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TL Natural Gas Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8536)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the “**Board**”) of TL Natural Gas Holdings Limited (the “**Company**” and its subsidiaries, the “**Group**”) is pleased to announce the interim unaudited consolidated results of the Group for the six months ended 30 June 2018. This announcement, containing the full text of the 2018 interim report of the Company (“**2018 Interim Report**”), complies with the relevant requirements of The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of interim results. Printed version of the 2018 Interim Report will be delivered to the shareholders of the Company and available for viewing on the websites of GEM at www.hkgem.com and of the Company at www.tl-cng.com in due course.

By Order of the Board
TL Natural Gas Holdings Limited
LIU Yong Cheng
Chairman

Hong Kong, 10 August 2018

As at the date of this announcement, the Board comprises Mr. LIU Yong Cheng, Mr. LIU Yong Qiang and Mr. LIU Chunde as executive Directors; and Mr. WONG Chun Peng Stewart, Mr. LI Wai Kwan and Ms. LI Helen Hoi Lam as independent non-executive Directors.

*This announcement, for which the directors (the “**Directors**”) of the Company 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 Group. 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 GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of its posting. This announcement will also be published on the Company’s website at www.tl-cng.com.



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

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This report, for which the directors (the "Directors") of TL Natural Gas Holdings Limited (the "Company", and together with its subsidiaries, the "Group", "we" or "our") 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report 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 report misleading.

Unless otherwise stated, all monetary figures are expressed in Renminbi ("RMB").

In the context of this report, compressed natural gas ("CNG") refers to natural gas that has been compressed to a high density through high pressure and is used as a clean alternative fuel for vehicles. Liquefied natural gas ("LNG") refers to natural gas that has been converted to liquid form.

This report will remain on the website of GEM at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of publication and on the website of the Company at www.tl-cng.com.



HIGHLIGHTS

- The Group's revenue amounted to approximately RMB40.5 million for the six months ended 30 June 2018, representing an increase of approximately RMB11.8 million or approximately 41.2% as compared to approximately RMB28.7 million for the six months ended 30 June 2017.
- The Group incurred a loss of approximately RMB1.4 million for the six months ended 30 June 2018 mainly due to listing expenses of approximately RMB4.4 million. Excluding the listing expenses, the Group's profit for the six months ended 30 June 2018 was approximately RMB3.0 million against a profit of approximately RMB1.9 million (excluding listing expense of RMB4.5 million) when compared with the corresponding period of 2017. The increase in profit was mainly attributable to the increase in sales and higher gross profit margin as a result of the increased demand from our customers.
- Gross profit and gross profit margin amounted to approximately RMB6.1 million and RMB2.8 million, and 15.0% and 9.9% for the six months ended 30 June 2018 and 2017, respectively. The increase was mainly due to increase in revenue while certain fixed costs included in cost of sales remained relatively stable. In light of the nature of natural gas industry, our fixed cost of operation included depreciation charge of gas refuelling stations and fixed assets.

UNAUDITED INTERIM RESULTS

The board of Directors (the “Board”) is pleased to report the unaudited condensed consolidated financial results of the Group for the three months and the six months ended 30 June 2018 (the “Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2017, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and the six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
REVENUE	4	21,783	14,970	40,521	28,701
Cost of sales		(18,651)	(12,889)	(34,445)	(25,869)
Gross profit		3,132	2,081	6,076	2,832
Other income and gains	4	5	4	9	12
Selling and distribution expenses		(103)	(113)	(222)	(279)
Administrative expenses		(5,140)	(4,688)	(6,055)	(5,047)
Other expenses		-	-	-	(14)
LOSS BEFORE TAX	5	(2,106)	(2,716)	(192)	(2,496)
Income tax	6	(563)	110	(1,176)	(13)
LOSS FOR THE PERIOD		(2,669)	(2,606)	(1,368)	(2,509)
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		1,588	269	1,616	371
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		1,588	269	1,616	371

