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TL Natural Gas Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8536)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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 of Hong Kong Limited (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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of TL Natural Gas Holdings Limited (the "**Company**" and its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated financial results of the Group for the year ended 31 December 2019, together with the comparative audited figures for the year ended 31 December 2018.

The annual results for the year have neither been audited nor reviewed by the Company's auditors. In addition, the annual results for the year have not been agreed by the Company's auditors as required under Rule 18.49 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") due to delay in the audit procedures resulting from the outbreak of the novel coronavirus ("**COVID-19**") in the People's Republic of China (the "**PRC**"), in particular delay in obtaining certain confirmations from banks, customers and suppliers in the PRC. The unaudited annual results for the year have been agreed and reviewed by the audit and risk management committee of the Company (the "**Audit and Risk Management Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2019** **RMB'000** **(unaudited)**	2018 *RMB'000* (audited)
REVENUE	*5*	**73,760**	85,418
Cost of sales		**(67,047)**	(68,468)
Gross profit		**6,713**	16,950
Other income and gains	*5*	**398**	429
Selling and distribution expenses		**(625)**	(540)
Administrative expenses		**(6,305)**	(8,798)
Impairment losses on financial assets	*6*	**(1,249)**	(5)
Share of profits and losses of an associate		**(95)**	–
Finance costs	*7*	**(426)**	–
Other expenses		**(467)**	–
PROFIT/(LOSS) BEFORE TAX	*6*	**(2,056)**	8,036
Income tax expense	*8*	**(677)**	(3,435)
PROFIT/(LOSS) FOR THE YEAR		**(2,733)**	4,601
Attributable to:			
Owners of the parent		**(2,733)**	4,601
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit/(loss) for the year	*10*	**RMB(0.55) cents**	RMB1.02 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
PROFIT/(LOSS) FOR THE YEAR	**(2,733)**	4,601
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(464)**	(931)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(464)**	(931)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	**1,226**	4,343
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**1,226**	4,343
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**762**	3,412
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(1,971)**	8,013
Attributable to:		
Owners of the parent	**(1,971)**	8,013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**24,541**	28,739
Right-of-use assets		**8,985**	–
Prepaid land lease payments		**–**	1,510
Other intangible assets		**17**	–
Investment in an associate		**705**	–
Deferred tax assets		**505**	–
Prepayments, other receivables and other assets		**3,752**	–
Advance payments for property, plant and equipment		**5,512**	207
Total non-current assets		**44,017**	30,456
CURRENT ASSETS			
Inventories		**50**	52
Trade receivables	*11*	**17,975**	17,415
Prepayments, other receivables and other assets		**9,927**	8,573
Cash and cash equivalents		**27,402**	37,318
Total current assets		**55,354**	63,358
CURRENT LIABILITIES			
Trade payables	*12*	**–**	140
Other payables and accruals		**4,863**	4,476
Lease liabilities		**1,206**	–
Tax payable		**2,954**	3,400
Total current liabilities		**9,023**	8,016
NET CURRENT ASSETS		**46,331**	55,342
TOTAL ASSETS LESS CURRENT LIABILITIES		**90,348**	85,798
NON-CURRENT LIABILITIES			
Lease liabilities		**6,984**	–
Total non-current liabilities		**6,984**	–
Net assets		**83,364**	85,798
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**4,135**	4,135
Reserves		**79,229**	81,663
Total equity		**83,364**	85,798

NOTES TO 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 year, the Company's subsidiaries were involved in the sale of compressed natural gas.

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

2. BASIS OF PREPARATION

These unaudited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance (Cap. 622, Laws of Hong Kong). They have been prepared under the historical cost convention, except for financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. BASIS OF PREPARATION *(cont'd)*

Basis of consolidation *(cont'd)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest, and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained, and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRS 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) 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 account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(cont'd)*

(a) *(cont'd)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for leasehold land and office buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short – term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

3. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES** *(cont'd)*

(a) *(cont'd)*

As a lessee – Leases previously classified as operating leases *(cont'd)*

Impact on transition (cont'd)

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000* (unaudited)
Assets	
Increase in right-of-use assets	**10,296**
Increase in deferred tax assets	**154**
Decrease in prepaid land lease payments	**(1,510)**
Decrease in prepayments, other receivables and other assets	**(39)**
Increase in total assets	**8,901**
Liabilities	
Increase in lease liabilities	**9,364**
Increase in total liabilities	**9,364**
Decrease in retained profits	**(463)**

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000 (unaudited)
Operating lease commitments as at 31 December 2018	**11,723**
Less: Commitments relating to short-term leases	**108**
Weighted average incremental borrowing rate as at 1 January 2019	**4.9%**
Discounted operating lease commitments as at 1 January 2019	**9,364**
Lease liabilities as at 1 January 2019	**9,364**

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(cont'd)*

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long – term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately, (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities, (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates, and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management 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 year, 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.

