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China CBM Group Company Limited

中國煤層氣集團有限公司

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

(Stock Code: 8270)

MAJOR AND CONNECTED TRANSACTION: PROPOSED ACQUISITION INVOLVING ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

On 30 September 2022 (after trading hours), the Company as purchaser and Mr. Wang as vendor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase, and Mr. Wang has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company at a total consideration of HK\$42,523,400 (equivalent to approximately RMB38,500,000), which shall be satisfied by way of (i) allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds to Mr. Wang under the Specific Mandate.

Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become a direct wholly-owned subsidiary of the Company. As at the date of this announcement, Huiyang New Energy is held as to 60%, 20% and 20% by Shanxi Yangcheng (a wholly-owned subsidiary of the Company), Lvqiao CBM and Yangcheng Yangtai respectively. Accordingly, the Group will be in aggregate interested in 80% equity interest of Huiyang New Energy and Huiyang New Energy will continue to remain as a subsidiary of the Company. The financial information of Huiyang New Energy will continue to be consolidated into the financial statements of the Group, and the financial information of the rest of the Target Group will be consolidated into the financial statements of the Group.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Acquisition exceeds 25% but is less than 100%, the Proposed Acquisition constitutes a major transaction and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Also, as at the date of this announcement, Mr. Wang (the executive Director and chairman of the Board), through Jumbo Lane Investments Limited and in his own capacity, is beneficially interested in 1,371,684,912 Existing Shares, representing approximately 66.01% of the existing issued share capital of the Company. He is therefore a connected person of the Company. Accordingly, the Proposed Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and will be subject to the announcement, reporting and the Independent Shareholders' approval requirements.

As Mr. Wang and Mr. Wang Chen, the son of Mr. Wang and a non-executive Director, are considered to have a material interest in the Proposed Acquisition, they have therefore abstained from voting on the resolution in relation to the Proposed Acquisition (including the (i) allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds pursuant to the Proposed Acquisition) and the grant of the Specific Mandate proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Proposed Acquisition.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder (including (a) the allotment and issue of the Consideration Shares and (b) issue of the Convertible Bonds pursuant to the Proposed Acquisition) and the proposed grant of the Specific Mandate; (ii) a notice of SGM; and (iii) other information required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 7 November 2022 to allow for additional time required by the Company to finalise certain financial information for inclusion in the circular in compliance with the GEM Listing Rules.

Shareholders and potential investors of the Company should note that the Proposed Acquisition contemplated under the Sale and Purchase Agreement is subject to satisfaction of certain conditions precedent. Accordingly, it may or may not be completed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

INTRODUCTION

On 30 September 2022 (after trading hours), the Company as purchaser and Mr. Wang as vendor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase, and Mr. Wang has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company at a total consideration of HK\$42,523,400 (equivalent to approximately RMB38,500,000), which shall be satisfied by way of (i) allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds to Mr. Wang under the Specific Mandate. The Proposed Acquisition is conditional upon the Share Consolidation becoming effective.

PROPOSED ACQUISITION

Principal terms of the Sale and Purchase Agreement are set forth below:

Date : 30 September 2022 (after trading hours)

Parties : (1) Mr. Wang (as vendor); and
(2) The Company (as purchaser)

Subject matter

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to purchase, and Mr. Wang has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

The consideration of HK\$42,523,400 (equivalent to approximately RMB38,500,000) shall be satisfied in the following manner:

- (i) HK\$31,523,400, to be satisfied by the issue of 93,375,000 Consideration Shares at the price of HK\$0.3376 per Consideration Share to Mr. Wang; and
- (ii) HK\$11,000,000, to be satisfied by the issue of the Convertible Bonds to Mr. Wang, which may be converted into 32,582,938 Consolidated Shares upon full exercise of the conversion rights under the Convertible Bonds at the conversion price of HK\$0.3376 per Conversion Share.

