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)

INTERIM RESULTS ANNOUNCEMENT
For the six months ended 30 June 2011

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 of China Leason Investment Group Co., Limited (the "Company") (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication.

FINANCIAL HIGHLIGHTS

- Turnover of the Company together with its subsidiaries (collectively the "Group") for the quarter ended 30 June 2011 (the "Quarterly Period") and the six months ended 30 June 2011 (the "Interim Period") were approximately RMB62,591,000 and RMB128,912,000 respectively, representing an increase of approximately 1% and 18% respectively compared with corresponding periods in the previous financial year.

- The Group recorded a loss attributable to shareholders of approximately RMB9,249,000 for the Interim Period.

- Loss per share of the Group was approximately RMB0.38 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 Interim Period, together with the unaudited comparative figures for the corresponding periods in 2010, respectively were as follows:—

(Unless otherwise stated, all financial figures presented in this interim report are denominated in Renminbi ("RMB") thousand dollars)

		Quarterly Period		Interim Period	
		2011	2010	**2011**	2010
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	Note	***(unaudited)***	*(unaudited)*	***(unaudited)***	*(unaudited)*
Continuing operations					
Turnover	*2*	**62,591**	59,957	**128,912**	103,571
Cost of sales		**(46,790)**	(41,037)	**(92,445)**	(69,659)
Gross profit		**15,801**	18,920	**36,467**	33,912
Other revenue and net income	*2*	**27**	5	**962**	11
Distribution costs		**(3,330)**	(3,496)	**(6,882)**	(6,422)
Administrative and other operating expenses		**(22,103)**	(5,534)	**(30,675)**	(14,504)
Finance costs		**(3,550)**	(8,788)	**(4,773)**	(9,881)
Gain on disposal of subsidiaries	*16*	**—**	31,338	**—**	31,338
(Loss)/profit before income tax	*3*	**(13,155)**	32,445	**(4,901)**	34,454
Income tax	*4*	**(2,425)**	(2,221)	**(5,068)**	(2,221)
(Loss)/profit for the period from continuing operations		**(15,580)**	30,224	**(9,969)**	32,233
Discontinued operations					
Loss for the period from discontinued operations	*17*	**—**	(6,032)	**—**	(11,947)
(Loss)/profit for the period		**(15,580)**	24,192	**(9,969)**	20,286
Attributable to:					
Owners of the Company		**(14,882)**	24,217	**(9,249)**	20,362
Non-controlling interests		**(698)**	(25)	**(720)**	(76)
(Loss)/profit for the period		**(15,580)**	24,192	**(9,969)**	20,286
Dividends attributable to the period	*5*	**—**	—	**—**	—
		RMB (cents)	*RMB (cents)*	***RMB (cents)***	*RMB (cents)*
(Loss)/earnings per share					
From continuing and discontinued operations	*6(a)*				
— basic		**(0.58)**	1.48	**(0.38)**	1.33
— diluted		**(0.58)**	1.48	**(0.38)**	1.33
From continuing operations	*6(b)*				
— basic		**(0.58)**	1.85	**(0.38)**	2.1
— diluted		**(0.58)**	1.85	**(0.38)**	2.1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarterly Period		Interim Period	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
(Loss)/profit for the period	**(15,580)**	24,192	**(9,969)**	20,286
Other comprehensive loss for the period (net of tax)				
Exchange differences on translation of financial statements of foreign entities	**(3,145)**	—	**(3,145)**	—
Total comprehensive (loss)/profit for the period	**(18,725)**	24,192	**(13,114)**	20,286
Total comprehensive (loss)/profit attributable to:				
Owners of the Company	**(18,027)**	24,217	**(12,394)**	20,362
Non-controlling interests	**(698)**	(25)	**(720)**	(76)
	(18,725)	24,192	**(13,114)**	20,286

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2011 RMB'000 (unaudited)**	31 December 2010 RMB'000 (audited)
Non-current assets			
Goodwill		**133,308**	133,308
Property, plant and equipment		**298,164**	295,428
Prepaid lease payments for land under operating leases		**29,008**	29,294
Intangible assets		**150,853**	156,502
Deposits for acquisition of property, plant and equipment		**8,161**	12,211
Deposits for acquisition of interests in land under operating leases		**10,462**	10,462
Derivative component of convertible bonds	*10*	**6,498**	6,621
Deferred tax assets		**302**	302
		636,756	644,128
Current assets			
Prepaid lease payments for land under operating leases		**673**	673
Inventories		**1,649**	2,062
Trade and other receivables	*8*	**110,480**	42,182
Tax recoverable		**2,099**	687
Cash and cash equivalents		**33,908**	23,567
		148,809	69,171
Current liabilities			
Trade and other payables	*9*	**97,664**	108,015
Bank and other borrowings due within one year		**68,000**	60,000
Obligation under finance leases		**4,208**	—
Tax payable		**621**	621
		170,493	168,636
Net current liabilities		**21,684**	99,465
Total assets less current liabilities		**615,072**	544,663
Non-current liabilities			
Bank borrowings		**—**	8,000
Convertible bonds	*10*	**44,163**	43,137
Obligation under finance leases		**4,888**	—
Deferred tax liabilities		**37,787**	39,198
		86,838	90,335
NET ASSETS		**528,234**	454,328
CAPITAL AND RESERVES			
Share capital	*11*	**23,465**	20,681
Reserves		**472,195**	412,353
Equity attributable to owners of the Company		**495,660**	433,034
Non-controlling interests		**32,574**	21,294
TOTAL EQUITY		**528,234**	454,328