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

For the three months and the six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		1,588	269	1,616	371
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(1,081)	(2,337)	248	(2,138)
Loss attributable to:					
Owners of the parent		(2,669)	(2,606)	(1,368)	(2,509)
Non-controlling interests		–	–	–	–
		(2,669)	(2,606)	(1,368)	(2,509)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		(1,081)	(2,337)	248	(2,138)
Non-controlling interests		–	–	–	–
		(1,081)	(2,337)	248	(2,138)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT DURING THE PERIOD					
Basic and diluted (cents)	7	(0.53)	(0.69)	(0.27)	(0.67)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	28,449	29,847
Prepaid land lease payments		1,530	1,549
Advance payments for property, plant and equipment		323	323
Total non-current assets		30,302	31,719
CURRENT ASSETS			
Inventories		42	42
Trade receivables	10	9,480	6,172
Prepayments, deposits and other receivables		3,113	8,081
Cash and cash equivalents		44,351	2,797
Total current assets		56,986	17,092
CURRENT LIABILITIES			
Advances from customers, other payables and accruals		6,827	8,265
Due to directors		–	218
Tax payable		2,052	2,115
Total current liabilities		8,879	10,598
NET CURRENT ASSETS		48,107	6,494
TOTAL ASSETS LESS CURRENT LIABILITIES		78,409	38,213
NET ASSETS		78,409	38,213



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(cont'd)*

As at 30 June 2018

	Notes	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	11	4,135	886
Reserves		74,274	37,327
TOTAL EQUITY		78,409	38,213



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to Owners of the Parent							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Exchange Fluctuation reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000		
At 1 January 2017	-	-	4,090	279	829	7,329	12,527	-	12,527
Changes in equity for 2017:									
Loss for the period	-	-	-	-	-	(2,509)	(2,509)	-	(2,509)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	371	-	-	371	-	371
Total comprehensive loss for the period	-	-	-	371	-	(2,509)	(2,138)	-	(2,138)
Acquisition of subsidiaries pursuant to share swap as part of the Reorganisation	-	-	13,260	-	-	-	13,260	-	13,260
Issue of shares	886	-	-	-	-	-	886	-	886
At 30 June 2017	886	-	17,350	650	829	4,820	24,535	-	24,535
At 1 January 2018	886	16,351	17,350	885	1,060	1,681	38,213	-	38,213
Changes in equity for 2018:									
Loss for the period	-	-	-	-	-	(1,368)	(1,368)	-	(1,368)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	1,616	-	-	1,616	-	1,616
Total comprehensive income for the period	-	-	-	1,616	-	(1,368)	248	-	248
Issue of shares by way of share offer (note 1)	1,015	47,722	-	-	-	-	48,737	-	48,737
Capitalisation issue (note 2)	2,234	(2,234)	-	-	-	-	-	-	-
Share issue expense	-	(8,789)	-	-	-	-	(8,789)	-	(8,789)
Transfer from retained profits	-	-	-	-	287	(287)	-	-	-
At 30 June 2018	4,135	53,050	17,350	2,501	1,347	26	78,409	-	78,409

Notes:

- (1) The Company was listed on GEM on 18 May 2018 by way of share offer of 125,000,000 new shares at the offer price of HK\$0.48 per share. The gross proceeds were HK\$60.0 million or approximately RMB48.7 million.
- (2) On 18 May 2018, 274,999,800 new shares were issued pursuant to the Capitalisation Issue as described in note 11 to the condensed consolidated interim financial statements.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Net cash from/(used in) operating activities	(2,478)	354
Net cash used in investing activities	(541)	(2)
Net cash from financing activities	42,964	207
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,945	559
Cash and cash equivalents at beginning of period	2,797	7,684
Effect of foreign exchange rate changes, net	1,609	(95)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	44,351	8,148



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 24 March 2017. The registered office of the Company is located at the offices of Estera Trust (Cayman) Limited, Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is an investment holding company. During the period, the Company's subsidiaries were involved in the sale of CNG.

Pursuant to the reorganisation of the Group (the "Reorganisation") in connection with the listing of shares of the Company (the "Shares") on GEM, the Company became the holding company of the subsidiaries now comprising the Group upon the completion of the Reorganisation. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in the prospectus of the Company dated 8 May 2018 (the "Prospectus").

The Shares were listed on GEM on 18 May 2018 (the "Listing Date").

2 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The unaudited condensed consolidated financial information should be read in conjunction with the historical financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), in Appendix I of the Prospectus.