The consideration was determined after arm's length negotiation between the parties with reference to, among other things, (i) the prevailing equity value of the Sale Shares; (ii) the preliminary valuation of the entire equity interest in Huiyang New Energy conducted by the Valuer by adopting the market approach of approximately RMB212,000,000 as at 30 June 2022; and (iii) the reasons for and benefits of the Proposed Acquisition as stated under the section headed "Reasons for and benefits of the Proposed Acquisition" below.

The Consideration Shares

The Consideration Shares, being 93,375,000 Consolidated Shares, represent: (i) approximately 35.95% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 26.44% of the issued share capital of the Company immediately upon completion of the Share Consolidation as enlarged by the allotment and issue of the Consideration Shares but before the issue of the Conversion Shares (assuming there will be no other changes in the share capital of the Company prior to the Completion other than the issue of the Consideration Shares).

Issue Price

The issue price of HK\$0.3376 per Consideration Share was determined after arm's length negotiation between the Company and Mr. Wang with reference to, among other things, the recent trading prices of the Existing Shares and the theoretical price per Consolidated Share upon the Share Consolidation becoming effective, which represents:

- (1) a premium of approximately 0.48% over the theoretical price of HK\$0.336 per Consolidated Share based on the closing price of HK\$0.042 per Existing Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
- (2) an equivalent to the theoretical price of HK\$0.3376 per Consolidated Share based on the average closing price of HK\$0.0422 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (3) an equivalent to the theoretical price of HK\$0.3376 per Consolidated Share based on the average closing price of HK\$0.0422 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Convertible Bonds

The principal terms of the Convertible Bonds are summarised as follows:

Issuer:	The Company
Principal amount:	HK\$11,000,000
Subscription price of the Convertible Bonds:	The subscription price of the Convertible Bond is HK\$11,000,000, being the total principal amount of the Convertible Bonds.
Maturity date:	The second anniversary of the date of issue of the Convertible Bonds.
Interest:	The Convertible Bonds shall bear no interest.

Conversion Price: HK\$0.3376 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds which represents:

- (i) a premium of approximately 0.48% over the theoretical price of HK\$0.336 per Consolidated Share based on the closing price of HK\$0.042 per Existing Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;
- (ii) an equivalent to the theoretical price of HK\$0.3376 per Consolidated Share based on the average closing price of HK\$0.0422 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (iii) an equivalent to the theoretical price of HK\$0.3376 per Consolidated Share based on the average closing price of HK\$0.0422 per Existing Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Conversion Price, which is the same as the issue price of the Consideration Shares, was determined after arm's length negotiation between the Company and Mr. Wang with reference to, among other things, the recent trading prices of the Existing Shares and the theoretical price per Consolidated Share upon the Share Consolidation becoming effective.

The Directors (excluding the independent non-executive Directors whose view will be included in the circular of the Company to be published in relation to the Proposed Acquisition after being advised by the independent financial adviser to be appointed) is of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned, and the Conversion Price is in the interest of the Company and the Independent Shareholders as a whole.

The Company shall not allot and issue Conversion Shares to the holder of the Convertible Bonds or shall such holder be permitted to convert the Convertible Bonds (or part thereof) if upon such allotment and issue or conversion (as the case may be), such holder and parties acting in concert with it will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code to make a general offer or cause the public float of the Company be unable to meet the requirements under the GEM Listing Rules.

