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TL Natural Gas Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8536)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 interim unaudited consolidated results of the Group for the six months ended 30 June 2020. This announcement, containing the full text of the 2020 interim report of the Company (“**2020 Interim Report**”), complies with the relevant requirements of The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of interim results. Printed version of the 2020 Interim Report will be delivered to the shareholders of the Company and available for viewing on the websites of GEM at www.hkgem.com and of the Company at www.tl-cng.com in due course.

By Order of the Board

TL Natural Gas Holdings Limited

LIU Yong Cheng

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 14 August 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. LI Wai Kwan and Ms. LI Helen Hoi Lam, Ms. LUO Hongru as independent non-executive Directors.

This announcement, for which the Directors 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 of Hong Kong Limited 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.



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

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

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

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This report, for which the directors (the "Directors") of TL Natural Gas Holdings Limited (the "Company", and together with its subsidiaries, the "Group", "we" or "our") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

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

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

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

UNAUDITED INTERIM RESULTS

The board of Directors (the “Board”) is pleased to report the unaudited condensed consolidated financial results of the Group for the three months and the six months ended 30 June 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 and the six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
REVENUE	4	12,976	17,985	19,618	36,710
Cost of sales		(12,247)	(15,811)	(19,965)	(33,087)
Gross profit/(loss)		729	2,174	(347)	3,623
Other income and gains	4	3,252	75	3,650	179
Selling and distribution expenses		(318)	(175)	(404)	(329)
Administrative expenses		(4,488)	(1,435)	(7,433)	(2,436)
Share of loss of an associate		(24)	–	(51)	–
Finance costs	6	(336)	(112)	(573)	(224)
Other expenses		–	–	(172)	–
(LOSS)/PROFIT BEFORE TAX	5	(1,185)	527	(5,330)	813
Income tax credit/(expense)	7	40	(490)	52	(725)
(LOSS)/PROFIT FOR THE PERIOD		(1,145)	37	(5,278)	88
(Loss)/Profit attributable to:					
Owners of the parent		(1,145)	37	(5,278)	88
Non-controlling interests		–	–	–	–
		(1,145)	37	(5,278)	88
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted (cents)	8	(0.18)	0.01	(0.89)	0.02

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and the six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
(LOSS)/PROFIT FOR THE PERIOD		(1,145)	37	(5,278)	88
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		305	679	765	30
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		305	679	765	30
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		305	679	765	30
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(840)	716	(4,513)	118
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(840)	716	(4,513)	118
Non-controlling interests		–	–	–	–
		(840)	716	(4,513)	118

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	25,045	24,541
Right-of-use asset		9,724	8,985
Other intangible assets		2,216	17
Investment in an associate		654	705
Deferred tax assets		557	505
Prepayments, other receivables and other assets		241	3,752
Advance payments for property, plant and equipment		29,327	5,512
Total non-current assets		67,764	44,017
CURRENT ASSETS			
Inventories		41	50
Trade receivables	11	14,854	17,975
Prepayments, deposits and other receivables		9,944	9,927
Due from directors		50	–
Due from a related party		3,839	–
Cash and cash equivalents		31,380	27,402
Total current assets		60,108	55,354
CURRENT LIABILITIES			
Other payables and accruals		4,891	4,863
Lease liabilities		2,033	1,206
Tax payable		2,806	2,954
Total current liabilities		9,730	9,023
NET CURRENT ASSETS		50,378	46,331
TOTAL ASSETS LESS CURRENT LIABILITIES		118,142	90,348
NON-CURRENT LIABILITIES			
Lease liabilities		6,951	6,984
Convertible bonds		4,751	–
Total non-current liabilities		11,702	6,984
NET ASSETS		106,440	83,364

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

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	5,607	4,135
Reserves		100,833	79,229
TOTAL EQUITY		106,440	83,364