Prior to the incorporation of the Company, the principal business of the Group has been operated under a major operating subsidiary of the Company, namely Hubei Tonglin Natural Gas Service Company Limited ("Tonglin Gas"). Pursuant to the Reorganisation, the Company became the holding company of companies now comprising the Group. The Reorganisation only involved organising the Company and other newly formed entities with no substantive operations as holding companies of Tonglin Gas and there was no change in the business and operation of Tonglin Gas. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition, with Tonglin Gas treated as the acquirer for accounting purposes. The unaudited condensed consolidated financial statements for the three months and the six months ended 30 June 2018 and 2017 have been prepared and presented as a continuation of the financial statements of Tonglin Gas with the assets and liabilities of Tonglin Gas recognised and measured at their historical carrying amounts prior to Reorganisation.



2 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION *(cont'd)*

The preparation of unaudited condensed consolidated results in conformity with HKFRSs requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The adoption of the new and revised HKFRSs has no significant impact on the unaudited condensed consolidated results and financial position of the Group.

The interim financial report are unaudited, but have been reviewed by the Company's audit and risk management committee.

In the current period, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2017, as described in those consolidated financial statements. The Group has adopted all the new and revised HKFRSs issued that are relevant to its operations and effective for its accounting period beginning on 1 January 2018. The application of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standard(s), amendments and interpretation(s) will have no material impact on the unaudited condensed consolidated financial statements.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. The management of the Group monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

During the period, the Group operated within one geographical segment because all of the Group's revenue was generated from customers located in Mainland China. All of the non-current assets of the Group were located in Mainland China.



3 OPERATING SEGMENT INFORMATION *(cont'd)*

Major customers

The following are major customers of the Group with revenue equal to or more than 10% of the Group's total revenue:

	Three months ended 30 June		Six months ended 30 June	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Company A**	4,116	4,334	8,028	8,816
Company B**	4,287	N/A*	9,012	2,873
Company C	2,856	2,577	N/A*	4,143
	11,259	6,911	17,040	15,832

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for the period.

** The customers are state-owned enterprises.

4 REVENUE, OTHER INCOME AND GAINS

During the period, the Group generated revenue from sale of CNG and LNG, while other income and gains mainly represented bank interest income.

An analysis of revenue and other income and gains is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Revenue				
Sale of CNG and LNG	21,783	14,970	40,521	28,701
Other income and gains				
Bank interest income and others	5	4	9	12

5 LOSS BEFORE TAXATION

The following items have been included in arriving at loss before taxation:

	Three months ended 30 June		Six months ended 30 June	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Cost of inventories sold	15,548	10,116	28,280	20,128
Listing expenses	4,019	4,411	4,404	4,457
Depreciation	970	979	1,937	2,098
Utility expense	776	599	1,508	1,183
Auditor's remuneration	200	–	400	–
Minimum lease payments under operating leases	427	405	853	814
Transportation expense	151	158	299	203
Amortisation of prepaid land lease payments	10	10	19	19
Bank interest income and others	(5)	(4)	(9)	(12)
Employee benefit expense:				
Wages and salaries	839	754	1,637	1,574
Pension scheme contributions	96	17	192	62

6 INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Amount recognised in profit or loss				
Current tax expense/ (credit)				
Current period	563	(110)	1,176	13

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on the Group's subsidiary has been provided as there are no assessable profits arising in Hong Kong during the Relevant Period.

The income tax expense of the Group relates to that of the subsidiary in China where the corporate income tax has been provided at the statutory rate of 25% on the estimated chargeable income arising in China.

7 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the accounting period.

