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TL Natural Gas Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8536)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

The board (the “**Board**”) of directors (the “**Directors**”) of TL Natural Gas Holdings Limited (the “**Company**” and its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated results of the Group for the nine months ended 30 September 2019. This announcement, containing the full text of the 2019 third quarterly report of the Company (“**2019 Third Quarterly 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 third quarterly results. Printed version of the 2019 Third Quarterly 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, 7 November 2019

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

This announcement, for which the Directors 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

HIGHLIGHTS

- The Group's revenue amounted to RMB55.7 million for the nine months ended 30 September 2019, representing a decrease of RMB4.9 million or 8.1% as compared to RMB60.6 million for the nine months ended 30 September 2018.
- Gross profit and gross profit margin amounted to RMB6.0 million and RMB9.0 million, and 10.8% and 14.9% for the nine months ended 30 September 2019 and 2018, respectively. The decrease was mainly due to the decrease in revenue while the impact of high procurement cost of natural gas cannot be passed on to our customers in a timely manner due to the pricing guidelines imposed by Hubei Price Bureau and Jingzhou Price Bureau.
- The Group reported a net profit of approximately RMB0.5 million for the nine months ended 30 September 2019, compared with a net loss of approximately RMB0.7 million for the same period last year.

UNAUDITED THIRD 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 and the nine months ended 30 September 2019 (the "Relevant Period"), together with the unaudited comparative figures for the corresponding period in 2018, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and the nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
REVENUE	4	18,959	20,092	55,669	60,613
Cost of sales		(16,558)	(17,120)	(49,645)	(51,565)
Gross profit		2,401	2,972	6,024	9,048
Other income and gains	4	417	11	596	20
Selling and distribution expenses		(256)	(120)	(585)	(342)
Administrative expenses		(1,561)	(1,497)	(3,997)	(7,552)
Finance cost		(112)	–	(336)	–
PROFIT BEFORE TAX	5	889	1,366	1,702	1,174
Income tax	6	(453)	(648)	(1,178)	(1,824)
PROFIT/(LOSS) FOR THE PERIOD		436	718	524	(650)
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		331	1,798	361	3,414
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		331	1,798	361	3,414

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

For the three months and the nine months ended 30 September 2019

Notes	Three months ended 30 September		Nine months ended 30 September	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	331	1,798	361	3,414
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	767	2,516	885	2,764
Profit/(loss) attributable to:				
Owners of the parent	436	718	524	(650)
Non-controlling interests	–	–	–	–
	436	718	524	(650)
Total comprehensive income attributable to:				
Owners of the parent	767	2,516	885	2,764
Non-controlling interests	–	–	–	–
	767	2,516	885	2,764
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT DURING THE PERIOD				
Basic and diluted (cents)	7	0.14	0.10	(0.13)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Attributable to Owners of the Parent							Non-controlling interests RMB' 000	Total equity RMB' 000
	Share capital RMB' 000	Share premium RMB' 000	Capital reserve RMB' 000	Exchange Fluctuation reserve RMB' 000	Statutory reserve RMB' 000	Retained profits RMB' 000	Total RMB' 000		
At 1 January 2018	886	16,351	17,350	885	1,060	1,681	38,213	-	38,213
Changes in equity for 2018:									
Loss for the period	-	-	-	-	-	(650)	(650)	-	(650)
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	3,414	-	-	3,414	-	3,414
Total comprehensive income for the period	-	-	-	3,414	-	(650)	2,764	-	2,764
Issue of shares by way of share offer (note 1)	1,015	47,722	-	-	-	-	48,737	-	48,737
Capitalisation issue (note 2)	2,234	(2,234)	-	-	-	-	-	-	-
Share issue expense	-	(9,164)	-	-	-	-	(9,164)	-	(9,164)
Transfer from retained profits	-	-	-	-	443	(443)	-	-	-
At 30 September 2018	4,135	52,675	17,350	4,299	1,503	588	80,550	-	80,550
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	-	-	-	-	-	524	524	-	524
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	-	-	-	361	-	-	361	-	361
Total comprehensive income for the period	-	-	-	361	-	524	885	-	885
Transfer from retained profits	-	-	-	-	260	(260)	-	-	-
At 30 September 2019	4,135	52,723	17,350	4,658	2,328	5,489	86,683	-	86,683

Notes:

- (1) The Company was listed on GEM on 18 May 2018 by way of share offer of 125,000,000 new shares at the offer price of HK\$0.48 per share. The gross proceeds were HK\$60.0 million or approximately RMB48.7 million.
- (2) On 18 May 2018, 274,999,800 new shares were issued pursuant to the Capitalisation Issue as described in note 12 to the condensed consolidated interim financial statements of the Company for the six months ended 30 June 2019.