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	4,135	52,723	-	-	17,350	4,297	2,068	5,225	85,798	-	85,798
Changes in equity for 2019:											
Profit for the period	-	-	-	-	-	-	-	88	88	-	88
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	30	-	-	30	-	30
Total comprehensive income for the period	-	-	-	-	-	30	-	88	118	-	118
Transfer from retained profits	-	-	-	-	-	-	143	(143)	-	-	-
At 30 June 2019	4,135	52,723	-	-	17,350	4,327	2,211	5,170	85,916	-	85,916
At 1 January 2020	4,135	52,723	-	-	17,350	5,059	2,112	1,985	83,364	-	83,364
Loss for the period	-	-	-	-	-	-	-	(5,278)	(5,278)	-	(5,278)
Other comprehensive income for the Period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	765	-	-	765	-	765
Total comprehensive income/ (loss) for the period	-	-	-	-	-	765	-	(5,278)	(4,513)	-	(4,513)
Issue of shares of the Company	1,066	14,333	-	-	-	-	-	-	15,399	-	15,399
Equity-settled share option arrangements	-	-	2,434	-	-	-	-	-	2,434	-	2,434
Issue of convertible bonds	-	-	-	4,642	-	-	-	-	4,642	-	4,642
Conversion of convertible bonds	406	6,935	-	(2,227)	-	-	-	-	5,114	-	5,114
At 30 June 2020	5,607	73,991	2,434	2,415	17,350	5,824	2,112	(3,293)	106,440	-	106,440

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Net cash from operating activities	3,110	1,370
Net cash from/(used in) investing activities	1,265	(4,469)
Net cash used in financing activities	(1,162)	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,213	(3,099)
Cash and cash equivalents at beginning of period	27,402	37,318
Effect of foreign exchange rate changes, net	765	30
CASH AND CASH EQUIVALENTS AT END OF PERIOD	31,380	34,249



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 24 March 2017. The registered office of the Company is 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 principally engaged in the sales of CNG and provision of automated car wash services in the People's Republic of China (the "PRC").

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 AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* 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 statements 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 Hong Kong Financial Reporting Standards ("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.

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

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(cont'd)*

In the 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, except for the adoption of the following revised HKFRSs effective from 1 January 2020, noted below.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39, and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 16	<i>COVID-19 Related Rent Concessions</i>

The application of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standard(s), amendments and interpretation(s) will have no material impact on the unaudited condensed consolidated financial statements.

3 OPERATING SEGMENT INFORMATION

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

Geographical information

During the Period, all of the Group's revenue was generated from customers located in the PRC.

Non-current assets by geographical location are detailed below:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
The PRC	52,448	44,017
Malaysia	15,316	–
	67,764	44,017



3 OPERATING SEGMENT INFORMATION (cont'd)

Major customers

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

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Company A*	4,840	4,783	7,357	9,037
Company B*	2,487	4,623	3,690	8,608
	7,327	9,406	11,047	17,645

* The customers are state-owned enterprises.

4 REVENUE, OTHER INCOME AND GAINS

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

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
<u>Revenue</u>				
Sales of CNG	12,893	16,834	19,392	35,559
Provision of automated car wash services	83	–	226	–
Transmission services	–	1,151	–	1,151
	12,976	17,985	19,618	36,710
<u>Other income and gains</u>				
Government grants*	3,013	–	3,027	–
Interest income from loan to a related party	43	51	87	51
Bank interest income	5	7	6	15
Others	191	17	530	113
	3,252	75	3,650	179

* The amount represents grants received from the PRC government authorities by the Group in connection with certain financial rewards when local business enterprises meet certain conditions.