The weighted average number of ordinary shares is calculated as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Issuance of share upon incorporation	100,000,000	100,000,000	100,000,000	100,000,000
Issuance of shares on 15 June 2017	100	100	100	100
Issuance of shares on 13 December 2017	100	100	100	100
Capitalisation issue on 18 May 2018	274,999,800	274,999,800	274,999,800	274,999,800
Issuance of shares on 18 May 2018	125,000,000	–	125,000,000	–
	500,000,000	375,000,000	500,000,000	375,000,000

The Company was incorporated on 24 March 2017, and issued and allotted 100,000,000 shares. On 15 June 2017 and 13 December 2017, the Company issued and allotted 100 shares and 100 shares, respectively, as part of the Reorganisation and capitalisation of existing shareholders' loan. In order to present meaningful earnings per share information, (i) the above 100,000,200 shares are regarded as if they have been in issue since January 2017, (ii) in conjunction with the listing of the Company's shares on GEM, the capitalisation of share premium account amounting to HK\$2,749,998 into 274,999,800 shares on 18 May 2018 is deemed to be completed on 1 January 2017 as such capitalisation does not result in a corresponding increase in the resources of the Group, and (iii) the weighted average number of shares for the three months and six months ended 30 June 2017 and 2018 have been adjusted accordingly.

7 LOSS PER SHARE (cont'd)

The basic loss per share is calculated as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Loss attributable to equity holders of the Company (RMB'000)	(2,669)	(2,606)	(1,368)	(2,509)
Weighted average number of ordinary shares in issue ('000)	500,000	375,000	500,000	375,000
Basic loss per share (cents)	(0.53)	(0.69)	(0.27)	(0.67)

Diluted loss per share is the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the three months and six months ended 30 June 2018 and 2017.

8 INTERIM DIVIDEND

The Board did not declare the payment of an interim dividend for the three and six months ended 30 June 2018 (for the three and six months ended 30 June 2017: Nil).

9 PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2018, our Group had no pledged assets (31 December 2017: Nil).



10 TRADE RECEIVABLES

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Trade receivables	9,480	6,172
Less: Allowance for impairment	–	–
	9,480	6,172

Trade receivables are expected to be recovered within 1 year.

As at 30 June 2018 and 31 December 2017, the ageing analysis of trade receivables based on the invoice date is as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Less than 3 months	9,425	5,837
3 to 6 months	32	63
6 to 12 months	21	87
Over 1 year	2	185
	9,480	6,172



11 SHARE CAPITAL

	Number of shares of the Company	Share capital HK\$'000
Authorised ordinary shares of HK\$0.01 each:		
At 24 March 2017 (date of incorporation)	10,000,000,000	100,000
At 30 June 2018	10,000,000,000	100,000

	Number of shares of the Company	Share capital RMB'000
Issued and fully paid:		
At 24 March 2017 (date of incorporation)	100,000,000	886
Issuance of shares on 15 June 2017 (<i>note 1</i>)	100	—*
Issuance of shares on 13 December 2017 (<i>note 1</i>)	100	—*
Capitalisation issue on 18 May 2018 (<i>note 2</i>)	274,999,800	2,234
Issuance of shares on 18 May 2018 (<i>note 3</i>)	125,000,000	1,015
At 30 June 2018	500,000,000	4,135

* The balance represents an amount less than RMB1,000.

Notes:

- (1) On 15 June 2017 and 13 December 2017, the Company issued and allotted 100 shares and 100 shares, respectively, as part of the Reorganisation and capitalisation of existing shareholders' loan as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.
- (2) On the Listing Date, pursuant to the written resolutions of the shareholders of the Company passed on 20 April 2018, the Directors were authorised to capitalise an amount of HK\$2,749,998 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 274,999,800 shares for allotment and issue to the persons whose name appear on the register of members of the Company on the date of the written resolutions (or as they may direct) on a pro rata basis (the "Capitalisation Issue").
- (3) On the Listing Date, the shares of the Company were listed on GEM and 125,000,000 shares were issued by the Company at the offer price of HK\$0.48 per share. The net proceeds received amounted to approximately HK\$29.2 million.



12 OPERATING LEASES COMMITMENTS

Leases as lessee

The Group has commitments for future minimum lease payment under non-cancellable operating leases as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Payable:		
Within 1 year	2,028	1,818
Between 1 and 5 years	6,635	6,665
More than 5 years	4,125	4,950
	12,788	13,433

13 RELATED PARTY TRANSACTIONS

(a) Transaction with related parties

The Group had the following transactions with related parties during the period:

Key management personnel compensation

Compensation paid and payable to key management personnel compensation comprises:

	Three months ended 30 June		Six months ended 30 June	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Short-term employee benefits	98	96	197	191
Pension scheme contributions	8	8	15	16
Total compensation paid to key management personnel	106	104	212	207

(b) Period-end balance with related parties

As at 30 June 2018, the Group did not have any balances with the related parties (31 December 2017: RMB0.2 million).