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 located at 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 sale of CNG.

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

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

2 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

These unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 have been prepared to comply with the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSS").

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

Prior to the incorporation of the Company, the principal business of the Group has been operated under a major operating subsidiary of the Company, namely Hubei Tonglin Natural Gas Service Company Limited ("Tonglin Gas"). Pursuant to the Reorganisation, the Company became the holding company of companies now comprising the Group. The Reorganisation only involved organising the Company and other newly formed entities with no substantive operations as holding companies of Tonglin Gas and there was no change in the business and operation of Tonglin Gas. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition, with Tonglin Gas treated as the acquirer for accounting purposes. The unaudited condensed consolidated financial statements for the three months and the nine months ended 30 September 2019 and 2018 have been prepared and presented as a continuation of the financial statements of Tonglin Gas with the assets and liabilities of Tonglin Gas recognised and measured at their historical carrying amounts prior to Reorganisation.

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.

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

In the current period, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2018, as described in those consolidated financial statements, except for the adoption of the following revised HKFRSS effective from 1 January 2019, noted below.

HKFRS 16

Amendments to HKFRS 9

Amendments to HKAS 19

Amendments to HKAS 28

HK(IFRIC)-Int 23

Annual improvements

2014–2016 Cycle

Leases

*Prepayment Features with Negative Compensation
Plan Amendment, Curtailment or Settlement*

Long-term Interests in Associates and Joint Ventures

Uncertainty over Income Tax Treatment

*Amendments to HKFRS 12 – Disclosure of Interests in
Other Entities*

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group adopted HKFRS 16 from 1 January 2019. During the six months ended 30 June 2019, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. As at 30 September 2019, the Group recorded the right-of-use asset with carrying amount of RMB8.2 million and the lease liabilities of RMB9.5 million.

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

3 OPERATING SEGMENT INFORMATION

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

Geographical information

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

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 September		Nine months ended 30 September	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Company A*	4,343	4,291	12,951	12,319
Company B*	5,298	4,575	14,335	13,587
	9,641	8,866	27,286	25,906

* The customers are state-owned enterprises.

4 REVENUE, OTHER INCOME AND GAINS

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Revenue				
Sale of CNG	18,368	20,092	53,927	60,613
Transmission services	591	–	1,742	–
	18,959	20,092	55,669	60,613
Other income and gains				
Bank interest income and others	417	11	596	20

5 PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Three months ended 30 September		Nine months ended 30 September	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Cost of inventories sold	12,869	14,027	39,699	42,307
Listing expenses	–	459	–	4,863
Depreciation of property, plant and equipment	1,014	971	3,038	2,908
Depreciation of right-of-use asset	332	–	998	–
Utility expense	655	773	2,105	2,281
Auditor's remuneration	403	200	637	600
Minimum lease payments under operating leases	–	394	–	1,247
Transportation expense	366	115	737	414
Amortisation of prepaid land lease payments	10	10	29	29
Employee benefit expense:				
Wages and salaries	930	918	2,785	2,555
Pension scheme contributions	115	95	334	287

6 INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Amount recognised in profit or loss				
Current tax expense				
Current period	453	648	1,178	1,824

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 on the Group's subsidiary has been provided as there are no assessable profits arising in Hong Kong during the Relevant Period.

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

7 EARNINGS/(LOSS) PER SHARE

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

The weighted average number of ordinary shares is calculated on the assumption that the Capitalisation Issue was completed on 1 January 2018.

