China Leason Investment Group Co., Limited
中國聯盛投資集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8270)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010

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

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

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

This announcement, for which the directors (the "Directors") of China Leason Investment Group Co., 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.

HIGHLIGHTS

- For the year ended 31 December 2010, the Group's turnover amounted to RMB237,015,000, representing an increase of 158% over that of the previous year.

- For the year ended 31 December 2010, the Group's loss for the year amounted to RMB22,466,000, whereas there was a loss of RMB58,830,000 for previous year.

- The Group's loss per share was RMB1.17 cent (2009 (Restated): RMB6.29 cent).

- The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2010.

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 2010 together with the comparative figures for the last financial year as follows:

Consolidated Income Statement
For the year ended 31 December 2010

	Note	**2010** **RMB'000**	2009 *RMB'000* (Restated)
Continuing operations			
Turnover	*3*	**230,989**	40,056
Cost of sales		**(205,256)**	(37,010)
Gross profit		**25,733**	3,046
Other revenue and net income	*3*	**138**	362
Distribution costs		**(4,186)**	(83)
Administrative expenses		**(29,187)**	(20,951)
Other operating expenses		**(648)**	(19)
Finance costs	*5(c)*	**(9,681)**	(4,260)
Gain on remeasuring existing interest in an available-for-sale investment on acquisition		**4,960**	—
Fair value gain on the derivative component of convertible bonds		**3,223**	—
Impairment loss on goodwill		**—**	(52,971)
Loss before income tax	*5*	**(9,648)**	(74,876)
Income tax	*6*	**(871)**	251
Loss for the year from continuing operations		**(10,519)**	(74,625)
Discontinued operations			
(Loss)/profit for the year from discontinued operations		**(11,947)**	15,795
Loss for the year		**(22,466)**	(58,830)
Attributable to:			
Owners of the Company		**(20,493)**	(58,741)
Non-controlling interests		**(1,973)**	(89)
		(22,466)	(58,830)

	Note		
		RMB	*RMB*
			(Restated)
(Loss)/earnings per share	*7*		
From continuing and discontinued operations			
— Basic		**(1.17) cents**	(6.29) cents
— Diluted		**(1.17) cents**	(6.29) cents
From continuing operations			
— Basic		**(0.49) cents**	(7.98) cents
— Diluted		**(0.49) cents**	(7.98) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010	2009
	RMB'000	RMB'000
		(Restated)
Loss for the year	(22,466)	(58,830)
Other comprehensive loss for the year (net of tax)		
Exchange differences on translation of financial statements of foreign entities	2,195	(79)
Reclassification adjustments relating to foreign entities disposed of during the year	(1,884)	—
	311	(79)
Total comprehensive loss for the year	(22,155)	(58,909)
Total comprehensive loss attributable to:		
Owners of the Company	(20,182)	(58,820)
Non-controlling interests	(1,973)	(89)
	(22,155)	(58,909)

Consolidated Statement of Financial Position
At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Goodwill		**133,308**	23,831
Investment properties		**—**	7,330
Property, plant and equipment		**295,428**	252,932
Prepaid lease payments for land under operating leases		**29,294**	25,819
Intangible assets		**156,502**	69,687
Deposits for acquisition of property, plant and equipment		**12,211**	7,000
Deposits for acquisition of interests in land under operating leases		**10,462**	8,475
Available-for-sale investment		**—**	4,800
Derivative component of convertible bonds		**6,621**	—
Deferred tax assets		**302**	1,427
		644,128	401,301
Current assets			
Prepaid lease payments for land under operating leases		**673**	608
Trading securities		**—**	582
Inventories		**2,062**	4,976
Trade and other receivables	*9*	**42,182**	39,276
Value-added tax recoverable		**—**	1,990
Tax recoverable		**687**	—
Cash and cash equivalents		**23,567**	96,292
		69,171	143,724
Current liabilities			
Trade and other payables	*10*	**108,015**	128,417
Deferred income		**—**	8,832
Bank and other borrowings due within one year		**60,000**	52,000
Tax payable		**621**	4,121
		168,636	193,370

	Note	2010 RMB'000	2009 RMB'000
Net current liabilities		**(99,465)**	(49,646)
Total assets less current liabilities		**544,663**	351,655
Non-current liabilities			
Bank borrowings		**8,000**	13,000
Promissory notes		**—**	51,296
Convertible bonds		**43,137**	—
Deferred tax liabilities		**39,198**	17,510
		90,335	81,806
NET ASSETS		**454,328**	269,849
CAPITAL AND RESERVES			
Share capital		**20,681**	12,921
Reserves		**412,353**	254,401
Equity attributable to owners of the Company		**433,034**	267,322
Non-controlling interests		**21,294**	2,527
TOTAL EQUITY		**454,328**	269,849

Notes:

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, 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 and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs which are or have become effective. It has also issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has, where applicable, applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA which are or have become effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Amendments)	First-time Adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemption for First-time adoption
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised 2008)	Business Combination
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except for HKFRS3 (revised 2008), the application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment is required.