4. OPERATING SEGMENT INFORMATION *(cont'd)*

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Customer 1[a]	**16,905**	16,233
Customer 2[a]	**19,872**	18,963

Note:

(a) The customers are state-owned enterprises.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Revenue from contracts with customers	**73,760**	85,418

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Type of goods or services		
Sales of compressed natural gas	**72,018**	85,012
Transmission services	**1,742**	406
Total revenue from contracts with customers	**73,760**	85,418

Geographical markets

All of the Group's revenue was generated from customers located in Mainland China in the current reporting period.

Timing of revenue recognition

All of the Group's revenue was recognised at a point in time in the current reporting period.

The amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period was RMB314,000.

5. REVENUE, OTHER INCOME AND GAINS *(cont'd)*

Timing of revenue recognition *(cont'd)*

(ii) Performance obligations

Sale of compressed natural gas and liquefied natural gas

The performance obligation of the sale of compressed natural gas is satisfied upon delivery of the goods.

Transmission services

The performance obligation of the provision of transmission services is satisfied upon services are rendered.

The remaining performance obligations as at 31 December 2019:

	2019
	RMB'000
	(unaudited)
Within one year	**182**

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue within one year. The amount disclosed above does not include variable consideration which is constrained.

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Other income and gains		
Interest income from loan to a related party	**143**	–
Government grants*	**100**	–
Investment income from financial assets at fair value through profit or loss	**96**	–
Bank interest income	**22**	20
Exchange gains, net	**–**	63
Others	**37**	346
	398	429

* The amount represents grants received from the government authorities of Mainland China by the Group's subsidiaries in connection with certain financial rewards when local business enterprises meet certain conditions.

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Cost of inventories sold	**53,298**	56,136
Depreciation of property, plant and equipment	**4,060**	3,940
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	**1,311**	39
Amortisation of other intangible assets	**1**	–
Utility expense	**2,767**	3,023
Minimum lease payments under operating leases	**–**	1,397
Transportation expense	**1,179**	591
Auditor's remuneration	**1,389**	1,250
Listing expenses	**–**	4,968
Government grants	**(100)**	–
Investment income from financial assets at fair value through profit or loss	**(96)**	–
Interest income from loan to a related party	**(143)**	–
Bank interest income	**(22)**	(20)
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*):		
Wages and salaries	**3,857**	3,404
Pension scheme contributions	**423**	378
	4,280	3,782
Loss on disposal of items of property, plant and equipment	**214**	–
Impairment of other receivables	**110**	–
Impairment of trade receivables	**1,139**	5

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Interest on lease liabilities	**426**	–

8. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The major components of income tax expense of the Group during the year are analysed as follows:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Current – Mainland China		
Charge for the year	**1,028**	3,435
Deferred tax	**(351)**	–
Total tax charge for the year	**677**	3,435

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 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 were no assessable profits arising in Hong Kong during the year.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiary of the Group as determined in accordance with the PRC Corporate Income Tax Law.

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Profit/(loss) before tax	**(2,056)**	8,036
Tax at the statutory tax rate of 25%	**(514)**	2,009
Tax effect of tax rate differences between PRC and overseas loss-making entities	**793**	966
Effect of expenses not deductible for tax	**380**	429
Temporary difference recognised from previous years	**(14)**	–
Tax losses not recognised	**32**	31
Tax charge at the Group's effective rate	**677**	3,435

8. INCOME TAX *(cont'd)*

The Group had tax losses arising in Hong Kong of RMB443,000 as at 31 December 2019 (2018: RMB442,000) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiary that has been loss – making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributable by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

As of 31 December 2019, no deferred tax had been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the Directors, it is not probable that this subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with an investment in a subsidiary in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB20,608,000 as at 31 December 2019 (2018: RMB20,632,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

9. DIVIDENDS

No dividend had been paid or declared by the Company during the year (2018: Nil).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount for the year is based on profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 500,000,000 (2018: 453,082,191) in issue during the year.