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Issued shares as at 1 January 2018	100,000,200	100,000,200	100,000,200	100,000,200
Capitalisation issue on 18 May 2018	274,999,800	274,999,800	274,999,800	274,999,800
Issuance of shares on 18 May 2018	125,000,000	125,000,000	125,000,000	125,000,000
	500,000,000	500,000,000	500,000,000	500,000,000

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
Profit/(loss) attributable to equity holders of the Company (RMB'000)	436	718	524	(650)
Weighted average number of ordinary shares in issue ('000)	500,000	500,000	500,000	500,000
Basic earnings/(loss) per share (cents)	0.09	0.14	0.10	(0.13)

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

8 INTERIM DIVIDEND

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

9 APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board on 7 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

FINANCIAL REVIEW

Revenue

Revenue represented sales of CNG and transmission services, which amounted to RMB55.7 million for the nine months ended 30 September 2019, decreased by 8.1% when compared with RMB60.6 million for the corresponding period of 2018. The decrease was primarily due to the decrease in sales of CNG to wholesale customers, which was partially offset by the increase in sales of CNG to retail customers.

The revenue from sales of CNG to wholesale customers decreased by RMB8.2 million or 25.0% from RMB32.8 million for the nine months ended 30 September 2018 to RMB24.6 million for the nine months ended 30 September 2019, primarily due to the decrease in sales volume of CNG and average selling price. The revenue from sales of CNG to retail customers increased by RMB1.4 million or 5.0% from RMB28.0 million for the nine months ended 30 September 2018 to RMB29.4 million for the nine months ended 30 September 2019, due to stable sales volume and a slight increase in average selling price of CNG to retail customers.

Cost of sales

Cost of sales amounted to RMB49.6 million for the nine months ended 30 September 2019, representing a decrease of RMB2.0 million or approximately 3.9% as compared to RMB51.6 million for the nine months ended 30 September 2018. The decrease in cost of sales was primarily due to the decrease in cost of inventories sold which was in line with the decrease in sales of CNG.

Gross profit

Gross profit and gross profit margin amounted to RMB6.0 million and RMB9.0 million, and 10.8% and 14.9% for the nine months ended 30 September 2019 and 2018, respectively. The decrease was mainly due to the decrease in the revenue while the impact of high procurement cost of the natural gas cannot be fully passed on to our customers in a timely manner due to the pricing guidelines imposed by Hubei Price Bureau and Jingzhou Price Bureau.

FINANCIAL REVIEW *(cont'd)*

Selling and distribution expenses

Selling and distribution expenses mainly represented staff costs and other office expenses incurred in our operation department, increased by RMB243,000 or 71.1%, from RMB342,000 for the nine months ended 30 September 2018 to RMB585,000 for the nine months ended 30 September 2019. The increase was primarily due to salary increment and the increase in other office expenses.

Administrative expenses

Administrative expenses mainly represented employee benefit expenses and legal and professional fee, decreased by RMB3.6 million or 47.4%, from RMB7.6 million for the nine months ended 30 September 2018 to RMB4.0 million for the nine months ended 30 September 2019. The decrease was primarily due to the listing expenses of RMB4.9 million during the nine months ended 30 September 2018 and partly offset by the increase in legal and professional fee after the listing of the Shares on GEM on 18 May 2018.

Income tax expense

Income tax expense mainly represented PRC corporate income tax, amounted to RMB1.2 million for the nine months ended 30 September 2019, compared with RMB1.8 million for the nine months ended 30 September 2018. The income tax expenses were derived based on the assessable profits arising in the PRC, adjusted by the non-deductible expenses incurred such as listing expenses and post-listing legal and professional expenses.

Profit/(loss) for the period

Profit attributable to the owners of the Company for the nine months ended 30 September 2019 was RMB0.5 million, compared with a net loss of RMB0.7 million for the same period last year. Excluding the listing expenses of RMB4.9 million, the Group's profit for the nine months ended 30 September 2018 was approximately RMB4.2 million. The decrease in profit was mainly due to the decrease in gross profit and gross profit margin.

PROSPECTS

Notwithstanding the Group's revenue decreased in the nine months ended 30 September 2019 when compared with the corresponding period in 2018, looking forward, the Group is optimistic on the growth of consumption of CNG along with China improving its energy consumption structure by shifting from coal to cleaner energy such as natural gas and other renewable energy.

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

In that aspect, the Group believes that the favourable government policies and industry trends in China will foster the development of the natural gas sector and stimulate domestic demand for the use of natural gas. The Group will continue to capture the growth potential resulting from policies and industry trends.