5 (LOSS)/PROFIT BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Cost of inventories sold	9,403	12,617	14,613	26,830
Depreciation of property, plant and equipment	1,053	1,003	2,113	2,024
Depreciation of right-of-use asset	636	333	950	666
Utility expense	391	695	683	1,450
Auditor's remuneration	285	234	285	234
Transportation expense	90	220	118	371
Amortisation of prepaid land lease payments	8	10	19	19
Amortisation of other intangible assets	74	–	148	–
Employee benefit expense:				
Wages and salaries	825	943	1,798	1,855
Equity-settled share option expense	1,495	–	2,434	–
Pension scheme contributions	(34)	100	(19)	219

6 FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	124	112	222	224
Imputed interest on convertible bonds	212	–	351	–
	336	112	573	224



7 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 30 June		Six months ended 30 June	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Current – the PRC Charge for the Period	–	490	–	725
Deferred tax	(40)	–	(52)	–
Total tax expense/(credit) for the Period	(40)	490	(52)	725

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

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

The provision for current income tax in the PRC 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 PRC.

8 (LOSS)/EARNINGS PER SHARE

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

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
(Loss)/Profit attributable to equity holders of the Company (RMB'000)	(1,145)	37	(5,278)	88
Weighted average number of ordinary shares in issue ('000)	632,114	500,000	594,396	500,000
Basic (loss)/earnings per share (cents)	(0.18)	0.01	(0.89)	0.02

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 and six months ended 30 June 2020 as the impact of the share options and convertible bonds outstanding during the 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 and six months ended 30 June 2019 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the three months and six months ended 30 June 2019.

9 DIVIDEND

The Board did not declare any payment of dividend for the three and six months ended 30 June 2020 (for the three and six months ended 30 June 2019: Nil).

10 PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2020, the Group had no pledged assets (31 December 2019: Nil).



11 TRADE RECEIVABLES

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Trade receivables	16,150	19,168
Impairment	(1,296)	(1,193)
	14,854	17,975

Trade receivables are expected to be recovered within 1 year.

As at 30 June 2020 and 31 December 2019, the ageing analysis of trade receivables based on the invoice date and net of loss allowance is as follows:

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Less than 3 months	8,575	10,974
3 to 6 months	554	1,016
6 to 12 months	2,329	1,594
Over 1 year	3,396	4,391
	14,854	17,975

12 SHARE CAPITAL

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Authorised 10,000,000,000 ordinary shares of HK\$0.01 each	88,632	88,632
Issued and fully paid: 662,360,000 (31 December 2019: 500,000,000) ordinary shares of HK\$0.01 each	5,607	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 2019, 31 December 2019 and 1 January 2020	500,000,000	4,135
Issue of shares (<i>note (a)</i>)	117,850,000	1,066
Conversion of convertible bonds (<i>note (b)</i>)	44,510,000	406
At 30 June 2020	662,360,000	5,607



12 SHARE CAPITAL *(cont'd)*

Notes:

- (a) 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 Jet Union Technology Limited, a company incorporated in the British Virgin Islands 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 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 Shares and the issue of convertible bonds in the principal amount of HK\$8,056,310 (the "Jet Union Convertible Bonds") to Stable Development. The Acquisition was completed on 6 January 2020 and 55,490,000 new Shares and the Jet Union Convertible Bonds were issued on the same date.

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 was settled 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 "Silver Max Convertible Bonds") to Mr. Yu Ting Hin and Mr. Fai Lap Felip. The acquisition of Silver Max AP Company Limited was completed on 21 April 2020 and 62,360,000 new Shares and the Silver Max Convertible Bonds were issued on the same date.

- (b) 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 Jet Union Convertible Bonds have been fully converted.

13 RELATED PARTY TRANSACTIONS

(a) *Transaction with related parties*

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

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Loans to an associate	-	3,600	-	3,600
Interest from an associate	43	51	87	51

Key management personnel compensation

Compensation paid and payable to key management personnel compensation comprises:

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Short-term employee benefits	96	95	192	190
Equity-settled share option expense	181	-	731	-
Pension scheme contributions	-	7	2	14
Total compensation paid to key management personnel	277	102	925	204

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

As at 30 June 2020, the Group had an amount due from an associate of RMB3.8 million (31 December 2019: RMB3.8 million).

14 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board on 14 August 2020.



MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

The Group's principal place of business is in Jingzhou, Hubei Province, the PRC. During the Period, the Group expanded its business presence by providing automated car wash services in the PRC, and were involved in the (i) sales of CNG; and (ii) provision of automated car wash services in the PRC.