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(2,733)**	4,601

	Number of shares	
	2019	2018
	(unaudited)	(audited)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**500,000,000**	453,082,191

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

11. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**19,168**	17,469
Impairment	**(1,193)**	(54)
	17,975	17,415

The Group's trading terms with its customers are mainly on credit. The credit period is generally one month. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
within 3 months	**10,974**	15,636
3 to 6 months	**1,016**	1,739
6 to 12 months	**1,594**	38
1 to 2 years	**4,391**	2
	17,975	17,415

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
At beginning of year	**54**	49
Impairment losses *(note 6)*	**1,139**	5
At end of year	**1,193**	54

11. TRADE RECEIVABLES *(cont'd)*

The increase (2018: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(i) Increase in the loss allowance of RMB1,139,000 (2018: RMB5,000) as a result of an increase in trade receivables which were past due over 3 months.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As of 31 December 2019

		Past due				
	Current	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**Total**
Expected credit loss rate	**2.28%**	**2.94%**	**3.47%**	**12.32%**	**–**	**6.22%**
Gross carrying amount *(RMB'000)*	**4,426**	**6,751**	**1,037**	**6,954**	**–**	**19,168**
Expected credit losses *(RMB'000)*	**101**	**199**	**36**	**857**	**–**	**1,193**

As of 31 December 2018

		Past due				
	Current	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 years	Total
Expected credit loss rate	0.31%	0.31%	0.31%	0.31%	7.65%	0.31%
Gross carrying amount *(RMB'000)*	9,847	5,838	1,744	38	2	17,469
Expected credit losses *(RMB'000)*	30	19	5	–	–	54

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	–	140

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

13. SHARE CAPITAL

	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
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 (2018: 500,000,000)	**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 *(note (a))*	125,000,000	1,015
Capitalisation issue of shares *(note (b))*	274,999,800	2,234
At 31 December 2018, 1 January 2019 and 31 December 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 names 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.

14. EVENTS AFTER THE REPORTING PERIOD

On 17 December 2019, the Company and Stable Development Company Limited ("**Stable Development**"), among others, entered into a sale and purchase agreement, pursuant to which the Company agreed to acquire the entire issued share capital of Jet Union Technology Limited from Stable Development, and on 18 December 2019, the Company and Stable Development, among others, entered into a supplemental agreement, pursuant to which the consideration for the acquisition of Jet Union Technology Limited was revised to RMB20,029,908 (the "**Acquisition**"), which was settled by cash of RMB3,800,000 and the allotment and issue of 55,490,000 Shares and the issue of convertible bonds in the principal amount of HK$8,056,310 (the "**Convertible Bonds**"). The Acquisition was completed on 6 January 2020. On 7 February 2020, the Company allotted and issued 6,540,000 Shares at the conversion price of HK$0.181 per share to Stable Development pursuant to its conversion notice for partial conversion of the Convertible Bonds in the principal amount of HK$1,183,740.

On 19 January 2020, Excellence Enterprise Holdings Limited, a wholly-owned subsidiary of the Company, Mr. Liu Yong Cheng and Mr. Liu Yong Qiang entered into a sale and purchase agreement, pursuant to which Excellence Enterprise Holdings Limited has conditionally agreed to purchase from Mr. Liu Yong Cheng and Mr. Liu Yong Qiang the entire issued share capital of Evergreen Leader Limited at the consideration of Malaysian Ringgit 29,000,000, which shall be satisfied by the allotment and issue of an aggregate of 166,470,000 Shares and the issue of the convertible bonds in the aggregate principal amount of HK$29,129,880 upon the completion.

On 21 January 2020, the Company granted share options (the "**Options**") to eligible individuals (the "**Grantees**") pursuant to the share option scheme adopted by the Company on 20 April 2018. The Options shall entitle the Grantees to subscribe for a total of 49,500,000 Shares. The exercise price of the Options granted was HK$0.166 per share and the Options are exercisable for a period of five years from the date of grant subject to the vesting conditions of the Options.

