

# TL NATURAL GAS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 8536



First Quarterly Report

# 2020



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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.*

*This report will remain on the website of GEM at [www.hkgem.com](http://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](http://www.tl-cng.com).*



## UNAUDITED FIRST QUARTERLY RESULTS

The board of Directors (the "Board") is pleased to report the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2020 (the "Period"), together with the unaudited comparative figures for the corresponding period in 2019, are as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 RMB'000	2019 RMB'000
<b>REVENUE</b>	3	<b>6,642</b>	18,725
Cost of sales		<b>(7,718)</b>	(17,388)
<b>Gross profit/(loss)</b>		<b>(1,076)</b>	1,337
Other income and gains	3	<b>398</b>	178
Selling and distribution expenses		<b>(86)</b>	(154)
Administrative expenses		<b>(2,942)</b>	(1,075)
Share of profits and losses of an associate		<b>(27)</b>	–
Finance costs	5	<b>(237)</b>	–
Other expenses		<b>(175)</b>	–
<b>PROFIT/(LOSS) BEFORE TAX</b>	4	<b>(4,145)</b>	286
Income tax credit/(expense)	6	<b>12</b>	(235)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(4,133)</b>	51
Profit/(loss) attributable to:			
Owners of the parent		<b>(4,133)</b>	51
Non-controlling interest		–	–
		<b>(4,133)</b>	51
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (cents)	7	<b>(0.74)</b>	0.01

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2020

	Three months ended 31 March		
	Notes	2020 RMB'000	2019 RMB'000
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(4,133)</b>	51
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>(1,041)</b>	(649)
Exchange differences on translation of the Company's financial statements		<b>1,501</b>	–
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		<b>460</b>	(649)
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>		<b>460</b>	(649)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(3,673)</b>	(598)
Total comprehensive loss attributable to:			
Owners of the parent		<b>(3,673)</b>	(598)
Non-controlling interests		–	–
		<b>(3,673)</b>	(598)



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Attributable to Owners of the Parent								
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Equity component of convertible bonds RMB'000	Capital reserve RMB'000	Exchange Fluctuation reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
<b>At 1 January 2019</b>	4,135	52,723	-	-	17,350	4,297	2,068	5,225	85,798
<b>Changes in equity for 2019:</b>									
Profit for the period	-	-	-	-	-	-	-	51	51
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(649)	-	-	(649)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(649)	-	51	(598)
Transfer from retained profits	-	-	-	-	-	-	62	(62)	-
<b>At 31 March 2019</b>	4,135	52,723	-	-	17,350	3,648	2,130	5,214	85,200
<b>At 1 January 2020</b>	4,135	52,723	-	-	17,350	5,059	2,112	1,985	83,364
<b>Changes in equity for 2020:</b>									
Loss for the Period	-	-	-	-	-	-	-	(4,133)	(4,133)
Other comprehensive income/(loss) for the Period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,041)	-	-	(1,041)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	1,501	-	-	1,501
Total comprehensive income/(loss) for the Period	-	-	-	-	-	460	-	(4,133)	(3,673)
Issue of shares of the Company	497	6,762	-	-	-	-	-	-	7,259
Equity-settled share option arrangements	-	-	939	-	-	-	-	-	939
Issue of convertible bonds	-	-	-	2,388	-	-	-	-	2,388
Conversion of convertible bonds	59	1,014	-	(352)	-	-	-	-	721
<b>At 31 March 2020</b>	4,691	60,499	939	2,036	17,350	5,519	2,112	(2,148)	90,998

## NOTES TO THE CONDENSED CONSOLIDATED 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 situated at Osiris International Cayman Limited Suite #4-210, Governors Square 23 Lime Tree Bay Avenue, PO Box 32311 Grand Cayman KY1-1209, Cayman Islands.

The Company is an investment holding company. During the Period, the Company's subsidiaries were involved in the sales of CNG and provision of automated car wash services in the PRC.

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

### 2 BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated financial statements for the three months ended 31 March 2020 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 2019, which have been prepared in accordance with HKFRSs.

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.

In the current period, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2019, as described in those consolidated financial statements. The Group has adopted all the new and revised HKFRSs issued that are relevant to its operations and effective for its accounting period beginning on 1 January 2020. 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.

This quarterly financial report is unaudited, but has been reviewed by the audit and risk management committee of the Company.



