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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 2019

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 2019. This announcement, containing the full text of the 2019 interim report of the Company (“**2019 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 2019 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

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 8 August 2019

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”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 RMB36.7 million for the six months ended 30 June 2019, representing a decrease of approximately RMB3.8 million or approximately 9.4% as compared to approximately RMB40.5 million for the six months ended 30 June 2018.
- Gross profit and gross profit margin amounted to approximately RMB3.6 million and RMB6.1 million, and 9.9% and 15.0% for the six months ended 30 June 2019 and 2018, respectively. The decrease was mainly due to the decrease in revenue while the impact of high procurement cost of natural gas cannot be passed on to our customers in a timely manner due to the pricing guidelines imposed by Hubei Price Bureau and Jingzhou Price Bureau.
- The Group reported a net profit of approximately RMB0.1 million for the six months ended 30 June 2019, compared with a net loss of approximately RMB1.4 million for the same period last year.

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 2019 (the “Relevant Period”), together with the unaudited comparative figures for the corresponding period in 2018, 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 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
REVENUE	4	17,985	21,783	36,710	40,521
Cost of sales		(15,811)	(18,651)	(33,087)	(34,445)
Gross profit		2,174	3,132	3,623	6,076
Other income and gains	4	75	5	179	9
Selling and distribution expenses		(175)	(103)	(329)	(222)
Administrative expenses		(1,435)	(5,140)	(2,436)	(6,055)
Finance costs		(112)	–	(224)	–
PROFIT/(LOSS) BEFORE TAX	5	527	(2,106)	813	(192)
Income tax	6	(490)	(563)	(725)	(1,176)
PROFIT/(LOSS) FOR THE PERIOD		37	(2,669)	88	(1,368)
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		679	1,588	30	1,616
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		679	1,588	30	1,616

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

For the three months and the six months ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		679	1,588	30	1,616
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		716	(1,081)	118	248
Profit/(Loss) attributable to:					
Owners of the parent		37	(2,669)	88	(1,368)
Non-controlling interests		–	–	–	–
		37	(2,669)	88	(1,368)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		716	(1,081)	118	248
Non-controlling interests		–	–	–	–
		716	(1,081)	118	248
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT DURING THE PERIOD					
Basic and diluted (cents)	7	0.01	(0.61)	0.02	(0.34)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	26,792	28,739
Prepaid land lease payments		1,491	1,510
Right-of-use asset		8,490	–
Advance payments for property, plant and equipment		215	207
Investment in an associate		800	–
Total non-current assets		37,788	30,456
CURRENT ASSETS			
Inventories		45	52
Trade receivables	10	18,495	17,415
Prepayments, deposits and other receivables		8,429	8,573
Due from an associate		3,651	–
Cash and cash equivalents		34,249	37,318
Total current assets		64,869	63,358
CURRENT LIABILITIES			
Trade payables	11	–	140
Other payables and accruals		4,015	4,476
Lease liabilities		1,968	–
Tax payable		3,346	3,400
Total current liabilities		9,329	8,016
NET CURRENT ASSETS		55,540	55,342
TOTAL ASSETS LESS CURRENT LIABILITIES		93,328	85,798
NON-CURRENT LIABILITIES			
Lease liabilities		7,412	–
Total non-current liabilities		7,412	–
NET ASSETS		85,916	85,798

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

As at 30 June 2019

	Notes	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	4,135	4,135
Reserves		81,781	81,663
TOTAL EQUITY		85,916	85,798

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 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
At 1 January 2019	4,135	52,723	17,350	4,297	2,068	5,225	85,798	-	85,798
Changes in equity for 2019:									
Profit for the period	-	-	-	-	-	88	88	-	88
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	30	-	-	30	-	30
Total comprehensive income for the period	-	-	-	30	-	88	118	-	118
Transfer from retained profits	-	-	-	-	143	(143)	-	-	-
At 30 June 2019	4,135	52,723	17,350	4,327	2,211	5,170	85,916	-	85,916

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 12 to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Net cash from/(used in) operating activities	1,370	(2,478)
Net cash used in investing activities	(4,469)	(541)
Net cash from financing activities	–	42,964
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,099)	39,945
Cash and cash equivalents at beginning of period	37,318	2,797
Effect of foreign exchange rate changes, net	30	1,609
CASH AND CASH EQUIVALENTS AT END OF PERIOD	34,249	44,351

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 PO Box 1350, Clifton House, 75 Fort Street, 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 and LNG.