The Company received notices issued by the new pneumonia prevention and control committee for Jingzhou Economic and Technological Development Zone (荊州經濟技術開發區新型肺炎防控指揮部) in February 2020, pursuant to which the Group was required to suspend its business operation temporarily in order to facilitate better prevention and control of the COVID-19 situation in Mainland China, and non-essential vehicles were prohibited from transporting on the major roads in the city. Accordingly, the Group suspended its business operation, including its gas refueling stations in Jingzhou, Hubei Province. On 14 March 2020, the Group received an official notice from the relevant authority approving the resumption of the Group's business operation in Jingzhou, Hubei Province. As at the date of this announcement, the Group has fully resumed its business operation in Jingzhou, Hubei Province.

The expected credit loss ("**ECL**") at 31 December 2019 was estimated based on forecast economic conditions as at that date. Since early January 2020, the COVID-19 has spread across Mainland China and beyond, causing disruption to business and economic activity. The impact on GDP and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that will be used to estimate ECL under HKFRS 9 in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's principal place of business is in Jingzhou, Hubei Province, China. The Group mainly supplies compressed natural gas ("**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, most of which is purchased from the Group's natural gas supplier, PetroChina Company Limited ("**PetroChina**").

During the year, the Group's revenue amounted to approximately RMB73.8 million, decreased by approximately 13.6% when compared with approximately RMB85.4 million for the year ended 31 December 2018. The decrease was primarily due to the decrease in sales of CNG to wholesale customers, which was partially offset by the increase in sales of CNG to retail customers.

The Group reported a net loss of approximately RMB2.7 million for the year ended 31 December 2019, compared with a net profit of approximately RMB4.6 million for the year ended 31 December 2018. The decrease in profit was mainly attributable to the combined effect of (i) decrease in revenue from the Group's wholesale customers, (ii) decrease in gross profit and gross profit margin due to increase in purchase price for natural gas of which the impact cannot be passed on to our wholesale customers on a timely basis, (iii) increase in administrative expenses including professional fee as a result of the development of the Group, and (iv) impairment losses on financial assets recognised.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately RMB11.6 million or 13.6% from approximately RMB85.4 million for the year ended 31 December 2018 to approximately RMB73.8 million for the year ended 31 December 2019. The following table sets forth the revenues by nature for the years indicated:

	Year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		(audited)	
Retail operation				
Buses	**16,905**	**22.9**	16,233	19.0
Taxis and private vehicles	**21,425**	**29.1**	21,247	24.9
	38,330	**52.0**	37,480	43.9
Wholesale business	**33,818**	**45.8**	47,748	55.9
Transmission service	**1,742**	**2.4**	406	0.5
Taxes and surcharges	**(130)**	**(0.2)**	(216)	(0.3)
Total revenue	**73,760**	**100.0**	85,418	100.0

Majority of the Group's retail customers are buses of Jingzhou Public Transportation Head Office (荊州市公共交通總公司) ("**Jingzhou Public Transport**") and other drivers of taxis and private vehicles. The Group currently operates four refuelling stations in Jingzhou, Hubei Province, namely Dongfang Road station, Nanhuan Road station, Shahong Road station and Shihao Road station. Revenue from retail operation, which accounted for 52.0% (2018: 43.9%) of total revenue, increased by approximately RMB0.8 million or 2.1% from approximately RMB37.5 million for the year ended 31 December 2018 to approximately RMB38.3 million for the year ended 31 December 2019, due to stable sales volume and a slight increase in average selling price of CNG to retail customers.

Revenue from wholesale business, which accounted for 45.8% (2018: 55.9%) of total revenue, decreased by approximately RMB13.9 million or 29.1% from approximately RMB47.7 million for the year ended 31 December 2018 to approximately RMB33.8 million for the year ended 31 December 2019, primarily due to the decrease in sales volume of CNG and average selling price. One of our wholesale customers, who entered into a supply agreement with the Group with minimum purchase obligation, reduced the purchase of CNG from the Group. The Group has been and is in discussion with the customer for the minimum purchase obligation and the purchase shortfall.