3. TURNOVER AND OTHER REVENUE AND NET INCOME

The principal activities of the Group are the 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. The Group discontinued the development and sales of computer software, resale of computer hardware and provision of system integration and maintenance services in the PRC, after disposal of these operations during the year.

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 year is as follows:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistics services)	**212,569**	34,611
Sales of piped natural gas and provision of gas supply connection services	**18,420**	5,445
	230,989	40,056
Discontinued operations		
Sales of computer software	**40**	29,208
Resale of computer hardware	**996**	11,161
Maintenance and other services fees	**4,990**	11,609
	6,026	51,978
	237,015	92,034

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Interest income from bank deposits	**40**	316
Others	**98**	46
	138	362
Discontinued operations		
Value-added tax refund	**401**	6,584
Net realised and unrealised gains on trading securities	**475**	1,650
Interest income from bank deposits	**62**	119
Government grants received	**—**	346
Write back of impairment loss on trade receivables	**—**	1,249
Gain from change in fair value of investment properties	**—**	151
Rental income from investment properties	**214**	185
	1,152	10,284
	1,290	10,646

4. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines (products and services). Upon adoption of HKFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's chairman and executive director, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments:

Continuing operations

Liquefied coalbed gas (including liquefied coalbed gas logistics)	:	this segment is responsible for the manufacture and sales of liquefied coalbed gas to piped natural gas providers and commercial and industrial customers in the PRC through the liquefied coalbed gas transportations vehicles.
Piped natural gas	:	this segment is responsible for the reprocessing of liquefied coalbed gas, construction of gas pipelines and supply of piped natural gas to commercial, industrial and household customers in Beiliu City, Guangxi Zhuang Autonomous Region, the PRC.

Discontinued operations

Computer software	:	this segment develops and sells computer software relating to securities and financial industries to financial and securities sectors in the PRC.
Computer hardware	:	this segment sells computer hardware in complement to the computer software segment.
Maintenance and other services	:	this segment provides repairs and maintenance services and other technical support for customers of the computer software segment.