14 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board on 10 August 2018.



MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

TL Natural Gas Holdings Limited mainly supplies CNG. The Group's principal place of business is in Jingzhou, Hubei Province, China. The Group derives revenue mainly from the distribution of CNG to both (i) retail customers which are mostly vehicular end-users, and (ii) wholesale customers which are urban gas companies, gas refuelling station operators and industrial users. The principal product offering is CNG which is purchased from the Group's natural gas supplier, PetroChina Company Limited.

For the six months ended 30 June 2018, the Group's revenue amounted to approximately RMB40.5 million, increased by approximately 41.2% when compared with approximately RMB28.7 million for the corresponding period of 2017. The increase was primarily attributable to increased orders from the existing wholesale customers and the introduction of certain new wholesale customers and expansion of customer base during the six months ended 30 June 2018.

The Group incurred a loss of approximately RMB1.4 million for the six months ended 30 June 2018 mainly due to the one-off listing expenses of approximately RMB4.4 million. Excluding the one-off listing expenses, the Group's profit for the six months ended 30 June 2018 was approximately RMB3.0 million against a profit of approximately RMB1.9 million (excluding the listing expenses of RMB4.5 million) when compared with the corresponding period of 2017. The increase in profit was mainly attributable to the increase in sales and higher gross profit margin as a result of the increased demand from our customers.

PROSPECTS

In light of the growing demand from the wholesale customers, the Group's revenue had increased by 41.2% in the first half of 2018 against the corresponding period in 2017. Looking forward, the Group is optimistic on the growth of consumption of CNG along with China improving its energy consumption structure by shifting from coal to cleaner energy such as natural gas and other renewable energy.

In recent years, the PRC government has issued a series of policies to support further development and utilisation of natural gas and natural gas vehicles and to respond to policies issued by the central PRC government. The Jingzhou Municipal Government has followed and implemented various policies to promote the utilisation of natural gas, for example, the Implementation Scheme of Abandonment of Coal-fired Boiler in Jingzhou's Central City Area (荊州市中心城區淘汰燃煤鍋爐實施方案), under which the use of coal-fired thermal power plant boilers shall be phased out and prohibited. According to the Plan of Jingzhou's Urban Integrated Transportation System (2015-2030) (荊州市城市綜合交通體系規劃 (2015-2030)), Jingzhou is also going to increase the number of buses and taxis continuously, in the central area of Jingzhou by 2020, of which most of the buses and taxis are expected to be fueled by natural gas.



PROSPECTS *(cont'd)*

In that aspect, the Group believes that the favourable government policies and industry trends in China will foster the development of the natural gas sector and stimulate domestic demand for the use of natural gas. The Group will continue to capture the growth potential resulting from policies and industry trends. The Directors are of the view that the Group is achieving sustainable growth and will continue to expand going forward to bring greater return to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

Revenue amounted to approximately RMB40.5 million for the six months ended 30 June 2018, representing an increase of approximately RMB11.8 million or approximately 41.2% as compared to approximately RMB28.7 million for the six months ended 30 June 2017. The increase was mainly due to increase in sales of CNG to wholesale customers. Sales of CNG to wholesale customers amounted to approximately RMB22.7 million for the six months ended 30 June 2018, representing an increase of approximately RMB11.6 million or approximately 104.5% as compared to approximately RMB11.1 million for the six months ended 30 June 2017. The increase was mainly due to the introduction of new wholesale customers and the increase in overall demand from wholesale customers.

Cost of sales

Cost of sales amounted to approximately RMB34.4 million and RMB25.9 million for the six months ended 30 June 2018 and 2017, respectively. Cost of inventories sold, which amounted to RMB28.3 million and RMB20.1 million for the six months ended 30 June 2018 and 2017, respectively, represented 82.1% and 77.8% of cost of sales for the respective periods. The overall increase in cost of inventories sold was in line with the increase in sales volume during the six months ended 30 June 2018.

