the Group have acquired approximately RMB8,062,000 (six months ended 30 June 2014: approximately RMB12,839,000) property, plant and equipment. There was no material disposal in the Interim Period (six months ended 30 June 2014: Nil).

## 9. TRADE AND OTHER RECEIVABLES

The Group's trade receivables relate to sales of goods to third party customers. The Group performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on trade receivables.

The Group's trade and other receivables are as follows:

	<b>30 June 2015 RMB'000 (unaudited)</b>	31 December 2014 RMB'000 (audited)
Trade and bills receivables	11,383	12,442
Amounts due from related companies	12,451	11,095
Advances to suppliers	2,915	2,848
Prepayments and other receivables	97,149	81,911
Other tax recoverable	4,389	4,474
	<u>128,287</u>	<u>112,770</u>

The ageing analysis of the trade and bills receivables based on invoice date is as follows:

	<b>30 June 2015 RMB'000 (unaudited)</b>	31 December 2014 RMB'000 (audited)
Within 1 month	5,289	11,133
More than 1 month but less than 3 months	2,451	179
More than 3 months but less than 6 months	2,513	—
More than 6 months but less than 12 months	—	—
More than 12 months	1,130	1,130
	<u>11,383</u>	<u>12,442</u>

## 10. TRADE AND OTHER PAYABLES

	<b>30 June 2015 RMB'000 (unaudited)</b>	31 December 2014 RMB'000 (audited)
Trade payables	120,187	82,616
Amount due to a non-controlling shareholder of a subsidiary ( <i>note (a)</i> )	1,569	8,987
Accrued expenses and other payables	245,246	269,902
Deposits received from customers	12,744	14,980
Other taxes payables	483	3,578
	<u>380,229</u>	<u>380,063</u>

The ageing analysis of the trade payables based on invoice date is as follows:

	<b>30 June 2015 RMB'000 (unaudited)</b>	31 December 2014 RMB'000 (audited)
Within 1 month	26,652	13,362
More than 1 month but less than 3 months	23,696	17,260
More than 3 months but less than 6 months	12,478	9,578
More than 6 months but less than 12 months	24,852	21,380
More than 12 months	32,509	21,036
	<u>120,187</u>	<u>82,616</u>

*Note:*

(a) The amounts are unsecured, interest-free and repayable on demand.

## 11. BANK AND OTHER BORROWINGS

As at 30 June 2015, the bank and other loans were repayable as follows:

	<b>30 June 2015 RMB'000 (unaudited)</b>	31 December 2014 RMB'000 (audited)
Secured bank loans repayable:		
Within 1 year or on demand	<b>30,000</b>	33,000
After 1 year but within 2 years	—	—
	<b>30,000</b>	33,000
Unsecured other loans repayable:		
Within 1 year or on demand	<b>48,080</b>	54,500
	<b>78,080</b>	87,500
Less: Amount due within 1 year shown under current liabilities	<b>(78,080)</b>	(87,500)
Amount due after 1 year shown under non-current liabilities	—	—

*Notes:*

- (a) Unsecured other loans of RMB48,080,000 (2014: RMB54,500,000) represent loans due to non-controlling shareholders of PRC subsidiaries of the Group. The loans bear interest at fixed rates ranging from 7.12% to 11.50% (2014: 7.12% to 11.50%) per annum.
- (b) As at 30 June 2015, bank borrowings of RMB30,000,000 (2014: RMB30,000,000) were secured by the pledge of certain plant and equipment of 諾信(獻縣)機械工程材料有限公司 (transliterated as Nopin (Xian Country) Engineering Material & Machinery Co., Ltd. (“Nopin Engineering”). Nopin Engineering is a company owned by Mr. Wang Zhong Sheng. As at 30 June 2015, the Group did not have any undrawn banking facilities (2014: Nil).