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 of the Company were listed on the GEM of the Stock Exchange on 18 May 2018 (the "Listing Date").

2 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report for the year ended 31 December 2018, which have been prepared in accordance with HKFRSs.

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 2019 and 2018 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 interim financial report is 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 2018, as described in those consolidated financial statements, except for the adoption of the following revised HKFRSs effective from 1 January 2019, noted below.

HKFRS 16	<i>Leases</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatment</i>
Annual improvements 2014–2016 Cycle	<i>Amendments to HKFRS 12 – Disclosure of Interests in Other Entities</i>

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on

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

the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group adopted HKFRS 16 from 1 January 2019. During the six months ended 30 June 2019, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. As at 30 June 2019, the Group recorded the right-of-use asset with carrying amount of RMB8.5 million and the lease liabilities of RMB9.4 million.

Except as described above, 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 China. All of the non-current assets of the Group were located in 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	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Company A**	4,623	4,116	8,608	8,028
Company B**	4,783	4,287	9,037	9,012
Company C	N/A*	2,856	N/A*	N/A*
	9,406	11,259	17,645	17,040

* 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 mainly 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	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue				
Sale of CNG and LNG	16,834	21,783	35,559	40,521
Transmission services	1,151	–	1,151	–
	17,985	21,783	36,710	40,521
Other income and gains				
Bank interest income and others	75	5	179	9

5 PROFIT/(LOSS) BEFORE TAX

The following items have been included in arriving at profit/(loss) before tax:

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Cost of inventories sold	12,617	15,548	26,830	28,280
Listing expenses	–	4,019	–	4,404
Depreciation of property, plant and equipment	1,003	970	2,024	1,937
Depreciation of right-of-use asset	333	–	666	–
Utility expense	695	776	1,450	1,508
Auditor's remuneration	234	200	234	400
Minimum lease payments under operating leases	7	427	14	853
Transportation expense	220	151	371	299
Amortisation of prepaid land lease payments	10	10	19	19
Employee benefit expense:				
Wages and salaries	943	839	1,855	1,637
Pension scheme contributions	100	96	219	192

6 INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Amount recognised in profit or loss				
Current tax expense				
Current period	490	563	725	1,176

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

6 INCOME TAX (cont'd)

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 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(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 on the assumption that the Capitalisation Issue was completed on 1 January 2018.

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Issued shares as at 1 January 2018	100,000,200	100,000,200	100,000,200	100,000,200
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	125,000,000	125,000,000
	500,000,000	500,000,000	500,000,000	500,000,000

7 EARNINGS/(LOSS) PER SHARE (cont'd)

The basic earnings/(loss) per share is calculated as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Profit/(Loss) attributable to equity holders of the Company (RMB'000)	37	(2,669)	88	(1,368)
Weighted average number of ordinary shares in issue ('000)	500,000	435,440	500,000	405,387
Basic earnings/(loss) per share (cents)	0.01	(0.61)	0.02	(0.34)

Diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the three months and six months ended 30 June 2018 and 2019.

8 INTERIM DIVIDEND

The Board did not declare the payment of any interim dividend for the three and six months ended 30 June 2019 (for the three and six months ended 30 June 2018: Nil).