Gross profit

Gross profit and gross profit margin amounted to approximately RMB6.1 million and RMB2.8 million, and 15.0% and 9.9% for the six months ended 30 June 2018 and 2017, respectively. The increase was mainly due to increase in revenue while certain fixed costs included in cost of sales remained relatively stable. In light of the nature of natural gas industry, our fixed cost of operation included depreciation charge of gas refuelling stations and fixed assets.



FINANCIAL REVIEW *(cont'd)*

Selling and distribution expenses

Selling and distribution expenses, which mainly represent staff costs, office and travel expenses incurred in our operation department, amounted to RMB0.2 million for the six months ended 30 June 2018 and remained stable as compared to RMB0.3 million for the six months ended 30 June 2017.

Administrative expenses

Administrative expenses, which mainly represent the listing expenses and professional fees, increased by approximately RMB1.0 million or approximately 20.0%, from approximately RMB5.0 million for the six months ended 30 June 2017 to approximately RMB6.0 million for the six months ended 30 June 2018. The increase was primarily due to an increase in post-listing legal and professional fee following the listing of the shares of the Company on GEM on 18 May 2018.

Income tax expense

Income tax expense for the six months ended 30 June 2017 amounted to approximately RMB13,000 and is prorated based on the tax assessed on the estimated chargeable income for the full financial year ended 31 December 2017. Income tax expense for the six months ended 30 June 2018 amounted to approximately RMB1.2 million, based on the forecast estimated chargeable income for the year ending 31 December 2018, excluding the effect of non-deductible expenses such as listing expenses.

Loss for the period

Loss for the period attributable to the owners of the Company was approximately RMB1.4 million for the six months ended 30 June 2018, compared to a loss of approximately RMB2.5 million for the corresponding period of 2017. For the six months ended 30 June 2018, the one-off listing expenses amounted to approximately RMB4.4 million (for the six months ended 30 June 2017: RMB4.5 million). Excluding the one-off listing expenses, the profit attributable to the owners of the Company for six months ended 30 June 2018 was approximately RMB3.0 million (for the six months ended 30 June 2017: RMB1.9 million). This represented an increase of approximately RMB1.1 million or approximately 55.9% against the corresponding period in 2017.



INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (31 December 2017: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2018 was approximately RMB78.4 million. The Group's cash and cash equivalents as at 30 June 2018 was approximately RMB44.4 million. Our working capital represented by net current assets was approximately RMB48.1 million and our current ratio was 6.4. Based on our steady cash inflows from operations, coupled with sufficient cash and bank balances, we have adequate liquidity and financial resources to meet our working capital requirements.

COMMITMENTS

The contractual commitment of our Group is the lease of our Group's property as a lessee. As at 30 June 2018, our Group's operating lease commitment as a lessee amounted to approximately RMB12.8 million (31 December 2017: RMB13.4 million).

As at 30 June 2018, our Group had no capital commitments (31 December 2017: Nil).

INDEBTEDNESS

Interest-bearing bank loan

As at 30 June 2018, our Group had no outstanding interest-bearing bank loan (31 December 2017: Nil).

Contingent liabilities and guarantees

As at 30 June 2018, our Group had no significant contingent liabilities and guarantees (31 December 2017: Nil).



INDEBTEDNESS *(cont'd)*

Charge of assets

As at 30 June 2018, our Group has no charge of assets (31 December 2017: Nil).

Foreign currency risk

Our Group carries out its business in China and most of its transactions are denominated in RMB. Our Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the six months ended 30 June 2018.

Interest rate risk

Our Group has no significant interest rate risk. Our Group currently does not have any specific policies in place to manage interest rate risk and has not entered into any interest rate swap transactions to mitigate interest rate risk but will closely monitor related risk in the future.

Significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

Save as disclosed in this report and the Prospectus, there were no significant investments held by the Company during the six months ended 30 June 2018, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Relevant Period. Save as disclosed in this report and the Prospectus, there is no plan authorised by the Board for other material investments or additions of capital assets as at the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, our Group has a total of 90 employees (31 December 2017: 92). Staff costs, including Directors' remuneration, of our Group were approximately RMB1.8 million for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB1.6 million). Remuneration is determined with reference to factors such as comparable market salaries, work performance, time commitment and responsibilities of each individual. Employees are provided with relevant in-house and/or external training from time to time. Our Group reviews the performance of employees from time to time.