In order to diversify the income source of the Group, the Group is seeking and exploring opportunities in new businesses in the PRC and/or other locations. In particular, in 2013, the PRC government launched the Belt and Road Initiative, referring to the Silk Road Economic Belt (the "Belt") and the 21st Century Maritime Silk Road (the "Road"), which is a significant development strategy with the intention of promoting economic cooperation among countries along the proposed routes of the Belt and the Road. The countries along the Belt and the Road, such as Indonesia, Malaysia and Thailand, will benefit from their strategic locations. In order to capitalise on such national policies of the PRC government, the Group will continue to seek new business opportunities in the PRC and/or other countries along the Belt and the Road.

The Directors are of the view that the Group is achieving sustainable growth and will continue to expand going forward to bring greater return to the shareholders of the Company.

INTERIM DIVIDENDS

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 September 2019 was RMB86.7 million. The Group's cash and cash equivalents as at 30 September 2019 was RMB31.9 million. Our working capital represented by net current assets was RMB55.9 million and our current ratio was 6.6. The Group did not have any interest-bearing borrowings and bank borrowings as at 30 September 2019. Based on our steady cash inflows from operations, coupled with sufficient cash and bank balances, we have adequate liquidity and financial resources to meet our working capital requirements.

COMMITMENTS

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

INDEBTEDNESS

Interest-bearing bank loan

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

Contingent liabilities and guarantees

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

INDEBTEDNESS (cont'd)**Charge of assets**

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

Foreign currency risk

Our Group carries out its business in China and most of its transactions are denominated in RMB. Our Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the nine months ended 30 September 2019.

Interest rate risk

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

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

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, our Group has a total of 84 employees (31 December 2018: 89). Staff costs, including Directors' remuneration, of our Group were approximately RMB3.1 million for the nine months ended 30 September 2019 (nine months ended 30 September 2018: RMB2.9 million). Remuneration is determined with reference to factors such as comparable market salaries, work performance, time commitment and responsibilities of each individual. Employees are provided with relevant in-house and/or external training from time to time. Our Group reviews the performance of employees from time to time.

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 September 2019, interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

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

Save as disclosed above, as at 30 September 2019, none of the Directors nor chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Notes:

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

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

As at 30 September 2019, other than the Directors and chief executive of the Company, the following persons/entities have an interest or a short position in the Shares or the underlying Shares as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long position in ordinary shares of the Company:

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

Notes:

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

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

Save as disclosed above, as at 30 September 2019 and so far as known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company and any Associated Corporation" above, had notified the Company of an interest or short position in the Shares or underlying Shares which had been required to be recorded in the register required to be kept by the Company pursuant Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save for the Share Option Scheme, at no time during the nine months ended 30 September 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2019.

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

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings during the nine months ended 30 September 2019.

DEED OF NON-COMPETITION

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

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

COMPETING INTERESTS

During the nine months ended 30 September 2019, so far as the Directors are aware, none of the Directors, controlling shareholders and substantial shareholders of the Company, neither themselves nor their respective close associates (as defined under the GEM Listing Rules) had held any position or had interest in Restricted Business or any businesses or companies that were materially competing or might materially compete with the business of the Group, or gave rise to any concern regarding conflict of interest.

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 September 2019, as notified by the Company's compliance adviser, Giraffe Capital Limited (the "Compliance Adviser") except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 14 July 2017, neither the Compliance Adviser nor any of its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group which is required to be notified to the Company pursuant to Rules 6A.32 of the GEM Listing Rules.

CORPORATE GOVERNANCE CODE

The Company has adopted and complied with, where applicable, the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules for the nine months ended 30 September 2019 to ensure that the Group's business activities and decision making processes are regulated in a proper and prudent manner, save for the deviation stipulated below.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company has established an audit and risk management committee with written terms of reference in compliance with the code provision C.3.3 of the CG Code. The audit and risk management committee consists of three independent non-executive Directors, namely Mr. Li Wai Kwan as the chairman and Mr. Wong Chun Peng Stewart, and Ms. Li Helen Hoi Lam as its members. The audit and risk management committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 and this report.

FORWARD LOOKING STATEMENTS

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

By order of the Board

TL Natural Gas Holdings Limited

Liu Yong Cheng

Executive Director, Chairman & Chief Executive Officer

Hong Kong, 7 November 2019

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