Sales of CNG

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 and the Group purchases natural gas from PetroChina Company Limited.

As a result of the outbreak of coronavirus disease 2019 ("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 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 during the Period.

Provision of automated car wash services

In order to diversify the income source of the Group, the Group has been actively considering exploring new business opportunities in the PRC and other locations. During the Period, the Group, through the Acquisition, acquired an automated car wash business, which provides automated car wash services through its car washing facilities set up in a number of gas refuelling and petroleum stations in the PRC.



FINANCIAL REVIEW

Revenue

Revenue amounted to RMB19.6 million for the six months ended 30 June 2020, decreased by approximately RMB17.1 million or 46.6% when compared with RMB36.7 million for the corresponding period of 2019. The decrease was primarily due to the temporary suspension of the Group's business operation for nearly two months during the Period as a result of the outbreak of COVID-19.

Accordingly, revenue from sales of CNG to wholesale customers decreased by approximately RMB5.1 million or 31.9% from approximately RMB16.0 million for the six months ended 30 June 2019 to approximately RMB10.9 million for the six months ended 30 June 2020, and the revenue from sales of CNG to retail customers decreased by approximately RMB11.1 million or 56.6% from approximately RMB19.6 million for the six months ended 30 June 2019 to approximately RMB8.5 million for the six months ended 30 June 2020.

In addition, the Group derived revenue of approximately RMB226,000 from the automated car wash business acquired during the Period. The Group did not record any revenue from transmission services during the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB1.2 million) as no transmission services were provided during the Period.

Cost of sales

Cost of sales amounted to approximately RMB20.0 million for the six months ended 30 June 2020, representing a decrease of approximately RMB13.1 million or 39.6% as compared to approximately RMB33.1 million for the six months ended 30 June 2019, which was primarily due to the decrease in cost of inventories sold by approximately RMB12.2 million or 45.5% from approximately RMB26.8 million for the six months ended 30 June 2019 to approximately RMB14.6 million for the six months ended 30 June 2020, as a result of the significant decrease in the sales volume of CNG.

Gross profit/(loss)

Gross loss for the six months ended 30 June 2020 amounted to approximately RMB0.3 million, compared to a gross profit of approximately RMB3.6 million for the corresponding period of 2019. Despite the decrease in cost of inventories sold as a result of the decrease in revenue, certain of the Group's cost of sales were fixed costs, such as depreciation of property, plant and equipment, and gas refuelling stations rental expenses, which resulted in the gross loss for the Period.



FINANCIAL REVIEW *(cont'd)*

Selling and distribution expenses

Selling and distribution expenses, which mainly represent staff costs and other office expenses incurred in our operation department, increased by approximately RMB75,000 or 22.8%, from approximately RMB329,000 for the six months ended 30 June 2019 to approximately RMB404,000 for the six months ended 30 June 2020. The increase was primarily due to the increase in headcount in particular for the automated car wash business.

Administrative expenses

Administrative expenses, which mainly represent employee benefit expenses and legal and professional fee, increased by approximately RMB5.0 million or 208.3% from approximately RMB2.4 million for the six months ended 30 June 2019 to approximately RMB7.4 million for the six months ended 30 June 2020. The increase was mainly attributable to (i) increase in professional fee incurred in relation to the acquisitions during the Period; and (ii) recognition of fair value of the share options granted during the Period amounted to approximately RMB2.4 million.

Finance costs

Finance costs mainly represent interest on lease liabilities and amortised cost on the convertible bonds issued in relation to the acquisitions during the Period.

Income tax credit/(expense)

Income tax credit amounted to approximately RMB52,000 for the six months ended 30 June 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 six months ended 30 June 2019 mainly represents enterprise income tax of the PRC, which amounted to approximately RMB0.7 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.