	Continuing operations						Discontinued operations									
	Liquefied coalbed gas		Piped natural gas		Subtotal		Computer software		Computer hardware		Maintenance and other services		Subtotal		Total	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Revenue from external customers	212,569	34,611	18,420	5,445	230,989	40,056	40	29,208	996	11,161	4,990	11,609	6,026	51,978	237,015	92,034
Inter-segment revenue	715	2,612	—	—	715	2,612	—	—	—	—	—	—	—	—	715	2,612
Reportable segment revenue	213,284	37,223	18,420	5,445	231,704	42,668	40	29,208	996	11,161	4,990	11,609	6,026	51,978	237,730	94,646
Reportable segment profit/(loss) (Adjusted EBIT)	3,588	(13,278)	(2,771)	(54,928)	817	(68,206)	(6,162)	16,380	(2,832)	(2,875)	(1,720)	4,697	(10,714)	18,202	(9,897)	(50,004)
Interest income	28	309	9	4	37	313	26	50	28	32	7	38	61	120	98	433
Finance costs	(3,378)	(1,404)	(3,130)	(2,856)	(6,508)	(4,260)	—	—	—	—	—	—	—	—	(6,508)	(4,260)
Depreciation of property, plant and equipment	(16,444)	(6,446)	(2,785)	(1,429)	(19,229)	(7,875)	(280)	(1,212)	(246)	(451)	(68)	(280)	(594)	(1,943)	(19,823)	(9,818)
Amortisation of prepaid lease payments for land under operating leases	(256)	(220)	(197)	(98)	(453)	(318)	(40)	(86)	(4)	(7)	(20)	(45)	(64)	(138)	(517)	(456)
Amortisation of intangible assets	(8,919)	—	(1,566)	(783)	(10,485)	(783)	—	—	—	—	—	—	—	—	(10,485)	(783)
Impairment loss on goodwill	—	—	—	(52,971)	—	(52,971)	—	—	—	—	—	—	—	—	—	(52,971)
Net losses on disposal of property, plant and equipment	—	—	—	—	—	—	—	(23)	—	(15)	—	(6)	—	(44)	—	(44)
Impairment loss on trade receivables	—	—	—	—	—	—	—	(3,131)	—	—	—	—	—	(3,131)	—	(3,131)
Write back of impairment loss on trade receivables	—	—	—	—	—	—	—	1,159	—	90	—	—	—	1,249	—	1,249
Income tax	(1,279)	—	408	251	(871)	251	(846)	(2,530)	(448)	(1,068)	(105)	(915)	(1,399)	(4,513)	(2,270)	(4,262)
Reportable segment assets	546,546	278,067	156,412	162,095	702,958	440,162	—	45,325	—	15,088	—	13,005	—	73,418	702,958	513,580
Reportable segment liabilities	182,213	129,927	33,609	35,632	215,822	165,559	—	47,964	—	1,314	—	8,965	—	58,243	215,822	223,802
Additions to non-current segment assets:																
— Goodwill	109,477	—	—	76,802	109,477	76,802	—	—	—	—	—	—	—	—	109,477	76,802
— Property, plant and equipment	72,825	78,241	71	46,595	72,896	124,836	272	1,682	239	1,229	66	323	577	3,234	73,473	128,070
— Prepaid lease payments for land under operating leases	10,935	—	—	9,000	10,935	9,000	—	1,839	—	1,344	—	354	—	3,537	10,935	12,537
— Intangible assets	97,300	—	—	70,470	97,300	70,470	—	—	—	—	—	—	—	—	97,300	70,470
	290,537	78,241	71	202,867	290,608	281,108	272	3,521	239	2,573	66	677	577	6,771	291,185	287,879

5. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging:

	2010 *RMB'000*	2009 *RMB'000* (Restated)
a) Staff costs (including directors' emoluments)		
Continuing operations		
Salaries, wages and other benefits	**7,835**	9,812
Retirement benefit scheme contributions	**902**	451
	8,737	10,263
Discontinued operations		
Salaries, wages and other benefits	**11,456**	16,220
Retirement benefit scheme contributions	**848**	2,252
	12,304	18,472
Total staff costs	**21,041**	28,735
b) Other items		
Continuing operations		
Cost of inventories	**205,256**	37,010
Auditor's remuneration		
– audit services	**693**	486
– other services	**660**	358
	1,353	844
Depreciation of property, plant and equipment	**19,659**	8,262
Amortisation of prepaid lease payments for land under operating leases	**453**	318
Amortisation of intangible assets	**10,485**	783
Net losses on disposal of property, plant and equipment	**—**	19
Operating lease charges in respect of land and buildings	**1,374**	1,032
Discontinued operations		
Cost of inventories	**7,427**	20,591
Depreciation of property, plant and equipment	**594**	1,949
Amortisation of prepaid lease payments for land under operating leases	**64**	138
Net losses on disposal of property, plant and equipment	**—**	44
Impairment loss on trade receivables	**—**	3,131
Operating lease charges in respect of land and buildings	**156**	294

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
c) Finance costs		
Continuing operations		
Interest expenses on bank advances and other borrowings wholly repayable within five years	**4,349**	3,796
Interest expenses on promissory notes	**2,159**	2,368
Interest expenses on convertible bonds	**3,173**	—
Other borrowing costs	**—**	1,404
	9,681	7,568
Less: Amount capitalised into construction in progress	**—**	(3,308)
	9,681	4,260
Discontinued operations		
Interest expenses on bank advances wholly repayable within five years	**68**	36
Total interest expense on financial liabilities not at fair value through profit or loss	**9,749**	4,296

6. INCOME TAX

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Current tax — PRC Enterprise Income Tax ("EIT")		
Provision for the year	**3,481**	—
Deferred taxation		
Origination and reversal of temporary differences	**(2,610)**	(251)
Income tax charge/(credit)	**871**	(251)

Note:

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the two years ended 31 December 2010 and 2009. No provision for Hong Kong Profits Tax has been made as the Group has no estimated assessable profits for the two years ended 31 December 2010 and 2009.

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 towards.