- Adjustment Events: The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events, including but not limited to the followings:
- (i) consolidation or subdivision of Consolidated Shares;
 - (ii) capitalization of profits or reserves;
 - (iii) capital distribution; and
 - (iv) issue wholly for cash any Consolidated Shares at a price per Consolidated Share which is less than 90% of the then market price of the Consolidated Shares.
- Conversion Shares: Based on the initial Conversion Price of HK\$0.3376 (assuming that the Conversion Shares are converted in full and there is no other change to the issued share capital of the Company upon completion of the Share Consolidation; apart from the allotment and issue of the Consideration Shares, from the date of this announcement and up to Completion), a maximum number of up to 32,582,938 Conversion Shares shall be allotted and issued upon exercise in full of the Conversion Rights.
- Conversion Period: The period commencing from the date of issue of the Convertible Bond and ending on the day immediately prior to the Maturity Date.
- Conversion Rights: Subject to, and upon compliance with, the conditions of the instrument governing the Convertible Bonds and provided that any conversion of the Convertible Bonds (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder which exercised the Conversion Rights and party(ies) acting in concert (as defined under the Takeovers Code) with it; and (ii) will not cause the public float of the Company being unable to meet the requirement under the GEM Listing Rules, the Conversion Rights may be exercised by the bondholder at any time during the Conversion Period in amounts not less than a whole multiple of HK\$500,000 on such conversion, save that if at any time the entire principal amount or the outstanding principal amount of the Convertible Bonds held by a bondholder is less than HK\$500,000, or if a bondholder intends to exercise the Conversion Rights attached to the entire principal amount of all the Convertible Bonds held by him, the bondholder may convert the whole (but not part only) of the such outstanding principal amount of the Convertible Bonds.
- No fraction of a Consolidated Share shall be issued on conversion and in lieu thereof the Company shall pay a cash amount equal to such amount of the Convertible Bonds that is not converted.

- Conversion restrictions: The Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights:
- (i) the holder of the Convertible Bonds and parties acting in concert with it will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; and
 - (ii) less than 25% or the minimum prescribed percentage as set out in the GEM Listing Rules of the Company's issued shares would be held by the public immediately after the relevant exercise of such Conversion Rights.
- Redemption: The Company may at any time before the Maturity Date, by giving not less than 2 Business Days' notice to the bondholders, redeem all or part of the outstanding Convertible Bonds.
- Unless previously redeemed, converted or cancelled as provided herein, the Company will redeem the outstanding principal amount of the Convertible Bonds on the Maturity Date at such outstanding principal amount.
- Status and ranking: The obligations of the Company arising under the Convertible Bonds constitute general, direct, unsubordinated, unconditional and unsecured obligations of the Company, and rank pari passu among themselves and at least pari passu in right of payment with all other present and future unsecured obligations of the Company.
- The Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue.
- Voting rights: The bondholder will not be entitled to vote at any meetings of the Company by reason only of it being the holder of the Convertible Bonds.
- Transferability: The Convertible Bonds may be transferred to any person, other than any connected person of the Company for which prior notice to the Company will be required, provided that such transfer shall comply with the GEM Listing Rules, the Takeovers Code and any other relevant laws and regulations.
- Application for listing: No application will be made by the Company to the Stock Exchange for listing of the Convertible Bonds.

The Conversion Shares represent (i) approximately 12.54% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 8.45% of the issued share capital of the Company immediately upon completion of the Share Consolidation as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares (assuming that there is no other change to the issued share capital of the Company from the date of this announcement and up to Completion).

The Consideration Shares and the Conversion Shares will be issued under the Specific Mandate.

The aggregate of the Consideration Shares and the Conversion Shares represent (i) approximately 48.49% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 32.66% of the issued share capital of the Company immediately upon completion of the Share Consolidation as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares (assuming that there is no other change to the issued share capital of the Company from the date of this announcement and up to Completion).

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares. The Consideration Shares and the Conversion Shares to be allotted and issued shall rank *pari passu* among themselves and with all the Shares in issue on the Completion Date.