9 PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2019, our Group had no pledged assets (31 December 2018: Nil).

10 TRADE RECEIVABLES

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Trade receivables	18,657	17,469
Less: Allowance for impairment	(162)	(54)
	18,495	17,415

Trade receivables are expected to be recovered within 1 year.

As at 30 June 2019 and 31 December 2018, the ageing analysis of trade receivables based on the invoice date and net of loss allowance is as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Less than 3 months	9,803	15,636
3 to 6 months	2,957	1,739
6 to 12 months	5,735	38
Over 1 year	–	2
	18,495	17,415

11 TRADE PAYABLES

As at 30 June 2019 and 31 December 2018, the ageing analysis of trade payables based on the invoice date is as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Within 1 month	–	140

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

12 SHARE CAPITAL

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Authorised 10,000,000,000 ordinary shares of HK\$0.01 each	88,632	88,632
Issued and fully paid: 500,000,000 ordinary shares of HK\$0.01 each	4,135	4,135

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2018	100,000,200	886
Issue of shares (<i>note (a)</i>)	125,000,000	1,015
Capitalisation issue of shares (<i>note (b)</i>)	274,999,800	2,234
At 31 December 2018 and 30 June 2019	500,000,000	4,135

Notes:

- (a) In connection with the Company's initial public offering, 125,000,000 shares of HK\$0.01 each were issued at a price of HK\$0.48 per share for a total cash consideration, before expense, of approximately HK\$60,000,000 (equivalent to RMB48,737,000).*
- (b) On 18 May 2018, 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 or approximately RMB2,234,000 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.

* Dealings on these shares on the Stock Exchange commenced on 18 May 2018.

13 RELATED PARTY TRANSACTIONS

(a) *Transaction with related parties*

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

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Loans to an associate	3,600	–	3,600	–
Interest from an associate	51	–	51	–

Key management personnel compensation

Compensation paid and payable to key management personnel compensation comprises:

	Three months ended 30 June		Six months ended 30 June	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Short-term employee benefits	95	98	190	197
Pension scheme contributions	7	8	14	15
Total compensation paid to key management personnel	102	106	204	212

(b) *Period-end balance with related parties*

As at 30 June 2019, the Group had an amount due from an associate of RMB3.7 million (31 December 2018: Nil).

14 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board on 8 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's principal place of business is in Jingzhou, Hubei Province, China. The Group mainly supplies CNG and 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.

FINANCIAL REVIEW

Revenue

Revenue amounted to approximately RMB36.7 million for the six months ended 30 June 2019, decreased by approximately 9.4% when compared with approximately RMB40.5 million for the corresponding period of 2018. The decrease was primarily attributable to the decrease in revenue from wholesale business, partly offset by the increase in revenue from retail operation.

The revenue from sales of CNG to wholesale customers decreased by approximately RMB6.8 million or 29.8% from approximately RMB22.8 million for the six months ended 30 June 2018 to approximately RMB16.0 million for the six months ended 30 June 2019 primarily due to the decrease in average selling price and sales volume of CNG. On the contrary, the revenue from sales of CNG to retail customers increased by approximately RMB1.8 million or 10.1% from approximately RMB17.8 million for the six months ended 30 June 2018 to approximately RMB19.6 million for the six months ended 30 June 2019, primarily due to the increase in sales volume to taxis and private vehicles and maintained stable sales volume to buses.

Cost of sales

Cost of sales amounted to approximately RMB33.1 million for the six months ended 30 June 2019, representing an decrease of approximately RMB1.3 million or approximately 3.8% as compared to approximately RMB34.4 million for the six months ended 30 June 2018. Cost of inventories sold, which amounted to approximately RMB26.8 million and RMB28.3 million for the six months ended 30 June 2019 and 2018, respectively, represented approximately 81.0% and 82.3% of cost of sales for the respective periods. The overall decrease in cost of inventories sold was primarily due to the decrease in purchase volume of natural gas as a result of the decrease in total sales volume of CNG.