### 3 REVENUE, OTHER INCOME AND GAINS

During the Period, the Group generated revenue from sales of CNG and provision of automated car wash services, 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 31 March	
	2020 RMB'000	2019 RMB'000
Revenue		
Sales of CNG	6,499	18,725
Provision of automated car wash services	143	–
	<b>6,642</b>	18,725
Other income and gains		
Bank interest income and others	398	178

### 4 PROFIT/(LOSS) BEFORE TAXATION

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

	Three months ended 31 March	
	2020 RMB'000	2019 RMB'000
Cost of inventories sold	5,210	14,213
Depreciation of property, plant and equipment	1,060	1,021
Depreciation of right-of-use asset	314	–
Utility expenses	292	755
Minimum lease payments under operating leases	55	407
Transportation expenses	198	151
Amortisation of prepaid land lease payments	11	9
Employee benefit expenses:		
Wages and salaries	972	912
Equity-settled share option expense	939	–
Pension scheme contributions	15	119
Impairment of trade receivables	33	–

## 5 FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 31 March	
	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	97	–
Imputed interest on convertible bonds	140	–
	<b>237</b>	–

## 6 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/(credit) are analysed as follows:

	Three months ended 31 March	
	2020 RMB'000	2019 RMB'000
Current – Mainland China		
Charge for the Period	–	235
Deferred tax	(12)	–
Total tax expense/(credit) for the Period	<b>(12)</b>	235

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

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

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 Enterprise Income Tax Law of the People's Republic of China.



## 7 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the Period.

	Three months ended 31 March	
	2020	2019
Profit/(loss) attributable to ordinary equity holders of the Company (RMB'000)	<b>(4,133)</b>	51
Weighted average number of ordinary shares in issue ('000)	<b>556,259</b>	500,000
Basic earnings/(loss) per share (RMB cents)	<b>(0.74)</b>	0.01

In respect of the diluted loss per share amount for the Period, no adjustment has been made to the basic loss per share amount presented for the three months ended 31 March 2020 as the impact of the share options and convertible bonds outstanding during the Relevant Period either had no dilutive effect or had an anti-dilutive effect on the basic loss per share amounts presented.

Diluted earnings per share for the three months ended 31 March 2019 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the three months ended 31 March 2019.

## 8 DIVIDEND

The Board did not declare the payment of any dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

## 9 APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board on 15 May 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

The Company is an investment holding company. During the period, the Company's subsidiaries were involved in the (i) sales of CNG and (ii) provision of automated car wash services in the PRC.

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.

During the Period, the Group expanded its business presence by providing automated car wash services in the PRC.

As a result of the recent 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 and the Group has gradually resumed its operation. As at the date of this report, the Group has fully resumed its CNG business operation. The suspension of business operation has seriously affected the Group's operation and financial performance in the first quarter of 2020.

## FINANCIAL REVIEW

### Revenue

Revenue from (i) sales of CNG; and (ii) provision of automated car wash services, which amounted to RMB6.6 million for the three months ended 31 March 2020, decreased by 64.7% when compared with RMB18.7 million for the corresponding period of 2019. The decrease was primarily due to the effect of the COVID-19 outbreak which called for a suspension of the Group's business operation for almost 2 months during the first quarter of 2020.

Accordingly, the revenue from sales of CNG to wholesales customers decreased by approximately RMB5.6 million or 60.2% from approximately RMB9.3 million for the three months ended 31 March 2019 to approximately RMB3.7 million for the three months ended 31 March 2020, and the revenue from sales of CNG to retail customers decreased by approximately RMB6.6 million or 70.2% from approximately RMB9.4 million for the three months ended 31 March 2019 to approximately RMB2.8 million for the three months ended 31 March 2020.



## FINANCIAL REVIEW (cont'd)

### Cost of sales

Cost of sales amounted to approximately RMB7.7 million for the three months ended 31 March 2020, representing a decrease of approximately RMB9.7 million or 55.7% as compared to approximately RMB17.4 million for the three months ended 31 March 2019, which was primarily due to the decrease in cost of inventories sold by approximately RMB9.0 million or 63.4% from approximately RMB14.2 million for the three months ended 31 March 2019 to approximately RMB5.2 million for the three months ended 31 March 2020, as a result of the significant decrease in the sales volume of CNG.

### Gross profit/(loss)

Gross loss for the three months ended 31 March 2020 amounted to approximately RMB1.1 million, compared to a gross profit of approximately RMB1.3 million for the corresponding period of 2019. Despite of the suspension of the Group's business operation, the Group continued to incur certain fixed costs, such as depreciation of property, plant and equipment, and gas refuelling stations rental expenses, which resulted in the gross loss for the current period.