Cost of sales

Cost of sales mainly consists of cost of inventories sold and certain fixed costs, such as depreciation of property, plant and equipment, and gas refuelling stations rental expenses. Cost of sales decreased by approximately RMB1.4 million or 2.1% from approximately RMB68.5 million for the year ended 31 December 2018 to approximately RMB67.0 million for the year ended 31 December 2019, mainly due to the decrease in cost of inventories sold. Cost of inventories sold decreased by RMB2.8 million or 5.0% from RMB56.1 million for the year ended 31 December 2018 to RMB53.3 million for the year ended 31 December 2019, due to decrease in purchase volume of natural gas as a result of decrease in sales of CNG, which was partially offset by increase in the purchase price for natural gas of the Group during the year. The purchase price for natural gas of the Group is determined based on a combination of factors including the benchmark gateway station prices set by the National Development and Reform Commission of the PRC (the "**NDRC**") and the procurement cost from PetroChina. As at 1 January 2018, the prevailing benchmark city station gate price set by the NDRC was RMB1.68/m^3 (VAT exclusive), and the prevailing purchase price for natural gas of the Group from PetroChina increased to RMB2.00/m^3 (VAT exclusive) as at 31 December 2019. Accordingly, the average purchase price for natural gas of the Group increased from RMB1.86/m^3 (VAT exclusive) for the year ended 31 December 2018 to RMB1.93/m^3 (VAT exclusive) for the year ended 31 December 2019.

Gross profit and gross profit margin

Gross profit and gross profit margin amounted to approximately RMB6.7 million and RMB17.0 million, and 9.1% and 19.8% for the year ended 31 December 2019 and 2018, respectively. The decrease was mainly due to the decrease in the revenue from our wholesale customers and increase in purchase price for natural gas of which the impact cannot be passed on to our wholesale customers on a timely basis.

Selling and distribution expenses

Selling and distribution expenses, which mainly represent staff costs, office and travel expenses incurred in our operation department, amounted to approximately RMB0.6 million for the year ended 31 December 2019 and remained stable as compared to approximately RMB0.5 million for the year ended 31 December 2018.

Administrative expenses

Administrative expenses mainly represented employee benefit expenses and legal and professional fee, decreased by approximately RMB2.5 million or 28.3%, from approximately RMB8.8 million for the year ended 31 December 2018 to approximately RMB6.3 million for the year ended 31 December 2019. The decrease was primarily due to the listing expenses of RMB5.0 million during the year ended 31 December 2018. Excluding the listing expenses, the administrative expenses increased by RMB2.5 million or 65.8% from RMB3.8 million for the year ended 31 December 2018 to RMB6.3 million for the year ended 31 December 2019, mainly due to (i) increase in professional fee incurred as a listed company after the listing and the need of professional services resulting from the development of the Group, (ii) professional fee incurred in relation to the acquisitions of the Group, and (iii) increase in other administrative expenses as a result of the development of the Group.

Other income and gains

Other income and gains remained stable at approximately RMB398,000 and RMB429,000 for the year ended 31 December 2019 and 2018, respectively.

Income tax expenses

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of the Group domicile or operate.

Income tax expenses decreased by approximately RMB2.7 million or 80.3% from approximately RMB3.4 million for the year ended 31 December 2018 to approximately RMB0.7 million for the year ended 31 December 2019. The income tax expenses were derived based on the assessable profits arising in the PRC, adjusted by the non-deductible expenses incurred such as listing expenses and post-listing legal and professional expenses.

Profit/(loss) attributable to owners of the parent

Loss attributable to owners of the parent for the year ended 31 December 2019 amounted to approximately RMB2.7 million, compared with a profit of RMB4.6 million for the year ended 31 December 2018. Excluding the listing expenses of RMB5.0 million, the Group's profit for the year ended 31 December 2018 was RMB9.6 million. The decrease in profit was mainly due to the combined effect of (i) decrease in revenue from wholesale customers, (ii) decrease in gross profit and gross profit margin as a result of the increase in purchase price for natural gas of which the impact cannot be passed on to our wholesale customers on a timely basis, (iii) increase in administrative expenses including professional fee as a result of the development of the Group, and (iv) impairment losses on financial assets recognised.

PROSPECTS

As a result of the outbreak of COVID-19 in the PRC, the Group temporarily suspended its business operation, including its gas refueling stations in Jingzhou, Hubei Province, pursuant to the notices issued by the new pneumonia prevention and control committee for Jingzhou Economic and Technological Development Zone (荊州經濟技術開發區新型肺炎防控指揮部) in February 2020. On 14 March 2020, the Group received an official notice from the relevant authority approving the resumption of the Group's business operation in Jingzhou, Hubei Province. As at the date of this announcement, the Group has fully resumed its business operation in Jingzhou, Hubei Province.