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
CASH OUTFLOW FROM OPERATING ACTIVITIES	**(60,404)**	(38,787)
CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	**12,914**	(25,000)
CASH INFLOW FROM FINANCING ACTIVITIES	**57,831**	36,431
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES	**10,341**	(27,356)
CASH AND BANK BALANCES AT 1 JANUARY	**23,567**	96,292
CASH AND BANK BALANCES AT 30 JUNE	**33,908**	68,936

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2011

(Unaudited)	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Contributed surplus RMB'000	General reserve RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Convertible bonds reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January	20,681	484,532	—	25,160	—	—	(703)	15,810	(112,446)	433,034	21,294	454,328
Comprehensive income												
Loss for the period	—	—	—	—	—	—	—	—	(9,249)	(9,249)	(720)	(9,969)
Other comprehensive income												
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	—	(3,145)	—	—	(3,145)	—	(3,145)
Total comprehensive income	—	—	—	—	—	—	(3,145)	—	(9,249)	(12,394)	(720)	(13,114)
Transactions with owners												
Issue of new shares — share placement	2,784	57,975	—	—	—	—	—	—	—	60,759	—	60,759
Recognition of equity-settled share based payments	—	—	—	—	—	14,261	—	—	—	14,261	—	14,261
Appropriation to general reserve	—	—	—	—	587	—	—	—	(587)	—	—	—
Non-controlling interest arising from the establishment of a subsidiary	—	—	—	—	—	—	—	—	—	—	12,000	12,000
Total transactions with owners	2,784	57,975	—	—	587	14,261	—	—	(587)	75,020	12,000	87,020
As at 30 June	23,465	542,507	—	25,160	587	14,261	(3,848)	15,810	(122,282)	495,660	32,574	528,234

2010

(Unaudited)	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Contributed surplus RMB'000	General reserve RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Convertible bonds reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1st January	12,921	347,368	(2,351)	—	5,351	—	(1,014)	—	(94,953)	267,322	2,527	269,849
Total comprehensive income												
Net profit for the period and total comprehensive income for the period	—	—	—	—	—	—	—	—	20,362	20,362	(76)	20,286
Transactions with owners												
Issue of new shares — share placement	2,397	34,034	—	—	—	—	—	—	—	36,431	—	36,431
As at 30 June	15,318	381,402	(2,351)	—	5,351	—	(1,014)	—	(74,591)	324,115	2,451	326,566

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 2011 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 2011 are consistent with those used in the Company's annual financial statements for the year ended 31 December 2010.

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. Turnover, other revenue and net income

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. In 2010, the Group discontinued the development and sales of computer software, resale of computer hardware and provision of system integration and maintenance 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 year is as follows:

	Quarterly Period		**Interim Period**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
Turnover				
Continuing operations				
Sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistic services)	**55,921**	51,913	**117,518**	94,006
Sales of piped natural gas and provision of gas supply connection services	**6,670**	8,044	**11,394**	9,565
	62,591	59,957	**128,912**	103,571
Discontinued operations				
Sales of computer software	**—**	—	**—**	1,815
Resale of computer hardware	**—**	970	**—**	1,747
Maintenance and other services fees	**—**	1,156	**—**	2,464
	—	2,126	**—**	6,026
	62,591	62,083	**128,912**	109,597
Other revenue and net income				
Continuing operations				
Interest income from bank deposits	**21**	5	**26**	11
Others	**6**	—	**936**	—
	27	5	**962**	11
Discontinued operations				
Gain on security trading	**—**	475	**—**	475
Value added tax refunds	**—**	175	**—**	401
Interest income from bank deposits	**—**	24	**—**	62
Others	**—**	177	**—**	177
	—	851	**—**	1,115
	27	856	**962**	1,126

3. (Loss)/profit before income tax

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

	Quarterly Period		Interim Period	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
Staff costs (including Directors' remuneration)				
— share-based payments	**14,261**	—	**14,261**	—
— others	**3,312**	11,718	**5,520**	16,424
	17,573	11,718	**19,781**	16,424
Depreciation of property, plant and equipment	**4,760**	1,644	**9,521**	3,288

4. Income tax

(a) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not derived 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.

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

5. Dividends

The Board does not recommend payment of any interim dividend for the Interim Period (six-month ended 30 June 2010: nil).

6. (Loss)/earnings per share

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

(a) From continuing and discontinued operations

	Quarterly Period		Interim Period	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
(Loss)/profit attributable to owners of the Company	**(14,882)**	24,217	**(9,249)**	20,362
	Shares	Shares	**Shares**	Shares
	('000)	*('000)*	***('000)***	*('000)*
Weighted average number of ordinary shares for the purposes of calculating basic (loss)/earnings per share	**2,583,505**	1,634,175	**2,448,078**	1,534,861

No dilutive (loss)/earnings per share was presented because there were no dilutive potential ordinary share in existence during the quarters and six months ended 30 June 2011 and 30 June 2010 respectively.