## 12. SHARE CAPITAL

	30 June 2015 (unaudited)		31 December 2014 (audited)	
	Number of shares '000	Total nominal value RMB '000	Number of shares '000	Total nominal value RMB '000
Authorised	<b>20,000,000</b>	<b>174,064</b>	20,000,000	174,064
Issued and fully paid At 1 January ordinary shares of HK\$0.01 each	<b>1,141,480</b>	<b>9,432</b>	5,461,736	47,333
Issue of shares by share placement	—	—	880,000	6,924
Issue of shares by open offer	—	—	3,170,868	24,923
Capital reorganisation	—	—	(8,561,344)	(71,262)
Issue of shares by subscription of new shares	—	—	190,220	1,514
At 30 June/31 December	<b>1,141,480</b>	<b>9,432</b>	1,141,480	9,432

Pursuant to special resolutions passed at the extraordinary general meeting of the Company on 9 April 2014 in relation to the capital reorganisation of the Company (“Capital Reorganisation”), among other things:

- (i) the entire amount standing to the credit of the share premium account of the Company was cancelled and transferred to an account of the Company designated as the contributed surplus account of the Company on 9 April 2014;
- (ii) on 12 May 2014, the Company had undergone the Capital Reorganisation in the following manner:
  - (1) every 10 existing shares of HK\$0.01 each of the Company were consolidated into 1 share of HK\$0.10 (“Consolidated Share”) (“Share Consolidation”); and
  - (2) the issued share capital of the Company was reduced through a cancellation of the paid up capital of the Company to the extent of HK\$0.09 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share was reduced from HK\$0.10 into HK\$0.01 (“Capital Reduction”);



## Share option scheme

Pursuant to an ordinary resolution passed on 18 May 2011, the Company adopted a share option scheme (the “Scheme”) for the purpose of enabling the Company to recruit and retain high-calibre employees and attract resources that are available to the Group and to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to such persons who contribute or may bring benefit to the Group. The Scheme will remain in force for a period of 10 years from adoption of the 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 Scheme.

As a result of the Open Offer, adjustment has been made, among others, to the number of the share options to subscribe for shares granted and the exercise price of the outstanding share options pursuant to the New Share Option Scheme with effect from 6 February 2014.

After the aforesaid adjustment upon the completion of the Open Offer, the total number of the outstanding share options has been adjusted from 247,260,000 to 321,190,740 on 6 February 2014 and the exercise price of the outstanding share options had been adjusted from HK\$0.495 to HK\$0.381.

As a result of the capital reorganisation, adjustment has been made, among others, to the number of the share options to subscribe for shares granted and the exercise price of the outstanding share options pursuant to the New Share Option Scheme with effect from 12 May 2014.

After the aforesaid adjustment upon the completion of the capital reorganisation, the total number of the outstanding share options has been adjusted from 321,190,740 to 32,119,074 on 12 May 2014 and the exercise price of the outstanding options has been adjusted from HK\$0.381 to HK\$3.81.

The options outstanding at 30 June 2015 had an exercise price of HK\$3.81 and a weighted average remaining contractual life of 5.9 years. The exercise periods for the above options granted under the Scheme shall end not later than 10 years from 30 May 2011.

### 13. COMMITMENTS

- (a) At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases in respect of office premises are payable as follows:

	<b>30 June 2015 RMB'000 (unaudited)</b>	31 December 2014 RMB'000 (audited)
Within 1 year	488	76
After 1 year but within 5 years	366	—
	<u>854</u>	<u>76</u>

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease with all terms renegotiable. None of the leases includes contingent rentals.

- (b) At 30 June 2015, the Group had the following capital commitments:

	<b>30 June 2015 RMB'000 (unaudited)</b>	31 December 2014 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment and in respect of construction in progress: — contracted but not provided for in the financial statements	<u>121,129</u>	<u>146,899</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

The Group recorded a consolidated turnover of approximately RMB158,192,000 for the Interim Period, representing an increase of approximately 41% compared with the corresponding period last year.

The increase was mainly attributable to the increase in production compared with the corresponding period in 2014 as a result of the increase in number of coalbed methane (“CBM”) wells in production. Therefore, the operating income generated from sales of liquefied coalbed gas has increased by approximately RMB63,474,000.