### Selling and distribution expenses

Selling and distribution expenses, which mainly represent staff costs and other office expenses incurred in our operation department, decreased by RMB68,000 or 44.2%, from RMB154,000 for the three months ended 31 March 2019 to RMB86,000 for the three months ended 31 March 2020. The decrease was resulted from the temporary business suspension during the Period.

### Administrative expenses

Administrative expenses, which mainly represent employee benefit expenses and legal and professional fee, increased by approximately RMB1.9 million or 173.7% from approximately RMB1.1 million for the three months ended 31 March 2019 to approximately RMB2.9 million for the three months ended 31 March 2020. The increase was mainly attributable to (i) increase in professional fee incurred in relation to the various acquisitions during the Period; (ii) recognition of fair value of the share options granted during the Period amounting to approximately RMB0.9 million; and (iii) increase in other administrative expenses as a result of the development of the Group, which were all fixed cost in nature.

### Finance costs

Finance costs mainly represented interest on lease liabilities and amortised cost on the convertibles bonds.

### Income tax credit/(expense)

Income tax credit amounted to RMB12,000 for the three months ended 31 March 2020, which represents deferred tax credit due to the temporary differences arising from the accelerated accounting depreciation and lease liabilities. Income tax expense for the three months ended 31 March 2019 which mainly represent enterprise income tax of the PRC, amounted to approximately RMB0.2 million. The income tax expenses were derived based on the assessable profits arising in the PRC, adjusted by the non-deductible expenses incurred such as legal and professional expenses.

## **FINANCIAL REVIEW** *(cont'd)* **Profit/(loss) for the period**

Loss attributable to the owners of the Company for the three months ended 31 March 2020 was approximately RMB4.1 million, compared with a net profit of approximately RMB0.1 million for the same period last year. The decrease was mainly attributable to the temporary business suspension as a result of the outbreak of COVID-19.

## **PROSPECTS**

The Group's revenue and profitability for the Period had been severely affected by the COVID-19 pandemic and 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, January 2020 and April 2020, the Group has committed to three new business opportunities, which comprise the acquisition of an automated car wash business in the PRC; a property investment in Malaysia, being the land parcels designated for industrial use and a factory in the state of Selangor in Malaysia; and a residential property investment in four service apartment units in Kuala Lumpur, Malaysia. The automated car wash business has been generating positive income stream to the Group in the first quarter of 2020. The Directors are confident that the automated car wash business will provide additional value-added services to the Group's existing retail customers and boost its revenue from its gas refueling stations through providing automated car wash services to retail customers. On the other hand, the property investments in Malaysia would generate a stable source of rental income to the Group and strengthen the Group's financial position. The financial results of the property investments and the then rental income in Malaysia will be consolidated into the Group's financial statements for the year ending 31 December 2020 upon the completion of the acquisition.

Recently, in line with the government's initiative for newer and cleaner energy sources, namely 13th Five-Year Plan for Natural Gas Development (天然氣發展「十三五」規劃) and Opinions on Accelerating the Use of Natural Gas (加快推進天然氣利用的意見), New Energy Vehicle Industry Development Plan (2021-2035) (新能源汽車產業發展規劃(2021-2035年)) and Guangdong Province Electric Car Charging Foundation Facilities Plan (2016-2020) (廣東省電動汽車充電基礎設施規劃(2016-2020年)), and the transition to using more electric powered vehicles in the PRC, the Group has been exploring electric power source as a cleaner alternative fuel, in addition to CNG and LNG. This include developing electric power chargers at existing gas refuelling stations of the Group and other opportunities to set up new stations for electric power chargers in Jingzhou and/or other locations in the PRC. The Group will endeavour to seize the growth potential resulting from such policies and industry trends.



## **DIVIDENDS**

The Board does not recommend the payment of any dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

## **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 three months ended 31 March 2020.

## **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.

## **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 (“Guanghong Energy”), which is engaged in the sales of CNG. As at 31 March 2020, Guanghong Energy has not commenced its operation.

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 from Stable Development the entire issued share capital of the Jet Union Technology Limited, 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 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 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 and 8 May 2020, the Company allotted and issued 6,540,000 Shares and 37,970,000 Shares, respectively at the conversion price of HK\$0.181 per share to Stable Development pursuant to its conversion notices, and the Convertible Bonds have been fully converted. For further details of the Acquisition, please refer to the announcements of the Company dated 17 December 2019, 18 December 2019 and 6 January 2020.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS** *(cont'd)*

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 (the "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.