(b) ***From continuing operations***

	Quarterly Period		Interim Period	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
(Loss)/profit attributable to owners of the Company	**(14,882)**	30,249	**(9,249)**	32,309

No dilutive (loss)/earnings per share was presented because there were no dilutive potential ordinary share in existence during the quarters and six months ended 30 June 2011 and 30 June 2010 respectively.

(c) ***From discontinued operations***

	Quarterly Period		Interim Period	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
Loss attributable to owners of the Company	**—**	(6,032)	**—**	(11,947)

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 2011 and 30 June 2010 respectively.

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

7. Additions and disposals of property, plant and equipment

During the Interim Period, the Group have acquired approximately RMB12,257,000 (six-months ended 30 June 2010: Nil) property, plant and equipment. There was no material disposal in the current period (six-months ended 30 June 2010: Nil).

8. 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:

	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Amounts due from directors *(note (a))*	**508**	470
Trade receivables	**41,078**	7,129
Advances to suppliers	**18,599**	8,886
Prepayments and other receivables	**50,295**	25,697
	110,480	42,182

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

	30 June 2011 *RMB'000* *(unaudited)*	31 December 2010 *RMB'000* *(audited)*
Within 1 month	**40,960**	3,811
More than 1 month but less than 3 months	**—**	3,200
More than 3 months but less than 6 months	**—**	—
More than 6 months but less than 12 months	**—**	—
More than 12 months	**118**	118
	41,078	7,129

Note:

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

9. Trade and other payables

	30 June 2011 *RMB'000* *(unaudited)*	31 December 2010 *RMB'000* *(audited)*
Trade payables	**22,311**	30,886
Amounts due to directors *(note (a))*	**31,705**	27,647
Amount due to a non-controlling shareholder of a subsidiary *(note (a))*	**1,569**	1,569
Deposits received from customers	**4,824**	15,092
Accrued expenses and other payables	**32,577**	28,015
Other taxes payables	**4,678**	4,806
	97,664	108,015

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

	30 June 2011 *RMB'000* *(unaudited)*	31 December 2010 *RMB'000* *(audited)*
Within 1 month	**14,672**	4,955
More than 1 month but less than 3 months	**—**	10,068
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	**7,639**	2
	22,311	30,886

Note:

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

10. Convertible bonds

The movements of the liability component, derivative component and equity component of the convertible bonds are as follows:

	Liability component of convertible bonds *RMB'000* *(unaudited)*	**Derivative component of convertible bonds** *RMB'000* *(unaudited)*	**Equity component of convertible bonds** *RMB'000* *(unaudited)*	**Total** *RMB'000* *(unaudited)*
Principal amount of convertible bonds at date of issue	128,573	(10,770)	47,197	165,000
Transaction costs	(386)	—	(142)	(528)
Convertible bonds issued	128,187	(10,770)	47,055	164,472
Interest expenses	3,173	—	—	3,173
Conversion of bonds	(84,750)	7,004	(31,245)	(108,991)
Fair value gain	—	(3,223)	—	(3,223)
Exchange adjustments	(3,473)	368	—	(3,105)
At 31 December 2010 and 1 January 2011	43,137	(6,621)	15,810	52,326
Interest expenses	1,845	—	—	1,845
Exchange adjustments	(819)	123	—	(696)
At 30 June 2011	44,163	(6,498)	15,810	53,475

11. Share capital

	30 June 2011 ***(unaudited)***		31 December 2010 *(audited)*	
	Number of shares ***'000***	**Total nominal value** ***RMB'000***	Number of shares *'000*	Total nominal value *RMB'000*
Authorised	**10,000,000**	**83,060**	5,000,000	53,000
Issued and fully paid				
At 1 January ordinary shares of HK$0.01 each	**2,256,675**	**20,681**	1,361,815	12,921
Issue of shares by share placement	**326,830**	**2,784**	272,360	2,395
Issue of shares upon conversion of convertible bonds	**—**	**—**	622,500	5,365
At 30 June/31 December	**2,583,505**	**23,465**	2,256,675	20,681

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. The options outstanding at 30 June 2011 had an exercise price of HK$0.495 and a weighted average remaining contractual life of 9.9 years. The exercise periods for the above options granted under the Scheme shall end not later than 10 years from 30 May 2011.

The closing market price on the date which the options were granted and the average closing price as stated in the Stock Exchange daily quotation sheets for the five business days immediately preceding the date of the grant of the options were HK$0.495 per share and HK$0.485 per share respectively.

Details of the Scheme and the share option issued under the Scheme are included in the section headed "SHARE OPTION SCHEME" on p.23.

12. Segment information

(a) *Business segments*

For management purposes, the Group is currently organised into two operating divisions, namely: sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistics services) and sales of piped natural gas and provision of gas supply connection services. The sales of computer software, resale of computer hardware and maintenance and other services were discontinued operations during last year. These divisions are the basis on which the Group reports its primary segment information and current period segment information is classified as conform with those used in the Group's annual financial statement.