USE OF PROCEEDS

The Company was listed on GEM on 18 May 2018 and the net proceeds received are approximately HK\$29.2 million. The Company intends to utilise the proceeds based on the strategies as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Up to 30 June 2018, we have utilised approximately HK\$0.7 million for general working capital of the Group. Unutilised proceeds were deposited in licensed bank in Hong Kong.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 30 June 2018, interests or short positions of the Directors and chief executives 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name	Capacity/ Nature of interests	Total number of Shares interested	Approximate percentage of the total issued share capital (%)
Mr. Liu Yong Cheng (Note 1)	Interest in controlled corporation and parties acting in concert	375,000,000	75%
Mr. Liu Yong Qiang (Note 2)	Interest in controlled corporation and parties acting in concert	375,000,000	75%

Save as disclosed above, as at 30 June 2018, none of the Directors nor chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Notes:

- (1) Mr. Liu Yong Cheng directly owns 100% of Yongsheng Enterprises Limited ("Yongsheng"), which in turn holds 108,750,000 shares or approximately 21.75% of the issued share capital of our Company; therefore he is deemed, or taken to be interested in, all the shares held by Yongsheng for the purpose of the SFO; pursuant to the acting in concert confirmation dated 14 June 2017, in which Mr. Liu Yong Cheng is also deemed to be interested in 266,250,000 Shares or approximately 53.25% of the issued share capital of our Company owned by Hongsheng as a result of being a party acting in concert with Mr. Liu Yong Qiang.
- (2) Mr. Liu Yong Qiang directly owns 100% of Hongsheng Enterprises Limited ("Hongsheng"), which in turn holds 266,250,000 shares or approximately 53.25% of the issued share capital of our Company; therefore he is deemed, or taken to be interested in, all the shares held by Hongsheng for the purpose of the SFO; pursuant to the acting in concert confirmation dated 14 June 2017, in which Mr. Liu Yong Qiang is also deemed to be interested in 108,750,000 Shares or approximately 21.75% of the issued share capital of our Company owned by Yongsheng as a result of being a party acting in concert with Mr. Liu Yong Cheng.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2018, other than the Directors and chief executive of the Company, the following persons/entities have an interest or a short position in the Shares or the underlying Shares as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long position in ordinary shares of the Company:

Name	Capacity/ Nature of interests	Total number of Shares interested	Approximate percentage of the total issued share capital (%)
Yongsheng (Note 1)	Beneficial owner and parties acting in concert	375,000,000	75%
Hongsheng (Note 2)	Beneficial owner and parties acting in concert	375,000,000	75%

Notes:

- (1) Mr. Liu Yong Cheng directly owns 100% of Yongsheng, which in turn holds 108,750,000 shares or approximately 21.75% of the issued share capital of our Company; therefore he is deemed, or taken to be interested in, all the shares held by Yongsheng for the purpose of the SFO; pursuant to the acting in concert confirmation dated 14 June 2017, in which Mr. Liu Yong Cheng is also deemed to be interested in 266,250,000 Shares or approximately 53.25% of the issued share capital of our Company owned by Hongsheng as a result of being a party acting in concert with Mr. Liu Yong Qiang.
- (2) Mr. Liu Yong Qiang directly owns 100% of Hongsheng, which in turn holds 266,250,000 shares or approximately 53.25% of the issued share capital of our Company; therefore he is deemed, or taken to be interested in, all the shares held by Hongsheng for the purpose of the SFO; pursuant to the acting in concert confirmation dated 14 June 2017, in which Mr. Liu Yong Qiang is also deemed to be interested in 108,750,000 Shares or approximately 21.75% of the issued share capital of our Company owned by Yongsheng as a result of being a party acting in concert with Mr. Liu Yong Cheng.



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY *(cont'd)*

Save as disclosed above, as at 30 June 2018 and so far as known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures" of the Company and any Associated Corporation above, had notified the Company of an interest or short position in the Shares or underlying Shares which had been required to be recorded in the register required to be kept by the Company pursuant Section 336 of the SFO.