The PRC subsidiaries of the Group from continuing operations, Shanxi Yangcheng Shuntai Energy Development Company Limited ("Shanxi Yangcheng") and Shanxi Qinshui Shuntai Energy Development Company Limited ("Shanxi Qinshui"), are entitled to the exemptions from the EIT for two years starting from 2008, followed by a 50% tax relief for the next three years. Shanxi Yangcheng has no estimated assessable profit for the two years ended 31 December 2010 and 2009 whereas Shanxi Qinshui has no estimated assessable profit for the year ended 31 December 2009 and is taxable at the preferential tax rate of 12.5% for the year ended 31 December 2010.

7. (LOSS)/EARNINGS PER SHARE

a) *For continuing and discontinued operations*

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2010	2009
	RMB'000	*RMB'000*
Loss for the year		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(20,493)**	(58,741)

Number of shares

	2010	2009
	'000	*'000*
Issued ordinary shares at 1 January	**1,361,815**	620,600
Effect of issue of shares by share placement	**223,111**	5,101
Effect of issue of shares by open offer	**—**	186,134
Effect of issue of consideration shares for acquisition of subsidiaries	**—**	122,557
Effect of conversion of convertible bonds	**169,678**	—
Weighted average number of ordinary shares at 31 December	**1,754,604**	934,392

Diluted loss per share attributable to the owners of the Company for the year ended 31 December 2010 is the same as the basic loss per share as the effect of dilutive potential ordinary shares from convertible bonds are anti-dilutive.

There were no dilutive potential shares during the year ended 31 December 2009, and diluted (loss)/earnings per share is the same as basic (loss)/earnings per share.

b) ***From continuing operations***

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss for the year is calculated as follows:

	2010	2009
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company	**(20.493)**	(58,741)
Less: Loss/(profit) for the year attributable to owners of the Company from discontinued operations	**11,947**	(15,795)
Loss for the year attributable to owners of the Company for the purpose of basic loss per share from continuing operations	**(8,546)**	(74,536)

The denominators used are the same as those detailed in note (a) above for continuing and discontinued operations.

c) ***From discontinued operations***

Basic loss per share for the discontinued operation is RMB0.68 cents per share (2009: earnings per share of RMB1.69 cents per share) based on the loss for the year from the discontinued operations of RMB11,947,000 (2009: profit of RMB15,795,000).

The denominators used are the same as those detailed in note (a) above for continuing and discontinued operations.

8. STATEMENT OF CHANGES IN EQUITY

The Group

	Attributable to owners of the Company										
	Share capital	Share premium	Merger reserve	Contributed surplus	General reserve	Translation reserve	Convertible bonds reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	6,399	147,878	(2,351)	—	5,351	(935)	—	(36,212)	120,130	—	120,130
Comprehensive income											
Loss for the year	—	—	—	—	—	—	—	(58,741)	(58,741)	(89)	(58,830)
Other comprehensive income											
Exchange differences on translation of financial statements of foreign entities	—	—	—	—	—	(79)	—	—	(79)	—	(79)
Total comprehensive income	—	—	—	—	—	(79)	—	(58,741)	(58,820)	(89)	(58,909)
Transactions with owners											
Issue of new shares											
— Acquisition of subsidiaries	2,164	127,653	—	—	—	—	—	—	129,817	—	129,817
— Open offer	3,267	62,066	—	—	—	—	—	—	65,333	—	65,333
— Share placement	1,091	13,972	—	—	—	—	—	—	15,063	—	15,063
Transaction costs attributable to issue of new shares	—	(4,201)	—	—	—	—	—	—	(4,201)	—	(4,201)
Non-controlling interests arising from acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	2,616	2,616
Total transactions with owners	6,522	199,490	—	—	—	—	—	—	206,012	2,616	208,628
At 31 December 2009 and 1 January 2010	12,921	347,368	(2,351)	—	5,351	(1,014)	—	(94,953)	267,322	2,527	269,849
Comprehensive income											
Loss for the year	—	—	—	—	—	—	—	(20,493)	(20,493)	(1,973)	(22,466)
Other comprehensive income											
Exchange differences on translation of financial statements of foreign entities	—	—	—	—	—	2,195	—	—	2,195	—	2,195
Reclassification adjustments relating to foreign entities disposed of during the year	—	—	—	—	—	(1,884)	—	—	(1,884)	—	(1,884)
Total comprehensive income	—	—	—	—	—	311	—	(20,493)	(20,182)	(1,973)	(22,155)
Transactions with owners											
Issue of new shares											
— Share placement	2,395	34,012	—	—	—	—	—	—	36,407	—	36,407
— Conversion of convertible bonds	5,365	103,626	—	—	—	—	(31,245)	—	77,746	—	77,746
Transaction costs attributable to issue of new shares	—	(474)	—	—	—	—	—	—	(474)	—	(474)
Recognition of equity component of convertible bonds	—	—	—	—	—	—	47,055	—	47,055	—	47,055
Disposal of subsidiaries	—	—	2,351	25,160	(5,351)	—	—	3,000	25,160	—	25,160
Non-controlling interests arising from acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	20,740	20,740
Total transactions with owners	7,760	137,164	2,351	25,160	(5,351)	—	15,810	3,000	185,894	20,740	206,634
At 31 December 2010	20,681	484,532	—	25,160	—	(703)	15,810	(112,446)	433,034	21,294	454,328