(i) Segment information for the Interim Period is presented below:

Income statement

	Sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistics services) *RMB'000 (unaudited)*	**Sales of piped natural gas and provision of gas supply connection services** *RMB'000 (unaudited)*	**Consolidated** *RMB'000 (unaudited)*
Turnover	117,518	11,394	128,912
Segment results	35,515	952	36,467
Unallocated corporate expenses			(37,557)
Other revenue			936
Bank interest income			26
Finance costs			(4,773)
Loss before income tax			(4,901)
Income tax			(5,068)
Net loss after income tax			(9,969)

No business segment information for the assets, liabilities, capital contributions, depreciation and other non-cash expenses of the Group is shown as all the assets and liabilities are shared by business segments and cannot be separately allocated.

(ii) Segment information for the six-month ended 30 June 2010 is presented below:

Income statement

	Discontinued operations *RMB'000* *(unaudited)*	Sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistics services) *RMB'000* *(unaudited)*	Sales of piped natural gas and provision of gas supply connection services *RMB'000* *(unaudited)*	Consolidated *RMB'000* *(unaudited)*
Turnover	6,026	94,006	9,565	109,597
Segment results	(1,401)	34,296	(384)	32,511
Unallocated corporate expenses				(31,120)
Other revenue				1,053
Bank interest income				73
Finance costs				(9,949)
Loss before income tax				(7,432)
Gain on discontinued operation				31,338
Income tax				(3,620)
Net profit after income tax				20,286

No business segment information for the assets, liabilities, capital contributions, depreciation and other non-cash expenses of the Group is shown as all the assets and liabilities are shared by business segments and cannot be separately allocated.

(b) Geographicals segments

No geographical segments information of the Group is shown as the operating business of the Group is solely carried out in the PRC and most of the Group's assets are substantially located in the PRC.

13. Pledge of assets

As at 30 June 2011, the Group had pledged assets amounted to approximately RMB62,500,000 (31 December 2010: RMB46,866,000) to secure bank borrowings granted to the Group.

14. Commitments

At 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2011 *RMB'000* *(unaudited)*	31 December 2010 *RMB'000* *(audited)*
Within 1 year	**145**	95
After 1 year but within 5 years	**7**	214
	152	309

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.

At the balance sheet date, the Group had the following capital commitments:

	30 June 2011 *RMB'000* *(unaudited)*	31 December 2010 *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	**169,558**	84,678

15. Contingent liabilities

As at 30 June 2011, the Group did not have any material unprovided contingent liabilities. (31 December 2010: RMB3,902,000)

16. Gain on disposal of subsidiaries

It represents the gain on the completion of the disposal of 100% of the issued share capital of Shine Science & Technology (BVI) Company Limited together with its subsidiaries (the "Shine Science Group") during the Interim Period in 2010.

For details, please refer to the announcements of the Company dated 11 February 2010 and 21 April 2010 respectively, and the circular of the Company dated 23 April 2010.

17. Discontinued operations

The loss for the Quarterly Period and Interim Period from discontinued operations are analysed as follows:

	Quarterly Period		Interim Period	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
Loss from discontinued operations	**—**	(6,032)	**—**	(11,947)

The results of the discontinued operations for the period from 1 January 2010 to 11 May 2010, which have been included in the consolidated income statement in the Quarterly Period and Interim Period, are as follows:

		Quarterly Period		Interim Period	
		2011	2010	**2011**	2010
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
Turnover	*2*	**—**	2,126	**—**	6,026
Cost of sales		**—**	(2,620)	**—**	(7,427)
Gross loss		**—**	(494)	**—**	(1,401)
Other revenue and net income	*2*	**—**	851	**—**	1,115
Distribution costs		**—**	(1,906)	**—**	(3,296)
Administrative expenses		**—**	(3,016)	**—**	(6,898)
Finance costs		**—**	(68)	**—**	(68)
Loss before income tax		**—**	(4,633)	**—**	(10,548)
Income tax		**—**	(1,399)	**—**	(1,399)
Loss from discontinued operations		**—**	(6,032)	**—**	(11,947)
Loss from discontinued operations attributable to:					
Owners of the Company		**—**	(6,032)	**—**	(11,947)
Non-controlling interests		**—**	—	**—**	—
		—	(6,032)	**—**	(11,947)

The net cash flows of the discontinued operations for the Interim Period are as follows:

	Interim Period	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Net cash used in operating activities	**—**	(15,484)
Net cash used in investing activities	**—**	(9,386)
Net cash generated from financing activities	**—**	5,932
Net cash outflow	**—**	(18,938)

18. Post balance sheet events

(a) On 6 April 2011, the Group has executed an acquisition agreement in respect of the acquisition of Wealthy Talent Global Investments Limited together with its subsidiaries (the "Wealthy Talent Group") as supplemented by a supplemental agreement dated 25 May 2011 (the "Acquisition Agreement") for a consideration of RMB420,000,000 (equivalent to HK$499,000,000), satisfied by convertible bonds issued by the Company to the Vendor or its nominee(s) (the "Convertible Bonds"). Approval of the shareholders for this acquisition has been obtained in the extraordinary general meeting held on 20 June 2011. The acquisition was completed on 12 July 2011. For details, please refer to the announcement of the Company dated 6 April 2011, 30 May 2011 and 12 July 2011.