Profit/(loss) for the period

Loss attributable to the owners of the Company for the six months ended 30 June 2020 was approximately RMB5.3 million, compared with a net profit of approximately RMB0.1 million for the same period last year. The decrease was mainly attributable to (i) the temporary business suspension as a result of the outbreak of COVID-19; (ii) increase in professional fee incurred in relation to the acquisitions; and (iii) the recognition of the non-cash fair value of the share options granted during the Period.

PROSPECTS

The Group's revenue and profitability for the Period had been severely affected by the outbreak of COVID-19 and the Directors expect the forthcoming business environment would remain challenging. The Board pays great attention to the development of the outbreak of the COVID-19 and makes every effort on prevention and control, and daily operation management. The Group has adjusted its business strategies to mitigate the impact of COVID-19 on the Group's business operations by taking various proactive measures, including but not limited to (i) streamlining workflows and eliminating non-value added positions or activities; (ii) offering more promotion to attract customers; and (iii) actively managing its working capital to ensure that it remains in a healthy liquidity position. The Directors believe this situation will not be long lasting as the PRC government has re-classified nearly all cities as low-risk for COVID-19 pandemic in the PRC. The Board will continue to assess the impact of the COVID-19 on the Group's operation and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the outbreak of the COVID-19. The Group will take appropriate measures as necessary to minimise the risks exposed.

Nevertheless, the Group has been actively considering and exploring new business opportunities in the PRC and other locations in order to diversify the income source of the Group. The Group has committed to new business opportunities, including (i) the automated car wash business in the PRC; (ii) a property investment in Malaysia, being the land parcels designated for industrial use and a factory in the state of Selangor in Malaysia; and (iii) a residential property investment in four service apartment units in Kuala Lumpur, Malaysia (the "Residential Properties"), of which the acquisition of automated car wash business and the Residential Properties were completed during the Period. The Directors consider that these acquisitions would generate additional source of income and cashflow for the Group and allow the Group to capitalise on the Belt and the Road national policies of the PRC government. The Directors believe that these acquisitions would enhance the shareholders' value.

Besides, 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 six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2020 was approximately RMB106.4 million. The Group's cash and cash equivalents as at 30 June 2020 was approximately RMB31.4 million. Our working capital represented by net current assets was approximately RMB50.4 million and our current ratio was 6.2. The Group did not have any interest-bearing borrowings and bank borrowings as at 30 June 2020. Based on our steady cash inflows from operations, coupled with sufficient cash and bank balances, we have adequate liquidity and financial resources to meet our working capital requirements.

COMMITMENTS

As at 30 June 2020, the Group had the following capital commitments:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Contracted, but not provided for:		
Plant and machinery	1,175	1,875
Acquisition of a subsidiary	47,939	17,343
	49,114	19,218

INTEREST-BEARING BANK LOAN

As at 30 June 2020, our Group had no outstanding interest-bearing bank loan (31 December 2019: Nil).

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2020, our Group had no significant contingent liabilities and guarantees (31 December 2019: Nil).

CHARGE OF ASSETS

As at 30 June 2020, our Group has no charge of assets (31 December 2019: Nil).

FOREIGN CURRENCY RISK

The Group carries out its business in the PRC 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 Period.

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

On 17 December 2019, the Company and 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 British Virgin Islands 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, 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") at an issue price of HK\$0.181 each and the issue of the Jet Union 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 at an issue price of HK\$0.156 each and the issue of the convertible bonds in the aggregate principal amount of HK\$29,129,880 upon the completion. As additional time is required for the fulfilment of certain conditions precedents of the Sale and Purchase Agreement, a side letter was entered into by the parties thereto on 31 July 2020 to extend the long stop date for fulfillment of the conditions precedent to 31 December 2020 (or such other day as the parties may mutually agree in writing). As at the date of this report, the Proposed Acquisition has not been completed. For further details of the Proposed Acquisition, please refer to the circular of the Company dated 3 March 2020 and the announcement of the Company dated 31 July 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 at an issue price of HK\$0.160 each and the issue of the Silver Max Convertible Bonds. 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, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, our Group has a total of 84 employees (31 December 2019: 82). Staff costs, including Directors' remuneration and equity-settled share option expense, of the Group were approximately RMB4.2 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB2.1 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.