9. TRADE AND OTHER RECEIVABLES

	2010 *RMB'000*	2009 *RMB'000*
Amounts due from securities broker firms	**—**	19,040
Amounts due from directors	**470**	—
Trade and bills receivables *(note)*	**7,129**	4,875
Other receivables	**3,847**	4,156
Amounts due from related companies	**6,138**	3,610
Loans and receivables	**17,584**	31,681
Advances to suppliers	**8,886**	4,185
Prepayment for acquisition of property, plant and equipment	**3,011**	—
Other prepayments and deposits	**7,176**	3,410
Other tax recoverable	**5,525**	—
	42,182	39,276

Note:

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

	2010 *RMB'000*	2009 *RMB'000*
Within 1 month	**3,811**	2,917
More than 1 month but less than 3 months	**3,200**	1,364
More than 3 months but less than 6 months	**—**	594
More than 6 months but less than 12 months	**—**	1,224
More than 12 months	**118**	8,292
	7,129	14,391
Less: Impairment loss	**—**	(9,516)
	7,129	4,875

The Group generally grants 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 credit worthiness, extend the credit period upon the customers' requests.

10. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**30,886**	9,515
Amounts due to directors	**27,647**	1,548
Amount due to a non-controlling shareholder of a subsidiary	**1,569**	1,569
Accrued salaries	**1,035**	1,388
Payables for acquisition of property, plant and equipment	**24,562**	47,910
Accrued expenses and other payables	**2,418**	2,037
Financial liabilities measured at amortised cost	**88,117**	63,967
Deposits received from customers		
— Computer software	**—**	47,134
— Liquefied coalbed gas	**12,241**	13,794
— Piped natural gas	**2,851**	3,175
Other taxes payables	**4,806**	347
	108,015	128,417

Note:

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

	2010	2009
	RMB'000	*RMB'000*
Within 1 month	**4,955**	—
More than 1 month but less than 3 months	**10,068**	9,515
More than 3 months but less than 6 months	**8,224**	—
More than 6 months but less than 12 months	**7,637**	—
More than 12 months	**2**	—
	30,886	9,515

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

11. ACQUISITION OF SUBSIDIARIES

On 16 July 2010, the Group acquired 100% equity interest in Million Ideas Investment Limited and its subsidiary ("Million Ideas Group") from an independent third party for a consideration of RMB178,000,000 satisfied by convertible bonds of approximately HK$187,500,000 (equivalent to approximately RMB165,000,000) and RMB13,000,000 in cash. As a result, the Group further increase its equity interest in Shanxi Wanzhi Logistics Limited ("Wanzhi Logistics") from 8% to 83%. Million Ideas Group is mainly engaged in the provision of liquefied coalbed gas logistics services in the PRC. This acquisition has been accounted for by the acquisition method of accounting.

	Acquiree's carrying amounts immediately before combination	**Fair value adjustments**	**Fair values**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	19,633	(1,317)	18,316
Intangible asset			
— Operating license for liquefied coalbed gas logistics	-	97,300	97,300
Deposits of acquisition of property, plant and equipment	4,050	-	4,050
Inventories	257	-	257
Trade and other receivables	4,117	-	4,117
Cash and cash equivalents	5,693	-	5,693
Trade and other payables	(1,714)	-	(1,714)
Bank borrowing	(5,000)	-	(5,000)
Net deferred tax liabilities	-	(23,996)	(23,996)
Net identifiable assets and liabilities	27,036	71,987	99,023
Non-controlling interests			(20,740)
Goodwill on acquisition			109,477
Consideration			187,760
Total consideration satisfied by:			
Convertible bonds			165,000
Cash			13,000
			178,000
Fair value of equity interest in Wanzhi Logistics held before the business combination			9,760
			187,760