Loss attributable to shareholders for the Interim Period was approximately RMB17,154,000, compared with the loss attributable of shareholders of approximately RMB40,412,000 in the corresponding period last year. The reasons for the decrease in loss are as follows:

- (i) The production of liquefied coalbed gas has increased during the Interim Period, therefore the cost of liquefied coalbed gas was lowered, resulting in the record of gross profit for the Interim Period.
- (ii) A gross loss was recorded in the Quarterly Period, as a result of a decrease in the sales unit price of CBM.
- (iii) The finance costs decreased by approximately RMB3,442,000 as a result of the decrease in the finance charges on bank and other borrowing compared with that of the corresponding period last 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<sup>2</sup> 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 30 June 2015 are set out below:

	<b>Reserve evaluation of the CBM properties as at 30 June 2015 BCF</b>	Reserve evaluation of the CBM properties as at 31 March 2012 BCF
Total original gas in place on all blocks	<b>2,724</b>	2,724
Net 1P (Proved) reserves	<b>1,419</b>	35
Net 2P (Proved + Probable) reserves	<b>1,869</b>	277
Net 3P (Proved + Probable + Possible) reserves	<b>2,282</b>	2,050

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

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

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

### **Natural gas exploration and extraction**

As at 30 June 2015, the Group has completed the ground work and drilling of 269 CBM wells, among which 223 wells were in production, representing an increase of 26 wells compared with the number of wells at the end of 2014. 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. The Group expected that by the end of 2015, the number of total drills and wells in production will reach 311 and 266 respectively and the total gas output will exceed 200,000 cubic meters per day.

### **Liquefaction operation**

As at 30 June 2015, the production capacity of the Group's LNG remained unchanged at the level of approximately 500,000 cubic meters per day. The supply of natural gas remained generally stable but the production capacity had not achieved its full potential and there is still room for growth. It is expected that the utilization rate of our LNG plants will increase after the routine maintenance of equipment in the second quarter. However, with the increase in production output of Huiyang Natural Gas Region and the expected increase of the supply from other gas suppliers, the utilization rate of the production capacity of Qinshui Shuntai LNG plant will gradually increase, which will continue to increase the income, profit and cashflow contribution to the Group.

## **Marketing and sales**

As at 30 June 2015, the marketing and sales systems did not change significantly and the personnel structure and sales strategies basically remained the same. Affected by the overall economic environment, the sales price during traditional peak periods did not represent a substantial increase as the previous year and remained stable with a slight decrease, which, to some extent, has affected the sales performance. However, thanks to the increased production output and improved internal management, the overall sales revenue and profit were still higher than those of last year. As such, the sales system, which has been well established over years, was resilient enough to cope with the increased production output of the Company and we have successfully completed our sales target despite the generally unfavorable sales environment. In 2015, we will continue to be committed to gradually boosting our business volume to secure smooth sales channels and to make more contribution to the Group's profitability.

## **Liquidity, Financial Resources and Capital Structure**

As at 30 June 2015, the Group had net assets of approximately RMB712,768,000, including cash and bank balances of approximately RMB62,606,000. To minimise financial risks, the Group implements stringent financial and risk management strategies and avoids the use of highly-gearred financing arrangements. The Group's gearing ratio, calculated by the Group's total external borrowings divided by its shareholders' fund, was approximately 23.9%.

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 scaling-down of any current business.

## **Employees**

As at 30 June 2015, the Group has an aggregate of 528 employees, of which 44 are research and development staff, 274 are engineering and customer service staff, 186 administrative staff and 24 marketing staff. During the Interim period, the staff cost (including Directors' remuneration) was approximately RMB12,981,000 (six months ended 30 June 2014: approximately RMB12,130,000). The salary and bonus policy of the Group is principally determined by the performance of the individual employee. The Group will, on an ongoing basis, provides opportunity for professional development and training to its employees. The Company has also adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out in the paragraph headed "Share Option Scheme" in this announcement.

## **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**

Save as disclosed in this announcement, the Group did not have any significant investment, material acquisition and disposal of subsidiaries and associated companies during the Interim Period.

## **Outlook**

The upstream business of the Company is improving steadily and the well construction and gas output are both increasing constantly. 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 the Group's vertical integration business will emerge. In recent years, the unfavorable bottleneck of raw gas shortage will gradually be tackled and the production capacity of our LNG plants will be fully unleashed. Together with the increase in the proportion of self-produced LNG, the Company will be gradually less affected by external factors and the uncontrollable risks involved in the operation of the Company will be lowered. It is projected that by the end of 2015, the daily output of natural gas exploration business will break through beyond 200,000 cubic meters. The current natural gas supply of China United has exceeded 200,000 cubic meters while the daily production output of LNG plants is expected to reach 450,000 cubic meters in 2015.