Pursuant to the Acquisition Agreement, the Vendor has guaranteed to the Company that, the consolidated profit after tax of Wealthy Talent Group under HKFRS for the year ending 31 December 2011 and 2012, shall not be less than RMB30 million and RMB40 million respectively.

In the event that Wealthy Talent Group cannot achieve the profit guarantee, the Vendor shall pay to the Company a total sum of 14 times of the shortfall and 10.5 times of the shortfall, for the year ending 31 December 2011 and 2012 respectively.

The initial accounting for the acquisition of Wealthy Talent Group involves identifying and determining the fair values to be assigned to identifiable assets, liabilities and contingent liabilities. The Group is in the process of gathering the above mentioned information and finalising the calculation.

(b) On 4 August 2011, Mr. Wang Zhong Sheng ("Mr. Wang") and Jumbo Lane Investments Limited ("Jumbo Lane") entered into a placing agreement which was subsequently supplemented by a supplemental agreement on 5 August 2011 ("the Placing Agreement") with Kingsway Financial Services Group Limited and Vision Finance International Company Limited (collectively the "Placing Agents"), both as placing agents. On the same date, the Company, Mr. Wang and Jumbo Lane entered into a top-up subscription agreement which was subsequently supplemented by a supplemental agreement on 5 August 2011. Mr. Wang is an executive Director, and both Mr. Wang and Jumbo Lane are substantial shareholders of the Company.

Pursuant to the Placing Agreement and the Subscription Agreement, the Placing Agents have agreed to place, on behalf of Mr. Wang and Jumbo Lane and on a best effort basis, an aggregate of up to 400,000,000 existing Shares (of which 200,000,000 Shares are from Jumbo Lane and 200,000,000 Shares are from Mr. Wang) at the placing price of HK$0.60 per placing share; and Mr. Wang and Jumbo Lane have respectively and conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, an aggregate of up to 400,000,000 new shares (for a maximum of 200,000,000 new shares and 200,000,000 new shares shall be subscribed for by Jumbo Lane and Mr. Wang respectively, subject to result of the Placing) at the subscription price of HK$0.60 per subscription share (altogether the "Placing and the Subscription"). For details of the Placing and the Subscription, please refer to the announcement of the Company dated 5 August 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a consolidated turnover of approximately RMB128,912,000 for the Interim Period, representing an increase of approximately 17.6% compared with the corresponding period last year. The increase was mainly attributable to:

- approximately RMB23,512,000 increase in turnover for the sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistic services)

Loss attributable to shareholders for the Interim Period was approximately RMB9,249,000. It was a profit of RMB20,362,000 in the corresponding period last year. Reasons for such change are three folds:

(i) gain on disposal of subsidiaries for the corresponding period last year was approximately RMB31,338,000, there was no such gain in current period;

(ii) non-cash share-based payment in respect to share option granted was recognised in current period, amounted to approximately RMB14,261,000; partly offset by

(iii) decrease in other distribution, administrative and finance costs for approximately RMB15,988,000.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2011, the Group had net assets of approximately RMB528,234,000, including cash, bank and deposit balances of approximately RMB33,908,000. To minimise financial risks, the Group implements stringent financial and risk management strategies and avoids the use of highly-geared financing arrangements. The Group's gearing ratio, calculated by the Group's total external borrowings divided by its shareholders' fund, was approximately 12.9%.

Taking into consideration of the existing financial resources available to the Group, it is anticipated that the Group will have adequate financial resources.

EMPLOYEES

As at 30 June 2011, the Group has an aggregate of 231 employees, of which 13 are research and development staff, 94 are engineering and customer service staff, 110 administrative staff and 14 marketing staff. During the Interim Period, the staff costs (including directors' remuneration and share-based payment) was approximately RMB19,781,000 (corresponding period of 2010: approximately RMB16,424,000).

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.

RISK IN FOREIGN EXCHANGE

The revenue and expenses of the Group were denominated in Renminbi. The Directors consider that the Group's risk in foreign exchange is insignificant.

MATERIAL ACQUISITIONS AND TRANSACTIONS

Very Substantial Acquisition — Finance Lease Arrangement

On 2 December 2010, (1) Shanxi Qinshui Shuntai Energy Development Company Limited ("Qinshui Energy"), a direct wholly-owned subsidiary of the Company; and (2) Shanxi Wanzhi Logistics Limited ("Shanxi Logistics"), an indirect non-wholly owned subsidiary of the Company, entered into, among other things, the five finance lease agreements respectively with CIMC Vehicle Financial Leasing Company Limited ("CIMC Vehicle"), pursuant to which Qinshui Energy and Shanxi Logistics conditionally agreed to lease from CIMC Vehicle, and CIMC Vehicle conditionally agreed to lease to Qinshui Energy and Shanxi Logistics, certain assets including liquefied natural gas tanks, gasified system and equipment, liquefied natural gas trailer, towing vehicles and liquefied natural gas refill stations respectively for a total lease consideration of RMB95,460,930 for a term of 36 months by monthly installments inclusive of interest determined based on the prevailing lending interest rate promulgated by People's Bank of China (the "Finance Lease Arrangement"). However, the total lease consideration would be adjusted due to the floating lending interest rate to be promulgated by The People's Bank of China from time to time.