Gross profit

Gross profit and gross profit margin amounted to approximately RMB3.6 million and RMB6.1 million, and 9.9% and 15.0% for the six months ended 30 June 2019 and 2018, respectively. The decrease was mainly due to the decrease in the revenue (as mentioned above) while the impact of high procurement cost of the natural gas cannot be fully passed on to our customers in a timely manner due to the pricing guidelines imposed by Hubei Price Bureau and Jingzhou Price Bureau.

FINANCIAL REVIEW *(cont'd)***Selling and distribution expenses**

Selling and distribution expenses, which mainly represent staff costs and office expenses incurred in our operation department, increased by approximately RMB107,000 or approximately 48.2%, from approximately RMB222,000 for the six months ended 30 June 2018 to approximately RMB329,000 for the six months ended 30 June 2019. The increase was primarily due to the Group's salary increment.

Administrative expenses

Administrative expenses, which mainly represent employee benefit expenses and legal and professional fee, decreased by approximately RMB3.7 million or approximately 60.7%, from approximately RMB6.1 million for the six months ended 30 June 2018 to approximately RMB2.4 million for the six months ended 30 June 2019. The decrease was primarily due to the incur of listing expenses of approximately RMB4.4 million during the six months ended 30 June 2018. Excluding the listing expenses, the Group's administrative expenses increased slightly for the six months ended 30 June 2019, primarily attributable to the increase in legal and professional fee after the listing of the shares of the Company on GEM on 18 May 2018.

Income tax expense

Income tax expense mainly represented PRC corporate income tax, amounted to approximately RMB0.7 million for the six months ended 30 June 2019, compared with RMB1.2 million for the six months ended 30 June 2018. The income tax expenses were derived based on the assessable profits arising in the PRC, as adjusted by the non-deductible expenses incurred by the overseas loss-making entities such as listing expenses, post-listing legal and professional expenses etc.

Profit for the period

Profit attributable to the owners of the Company for the six months ended 30 June 2019 was approximately RMB0.1 million, compared with a net loss of RMB1.4 million for the same period last year. Excluding the listing expenses of approximately RMB4.4 million, the Group's profit for the six months ended 30 June 2018 was approximately RMB3.0 million. The decrease in profit was mainly due to the decrease in gross profit and gross profit margin.

PROSPECTS

Notwithstanding the Group's revenue decreased in the six months ended 30 June 2019 when compared with the corresponding period in 2018, 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.

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.

On 28 April 2019, Hong Kong Hengsheng Industrial Holdings Limited ("Hengsheng"), an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding with an independent third party to establish a joint venture to set up a manufacturing base in Hubei Province, China, for the processing, production and sale of cellulose fibreboard (特克松纖維板). The Directors see an increasing demand and business opportunities for cellulose fibreboard (特克松纖維板), an environment-friendly material, in light of the increasing number of environmentally conscious consumers in China. The Board considers that the new business segment is in line with the Group's value of combining economy success with environmental protection and believes that this potential investment opportunity fits into the Group's strategy to explore new business segments in order to diversify its business as well as to broaden the income source of the Group and eventually to maximise the return to the shareholders.

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.

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (31 December 2018: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2019 was approximately RMB85.9 million. The Group's cash and cash equivalents as at 30 June 2019 was approximately RMB34.2 million. Our working capital represented by net current assets was approximately RMB55.5 million and our current ratio was 7.0. The Group did not have any interest-bearing borrowings and bank borrowings as at 30 June 2019. 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

As at 30 June 2019, our Group had no capital commitments (31 December 2018: Nil).

INDEBTEDNESS

Interest-bearing bank loan

As at 30 June 2019, our Group had no outstanding interest-bearing bank loan (31 December 2018: Nil).

Contingent liabilities and guarantees

As at 30 June 2019, our Group had no significant contingent liabilities and guarantees (31 December 2018: Nil).

