

TARGET

Intelligence Report

VOLUME XXV No. 255

T U E S D A Y

November 28, 2023

**CHINA CBM GROUP COMPANY LTD:
ARISTOTLE WAS AN ACCEPTED GENIUS,
THROUGHOUT HIS 62 YEARS OF LIFE;
BUT MANAGEMENT OF THIS COMPANY,
JUST LIKE OLD SOLDIERS, SHALL JUST FADE AWAY**

After four straight Financial Years of recorded losses, China CBM Group Company Ltd (中國煤層氣集團有限公司) (Code: 8270, The Growth Enterprise Market – The GEM – The Stock Exchange of Hongkong Ltd) had only the seeming appearance of having turned the tide with regard to the results of Financial Year, ended December 31, 2022.

But, in the words of Aristotle (384 B.C. — 322 B.C.):

‘For one swallow does not make a summer, nor does one day; and so too one day, or a short time, does not make a man blessed and happy.’

THE 2022 ANNUAL REPORT OF CHINA CBM GROUP COMPANY LTD

On or about Sunday, April 2, 2023, Management of China CBM Group Company Ltd published and disseminated its 2022 Annual Report in respect of the Financial Year, ended December 31, 2022.

The Company and its subsidiaries conduct its business in the manufacture and sales of liquefied coalbed gas, the operations of which are located, exclusively, in the People’s Republic of China (PRC), being separate and distinct from Hongkong Special Administrative Region (HKSAR) of the PRC.

China CBM Group Company Ltd sought and obtained a listing on the GEM of its entire Issued and Fully Paid-Up Share Capital on August 12, 2003.

At the time of the Company’s Share Capital’s admission, being listed on the Secondary Equity Market of The HKSAR, it was named: Shine Science and Technology (Holdings) Ltd (新意科技[控股]有限公司).

The Company’s corporate profile, today, is given at Page Six of the 2022 Annual Report as follows:

'The Group is principally engaged in the business of exploitation, liquefaction production and sales of natural gas in the PRC. Headquartered in Beijing. The Group's production of liquefied coalbed gas is in Shanxi Qinshui Basin which boasts the richest liquefied coalbed gas, while its distribution network extends to Shanxi Provinces, etc..

'In order to stabilise our natural gas supply and hence raise the utilisation of our liquefied natural gas ("LNG") plant, the Group has made significant investment in resources exploration and exploitation at the coalbed methane blocks located in Yangcheng, Shanxi since July 2011. The Group had successfully supplied gas to the LNG plant. The commercial production of coalbed gas has transformed our Group into a vertically integrated natural gas company and continued to enhance our leading position in China's unconventional gas market...'

As at December 31, 2022, the workforce of the Company numbered 238 employees.

At the following Page Seven through to Page 10 of the 2022 Annual Report, the Chairman of the Board of Directors, Mr Wang Zhong Sheng (王忠勝), explains the following:

'OVERALL BUSINESS REVIEW

'After years of development, we have achieved the goal of turning ourselves into a vertically integrated natural gas producer with complete value chain businesses. We have established a complete business process covering Coalbed Methane ("CBM") extraction, liquefaction, pipelines and highway transportation, distribution network and technical services. As at 31 December 2022, we have completed the groundwork and drilling of 229 wells in the Yangcheng gas block which resulted in stable increase of the number of production wells and gas output.

'EXTRACTION AND PRODUCTION BUSINESS REVIEW

'During 2022, the construction of new wells was somewhat affected by our focus on improving capabilities of production wells. As at 31 December 2022, we have completed the groundwork and drilling of a total of 229 CBM wells, of which 164 wells were operating wells with stable production since they had been put in operation. Thanks to the stable gas output in gas blocks, the Group has generated revenue, profit and cash flow from the business of exploitation of natural gas, and its profitability and cash flow position will be further improved as the number and capabilities of production wells further increase.

'LNG BUSINESS REVIEW

'As at 31 December 2022, the production capacity of the Group's LNG plants remained unchanged at the level of approximately 500,000 cubic meters per day. The average daily production was only around 150,000 m³ for the year. The Group will try the best effort to stabilised (sic) the gas supply from suppliers and increase the utilisation rate of our LNG plants

in 2023, and which will continue to increase the income, profit and cash flow contribution to the Group.

‘MARKETING BUSINESS REVIEW

‘After years of development, the Group has developed a diversified customer base comprising industrial, commercial and resident customers and established complete distribution channel and network. In addition, we have also taken different measures to maximise the profitability of our gas sale. In 2022, we used different sales mix and flexibly selected various equipment such as pipeline and cylinder group, to sell gas to our customers. With commencement of the related work, we will be able to reduce the uncertainty in future natural gas sales and optimise our sales mix, i.e. shifting towards a balanced mix from a residential user dominated mix...

‘OUTLOOK

‘At present, demand for natural gas is increasing in China with huge growth potential. As pollution is worsening in China, governments at all levels are placing more emphasis on development of clean energy, which shows great potential in further development, recognizing the rising advocacy of safer – especially under the recent nuclear power crisis – and cleaner energy. However, the existing conventional natural gas production is unlikely to satisfy China’s strong demand of natural gas in the coming years; and we believe that it is inevitable that the PRC government would need to encourage the unconventional gas production. With all the favourable policies and measures in place, there is no doubt that the Company, as a leading CBM company, will gain major benefits. We will seize this opportunity to grow our CBM business on a long term sustainable basis and would try our very best to maximize our shareholders’ investment return.

*‘To carry through the Group’s spirit of advancement by innovation, the Group commenced the R&D (**R**esearch and **D**evelopment) on C-H to Synthesis of natural gas production and which is temporarily named as High-temperature water Activate C-H to Synthesis of Natural-gas Technology. The Group had commenced the process of commercialized design in the second half of 2019 and small-scale production was expected to start by the end of 2021. The first trial equipment conducted trial run in June 2021 and based on the trial run results, improved design plan was proposed in November 2021, which would involve special steel materials imported from overseas. Due to the disruption in global supply chain as a result of the COVID-19 pandemic, there was delay in obtaining the imported steel material. The second trial equipment is in the course of building and such building is expected to be completed in 2023. The Group plans to conduct an advanced demonstration of the experiment equipment overseas (including but not limited to Hong Kong) and invite internationally renowned experts to evaluate the technology in 2023. The Group intends to build 10 equipment in 2024, each of which can produce*

natural gas of 50,000 cubic meters per day. With the steady increase in the number of upstream wells and gas output and the successful development of C-H to Synthesis of natural gas production, the Group's LNG plant will get a stable gas supply, enabling the LNG plants to reach full production and realize the commercial value of the LNG plants... '.

THE FINANCIALS OF CHINA CBM GROUP COMPANY LTD

At ... [CLICK TO ORDER FULL ARTICLE](#)

While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.

If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to editor@targetnewspapers.com. TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.