The Finance Lease Arrangement constituted a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and therefore was subject to reporting, announcement and shareholders' approval requirements. The Finance Lease Arrangement was approved by the Company's shareholders at the extraordinary general meeting held on 14 February 2011. For details, please refer to the announcements of the Company dated 7 December 2010 and 12 January 2011 respectively, and the circular of the Company dated 24 January 2011.

Discloseable Transaction — Acquisition of Coalbed Liquefying Facilities

On 16 February 2011, Qinshui Energy entered into a contract with Lioning Harbin Shenleng Gas Liquefying Equipment Company Limited (遼寧哈深冷氣體液化設備有限公司), in relation to the acquisition of the coalbed liquefying facilities with a production capacity of 25 x 10^4 Sm^3/day to be located at the construction site of coalbed liquefying project, Qinshui County, Jincheng City, Shanxi Province, PRC (中國山西省晉城市沁水縣煤層氣液化項目工地) at an anticipated total consideration of RMB56,600,000. The acquisition constituted a discloseable transaction of the Company. For details, please refer to the announcement of the Company dated 16 February 2011.

Major and Connected Transaction Involving Issue of Convertible Bonds

On 6 April 2011, the Company (as purchaser) entered into an acquisition agreement with Mr. Wang Zhong Sheng ("Mr. Wang"), an executive Director and substantial shareholder of the Company, (as vendor) ("the Acquisition Agreement") pursuant to which the Company conditionally agreed to acquire and Mr. Wang conditionally agreed to sell the 100% issued share capital of Wealthy Talent Global Investments Limited for a consideration of RMB420,000,000 (equivalent to HK$499,000,000) (the "Acquisition"). The consideration was satisfied upon completion by the Company by the issue of the convertible bonds to Mr. Wang or its nominee(s) which shall be a company controlled by him. Based on the conversion price at HK$0.26 and assuming full conversion, 1,919,230,769 conversion shares will be allotted and issued. The Acquisition Agreement constituted a major and connected transaction of the Company. For details, please refer to the announcement and the circular of the Company dated 6 April 2011 and 30 May 2011 respectively.

The Acquisition Agreement was approved by the independent shareholders of the Company on 20 June 2011. The Acquisition was completed on 12 July 2011. As at the date of the announcement, no conversion share has been issued and allotted.

BUSINESS REVIEW

Liquefied Coalbed Gas Business

The Group has resolutely taken the initiative to transform itself into a coalbed methane ("CBM") corporation. It targeted to invest heavily to expand its CBM reserve basin, acquiring additional liquefied natural gas units and storage facilities, as well as diversifying its distribution channels. We are confident to pull and push our coming and existing operation into full capacity, and achieve business performance breakthroughs in the coming years.

The demand for natural gas in China is strong. In first half of 2011, the Group has recorded turnover of RMB117,518,000 for its sales of liquefied coalbed gas (including provision of liquefied coalbed gas logistic services) segment.

OUTLOOK

Natural gas is in a period of rapid development. The current consumption level for natural gas shows great potential in further development, recognizing the rising advocacy of safer - especially under the recent nuclear power crisis - and cleaner energy.

Conventional gas is a limited resource. To support the current usage volume, it is deemed inevitable to choose either imported gas or unconventional gas. It is encouraging news that the Central Government supports using unconventional gas with active and feasible policies. Not only has the Government understood the pre-domination of our country's abundant natural resources reservoir, it shows proactivity in securing the energy supply for the local market's current and future demand. Under the policy, there is no doubt that the Company as a leading CBM company will gain major benefits.

Being a responsible company to the community and shareholders, we will exert our every effort to balance the benefits to both parties. We will provide users safe and clean energy in a competitive price, whilst optimize our operation according to the industry development for sustainable growth and progressive investment returns.

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

As at 30 June 2011, 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:

(a) Long positions in shares, underlying shares and debentures of the Company

Name	Capacity	Nature of Interest	Number of shares/ underlying shares	Approximate % of shareholdings
Mr. Wang Zhong Sheng	Interest of controlled corporation	Corporate interest	332,790,000 *(Note 1)*	12.88%
Mr. Wang Zhong Sheng	Beneficial owner	Personal	277,322,118 *(Note 2)*	10.73%
Mr. Zhang Qing Lin	Beneficial Owner	Personal	2,500,000 *(Note 3)*	0.1%
Mr. Feng San Li	Beneficial Owner	Personal	2,500,000 *(Note 4)*	0.1%
Mr. Fu Shou Gang	Beneficial Owner	Personal	2,500,000 *(Note 5)*	0.1%

Notes:

1. Such shares are owned by Jumbo Lane Investments Limited.

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

2. Out of the 277,322,118 long positions, Mr. Wang Zhong Sheng is taken to be interested as a grantee of options to subscribe for 2,500,000 shares under the share option scheme adopted by the Company on 18 May 2011.

3. Mr. Zhang Qing Lin is taken to be interested as a grantee of options to subscribe for 2,500,000 shares under the share option scheme adopted by the Company on 18 May 2011.

4. Mr. Feng San Li is taken to be interested as a grantee of options to subscribe for 2,500,000 shares under the share option scheme adopted by the Company on 18 May 2011.