On 3 April 2020, Excellence Enterprise Holdings Limited, Mr. Yu Ting Hin and Mr. Fai Wai Lap Felip entered into a sale and purchase agreement, pursuant to which Excellence Enterprise Holdings Limited agreed to acquire the entire issued share capital of Silver Max AP Company Limited at the consideration of Malaysia Ringgit 9,800,000, which shall be satisfied by the allotment and issue of an aggregate of 62,360,000 Shares and the issue of the convertible bonds in the aggregate principal amount of HK\$7,465,600. The acquisition of Silver Max AP Company Limited was completed on 21 April 2020.

Save as disclosed above, there were no other significant investments held by the Company during the three months ended 31 March 2020, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Relevant Period.

Save as disclosed in this quarterly 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 quarterly report.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2020, our Group has a total of 85 employees (31 December 2019: 82). Staff costs, including Directors' remuneration and equity-settled share option expense, of the Group were approximately RMB1.9 million for the three months ended 31 March 2020 (three months ended 31 March 2019: approximately RMB1.0 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. The Group reviews the performance of employees from time to time.

## 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 31 March 2020, 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 and underlying Shares of the Company:

Name	Capacity/Nature of interests	Number of Shares held	Number of other Shares interested	Equity Derivatives	Share Options	Approximate percentage of the total issued Shares*
Mr. Liu Yong Cheng	Interest in controlled corporation and parties acting in concert	375,000,000 (Note 1)	166,470,000 (Note 2)	186,730,000 (Note 3)	5,500,000 (Note 4)	130.54%
	Beneficial owner	–	–	–	5,500,000 (Note 5)	0.98%
Mr. Liu Yong Qiang	Interest in controlled corporation and parties acting in concert	375,000,000 (Note 6)	166,470,000 (Note 2)	186,730,000 (Note 3)	5,500,000 (Note 5)	130.54%
	Beneficial owner	–	–	–	5,500,000 (Note 4)	0.98%
Mr. Liu Chunde	Beneficial owner	–	–	–	5,500,000 (Note 7)	0.98%

\* The percentage was calculated based on 562,030,000 Shares in issue as at 31 March 2020.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION** (cont'd)

### Long positions in ordinary shares and underlying Shares of the Company: (cont'd)

Notes:

- (1) As at 31 March 2020, Mr. Liu Yong Cheng directly owned 100% of Yongsheng Enterprise Limited ("Yongsheng"), which in turn held 108,750,000 shares or approximately 19.35% of the issued Shares; therefore he was 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 was also deemed to be interested in 266,250,000 Shares or approximately 47.37% of the issued Shares owned by Hongsheng Enterprise Limited ("Hongsheng") as at 31 March 2020 as a result of being a party acting in concert with Mr. Liu Yong Qiang.
- (2) Pursuant to the Sale and Purchase Agreement, 48,276,300 and 118,193,700 Shares will be allotted and issued as consideration shares to Yongsheng and Hongsheng, respectively, upon completion.
- (3) Pursuant to the subscription agreements, both dated 19 January 2020 entered into between the Company and each of Hongsheng and Yongsheng (collectively, the "Subscription Agreements"), in relation to the Proposed Acquisition, 54,151,700 and 132,578,300 Shares may be issued as conversion shares to Yongsheng and Hongsheng, respectively, upon exercise in full of the conversion rights under the convertible bonds.
- (4) On 21 January 2020, Mr. Liu Yong Qiang was granted an option to subscribe for 5,500,000 Shares under the share option scheme approved and adopted by the shareholders of the Company by way of written resolutions passed on 20 April 2018 (the "Share Option Scheme"). For further details of the Share Option Scheme, please refer to the section headed Share Option Scheme in this quarterly report.
- (5) On 21 January 2020, Mr. Liu Yong Cheng was granted an option to subscribe for 5,500,000 Shares under the Share Option Scheme.
- (6) As at 31 March 2020, Mr. Liu Yong Qiang directly owned 100% of Hongsheng, which in turn held 266,250,000 shares or approximately 47.37% of the issued Shares; therefore he was 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 was also deemed to be interested in 108,750,000 Shares or approximately 19.35% of the issued Shares owned by Yongsheng as at 31 March 2020 as a result of being a party acting in concert with Mr. Liu Yong Cheng.
- (7) On 21 January 2020, Mr. Liu Chunde was granted an option to subscribe for 5,500,000 Shares under the Share Option Scheme.

Save as disclosed above, as at 31 March 2020, 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.