INDEBTEDNESS (cont'd)

Charge of assets

As at 30 June 2019, our Group has no charge of assets (31 December 2018: 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 2019.

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

In January 2019, the Group invested a 40% interest in Guangzhou Guanghong Energy Technology Company Limited, which is engaged in the sales of compressed natural gas.

On 28 April 2019, Hengsheng, an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding with an independent third party, in relation to the parties' intention to establish a joint venture to set up a manufacturing base in Hubei Province, China, for the processing, production and sale of cellulose fibre board (特克松纖維板).

Save as disclosed above, there were no other significant investments held by the Company during the six months ended 30 June 2019, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Relevant Period.

Save as disclosed in this report, there is no other 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 2019, our Group has a total of 84 employees (31 December 2018: 89). Staff costs, including Directors' remuneration, of our Group were approximately RMB2.1 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB1.8 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's shares were listed on GEM of the Stock Exchange on 18 May 2018 and the net proceeds from the Listing were approximately HK\$29.2 million. The Company intends to apply the net proceeds in the following manner:

Description	Planned use of proceeds as shown in the Prospectus (adjusted based on the actual net proceeds) HK\$'000	Percentage of net proceeds	Actual usage of proceeds from the Listing Date to 30 June 2019 HK\$'000	Unutilised amount as at 30 June 2019 HK\$'000
Expanding gas station network by constructing one CNG refuelling station	5,212	17.9%	–	5,212
Expanding gas station network by constructing one combined CNG/LNG refuelling station	12,250	42.0%	–	12,250
Upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity	8,772	30.1%	1,019	7,753
Working capital and other general corporate purposes	2,916	10.0%	1,758	1,158
Total	29,150	100.0%	2,777	26,373

The unutilised net proceeds have been placed with licensed banks in the PRC.

USE OF PROCEEDS *(cont'd)*

In pursuance of our business objectives, the implementation plans of our Group are set forth below:

Implementation plan as disclosed in Prospectus	Actual progress achieved up to 30 June 2019
Expanding gas station network by constructing one CNG refuelling station	<ul style="list-style-type: none"> • Negotiating with relevant government authorities in relation to the specific requirements in relation to the proposed construction of one CNG refuelling station • Working together with contractors on design work to prepare for application for government approvals • Obtained quotations for equipment and electricity power system, facility building and renovation, compressors, gas cylinders and CNG dispensers • Submitted the application to the relevant government authorities for the construction of new refuelling stations
Expanding gas station network by constructing one combined CNG/LNG refuelling station	<ul style="list-style-type: none"> • Regular site visit and drove around the local area to identify suitable site • Negotiating with relevant government authorities in relation to the specific requirements in relation to the proposed construction of one combined CNG/LNG refuelling station • Working together with contractors on design work to prepare for application for government approvals • Submitted the application to the relevant government authorities for the construction of new refuelling stations
Upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity	<ul style="list-style-type: none"> • Informed the relevant government authorities in relation to the proposed installation of new facilities at our Jingzhou Primary Station with LNG processing capability • Acquired certain CNG/LNG station equipment

Save as disclosed above, there is no other material business progress as at 30 June 2019. The Directors consider that the relevant approval will be obtained from the relevant government authorities in due course. Thereafter, the Group would carry out feasibility study including environmental impact assessment to further implement the plans.

The Directors would constantly evaluate the Group's business objectives and will change or modify plan against the changing market condition to ascertain the business growth of the Group.

As at the date of this interim report, the Directors do not anticipate any change to the principal plan as to the use of proceeds.

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 2019, 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 2019, 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:

- 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.
- 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 2019, 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.

Save as disclosed above, as at 30 June 2019 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 during the six months ended 30 June 2019 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2019.

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 during the six months ended 30 June 2019.

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 2019, 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 2019, 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

The Company has adopted and complied with, where applicable, the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules for the six months ended 30 June 2019 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.

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 2019 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, 8 August 2019

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.