5. Mr. Fu Shou Gang is taken to be interested as a grantee of options to subscribe for 2,500,000 shares under the share option scheme adopted by the Company on 18 May 2011.

(b) Associated corporations — interests in shares

Director	Name of associated corporation	Nature of Interest	Percentage of interests in the registered capital of the associated corporation
Mr. Wang Zhong Sheng	Jumbo Lane Investments Limited *(Note 1)*	Personal	100%

Note:

1. Jumbo Lane Investments Limited is a holding Company of the Group, owns 12.88% of the shareholding of the Group. Mr. Wang Zhong Sheng owns 100% interest in the issued share capital of Jumbo Lane Investments Limited.

Save as disclosed above, as at 30 June 2011, 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 period.

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

As at 30 June 2011, 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

Name	Number of Shares	Nature of Interest	Percentage of shareholding
Jumbo Lane Investments Limited	332,790,000	Beneficial owner	12.88%
Mr. Wang Zhong Sheng *(Note 1)*	332,790,000	Interest of controlled corporation	12.88%
Mr. Wang Zhong Sheng *(Note 2)*	277,322,118	Personal	10.73%
Ms. Zhao Xin *(Note 3)*	332,790,000	Interest of spouse	12.88%
Ms. Zhao Xin *(Note 4)*	277,322,118	Interest of spouse	10.73%

Notes:

1. Such shares represent the same parcel of shares owned by Jumbo Lane Investments Limited. Mr. Wang Zhong Sheng is the beneficial owner of the 100% of the total issued share capital of Jumbo Lane Investments Limited. Mr. Wang is taken to be interested in the shares owned by Jumbo Lane Investments Limited pursuant to the SFO.

2. Out of the 277,322,118 shares held by Mr. Wang Zhong Sheng, he is taken to be interested as a grantee of options to subscribe for 2,500,000 shares under the share option scheme adopted by the Company on 18 May 2011.

3. Ms. Zhao Xin (the spouse of Mr. Wang Zhong Sheng) is deemed to be interested in her spouse's interest in the Company which represent the same parcel of shares held by Jumbo Lane Investments Limited pursuant to the SFO.

4. 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 2011 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.

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 scheme.

As at the date of this announcement, there were no shares in respect of which share options had been granted and remained outstanding under the Old Share Option Scheme. No further share options were granted upon termination of the Old Share Option Scheme.

For details of the New Share Option Scheme, please refer to the circular of the company dated 20 April 2011.

Information in relation to share options disclosed in accordance with the GEM Listing Rules was as follows:

Eligible person	**Date of grant** (D/M/YYYY)	**Period during which share options are exercisable** (D/M/YYYY)	**Exercise price per share** *HK$*	**Number of share options granted during the period and outstanding at 30/6/2011**
Executive Directors				
Mr. Wang Zhong Sheng	30/5/2011	30/5/2011 — 29/5/2021	0.495	2,500,000
Mr. Zhang Qing Lin	30/5/2011	30/5/2011 — 29/5/2021	0.495	2,500,000
Mr. Fu Shou Gang	30/5/2011	30/5/2011 — 29/5/2021	0.495	2,500,000
Mr. Feng San Li	30/5/2011	30/5/2011 — 29/5/2021	0.495	2,500,000
				10,000,000
Employees & consultants	30/5/2011	30/5/2011 — 29/5/2021	0.495	248,300,000
				258,300,000

Notes:

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

	Number of options	**Vesting conditions**	**Contractual life of options**
Options granted:			
30 May 2011	215,220,000	Vest immediately	10 years
30 May 2011	43,080,000	Half on each of the first and second anniversaries of grant date	10 years

(ii) The number and weighted average exercise prices of options are as follows:

	Weighted average exercise price *HK$*	**Number of options**
Outstanding at 1 January 2011	—	—
Granted during the period	0.495	258,300,000
Outstanding at 30 June 2011	0.495	258,300,000
Exercisable at 30 June 2011	0.495	215,220,000

The options outstanding at 30 June 2011 had an exercise price of HK$0.495 and a weighted average remaining contractual life of 9.9 years.

(iii) Fair value of options granted during the period and assumptions:

The fair value of services received in return for options granted are measured by reference to the fair value of options granted. The estimate of the fair value of the services received is measured based on the Binomial model. The contractual life of the option is used as an input into this model.

	2011
	HK$
Fair value at measurement date	0.0921
Share price at measurement date	0.495
Exercise price	0.495
Expected volatility (expressed as a weighted average volatility used in the modelling under the Black-Scholes model)	57.95%
Option life (expressed as a weighted average life used in the modelling under the Black-Scholes model)	0.67 year
Expected dividends	0%
Risk free interest rate	0.19%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes or may cause any significant competition with the business of the Group.

CONTINUING CONNECTED TRANSACTION- SUPPLY OF LIQUEFIED NATURAL GAS

During the period from 1 January 2011 to 31 March 2011 (the "Period"), Qinshui Energy, a wholly-owned subsidiary of the Company, supplied liquefied natural gas to Luoyang Shunhe Energy Company Limited ("Luoyang Shunhe"), a connected person of the Company, in the aggregate amount of not more than RMB12 million (the "Transaction").