SHARE OPTION SCHEME

The Company has a share option scheme (the "Share Option Scheme") which was approved and adopted by the shareholders of the Company by way of written resolutions passed on 20 April 2018. Details of the Share Option Scheme are set out in Appendix V to the Prospectus.

No share option has been granted under the Share Option Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save for the Share Option Scheme, at no time from the Listing Date to 30 June 2018 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Shares were listed on GEM on 18 May 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 30 June 2018.



COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings from the Listing Date to 30 June 2018.

DEED OF NON-COMPETITION

As disclosed in the Prospectus, the controlling shareholders of the Group ("Controlling Shareholders") entered into a deed of non-competition on 20 April 2018 (for itself and as trustee for its subsidiaries) (the "Deed of Non-Competition"). Each of the Controlling Shareholders confirmed to the Company that they have complied with the Deed of Non-Competition during the period.

Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, subject to certain exceptions, during the period that the Deed of Non-Competition remain effective, each of the Controlling Shareholders shall not, and shall procure that their associates (other than any members of the Group) not to, directly or indirectly, carry on, participate in, be engaged, be interested directly or indirectly, either for their own account or in conjunction with or on behalf of or for any other person in any business in competition with or likely to be in competition with the existing business activity of any member of the Group ("Restricted Business").

COMPETING INTERESTS

During the six months ended 30 June 2018, so far as the Directors are aware, none of the Directors, controlling shareholders and substantial shareholders of the Company, neither themselves nor their respective close associates (as defined under the GEM Listing Rules) had held any position or had interest in Restricted Business or any businesses or companies that were materially competing or might materially compete with the business of the Group, or gave rise to any concern regarding conflict of interest.



INTERESTS OF THE COMPLIANCE ADVISER

As at 30 June 2018, as notified by the Company's compliance adviser, Giraffe Capital Limited (the "Compliance Adviser") except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 14 July 2017, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group which is required to be notified to the Company pursuant to Rules 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE CODE

As the Shares were listed on GEM of the Stock Exchange on 18 May 2018, the requirements under the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules was not applicable to the Company prior to the Listing Date. The Company has since then adopted and complied with, where applicable, the CG Code from the Listing Date up to the date of this report to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner, save for the deviation stipulated below.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separated and should not be performed by the same individual. Under the current management structure of the Company, Mr. Liu Yong Cheng is the chairman of the Board (the "Chairman") and chief executive officer of the Company (the "Chief Executive Officer"). As Mr. Liu Yong Cheng has been leading the Group as the Chief Executive Officer and actively involved in the core business of Tonglin Gas since its incorporation, and due to his familiarity with the operations of the Group, the Board believes that it is in the best interest of the Group to continue to have Mr. Liu Yong Cheng acting as the Chief Executive Officer and Chairman for effective management and business planning of the Group. Further, the Company has put in place an appropriate check-and-balance mechanism through the Board and three independent non-executive Directors. The Company will consult the Board for any major decisions. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances.

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Director since the Listing Date and up to the date of this report is set out below:–

Mr. Li Wai Kwan was appointed as an independent non-executive Director of China Greenfresh Group Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 6183), on 20 July 2018.



AUDIT AND RISK MANAGEMENT COMMITTEE

The Company has established an audit and risk management committee with written terms of reference in compliance with the code provision C.3.3 of the CG Code. The audit and risk management committee consists of three independent non-executive Directors, namely Mr. Li Wai Kwan as the Chairman and Mr. Wong Chun Peng Stewart, and Ms. Li Helen Hoi Lam as its members. The audit and risk management committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 and this report.

FORWARD LOOKING STATEMENTS

This report contains forward looking statements with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

By order of the Board

TL Natural Gas Holdings Limited

Liu Yong Cheng

Executive Director, Chairman & Chief Executive Officer

Hong Kong, 10 August 2018

As at the date of this report, the Board comprises Mr. Liu Yong Cheng, Mr. Liu Yong Qiang and Mr. Liu Chunde as executive Directors; Mr. Wong Chun Peng Stewart, Mr. Li Wai Kwan and Ms. Li Helen Hoi Lam as independent non-executive Directors.