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

## **MAJOR TRANSACTIONS AND EVENTS**

### **Finance lease arrangement**

On 28 January 2015, Shanxi Qinshui Shuntai Energy Development Company Limited (“Qinshui Energy”), a direct wholly-owned subsidiary of the Company entered into, among other things, the Finance Lease Agreement with CIMC Capital Limited (“CIMC”), pursuant to which (i) Qinshui Energy conditionally agreed to sell and CIMC conditionally agreed to purchase the certain liquefied natural gas equipments (“Equipments”) for a total consideration of RMB98,000,000 (approximately HK\$124,051,000); and (ii) Qinshui Energy conditionally agreed to lease from CIMC, and CIMC conditionally agreed to lease to Qinshui Energy, the Equipments for a total lease consideration of RMB114,836,400 (approximately HK\$145,363,000) for a term of 36 months by monthly installments inclusive of interest with a lump sum handling fee in the sum of RMB980,000 (approximately HK\$1,241,000). The lease consideration may be adjusted according to the floating lending interest rate to be promulgated by People’s Bank of China from time to time.

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

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

### **Retirement of Directorship**

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



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

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

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

Name	Capacity	Nature of Interest	Number of ordinary shares/ underlying shares	Approximate % of shareholdings
Mr. Wang Zhong Sheng	Interest of controlled corporation	Corporate interest	18,118,500 <i>(Note 1)</i>	1.59%
	Beneficial owner	Personal	198,442,067 <i>(Note 2)</i>	17.38%
Mr. Fu Shou Gang	Beneficial Owner	Personal	324,750 <i>(Note 3)</i>	0.03%

*Notes:*

- Such shares are owned by Jumbo Lane Investments Limited.

Mr. Wang Zhong Sheng owns 100% interest in the issued share capital of Jumbo Lane Investments Limited and he is taken to be interested in the shares owned by Jumbo Lane Investments Limited pursuant to Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

- Out of the 198,442,067 long positions, Mr. Wang Zhong Sheng is interested as (i) a grantee of options to subscribe for 324,750 shares under the share option scheme adopted by the Company on 18 May 2011; (ii) a beneficial owner of 198,117,317 issued shares of the Company.
- Mr. Fu Shou Gang is interested as a grantee of options to subscribe for 324,750 shares under the share option scheme adopted by the Company on 18 May 2011.

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were otherwise required, pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange. The Group had not issued any debentures during the Interim Period.

## **SUBSTANTIAL SHAREHOLDERS AND PERSONS WITH DISCLOSEABLE INTEREST AND SHORT POSITION IN SHARES AND OPTIONS UNDER SFO**

As at 30 June 2015, the following persons (other than the Directors or chief executive of the Company as disclosed above) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

### **Long positions in shares**

<b>Name</b>	<b>Number of Shares</b>	<b>Nature of Interest</b>	<b>Approximate percentage of shareholding</b>
Ms. Zhao Xin ( <i>Note</i> )	216,560,567	Interest of spouse	18.97%
RHB OSK Finance Hong Kong Limited	197,366,867	Person having a security interest	17.29%

#### *Notes:*

Ms. Zhao Xin (the spouse of Mr. Wang Zhong Sheng) is deemed to be interested in her spouse's interest in the Company pursuant to the SFO.

Save as disclosed above, as at 30 June 2015, no other person (other than the Directors or chief executive of the Company) had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant 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 Interim Period 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 during the Interim Period disclosed in accordance with the GEM Listing Rules was as follows:

Name and category of participants	As at 1 January 2015	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Adjusted on 6 February 2014 as a result of the Open Offer (note iii)	Adjusted on 12 May 2014 as a result of the capital reorganisation (note iv)	As at 30 June 2015	Date of grant of share options	Exercise period of share options	Exercise price of per share as at the date of grant of share options	Exercise price per share option as at 1 January 2014	Adjusted exercise price per share as a result of the Open Offer (note iii)	Adjusted exercise price per share as a result of the capital reorganisation
<i>Executive Directors</i>													
Mr. Wang Zhong Sheng	2,500,000	—	—	—	3,247,500	324,750	324,750	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495	0.381	3.81
Mr. Fu Shou Gang	2,500,000	—	—	—	3,247,500	324,750	324,750	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495	0.381	3.81
	5,000,000	—	—	—	6,495,000	649,500	649,500						
Employees	42,240,000	—	—	—	54,869,760	5,486,976	5,486,976	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495	0.381	3.81
Consultants	200,020,000	—	—	—	259,825,980	25,982,598	25,982,598	30/5/2011	30/5/2011 - 29/5/2021	0.495	0.495	0.381	3.81
	247,260,000	—	—	—	321,190,740	32,119,074	32,119,074						