During the Period, Luoyang Shunhe was wholly-owned by Mr. Wang Zhong Sheng, an executive Director and a substantial shareholder. Therefore, Luoyang Shunhe was a connected person of the Company pursuant to Rule 20.11 of the GEM Listing Rules. According to Rule 20.14 of the GEM Listing Rules, the supply of liquefied natural gas to Luoyang Shunhe during the Period constituted a continuing connected transaction of the Company.

As each of the percentage ratios (other than the profits ratio) for the Transaction is more than 0.1% but less than 5%, the Transaction shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules. On 28 March 2011, the Directors had noted of the omission to comply with the reporting and announcement requirement of the GEM Listing Rules in respect of the Transaction, however, the non-compliance had been rectified accordingly. For details, please refer to the announcement of the Company dated 31 March 2011.

THE PLACING

The Company and the placing agent, Vision Finance International Company Limited (the "Placing Agent") entered into the placing agreement on 26 February 2011, whereby the Company conditionally agreed to place, through the Placing Agent, on a best efforts basis, a maximum of 326,830,000 shares ("Placing Shares") to independent investors at a price of HK$0.225 per share (the "Placing").

The 326,830,000 Placing Shares represent (i) approximately 14.48% of the then 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 Placing was completed on 17 March 2011. The maximum net proceeds from the Placing of approximately HK$71.21 million has been and will be used for the existing joint venture investment and general working capital of the Group. For details of the Placing, please refer to the announcements of the Company dated 26 February 2011 and 17 March 2011 respectively.

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

On 17 March 2011, the Company allotted and issued 326,830,000 ordinary shares of HK$0.01 each by way of a placement at HK$0.225 per share for cash. For details, please refer to the announcements of the Company dated 26 February 2011 and 17 March 2011 respectively.

Save as disclosed above, during the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

APPOINTMENT OF EXECUTIVE DIRECTOR AND EXECUTIVE OFFICER

Mr. Feng San Li was appointed as an executive Director and the chief executive officer of the Company with effect from 17 June 2011.

POST BALANCE SHEET EVENT

Placing of Existing Shares and Subscription for New Shares

On 4 August 2011, Mr. Wang Zhong Sheng ("Mr. Wang") and Jumbo Lane Investments Limited ("Jumbo Lane") entered into a placing agreement which was subsequently supplemented by a supplemental agreement on 5 August 2011 ("the Placing Agreement") with Kingsway Financial Services Group Limited and Vision Finance International Company Limited (collectively the "Placing Agents"), both as placing agents. On the same date, the Company, Mr. Wang and Jumbo Lane entered into a top-up subscription agreement which was subsequently supplemented by a supplemental agreement on 5 August 2011. Mr. Wang is an executive Director, and both Mr. Wang and Jumbo Lane are substantial shareholders of the Company.

Pursuant to the Placing Agreement and the Subscription Agreement, the Placing Agents have agreed to place, on behalf of Mr. Wang and Jumbo Lane and on a best effort basis, an aggregate of up to 400,000,000 existing Shares (of which 200,000,000 Shares are from Jumbo Lane and 200,000,000 Shares are from Mr. Wang) at the placing price of HK$0.60 per placing share; and Mr. Wang and Jumbo Lane have respectively and conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, an aggregate of up to 400,000,000 new shares (for a maximum of 200,000,000 new shares and 200,000,000 new shares shall be subscribed for by Jumbo Lane and Mr. Wang respectively, subject to result of the Placing) at the subscription price of HK$0.60 per subscription share (altogether the "Placing and the Subscription"). For details of the Placing and the Subscription, please refer to the announcement of the Company dated 5 August 2011.

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

During the Interim Period, the audit committee has held two meetings. 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 Group employed a Qualified Accountant in current quarter and will still employ a Qualified Accountant in the coming years. The Audit Committee also concluded that the Group has employed sufficient staff for the propose of accounting, financial and internal control.

CORPORATE GOVERNANCE

During the Interim Period, the Group has complied with the code provisions in the Code of Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules ("HKSE Code").

Under the Code Provision A.2.1 of the HKSE Code, the roles of chairman and CEO should be separate and should not be performed by the same individual. Currently, Mr. Feng San Li is holding the title of CEO. Mr. Wang Zhong Sheng is the Chairman of the Board. The Board meets regularly to consider major matters affecting the business and operations of the Group. The Board considers that this structure will balance the power and authority between the Board and management and believes that this structure enables the Group to make and implement decision promptly and efficiently.

Under Code Provision A.4.1 of the HKSE Code, non-executive directors should be appointed for specific terms, subject to re-election, Currently, the Non-executive Directors and 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 Articles of Association. The Board considers the current arrangement will allow flexibility to the Board in terms of appointment of Directors.

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
China Leason Investment Group Co., Limited
Wang Zhong Sheng
Chairman

China, 10 August 2011

As at the date hereof, the executive Directors are Mr. Wang Zhong Sheng, Mr. Shi Liang, Mr. Zhang Qing Lin, Mr. Fu Shou Gang and Mr. Feng San Li and the independent non-executive Directors are Mr. Luo Wei Kun and Ms. Pang Yuk Fong and Mr. Wang Zhi He.