The suspension of business operation has seriously affected our Group's operation and financial performance in 2020 and looking forward, the Directors expect the forthcoming business environment would remain challenging. Nevertheless, the Group has been actively considering and exploring various opportunities in new businesses in the PRC and/or other locations in order to diversify the income source of the Group. In December 2019 and January 2020, the Group has committed to two new business opportunities, which comprises the acquisition of an automated car wash business in the PRC and a property investment in Malaysia, being the land parcels designated for industrial use and a factory in the state of Selangor in Malaysia, which would be used for investment purposes by leasing out for rental income. The Directors consider that the automated car wash business will provide additional value-added services to the Group's retail customers and boost its revenue generated from its existing gas refueling stations through providing automated car wash services to retail customers; whilst the property investment in Malaysia would generate a stable source of rental income to the Group and would be beneficial to its financial position. The financial results of the automated car wash business will be consolidated into the Group's financial statements for the year ending 31 December 2020, and the financial results of the property investment in Malaysia will be consolidated into the Group's financial statements for the year ending 31 December 2020 upon the completion of the acquisition.

Looking forward, the Group is optimistic about the growth of consumption of CNG along with China improving its energy consumption structure. The Group believes that 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. On the other hand, the Directors will be seeking and exploring other business opportunities under the Belt and the Road Initiative so as to capitalise on such national policies of the PRC government. 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had current assets of approximately RMB55.4 million (31 December 2018: RMB63.4 million) which comprised cash and cash equivalents of approximately RMB27.4 million as at 31 December 2019 (31 December 2018: RMB37.3 million). The Group had current liabilities amounted to approximately RMB9.0 million as at 31 December 2019 (31 December 2018: RMB8.0 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 6.1 times as at 31 December 2019 (31 December 2018: 7.9 times). The decrease in current ratio was mainly driven by the decrease in cash and cash equivalents of approximately RMB9.9 million as a result of the advance payments for property, plant and equipment which were classified as non-current assets.

Gearing ratio represents the bank and other borrowings as a percentage of equity attributable to equity holders of the Company. Gearing ratio is not applicable to the Group since the Group did not have any interest-bearing borrowings and bank borrowings as at 31 December 2018 and 2019.

FOREIGN CURRENCY RISK

The Group carries out its business in China and most of its transactions are denominated in RMB. The 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 year ended 31 December 2018 and 2019.

INTEREST RATE RISK

The Group has no significant interest rate risk. The 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.

INFORMATION ON EMPLOYEES

As at 31 December 2019, the Group had 82 employees (31 December 2018: 89 employees), including the executive Directors. The Group recorded staff costs (including directors' remuneration) of approximately RMB4.3 million (31 December 2018: RMB3.8 million). Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. The Group provides its PRC employees with welfare schemes as required by the applicable laws and regulations of the PRC.

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 CNG.

On 17 December 2019, the Company and Stable Development Company Limited ("**Stable Development**"), among others, entered into a sale and purchase agreement, pursuant to which the Company agreed to acquire the entire issued share capital of the Jet Union Technology Limited ("**Jet Union**"), a company incorporated in the BVI and principally engaged in the automated car wash business in the PRC, through its wholly-owned subsidiaries. On 18 December 2019, the Company and Stable Development, among others, entered into a supplemental agreement, pursuant which the consideration for the acquisition of Jet Union was revised to RMB20,090,908 (the "**Acquisition**"), which was settled by cash of RMB3,800,000 from internal resources of the Group and allotment and issue of 55,490,000 ordinary shares of the Company (the "**Shares**") and the issue of convertible bonds in the principal amount of HK$8,056,310 (the "**Convertible Bonds**"). The Acquisition was completed on 6 January 2020. On 7 February 2020, the Company allotted and issued 6,540,000 Shares at the conversion price of HK$0.181 per share to Stable Development pursuant to its conversion notice for partial conversion of the Convertible Bonds in the principal amount of HK$1,183,740. For further details of the Acquisition, please refer to the announcements of the Company dated 17 December 2019, 19 December 2019 and 6 January 2020.