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

As at 31 March 2020, 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 and underlying Shares of the Company:

Name	Capacity	Number of Shares held	Number of other Shares interested	Equity Derivatives	Share Options	Approximate percentage of the total issued Shares*
Yongsheng	Beneficial owner and parties acting in concert	375,000,000 <i>(Note 1)</i>	166,470,000 <i>(Note 2)</i>	186,730,000 <i>(Note 3)</i>	11,000,000 <i>(Note 4)</i>	131.52%
Hongsheng	Beneficial owner and parties acting in concert	375,000,000 <i>(Note 5)</i>	166,470,000 <i>(Note 2)</i>	186,730,000 <i>(Note 3)</i>	11,000,000 <i>(Note 4)</i>	131.52%
Stable Development Company Limited <i>(Note 3)</i>	Beneficial owner	52,220,000 <i>(Note 6)</i>	–	37,970,000	–	16.05%

\* The percentage was calculated based on 562,030,000 Shares in issue as at 31 March 2020.

#### Notes:

- As at 31 March 2020, Mr. Liu Yong Cheng directly owned 100% of Yongsheng, which in turn held 108,750,000 shares or approximately 19.35% of the issued Shares; therefore he was 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 was also deemed to be interested in 266,250,000 Shares or approximately 47.37% of the issued Shares owned by Hongsheng as at 31 March 2020 as a result of being a party acting in concert with Mr. Liu Yong Qiang. Mr. Liu Yong Cheng, an executive Director, is also a director of Yongsheng.
- Pursuant to the Sale and Purchase Agreement, 48,276,300 and 118,193,700 Shares will be allotted and issued as consideration shares to Yongsheng and Hongsheng, respectively, upon completion.
- Pursuant to the Subscription Agreements, 54,151,700 and 132,578,300 Shares may be issued as conversion shares to Yongsheng and Hongsheng, respectively, upon exercise in full of the conversion rights under the convertible bonds.
- On 21 January 2020, each of Mr. Liu Yong Cheng and Mr. Liu Yong Qiang was granted an option to subscribe for 5,500,000 Shares under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the section headed Share Option Scheme in this quarterly report.

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

### **Long position in ordinary shares and underlying Shares of the Company:** *(cont'd)*

Notes: *(cont'd)*

- (5) As at 31 March 2020, Mr. Liu Yong Qiang directly owned 100% of Hongsheng, which in turn held 266,250,000 shares or approximately 47.37% of the issued Shares; 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 was also deemed to be interested in 108,750,000 Shares or approximately 19.35% of the issued Shares owned by Yongsheng as at 31 March 2020 as a result of being a party acting in concert with Mr. Liu Yong Cheng. Mr. Liu Yong Qiang, an executive Director, is also a director of Hongsheng.
- (6) As at 31 March 2020, Mr. Yu Kin Wai Perway directly owned 100% of Stable Development Company Limited, which in turn held (i) 52,220,000 Shares and (ii) 37,970,000 new Shares to be allotted and issued by the Company upon the exercise of conversion rights attaching to the convertible bonds issued pursuant to the Jet Union Subscription Agreement; therefore he was deemed, or taken to be interested in, all the Shares and underlying Shares held by Stable Development Company Limited for the purpose of the SFO.

Save as disclosed above, as at 31 March 2020 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 Share Option Scheme 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 the annual report of the Company for the year ended 31 December 2019.

On 21 January 2020, 16,500,000 share options, 27,500,000 share options and 5,500,000 share options were granted to the three executive Directors, five employees of the Group and a shareholder and supervisor of Guanghong Energy, respectively, in order to reward the executive Directors and employees of the Group for their contribution to the development of the Group and provide incentives to the shareholder and supervisor of Guanghong Energy, which the Group has a 40% interest in, being in line with the purpose of the Share Option Scheme. 30% of these share options was vested on 21 January 2020, a further 30% of the share options will be vested on 21 January 2021 and the remaining 40% of the share options will be vested on 21 January 2022. These share options have an exercise price of HK\$0.166 per Share and an exercise period ranging from 21 January 2020 to 21 January 2025. The price of the Shares at the date of grant was HK\$0.166 per share.



### **SHARE OPTION SCHEME** *(cont'd)*

Save for the information disclosed above, no share options were granted by the Company during the three months ended 31 March 2020. At the date of this quarterly report, the Company had 49,500,000 Options outstanding under the Share Option Scheme, which represented approximately 7.5% of the issued Shares in issue as at the date of this quarterly report.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Save for the Share Option Scheme, at no time for the three months ended 31 March 2020 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 three months ended 31 March 2020.

### **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 for the three months ended 31 March 2020.

### **DEED OF NON-COMPETITION**

As disclosed in the Company's annual report for the year ended 31 December 2019, 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 three months ended 31 March 2020, 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 31 March 2020, 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 three months ended 31 March 2020 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 three months ended 31 March 2020 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, 15 May 2020

*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.*