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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)

VERY SUBSTANTIAL DISPOSAL: DISPOSAL OF ENTIRE EQUITY INTERESTS IN A PRC SUBSIDIARY AND RESUMPTION OF TRADING

On 30 June 2021 (after trading hours), the Vendor entered into the conditional Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Capital for a cash consideration of RMB73,984,445 (excluding payment of tax in respect of the Disposal by the Purchaser on behalf of the Vendor). Upon Completion, the Group will cease to hold any interests in the Target Company.

As more than one of the applicable percentage ratio(s) exceeds 75%, the Disposal constitute a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules and shall be subject to Shareholders' approval at the SGM. A circular containing, among other matters, further details of the Disposal and a notice to convene the SGM will be despatched to the Shareholders on or before 31 August 2021 as additional time is required to prepare and finalise the information to be contained in the circular.

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 2 July 2021 pending the release of this announcement. Application has been made by the Company for resumption of trading in its Shares on the Stock Exchange with effect from 9:00 a.m. on 19 July 2021.

THE DISPOSAL

On 30 June 2021 (after trading hours), the Vendor entered into the conditional Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Capital for an aggregate consideration of RMB73,984,445 (excluding payment of tax in respect of the Disposal by the Purchaser on behalf of the Vendor) subject to and conditional upon the terms of the Sale and Purchase Agreement.

Sale and Purchase Agreement

Date: 30 June 2021 (after trading hours)

Parties:

- (1) Vendor: 香港中和能源產業投資有限公司 (Hong Kong Chung Wo Energy Investments Limited)
- (2) Purchaser: 新奧燃氣香港投資有限公司 (ENN Gas Hong Kong Investment Limited)

The Vendor is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding. Before Completion, the Vendor is the registered holder of 100% of the registered capital of the Target Company.

The Purchaser is a limited liability company incorporated in Hong Kong and is a subsidiary of ENN Energy Holdings Limited, which in turn is a listed company on the Stock Exchange with stock code 2688. The Purchaser is principally engaged in investment holding and trading. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Purchaser, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of the Purchaser who can exert influence on the transaction; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary is involved in the transaction).

Assets to be disposed

Before Completion, the Target Company has a registered and paid up capital of HK\$60,000,000 which is owned as to 100% by the Vendor.

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to dispose and the Purchaser has agreed to acquire the Sale Capital, representing 100% equity interest in the Target Company subject to and conditional upon the terms and conditions of the Sale and Purchase Agreement.

Consideration

The consideration for the Disposal is RMB73,984,445 (excluding payment of tax in respect of the Disposal by the Purchaser on behalf of the Vendor), which shall be payable by the Purchaser in three tranches in its HK\$ equivalent in the following manner:

- (A) as to RMB59,187,556 (in its HK\$ equivalent) shall be paid by the Purchaser to the Vendor within two working days upon fulfilment of the following payment conditions: (i) the Vendor and Purchaser having submitted the application for change of shareholding, legal representative, director, supervisor and senior management to the relevant authorities; and (ii) the transfer of Sale Capital having been duly completed which shall be evidenced by issuance of new business licence to the Target Company. Upon payment of the first tranche of consideration by the Purchaser, the Vendor will transfer all assets of the Target Company to the Purchaser;
- (B) as to RMB7,398,444 (in its HK\$ equivalent) shall be paid by the Purchaser to the Vendor within two working days upon fulfilment of the following conditions: (i) payment conditions in respect of the first tranche of consideration having been fulfilled by the Vendor; (ii) after six months of the Completion; (iii) save for existing liabilities disclosed before the transfer of Sale Capital and liabilities incurred in relation to the transfer of Sale Capital, no new undisclosed liabilities having incurred by the Target Company; and (iv) relevant land use rights certificate(s) having been obtained by the Target Company;
- (C) as to the remaining balance of RMB7,398,445 (in its HK\$ equivalent) shall be paid by the Purchaser to the Vendor within two working days upon fulfilment of the following conditions: (i) payment conditions in respect of the second tranche of consideration having been fulfilled; (ii) after nine months of the Completion; (iii) save for existing liabilities before the transfer of Sale Capital and liabilities incurred in relation to the transfer of Sale Capital, no new undisclosed liabilities having been incurred by the Target Company; and (iv) the relevant authorities having approved the transfer of Sale Capital and continued operation of the sale of natural gas business of the Target Company.

The consideration for the Disposal was determined with reference to the net asset value of the Target Company as at 31 May 2021 of approximately RMB65,235,000 and was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement. The Directors (including the independent non-executive Directors) consider the terms of the Sale and Purchase Agreement (including but not limited to the consideration) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The Company is not aware of additional liabilities of the Target Company other than the existing disclosed liabilities. In the event that the Target Company incurred additional liabilities other than the existing disclosed liabilities before transfer of the Sale Capital and those incurred in relation to the transfer of the Sale Capital, the consideration shall be adjusted downward accordingly by the amount of such undisclosed liabilities.

EFFECTIVE DATE AND CONDITION PRECEDENT

The Sale and Purchase Agreement shall be effective from the date of duly signing of the Sale and Purchase Agreement by the parties thereto in compliance with the relevant laws and regulations.

Since the Company (being the holding company of the Vendor) is a company listed on the GEM of the Stock Exchange, it shall comply with the relevant GEM Listing Rules requirements (including but not limited to the obtaining the Shareholders' approval on the Sale and Purchase Agreement and the transactions contemplated thereunder). In the event that the Shareholders' approval on the Sale and Purchase Agreement and the transactions contemplated thereunder cannot be obtained within nine months from the date of the Sale and Purchase Agreement (or such longer period as the parties thereto may agree), the Sale and Purchase Agreement shall cease and neither parties shall have no claims to each other.