Condition precedent

Completion is conditional upon and subject to the satisfaction (or waiver, as the case may be) of the following conditions:

- (1) the Company being satisfied with the results of the due diligence review to be conducted in relation to the Proposed Acquisition;
- (2) the passing by the Independent Shareholders at the SGM of the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (3) the GEM Listing Committee of the Stock Exchange granting the listing of and the permission to deal in the Consideration Shares and the Conversion Shares;
- (4) the proposed Share Consolidation having become effective;
- (5) the obtaining of a PRC legal memorandum (in form and substance satisfactory to the Company) from a PRC legal adviser designated by the Company in relation to the legality and validity of the Sale and Purchase Agreement, the transactions contemplated thereunder and the Restructuring;
- (6) the obtaining of a valuation report (in form and substance satisfactory to the Company) issued by a qualified valuer appointed by the Company showing that the valuation of the entire equity interest in Huiyang New Energy to be not less than RMB212,000,000 as at 30 June 2022;

- (7) all necessary consents and approvals required to be obtained on the part of Mr. Wang and the Target Group in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;
- (8) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained;
- (9) the representations and warranties in the Sale and Purchase Agreement remaining true and accurate and not misleading, and there being no events, facts or circumstances that constitute a breach of Mr. Wang and/or the Target Group's warranties in the Sale and Purchase Agreement; and
- (10) the Company being satisfied that there has been no material adverse change on the Target Group since the date of the Sale and Purchase Agreement.

The Company may at its absolute discretion at any time waive in writing any of the conditions (1), (5), (9) and (10) above and such waiver may be made subject to such terms and conditions as may be determined by the Company. Other than conditions (1), (5), (9) and (10), all other conditions set out above are not waivable. If any of the conditions set out in the Sale and Purchase Agreement have not been satisfied (or as the case may be, waived) on or before 30 April 2023 (or such later date as may be agreed between Mr. Wang and the Company in writing), the Sale and Purchase Agreement shall cease and determine.

Completion

Completion shall take place within 10 Business Days after fulfilment (or waiver, as the case may be) of all the conditions precedent under the Sale and Purchase Agreement.

Upon Completion, the Group will be interested in the entire issued share capital of the Target Company and the Target Company will become a direct wholly-owned subsidiary of the Company. As at the date of this announcement, Huiyang New Energy was held as to as to 60%, 20% and 20% by Shanxi Yangcheng (a wholly-owned subsidiary of the Company), Lvqiao CBM and Yangcheng Yangtai respectively. Accordingly, the Group will be in aggregate interested in 80% equity interest of Huiyang New Energy and Huiyang New Energy will continue to remain as a subsidiary of the Company. The financial information of Huiyang New Energy will continue to be consolidated into the financial statements of the Group, and the financial information of the rest of the Target Group will be consolidated into the financial statements of the Group.

INFORMATION OF THE PARTIES

The Company

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

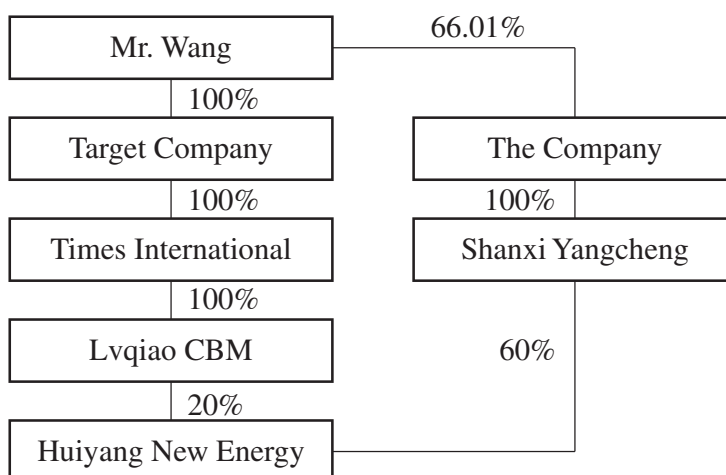
Mr. Wang

Mr. Wang is an executive Director, the chairman of the Board and the compliance officer of the Company. As at the date of this announcement, Mr. Wang was interested in approximately 66.01% of the issued share capital of the Company and was a controlling shareholder of the Company.