The goodwill arising from the acquisition of Million Ideas Group is attributable to the anticipated profitability generated from the synergy through economies of scale and sharing of resources, and future market development through vertical integration of downstream liquefied coalbed gas logistics business. Million Ideas Group has experienced management, personnel, marketing and technical staff who enable efficient operation of the relevant business. The benefit from these factors are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

12. DISPOSAL OF SUBSIDIARIES

Pursuant to the agreements entered into between the Company and the noteholders, who acted collectively as owners of the Company, dated 9 February 2010 and 21 April 2010, the Company disposed of its 100% equity interest in Shine Science Technology (BVI) Company Limited and its subsidiaries ("Shine Science BVI Group") at a consideration of RMB60,000,000, which was satisfied by the discharge of the Company from its payment obligation under the promissory notes. In addition, the balance due from Shine Science BVI Group of approximately RMB15,491,000 to the Company had been waived. The disposal was completed on 11 May 2010 and resulted in a deemed contribution from owners of the Company on disposal of RMB25,160,000 which is recognised directly in consolidated statement of change in equity as transactions with owners.

Details of the assets and liabilities disposed of are as follows:

	RMB'000
Investment properties	7,330
Property, plant and equipment	10,724
Prepaid lease payments for land under operating leases	6,878
Deferred tax assets	1,018
Trading securities	10,115
Inventories	470
Trade and other receivables	35,859
Less: Impairment loss	(9,516)
	26,343
Value-added tax recoverable	3,233
Cash and cash equivalents	34,513
Trade and other payables	(70,701)
Deferred income	(5,598)
Tax payable	(1,676)
Bank borrowings	(8,000)
Net assets disposed of	14,649
Cumulative translation reserve in respect of the net assets of the disposed subsidiaries	(1,884)
Deemed contribution from disposal of subsidiaries	25,160
Consideration	37,925

SUMMARY OF THE INDEPENDENT AUDITORS' REPORT

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2(b)(ii) to the consolidated financial statements which indicates that the Group incurred a loss attributable to owners of the Company of approximately RMB20,493,000 for the year ended 31 December 2010 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB99,465,000. These conditions, along with other matters as set forth in note 2(b)(ii) to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

FINAL DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a consolidated turnover of approximately RMB237,015,000 for the year, representing an increase of approximately 158% compared with last year. The increase was mainly attributable to:

- Due to the increase in production capacity and sales of liquefied coalbed gas in Shanxi together with the sales of piped natural gas and gas supply connection services.

Loss attributable to owners for the year was approximately RMB20,493,000, compared with the loss attributable to owners of approximately RMB58,741,000 for last year.

The decrease in loss was mainly attributable to the following reasons:

- the impairment loss on goodwill during the very substantial acquisition in mid of 2009 amounted to approximately RMB52,971,000.

- the contribution by the segment of computer software, hardware and maintenance services from 2009's profit of approximately RMB15,795,000 has turned into 2010's loss of approximately RMB11,947,000.

- the gain on remeasuring existing interest in an available-for-sale investment on acquisition of approximately RMB4,960,000.

- the fair value gain on the derivative component of convertible bonds of approximately RMB3,223,000.

Business Review and Development Prospects

During the year, there was a high demand in liquefied coalbed gas. Under the improvement in production capacity and the market condition, the board expects the Group will be rewarding in the coming years.

- During the year, as the liquefied coalbed gas was increased in production and with a significant increase in turnover. It is expected that this business will generate a high revenue of the group in future.

The Directors believe that following the improvement of the marketing and production conditions, through its enhanced capacities in technology and research and development with the liquefied coalbed gas business, the Group's business prospects is very bright.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, there has been no change in the capital structure of the Company. The Group mainly utilized internally generated cash flow and proceeds from fund raising activities to satisfy its operational and investing requirements.

Despite the difficult operating environment in the industry, as at 31 December 2010, the Group had net assets of approximately RMB443,817,000, including cash and bank deposit balance of approximately RMB23,567,000. The Group has implemented prudent financial and risk managements. In addition, the Group did not have any pledged assets as at 31 December 2010. After taking into account the Group's existing financial resources, it is expected that the Group's existing financial resources and cash flow from operating activities will be adequate to satisfy the requirements from its continuing operation, which will be used mainly in future investments in product and technological development.