USE OF PROCEEDS

The Company's shares were listed on GEM of the Stock Exchange (the "Listing") on 18 May 2018 and the net proceeds from the Listing were approximately HK\$29.2 million. The Company intends to apply the net proceeds in the following manner:

Description	Planned use of proceeds as shown in the prospectus of the Company dated 8 May 2018 (the "Prospectus") (adjusted based on the actual net proceeds) HK\$'000	Percentage of net proceeds	Actual usage of proceeds from the Listing Date to 30 June 2020 HK\$'000	Unutilised amount as at 30 June 2020 HK\$'000
Expanding gas station network by constructing one CNG refuelling station	5,212	17.9%	1,193	4,019
Expanding gas station network by constructing one combined CNG/LNG refuelling station	12,250	42.0%	2,334	9,916
Upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity	8,772	30.1%	3,780	4,992
Working capital and other general corporate purposes	2,916	10.0%	2,916	–
Total	29,150	100.0%	10,223	18,927



USE OF PROCEEDS *(cont'd)*

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

Implementation plan as disclosed in Prospectus	Actual progress achieved up to 30 June 2020
Expanding gas station network by constructing one CNG refuelling station	<ul style="list-style-type: none"> • Obtained quotations for equipment and settled deposits for certain station equipment • Discussing with consultants on the engagement terms and design work of the gas refuelling station • Submitted the application to the relevant government authorities for the construction of new refuelling station and negotiating with officials in relation to the specific requirements • Expected to complete the implementation by end of 2020
Expanding gas station network by constructing one combined CNG/LNG refuelling station	<ul style="list-style-type: none"> • Performed site visits and estimated traffic flow of possible sites to identify suitable site • Obtained quotations and settled deposits for certain station equipment • Discussing with consultants on the engagement terms and design work of the gas refuelling station • Submitted the application to the relevant government authorities for the construction of new refuelling station and negotiating with officials in relation to the specific requirements • Expected to complete the implementation by end of 2020
Upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity	<ul style="list-style-type: none"> • Engaged consultant for modification design of Jingzhou Primary Station and settled the prepayment for the consulting services • Discussing with contractors on engagement terms and construction work of facility building • Purchased tanker trucks and certain station equipment • Informed the relevant government authorities in relation to the proposed installation of new facilities at our Jingzhou Primary Station with LNG processing capability • Expected to complete the implementation by end of 2020

USE OF PROCEEDS *(cont'd)*

In relation to the required government approval for the above implementation plans, we have submitted the relevant application and have been in discussion with the government officials on the approval progress. However, due to the COVID-19 outbreak in the PRC, the approval process from the relevant government authorities has been delayed. Nevertheless, the Group has commenced other preparation works. Upon receiving the relevant approval from the government authorities, the Group would carry out feasibility study including environmental impact assessment to further implement the plans. The unutilised net proceeds have been placed with licensed banks in the PRC as at 30 June 2020.

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

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

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

As at 30 June 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:



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:

Name	Capacity/Nature of interests	Number of Shares held	Number of other Shares interested	Equity Derivatives (unlisted derivatives - convertible instruments)	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)	6,623,600 (Note 4)	110.94%
	Beneficial owner	–	–	–	6,623,600 (Note 5)	1%
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)	6,623,600 (Note 5)	110.94%
	Beneficial owner	–	–	–	6,623,600 (Note 4)	1%
Mr. Liu Chunde	Beneficial owner	–	–	–	6,623,600 (Note 7)	1%