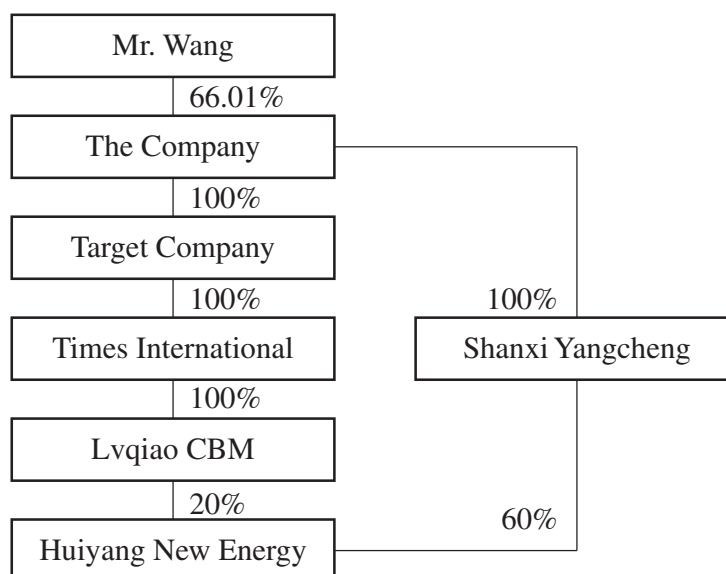
The Target Group

Set out below was/is the shareholding structure of the Target Group (i) as at the date of this announcement; and (ii) immediately after Completion:

Shareholding structure of the Target Group as at the date of this announcement



Shareholding structure of the Target Group immediately after Completion



The Target Company

The Target Company is a company incorporated in the British Virgin Islands with limited liability which is wholly owned by Mr. Wang and is principally engaged in investment holding. The Target Company is the holding company of the Times International.

Set out below is the unaudited financial information of the Target Company for the years ended 31 December 2020 and 2021:

	Year ended 31 December	
	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	–	–
(Loss) before taxation	(13)	(15)
(Loss) after taxation	(13)	(15)

As at 31 December 2021, the Target Company had net liabilities of approximately HK\$102,000.

Times International

Times International is a company incorporated in Hong Kong with limited liability, which is principally engaged in investment holding and is wholly owned by the Target Company. Times International is the holding company of Lvqiao CBM.

Set out below is the unaudited financial information of Times International for the years ended 31 December 2020 and 2021:

	Year ended 31 December	
	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	–	–
(Loss) before taxation	(0.4)	(0.4)
(Loss) after taxation	(0.4)	(0.4)

As at 31 December 2021, Times International had net liabilities of approximately HK\$12,000.

Lvqiao CBM

Lvqiao CBM is a company established in the PRC with limited liability, which is principally engaged in investment holding and is wholly owned by Times International. Lvqiao CBM is interested in 20% equity interest of Huiyang New Energy.

Set out below is the unaudited financial information of Lvqiao CBM for the years ended 31 December 2020 and 2021:

	Year ended 31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	–	–
Profit before taxation	–	–
Profit after taxation	–	–

As at 31 December 2021, Lvqiao CBM had nil net assets.

Huiyang New Energy

Huiyang New Energy is a company established in the PRC with limited liability and is currently held as to 60%, 20% and 20% by Shanxi Yangcheng (a wholly-owned subsidiary of the Company), Lvqiao CBM and Yangcheng Yangtai respectively. Huiyang New Energy is principally engaged in exploration, development and production of coalbed methane.

Financial information of Huiyang New Energy

Apart from the 20% equity interest in Huiyang New Energy directly or indirectly held, all the companies in the Target Group (except Huiyang New Energy) did not have any material assets as at the date of this announcement. Set out below is the unaudited consolidated financial information of Huiyang New Energy for the years ended 31 December 2020 and 2021:

	Year ended 31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	55,732	49,769
Profit/(Loss) before taxation	10,906	(42,145)
Profit/(Loss) after taxation	10,906	(42,145)

As at 31 December 2021, Huiyang New Energy had net liabilities of approximately RMB103.1 million.