Employees

As at 31 December 2010, the Group had an aggregate of 155 employees, of which 10 were research and development staffs, 14 were finance and account staffs, 29 were administrative staffs, and 18 were marketing staff, 68 production staff and 16 were security staff.

During the year, the staff costs (including Directors' remuneration) was approximately RMB21,041,000 (2009: approximately RMB28,735,000).

The salary and bonus policy of the Group is principally determined in accordance with the performance of the individual employee. The Group will, on an ongoing basis, provide opportunity for professional development and training to its employees.

Risk in Foreign Exchange

The operations of the Group are located in the PRC and the majority of its sales and purchases were denominated in Renminbi. Therefore, there is no foreign exchange risk that may affect the Group's operating results.

Significant Investment

The Group did not have significant investment as at 31 December 2010.

Material Acquisition and Disposal

Disposal of Equity Interests in Subsidiaries

On 9 February 2010, the Company, as vendor, entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with the purchasers who are all independent third parties, pursuant to which the Company has conditionally agreed to sell 100% of the issued share capital of Shine Science & Technology (BVI) Company Limited ("Shine Science BVI") (the "Disposal"), for an aggregate consideration of RMB60,000,000. Shine Science BVI beneficially holds 100% equity interest in Fujian Shine Science & Technology Co., Limited (福建新意科技有限公司), Fuzhou Xinwangluo Network Company Limited (福州新意新網絡有限公司) and Shanghai Shine Science & Technology Co., Limited (上海新意新科技有限公司), which altogether form the Shine Science Group. On 21 April 2010, the Company entered into a supplemental agreement with the purchasers (the "Supplemental Agreement") pursuant to which the Company, at the Completion and subject to the terms and conditions of the Sale and Purchase Agreement, agreed to waive a sum of approximately RMB15,491,000 due by the Shine Science Group to the Company as at 31 December 2009, and neither party shall have any claims against the other in respect thereof. The Disposal constituted a very substantial disposal on the part of the Company. The Disposal obtained the approval of the Company's shareholders at the extraordinary general meeting held on 10 May 2010. For details, please refer to the announcements of the Company dated 11 February 2010 and 21 April 2010, and the circular of the Company dated 23 April 2010.

Major Transaction Involving Issue of Convertible Bonds

On 11 May 2010, the Group has executed an acquisition agreement in respect of the acquisition of Million Ideas Investment Limited (萬志投資有限公司) in Shanxi (the "Shanxi Acquisition Agreement") for a consideration of RMB178,000,000 of which RMB165,000,000 was settled by the zero coupon convertible bond in a principal amount of HK$187,500,000 issued by the Company to the Vendor or its nominee(s) (the "Convertible Bonds"). Consent of the shareholders for this acquisition has been obtained in the extraordinary general meeting held on 12 July 2010. The acquisition was completed on 16 July 2010. For details, please refer to the announcement of the Company dated 13 May 2010 and the circular of the Company dated 23 June 2010.

Up to the date as at 31 December 2010, the Company allotted and issued 622,500,000 new shares upon exercising the conversion rights attached to the Convertible Bonds of HK$124,500,000 pursuant to the Acquisition Shanxi Agreement at the price of HK$0.20 per share.

Save and disclosed herein, the Group did not have any material acquisition or disposal during the year.

Future Plans Relating to Material Investment or Capital Asset

As at 31 December 2010, the Group did not executed any agreement in respect of proposed acquisition during the year.

Liquefied Coalbed Gas Business

The Group's two coalbed gas-liquefying plants are developed for liquefied coalbed gas business in the PRC. One of the coalbed gas liquefying plant is in production and sales incurred. It is expected that it will bring a long term source of revenue for the Group.

As the growth of the PRC's economy, the domestic demand for fuel and resources has been expanding. Therefore, it is expected that the liquefied coalbed gas business will have promising prospect. It is anticipated that the liquefied coalbed gas industry will provide the Group with a stable and new revenue source and will further enhance the Company's value, as well as its shareholders' return. In addition, diversifying into a new business will broaden the Group's revenue sources and diversify the Group's overall business risks.

Prospect

With the increasing demand for fuel and resources in the PRC, it is expected that the new liquefied coalbed gas business will become one of the driving forces in the Group's profit growth in the future.