Completion

Completion will take place on the date of completion of registration of the transfer of Sale Capital with the relevant PRC authority.

Upon Completion, the Group will cease to hold any interests in the Target Company.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC and is principally engaged in sales of natural gas in Ruyang County, Henan Province, the PRC. The Target Company holds exclusive rights to operate natural gas in Ruyang County. Before Completion, the Target Company has a registered and paid up capital of HK\$60,000,000, which is owned as to 100% by the Vendor.

As disclosed in the announcement of the Company dated 6 April 2011, the Company acquired the entire issued share capital of Wealthy Talent Global Investments Limited (the "**Previous Acquisition**"), the holding company of the Target Company, for a total consideration of HK\$499 million (equivalent to RMB420 million), which was settled by the issue of the convertible bonds in the principal amount of HK\$499 million to Mr. Wang or his nominee which shall be a company controlled by him. The conversion price was HK\$0.26 per the then share of HK\$0.01 in the issued share capital of the Company at that time, which would be equivalent to HK\$2.6 per Share upon the capital reorganisation having become effective as announced in the announcement of the Company dated 24 April 2014.

The Target Company was under the control of the Group since completion of the Previous Acquisition in 2011. The Target Company recorded net losses in its operations since 2013 mainly due to the worsening operating environment.

Save for Mr. Wang being the substantial Shareholder and an executive Director, there is/ was no present or past relationship (formal or informal, business or otherwise) among (a) Mr. Wang and his associates; (b) the Purchaser and its associates; or (c) the Company or its connected persons.

Further, given the Previous Acquisition was completed ten years ago and the Target Company was operated under the Group for ten years, the terms of the Previous Acquisition would have little referencing value in considering the fairness and reasonableness of the Disposal.

The unaudited financial information of the Target Company for the two years ended 31 December 2020 and prepared in accordance with the accounting principles generally accepted in Hong Kong are as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	–	72
Net loss before taxation	20,500	6,592
Net loss after taxation	20,486	6,578
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Net asset value	<u>74,395</u>	<u>67,817</u>

REASONS AND BENEFITS FOR THE DISPOSAL

The Group is principally engaged in the exploitation, liquefaction production and sales of natural gas and coalbed gas and provision of gas supply connection services.

It is estimated that upon Completion, the Group will record a gain of approximately RMB49,824,000 on the Disposal, which is arrived at after (i) deducting the net asset value of the Target Company as at 31 May 2021 of approximately RMB65,235,000; and (ii) adding the assignment of receivables to the Vendor of approximately RMB 41,074,000, being amounts due from intra-group companies, to the consideration of the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit to be performed by the Company's auditors.

After deducting the expenses relating to the Disposal, it is expected that the net proceeds will be approximately RMB73,194,000, as to approximately RMB60,000,000 shall be applied towards the research and development and commercialization on C-H to Synthesis of natural gas production and as to the remaining balance of approximately RMB13,194,000 shall be applied towards the repayment of indebtedness and for the general working capital of the Group.

The Board is of the view that the Disposal provides a good opportunity for the Group to realise its investment in the Target Company and focus its resources on the research and development (R&D) of C-H to Synthesis of natural gas production (temporarily named as High temperature-water of Activate C-H to Synthesis of natural-gas technology), which has been commenced since 2017. The Group has commenced the process of commercialized design in the second half of 2019. The Disposal is in line with the strategy of the Group as resources, both financial and manpowers, will be used to develop the business.

Taking into consideration of the aforesaid, in particular the gain from the Disposal, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

As more than one of the applicable percentage ratio(s) exceeds 75%, the Disposal constitutes a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules and shall be subject to Shareholders' approval at the SGM.

To the best of the Directors' knowledge, information and belief, no Shareholders have a material interest in the Disposal and no Shareholders are required to abstain from voting at the SGM. A circular containing, among other matters, further details of the Disposal and a notice to convene the SGM will be despatched to the Shareholders on or before 31 August 2021 as additional time is required to prepare and finalise the information to be contained in the circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 2 July 2021 pending the release of this announcement. Application has been made by the Company for resumption of trading in its Shares on the Stock Exchange with effect from 9:00 a.m. on 19 July 2021.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board” board of the Directors

“Company” China CBM Group Company Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares are listed on GEM

“Completion”	completion of the Disposal in accordance with the terms of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company from time to time
“Disposal”	the disposal of the Sale Capital as contemplated under the Sale and Purchase Agreement
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company together with its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Mr. Wang”	Mr. Wang Zhong Sheng, a substantial Shareholder and an executive Director
“PRC”	the People’s Republic of China, which for the purpose of this announcement only excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	新奧燃氣香港投資有限公司 (ENN Gas Hong Kong Investment Limited), a limited liability company incorporated in Hong Kong and a subsidiary of ENN Energy Holdings Limited, which in turn is a listed company on the Stock Exchange with stock code 2688
“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 June 2021 and entered into between the Purchaser and the Vendor in respect of the disposal of Sale Capital
“Sale Capital”	100% equity interest of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	洛陽順和能源有限公司 (Luoyang Shunhe Energy Co., Ltd.)#, a limited liability company established in the PRC
“Vendor”	香港中和能源產業投資有限公司(Hong Kong Chung Wo Energy Investments Limited), a limited liability company incorporated in Hong Kong, being the wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 16 July 2021

The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names and words.

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

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

This announcement will remain on GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and the Company website at http://web.iprofpl.com/8270/info_e.html.