* The percentage was calculated based on 662,360,000 Shares in issue as at 30 June 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 30 June 2020, Mr. Liu Yong Cheng directly owned 100% of Yongsheng Enterprise Limited ("Yongsheng"), which in turn held 108,750,000 shares or approximately 16.42% 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 40.20% of the issued Shares owned by Hongsheng Enterprise Limited ("Hongsheng") as at 30 June 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 and 23 June 2020, Mr. Liu Yong Qiang was granted an option to subscribe for 5,500,000 Shares and 1,123,600 Shares, respectively, 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 report.
- (5) On 21 January 2020 and 23 June 2020, Mr. Liu Yong Cheng was granted an option to subscribe for 5,500,000 Shares and 1,123,600 Shares, respectively, under the Share Option Scheme.
- (6) As at 30 June 2020, Mr. Liu Yong Qiang directly owned 100% of Hongsheng, which in turn held 266,250,000 shares or approximately 40.20% 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 16.42% 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 and 23 June 2020, Mr. Liu Chunde was granted an option to subscribe for 5,500,000 Shares and 1,123,600 Shares, respectively, under the Share Option Scheme.

Save as disclosed above, as at 30 June 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 30 June 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 (unlisted derivatives - convertible instruments)	Share Options	Approximate percentage of the total issued Shares*
Yongsheng	Beneficial owner and parties acting in concert	375,000,000 (Note 1)	166,470,000 (Note 2)	186,730,000 (Note 3)	13,247,200 (Note 4)	111.94%
Hongsheng	Beneficial owner and parties acting in concert	375,000,000 (Note 5)	166,470,000 (Note 2)	186,730,000 (Note 3)	13,247,200 (Note 4)	111.94%
Stable Development Company Limited (Note 3)	Beneficial owner	55,490,000 (Note 6)	–	–	–	8.37%
Mr. Fai Wai Lap Felip	Beneficial owner	29,830,000	–	23,330,000	–	8.03%
Mr. Yu Ting Hin	Beneficial owner	24,180,000	–	23,330,000	–	7.17%
Mr. Lee Kwok Wah	Beneficial owner	37,970,000	–	–	–	5.72%

* The percentage was calculated based on 662,360,000 Shares in issue as at 30 June 2020.

Notes:

- As at 30 June 2020, Mr. Liu Yong Cheng directly owned 100% of Yongsheng, which in turn held 108,750,000 shares or approximately 16.42% 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 40.20% of the issued Shares owned by Hongsheng as at 30 June 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.

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)

- (3) 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.
- (4) On 21 January 2020 and 23 June 2020, each of Mr. Liu Yong Cheng and Mr. Liu Yong Qiang was granted an option to subscribe for 5,500,000 Shares and 1,123,600 Shares, respectively, under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the section headed Share Option Scheme in this report.
- (5) As at 30 June 2020, Mr. Liu Yong Qiang directly owned 100% of Hongsheng, which in turn held 266,250,000 shares or approximately 40.20% 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 16.42% of the issued Shares owned by Yongsheng as at 30 June 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 30 June 2020, Mr. Yu Kin Wai Perway directly owned 100% of Stable Development Company Limited, which in turn held 55,490,000 Shares, therefore he was deemed, or taken to be interested in, all the Shares held by Stable Development Company Limited for the purpose of the SFO.

Save as disclosed above, as at 30 June 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.

During the Period, the scheme mandate limit under the Share Option Scheme was refreshed at the annual general meeting of the Company held on 19 June 2020 up to 10% of the total number of Shares as at the date of the annual general meeting.



SHARE OPTION SCHEME (cont'd)

Movements of the share options of the Company during the Period are as follows:

Name or category of participant	Number of share options				Exercise period of share options	Exercise price of share options HK\$	Closing price of the Shares immediately before the date of grant of share options HK\$	Weighted average price of the Shares immediately before the exercise date HK\$
	At 1 January 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period				
Directors, chief executive, substantial shareholders and/or their respective associates								
Liu Yong Cheng	-	5,500,000	-	-	21 January 2020 to 20 January 2025	0.166	0.203	-
	-	1,123,600	-	-	23 June 2020 to 22 June 2025	0.130	0.136	-
Liu Yong Qiang	-	5,500,000	-	-	21 January 2020 to 20 January 2025	0.166	0.203	-
	-	1,123,600	-	-	23 June 2020 to 22 June 2025	0.130	0.136	-
Liu Chunde	-	5,500,000	-	-	21 January 2020 to 20 January 2025	0.166	0.203	-
	-	1,123,600	-	-	23 June 2020 to 22 June 2025	0.130	0.136	-
Employees (other than Directors)								
In aggregate	-	27,500,000	-	-	21 January 2020 to 20 January 2025	0.166	0.203	-
	-	55,505,600	-	-	23 June 2020 to 22 June 2025	0.130	0.136	-
Consultant(s)								
In aggregate	-	6,236,000	-	-	23 June 2020 to 22 June 2025	0.130	0.136	-
Shareholder and supervisor of an associate of the Group								
In aggregate	-	5,500,000	-	-	21 January 2020 to 22 January 2025	0.166	0.203	-
	-	1,123,600	-	-	23 June 2020 to 22 June 2025	0.130	0.136	-
Total	-	115,736,000	-	-				

SHARE OPTION SCHEME (cont'd)

Notes:

1. The share options are subject to the vesting period as follows:
 - (a) 30% of the share options will be vested on, and exercisable from, the date of grant to the expiry of the option period (both days inclusive);
 - (b) a further 30% of the share options will be vested on, and exercisable from, the first anniversary of the date of grant to the expiry of the option period (both days inclusive); and
 - (c) the remaining 40% of the share options will be vested on, and exercisable from, the second anniversary of the date of grant to the expiry of the option period (both days inclusive).

2. The share options are exercisable for a period of five years from the date of grant and the fair values of the share options were calculated using the Binomial Option Pricing Model. The inputs to the model were as follows:

	Share options granted on 23 June 2020	Share options granted on 21 January 2020
Share price at the date of grant	HK\$0.130	HK\$0.166
Exercise price per share	HK\$0.130	HK\$0.166
Expected volatility (%)	42.77	42.33
Risk-free interest rate (%)	0.31	1.62

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

3. The fair value of the share options granted during the Period was estimated at RMB6,019,000 using the Binomial Option Pricing Model, of which the Group recognised share option expenses of RMB2,434,000 (six months ended 30 June 2019: Nil) during the Period. The fair value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

4. Share options which are cancelled/lapsed/forfeited prior to their exercise date will be removed from the Company's register of outstanding share options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

At the date of this report, the Company had 115,736,000 share options outstanding under the Share Option Scheme, which represented approximately 17.47% of the issued Shares in issue as at the date of this report.



DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save for the Share Option Scheme, at no time during the six months ended 30 June 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 six months ended 30 June 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 during the six months ended 30 June 2020.

DEED OF NON-COMPETITION

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

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

COMPETING INTERESTS

During the six months ended 30 June 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 30 June 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 six months ended 30 June 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.

CHANGES IN DIRECTORS' INFORMATION

Subsequent to the date of the 2019 annual report of the Company, the changes in Directors' information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules for the six months ended 30 June 2020 and up to the date of this report are set out below:

- (a) Mr. Wong Chun Peng Stewart has retired as an independent non-executive Director and ceased to be the chairman of the remuneration committee and a member of the audit and risk management committee of the Company with effect from the conclusion of the annual general meeting of the Company held on 19 June 2020 (the "2020 AGM"); and
- (b) Ms. Luo Hongru has been appointed as an independent non-executive Director and the chairman of the remuneration committee and a member of the audit and risk management committee of the Company with effect from the conclusion of the 2020 AGM. For the biographical details of Ms. Luo Hongru, please refer to the announcement of the Company dated 19 June 2020.



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, Ms. Luo Hongru and Ms. Li Helen Hoi Lam as its members. The audit and risk management committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 and this report.

SUBSEQUENT EVENT

Save as disclosed in this report, the Group had no significant events occurred subsequent to the end of the Period.

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, 14 August 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. Li Wai Kwan, Ms. Li Helen Hoi Lam and Ms. Luo Hongru as independent non-executive Directors.