POST BALANCE SHEET EVENT

Placing of New Shares

The Company and Vision Finance International Company Limited (the "Placing Agent") entered into the placing agreement on 26 February 2011 (the "Placing Agreement"), whereby the Company agreed to place, through the Placing Agent, a maximum of 326,830,000 new shares (the "Placing Shares") to certain independent investors at a price of HK$0.225 per Placing Share (the "Placing"). The 326,830,000 Placing Shares represent (i) approximately 14.48% of the existing issued share capital of the Company of 2,256,675,023 Shares; and (ii) approximately 12.65% of the Company's issued share capital of 2,583,505,023 Shares as enlarged by completion of the Placing. The maximum net proceeds from the Placing of approximately HK$71.21 million which will be used for the existing joint venture investment and general working capital of the Group.

The Placing was completed on 17 March 2011 in accordance with the terms and conditions of the Placing Agreement. An aggregate of 326,830,000 Placing Shares have been successfully placed to not less than six investors who are third parties independent of the Company and its connected persons (within the meaning of the GEM Listing Rules) of the Company, at the Placing Price of HK$0.225 per Placing Share. For details, please refer to announcement of the Company dated 27 February 2011 and 17 March 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Save as the "Top-Up Placing" and the "Major Transaction Involving Issue of Convertible Bonds" disclosed below and herein, during the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed Shares.

Top Up Placing

On 24 February 2010, the Company entered into a placing and subscription agreement (the "Placing and Subscription Agreement"), pursuant to which (i) the placing agent has agreed to place, on behalf of the Jumbo Lane Investments Limited ("Jumbo Lane") and Mr. Wang Zhong Sheng ("Mr. Wang") (collectively the "Vendors") and on a best effort basis, an aggregate of up to 272,360,000 existing ordinary share(s) of HK$0.01 each in the share capital of the Company (of which 208,670,000 Shares are from Jumbo Lane and 63,690,000 Shares are from Mr. Wang) (the "Placing Share(s)") at the placing price of HK$0.152 per Placing Share (the "Placing"); and (ii) the Vendors have respectively and conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, the subscription shares pursuant to the Placing and Subscription Agreement (the "Subscription Share(s)") at the price of HK$0.152 per Subscription Share (the "Subscription").

The Placing and the Subscription were completed on 1 March 2010 and 8 March 2010 respectively in accordance with the terms and conditions of the Placing and Subscription Agreement. An aggregate of 272,360,000 Placing Shares (of which 208,670,000 Shares were from Jumbo Lane and 63,690,000 Shares were from Mr. Wang) were successfully placed by the Vendors to not less than six individual, institutional and/or other professional investors who were third parties independent of the Company and its connected persons (within the meaning of the GEM Listing Rules) of the Company, at the Placing Price of HK$0.152 per Placing Share and an aggregate of 272,360,000 Subscription Shares were issued and allotted by the Company to the Vendors at the Subscription Price of HK$0.152 per Subscription Share. The net proceeds raised from the Subscription amounted to approximately HK$40,709,000 which was intended to be used for the development of the second liquefied coalbed gas in Shanxi Province, the PRC. For details, please refer to the announcements of the Company dated 24 February 2010 and 8 March 2010.

AUDIT COMMITTEE

The Company's Audit Committee was established on 28 July 2003 and is currently composed of all three Independent Non-executive Directors of the Company, namely, Mr. Luo Wei Kun, Mr. Wang Zhi He and Ms. Pang Yuk Fong (Chairman). The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports; (b) To serve as a focal point for communication between Directors, the external auditors and internal auditors; (c) To assist the Board in fulfilling its responsibilities by providing an independent review and supervision of financial reporting, and the effectiveness of the Group's internal control system; and (d) To review the appointment of external auditors on an annual basis as well as to ensure independence of the continuing auditor.

At the meetings, the Audit Committee has carefully reviewed the Company's quarterly, half-yearly and this annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its other duties set out in appendix 15 of the GEM Listing Rules. In the course of doing so, the Committee has met the company's management and qualified accountant several times during 2010. Each member of the Audit Committee has unrestricted access to the Group's external auditors and the Management.

During the financial year 2010, the audit committee has held four meetings. The Group's results for the year 2010 have been reviewed and commented by the audit committee members.

CODE OF CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES

The Company has applied the principles and complied with the code provision set out in the Code of Corporate Governance Practices contained in appendix 15 of the GEM Listing Rules for the year ended 31 December 2010.

By order of the Board
China Leason Investment Group Co., Limited
WANG ZHONG SHENG
Chairman

Hong Kong, 30 March 2011

As at the date hereof, the executive Directors are Mr. Wang Zhong Sheng, Mr. Shi Liang, Mr. Zhang Qing Lin 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.

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