The original acquisition cost of the Sale Shares by Mr. Wang is RMB38,500,000.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

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

Since July 2011, the Group has made significant investment in resources exploration and exploitation at the coalbed methane blocks located in Yangcheng, Shanxi Province, the PRC. The Board believes that the Proposed Acquisition is in line with the development strategy of the Group and can create long-term and strategic interests for the Group. As stated in the interim report of the Company for the six months ended 30 June 2022, it is foreseeable that the highly-polluted energy will be eliminated from the market more rapidly and the use of replaceable clean energy will become more popular, resulting in a keener market demand for natural gas. The demand growth of natural gas market will continue to retain its strong momentum. The Directors are of the view with the Proposed Acquisition, the Group will be able to further promote its market position in Yangcheng, Shanxi Province, the PRC, thereby generating optimal synergy effect among the Group.

The entire issued share capital of the Target Company subject to the Proposed Acquisition was acquired by Mr. Wang from Mr. Fan Hua (“**Mr. Fan**”) (i.e. the then controlling shareholder of the Target Company) on 3 September 2022 at a consideration of RMB38,500,000. This was the result of extended discussions and negotiations between the Company, Mr. Wang, Mr. Fan and Shanxi Yangcheng in the first half of 2022. Shanxi Yangcheng was initially interested in increasing its shareholding in Huiyang New Energy. However, in view of the complexity of the Restructuring and the parties were not able to reach a consensus on the settlement schedule and manner in respect of the payment of consideration, the Group did not proceed with the acquisition of the 20% equity interest in Huiyang New Energy. Subsequently, Mr. Wang confirmed to work together with Mr. Fan on the Restructuring in his personal capacity and negotiated with Mr. Fan on the acquisition of the Target Company. The Company later became aware that the Restructuring has been duly completed and Mr. Wang acquired the Target Group. Since the Group has been hoping to further promote its market position in Yangcheng, Shanxi Province, the PRC, the Company started its discussions regarding the Proposed Acquisition with Mr. Wang and after negotiation, Mr. Wang has conditionally agreed to sell the Sale Shares to the Company by way of (i) allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds. The Company considers that the issue of the Consideration Shares and the Convertible Bonds provides much greater flexibility to the financial status of the Company by limiting cash outflow and allowing the Company to utilise its existing funds on the general working capital of the Group or other investment opportunities.

The Board would like to stress that the payment terms of the consideration for the Proposed Acquisition are the best package that could be secured for the Company after arm’s length negotiations and are structured to minimise the investment risk of the Company and safeguard the interests of the Company and the Shareholders in the Proposed Acquisition.

In view of the above, the Directors (excluding Mr. Wang and Mr. Wang Chen, the son of Mr. Wang and a non-executive Director, who had abstained from voting at the Board meeting approving the Sale and Purchase Agreement and the transactions contemplated thereunder as described in the paragraph headed “GEM Listing Rules Implications” below and the independent non-executive Directors whose views will be given after considering the advice from the independent financial adviser) believe that the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, and that the Proposed Acquisition involving the issue of the Consideration Shares and the Convertible Bonds, while not in the ordinary and usual course of business of the Group, is in the interest of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structures of the Company (i) as at the date of this announcement; (ii) immediately upon completion of the Share Consolidation and after the allotment and issue of the Consideration Shares (assuming no Conversion Shares have been allotted and issued); and (iii) immediately upon completion of the Share Consolidation and after the allotment and issue of the Consideration Shares and the Conversion Shares (assuming there is no other change in the issued share capital of the Company from the date of this announcement):