Notes:

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

	Number of options	Vesting conditions	Remaining 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:

	<b>Weighted average exercise price HK\$</b>	<b>Number of options</b>
Outstanding as at 1 January 2015 ( <i>note iii and note iv</i> )	3.81	32,119,074
Granted during the period	—	—
Outstanding as at 30 June 2015	3.81	32,119,074
Exercisable as at 30 June 2015	3.81	32,119,074

The options outstanding as at 30 June 2015 had an exercise price of HK\$3.81 and a weighted average remaining contractual life of 5.9 years.

(iii) As a result of the Open Offer, adjustment has been made, among others, to the number of the share options to subscribe for shares granted and the exercise price of the outstanding share options pursuant to the New Share Option Scheme with effect from 6 February 2014.

After the aforesaid adjustment upon the completion of the Open Offer, the total number of the outstanding share options has been adjusted from 247,260,000 to 321,190,740 on 6 February 2014 and the exercise price of the outstanding share options had been adjusted from HK\$0.495 to HK\$0.381.

(iv) As a result of the Capital Reorganisation, adjustment has been made, among others, to the number of the share options to subscribe for shares granted and the exercise price of the outstanding share options pursuant to the New Share Option Scheme with effect from 12 May 2014.

After the aforesaid adjustment upon the completion of the Capital Reorganisation, the total number of the outstanding share options has been adjusted from 321,190,740 to 32,119,074 on 12 May 2014 and the exercise price of the outstanding options has been adjusted from HK\$0.381 to HK\$3.81.

## **CONTINGENT LIABILITIES**

As at 30 June 2015, the Group had no material contingent liabilities.

## **AMOUNT OF CAPITALISED INTEREST**

Save as disclosed in this announcement, no interest has been capitalised by the Group during the Interim Period.

## **CONVERTIBLE SECURITIES, WARRANTS OR SIMILAR RIGHTS**

As at 30 June 2015, the Company had outstanding options to subscribe for 32,119,074 Shares under the share option scheme adopted on 18 May 2011. Details of New Share Option Scheme are set out in pages 27 to 29 of this announcement.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's bye-laws, 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 Interim Period, 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.

## **Change in Information of director**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of the Director since the date of the annual report of the Company for the year ended 31 December 2014 are set out below:

<b>Name of Director</b>	<b>Details of changes</b>
Mr. Shi Liang	Mr. Shi resigned as the executive Director with effect from 26 May 2015 due to the resolution was not passed at AGM 2014.

## **AUDIT COMMITTEE**

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

During the Interim Period, the audit committee has held one meeting. The Group's unaudited consolidated results for the Interim Period have been reviewed and commented by the audit committee members.

In order to maintain a high quality of Corporate Governance, the audit committee concluded that the Group has employed sufficient staff for the purpose of accounting, financial and internal control.

## **CORPORATE GOVERNANCE**

During the Interim Period, save as disclosed below, the Group has complied with the code provisions in the Corporate Governance Code and the Corporate Governance Report set out in Appendix 15 to the GEM Listing Rules ("HKSE Code").

Under code provision A.4.1 of the HKSE Code, non-executive directors should be appointed for specific terms, subject to re-election. Currently, the independent non-executive Directors have no set 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. The Board considers the current arrangement will allow flexibility to the Board in terms of appointment of Directors.

Under code provision A.2.1 of the HKSE Code, the roles of chairman and the chief executive should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive". This deviates from the code provision A.2.1 of the HKSE Code.

Mr. Wang Zhong Sheng, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 of the HKSE Code and will continue to consider the feasibility of appointing a separate chief executive. The Company will make timely announcement if the chief executive has been appointed.

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 specified enquiry of all Directors, the Company was not aware of any non-compliance with such code of conduct during the Interim Period.

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.

By order of the Board  
**Wang Zhong Sheng**  
*Chairman*

China, 12 August 2015

*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.*