On 19 January 2020, Excellence Enterprise Holdings Limited, a wholly-owned subsidiary of the Company, Mr. Liu Yong Cheng and Mr. Liu Yong Qiang entered into a sale and purchase agreement, pursuant to which Excellence Enterprise Holdings Limited has conditionally agreed to acquire the entire issued share capital of Evergreen Leader Limited from Mr. Liu Yong Cheng and Mr. Liu Yong Qiang at the consideration of Malaysian Ringgit 29,000,000 (the "**Proposed Acquisition**"), which shall be satisfied by the allotment and issue of an aggregate of 166,470,000 Shares and the issue of the convertible bonds in the aggregate principal amount of HK$29,129,880 upon the completion. For further details of the Proposed Acquisition, please refer to the circular of the Company dated 3 March 2020.

Save as disclosed above, there were no other significant investments held by the Company as at 31 December 2019, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year.

Save as disclosed in this announcement, there is no other plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are set out in note 14 to the financial statements.

CHARGES OF ASSETS

There was no charges of assets as at 31 December 2018 and 2019.

CAPITAL COMMITMENT

As at 31 December 2019, the capital commitments which the Group had contracted for but not provided for in respect of acquisition of plant and machinery amounted to approximately RMB1.9 million (31 December 2018: Nil) and acquisition of a subsidiary amounted to approximately RMB17.3 million (31 December 2018: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2019 (31 December 2018: Nil).

DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (31 December 2018: Nil).

CORPORATE GOVERNANCE PRACTICES

The Board is committed to ensuring the Company adheres to a good standard of corporate governance. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted and applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules as the basis of the Company's corporate governance practices. During the year, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision A.2.1.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate 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 Hubei Tonglin Natural Gas Service Company Limited, an indirect wholly-owned subsidiary of the Company, 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**") in respect of securities transactions by Directors.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Required Standard of Dealings throughout the year.

The Company has also adopted the Required Standard of Dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its written guidelines (the "**Employees Written Guidelines**") in respect of securities dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

AUDIT AND RISK MANAGEMENT COMMITTEE

As at the date of this announcement, the Audit and Risk Management Committee had three members comprising three independent non-executive Directors, namely Mr. Li Wai Kwan (Chairman), Mr. Wong Chun Peng Stewart and Ms. Li Helen Hoi Lam. None of them are members of the former or existing auditors of the Company. The Board considers that the Audit and Risk Management Committee has extensive commercial experience in business, financial and legal matters. The primary duties of the Audit and Risk Management Committee include, among other matters, to review and monitor financial reporting and the judgment contained therein; to review financial and internal controls, accounting policies and practices with management and external auditors; and to review the Company's compliance with the CG Code contained in Appendix 15 to the Listing Rules.

The Audit and Risk Management Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters, and the Company's policies and practices on corporate governance. The Audit and Risk Management Committee and the Board have also reviewed and discussed with the management and the external auditors the key audit matters and the unaudited consolidated financial statements of the Group for the year ended 31 December 2019. The unaudited annual results for the year ended 31 December 2019 have been agreed and reviewed by the Audit and Risk Management Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting will be published and dispatched in the manner as required by the GEM Listing Rules in due course. Information regarding the record date and book close date to determine the entitlement of the shareholders to attend and vote at the annual general meeting will be announced in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

Due to delay in audit procedures resulting from the outbreak of COVID-19 in the PRC, in particular delay in obtaining certain confirmation from banks, customers and suppliers in the PRC, the Company's auditing process for the year ended 31 December 2019 had been disrupted and not been completed. It is currently expected that the audited annual results for the year will be agreed with the Company's external auditors, Ernst & Young, by 29 April 2020 having considered that some of the Group's banks, customers and suppliers in Hubei Province have started to resume their business operations. The unaudited annual results for the year contained herein have not been agreed with the Company's auditors but have been agreed and reviewed by the Audit and Risk Management Committee. The Company will publish the audited annual results and the annual report for the year as soon as practicable after they have been agreed with the Company's auditors.

APPRECIATION

The Group's continued success depends on all its staff's commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication and to express its sincere appreciation to our shareholders, clients and suppliers for their continuous and valuable support.

By Order of the Board
TL Natural Gas Holdings Limited
LIU Yong Cheng
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 26 March 2020

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

This announcement will remain on 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.