	As at the date of this announcement		Immediately upon completion of the Share Consolidation and after the allotment and issue of the Consideration Shares (assuming no Conversion Shares have been allotted and issued)		Immediately upon completion of the Share Consolidation and after the allotment and issue of the Consideration Shares and the Conversion Shares (assuming full conversion of the Convertible Bonds)	
	Number of Shares held	Approximate % (Note 2)	Number of Shares held	Approximate % (Note 2)	Number of Shares held	Approximate % (Note 2)
Mr. Wang	1,353,566,412	65.14	262,570,801	74.36	295,153,739	76.52 (Note 3)
Jumbo Lane Investments Limited (Note 1)	18,118,500	0.87	2,264,812	0.64	2,264,812	0.59
Public Shareholders	706,315,336	33.99	88,289,417	25.00	88,289,417	22.89
	<u>2,078,000,248</u>	<u>100</u>	<u>353,125,030</u>	<u>100</u>	<u>385,707,968</u>	<u>100</u>

Notes:

1. Mr. Wang owns 100% interest in the issued share capital of Jumbo Lane Investments Limited and he is taken to be interested in the shares owned by Jumbo Lane Investments Limited pursuant to Part XV of the SFO.
2. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
3. For illustration purpose only. Such scenario will never occur as under the terms and conditions of the Convertible Bonds, the Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights, among others, that less than 25% or the minimum prescribed percentage as set out in the GEM Listing Rules of the Company's issued shares would be held by the public immediately after the relevant exercise of such Conversion Rights.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Acquisition exceeds 25% but is less than 100%, the Proposed Acquisition constitutes a major transaction and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Also, as at the date of this announcement, Mr. Wang (the executive Director and the chairman of the Board), through Jumbo Lane Investments Limited and in his own capacity, is beneficially interested in 1,371,684,912 Existing Shares, representing approximately 66.01% of the existing issued share capital of the Company. He is therefore a connected person of the Company. Accordingly, the Proposed Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and will be subject to the announcement, reporting and the Independent Shareholders' approval requirements.

As Mr. Wang and Mr. Wang Chen, the son of Mr. Wang and a non-executive Director, are considered to have a material interest in the Proposed Acquisition, they have therefore abstained from voting on the resolution in relation to the Proposed Acquisition (including the (i) allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds pursuant to the Proposed Acquisition) and the grant of the Specific Mandate proposed to the Board. Save as disclosed above, none of the Directors attended the Board meeting has a material interest in the Proposed Acquisition.

GENERAL

An Independent Board Committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this connection.

A SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder, and the Specific Mandate for (i) the allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds. A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder (including (a) the allotment and issue of the Consideration Shares and (b) issue of the Convertible Bonds pursuant to the Proposed Acquisition) and the proposed grant of the Specific Mandate; (ii) a notice of SGM; and (iii) other information required under the GEM Listing Rules, is expected to be despatched to the Shareholders on or before 7 November 2022 to allow for additional time required by the Company to finalise certain financial information for inclusion in the circular in compliance with the GEM Listing Rules.

Shareholders and potential investors of the Company should note that the Proposed Acquisition contemplated under the Sale and Purchase Agreement is subject to satisfaction of certain conditions precedent. Accordingly, they may or may not be completed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

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

“associate(s)”	has the same meaning as ascribed to it under the GEM Listing Rules
“Board”	the board of the Directors

“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“BVI”	British Virgin Islands
“Company”	China CBM Group Company Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on GEM of the Stock Exchange
“Completion”	completion of the Proposed Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	10 Business Days after fulfilment (or waiver, as the case may be) of all the conditions precedent under the Sale and Purchase Agreement
“Connected person(s)”	has the same meaning as ascribed to it under the GEM Listing Rules
“Consideration Shares”	93,375,000 Consolidated Shares to be allotted and issued by the Company to Mr. Wang to settle part of the consideration of the Proposed Acquisition at Completion, which will rank pari passu in all respects with all other Shares in issue at the Completion Date
“Consolidated Share(s)”	ordinary share(s) with a par value of HK\$0.08 each in the share capital of the Company immediately after the Share Consolidation becoming effective as disclosed in the announcement of the Company dated 29 September 2022
“Conversion Period”	the period commencing from the date of issue of the Convertible Bonds and ending on the day immediately prior to the Maturity Date
“Conversion Price”	HK\$0.3376 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds
“Conversion Rights”	the rights attached to the Convertible Bonds to convert the same or a part thereof into Conversion Shares

“Conversion Share(s)”	the 32,582,938 Consolidated Share(s) to be allotted and issued by the Company to the holders of the Convertible Bonds upon exercise in full of the conversion rights attaching to the Convertible Bonds at the Conversion Price
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$11,000,000 to be issued by the Company to Mr. Wang or its nominee(s) upon Completion to satisfy part of the consideration pursuant to the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation becoming effective
“GEM”	GEM of the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed thereto in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huiyang New Energy”	Yangcheng Huiyang New Energy Development Company Limited* (陽城縣惠陽新能源發展有限公司), a company established in the PRC with limited liability and, as at the date of this announcement, is an indirect non-wholly owned subsidiary of the Company. Upon Completion, the Group will be in aggregate interested in 80% equity interest of Huiyang New Energy and it will continue to remain as a subsidiary of the Company
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely, Mr. Lau Chun Pong, Mr. Wang Zhi He and Mr. Xu Yuan Jian, established to advise the Independent Shareholder(s) in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder

“Independent Shareholder(s)”	shareholders other than Mr. Wang and his associates and all other Shareholders who has a material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder
“Lvqiao CBM”	Qinshui County Lvqiao CBM Technology Services Co., Ltd.* (沁水縣綠橋煤層氣技術服務有限公司), a company established in the PRC and is wholly-owned by Times International as at the date of this announcement
“Maturity Date”	the second anniversary of the date of issue of the Convertible Bonds
“Mr. Wang”	Mr. Wang Zhong Sheng, an executive Director, chairman of the Board and a substantial Shareholder within the meaning of the GEM Listing Rules who also holds the entire equity interest in the Target Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Acquisition”	the proposed acquisition of the Sale Shares pursuant to the terms of the Sale and Purchase Agreement
“Restructuring”	restructuring of the shareholding structure in respect of the holding companies of Huiyang New Energy prior to the Proposed Acquisition
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 September 2022 entered into between Mr. Wang and the Company in relation to the Proposed Acquisition
“Sale Share(s)”	the entire issued share capital of the Target Company
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if though fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the (i) allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds)

“Shanxi Yangcheng”	Shanxi Yangcheng Shuntai Energy Development Company Limited* (山西陽城順泰能源發展有限公司), a wholly-owned subsidiary of the Company
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every eight (8) Existing Shares of par value of HK\$0.01 each in the share capital of the Company into one (1) Consolidated Share of par value of HK\$0.08 each as disclosed in the announcement of the Company dated 29 September 2022
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be granted to the Directors at the SGM for (i) the allotment and issue of the Consideration Shares and (ii) issue of the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong
“Target Company”	Global Billion Holdings Limited, a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Wang as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries, including Huiyang New Energy
“Times International”	Times International Trading Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Target Company as at the date of this announcement
“Valuer”	Asset Appraisal Limited, a qualified independent valuer

“Yangcheng Yangtai”

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

“%”

per cent.

In this announcement, amounts in HK\$ are translated into RMB on the basis of HK\$1 = RMB0.9054. The conversion rate is for illustration purpose only and should not be taken as a representation that HK\$ could actually be converted into RMB at such rate or at all.

* For identification purposes only

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

Hong Kong, 30 September 2022

As at the date of this announcement, the executive Directors are Mr. Wang Zhong Sheng and Mr. Chang Jian, the non-executive Directors are Mr. Duan Shi Chuan, Mr. Wang Chen and Mr. Liang Feng and the independent non-executive Directors are Mr. Lau Chun Pong, Mr. Wang Zhi He and Mr. Xu Yuan Jian.

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

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