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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 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 third quarterly unaudited consolidated results of the Group for the nine months ended 30 September 2020. This announcement, containing the full text of the 2020 third quarterly report of the Company (“**2020 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 2020 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, 10 November 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.

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.

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 2020 (the "Period"), together with the unaudited comparative figures for the corresponding periods in 2019, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and the nine months ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
REVENUE	4	15,153	18,959	34,771	55,669
Cost of sales		(14,770)	(16,558)	(34,735)	(49,645)
Gross profit		383	2,401	36	6,024
Other income and gains	4	337	417	3,987	596
Selling and distribution expenses		(335)	(256)	(739)	(585)
Administrative expenses		(3,139)	(1,561)	(10,572)	(3,997)
Share of loss of an associate		(30)	–	(81)	–
Finance cost	6	(262)	(112)	(835)	(336)
Other expenses		–	–	(172)	–
(LOSS)/PROFIT BEFORE TAX	5	(3,046)	889	(8,376)	1,702
Income tax credit/(expense)	7	46	(453)	98	(1,178)
(LOSS)/PROFIT FOR THE PERIOD		(3,000)	436	(8,278)	524
(Loss)/Profit attributable to:					
Owners of the parent		(3,000)	436	(8,278)	524
Non-controlling interests		–	–	–	–
		(3,000)	436	(8,278)	524
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT DURING THE PERIOD					
Basic and diluted (cents)	8	(0.45)	0.09	(1.34)	0.10

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the three months and the nine months ended 30 September 2020

Notes	Three months ended 30 September		Nine months ended 30 September	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
(LOSS)/PROFIT FOR THE PERIOD	(3,000)	436	(8,278)	524
OTHER COMPREHENSIVE INCOME				
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(1,078)	331	(313)	361
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(1,078)	331	(313)	361
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(1,078)	331	(313)	361
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(4,078)	767	(8,591)	885
Total comprehensive (loss)/income attributable to:				
Owners of the parent	(4,078)	767	(8,591)	885
Non-controlling interests	–	–	–	–
	(4,078)	767	(8,591)	885



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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	-	-	-	-	-	-	-	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
At 1 January 2020	4,135	52,723	-	-	17,350	5,059	2,112	1,985	83,364	-	83,364
Loss for the period	-	-	-	-	-	-	-	(8,278)	(8,278)	-	(8,278)
Other comprehensive loss for the period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(313)	-	-	(313)	-	(313)
Total comprehensive loss for the period	-	-	-	-	-	(313)	-	(8,278)	(8,591)	-	(8,591)
Issue of shares of the Company	1,066	14,333	-	-	-	-	-	-	15,399	-	15,399
Equity-settled share option arrangements	-	-	3,189	-	-	-	-	-	3,189	-	3,189
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 September 2020	5,607	73,991	3,189	2,415	17,350	4,746	2,112	(6,293)	103,117	-	103,117

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 24 March 2017. The registered office of the Company is situated at Osiris International Cayman Limited Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311 Grand Cayman KY1-1209, Cayman Islands.

The Company is an investment holding company. During the Period, the Company's subsidiaries were 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 nine months ended 30 September 2020 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual report for the year ended 31 December 2019, which have been prepared in accordance with HKFRSs.

The preparation of unaudited condensed consolidated results in conformity with HKFRSs requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This quarterly financial report is unaudited, but has 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

Amendments to HKFRS 9, HKAS 39, and HKFRS 7

Amendments to HKAS 1 and HKAS 8

Amendments to HKFRS 16

Definition of a Business

Interest Rate Benchmark Reform

Definition of Material

COVID-19 Related Rent Concessions

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 September 2020 RMB'000	As at 31 December 2019 RMB'000
The PRC	52,926	44,017
Malaysia	14,722	–
	67,648	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 September		Nine months ended 30 September	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Company A*	3,037	4,343	6,727	12,951
Company B*	5,435	5,298	12,792	14,335
	8,472	9,641	19,519	27,286

* 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 September		Nine months ended 30 September	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue				
Sales of CNG	14,993	18,368	34,385	53,927
Provision of automated car wash services	95	—	321	—
Transmission services	65	591	65	1,742
	15,153	18,959	34,771	55,669
Other income and gains				
Government grants*	—	—	3,027	—
Interest income from loan to a related party	43	44	130	95
Bank interest income	5	3	11	18
Others	289	370	819	483
	337	417	3,987	596

* 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 September		Nine months ended 30 September	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Cost of inventories sold	11,165	12,869	25,778	39,699
Depreciation of property, plant and equipment	1,071	1,014	3,184	3,038
Depreciation of right-of-use asset	536	332	1,486	998
Utility expense	531	655	1,214	2,105
Auditor's remuneration	347	403	632	637
Amortisation of prepaid land lease payments	10	10	29	29
Amortisation of other intangible assets	75	–	148	–
Employee benefit expense:				
Wages and salaries	1,052	930	2,745	2,785
Equity-settled share option expense	755	–	3,189	–
Pension scheme contributions	141	115	122	334

6 FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	108	112	330	336
Imputed interest on convertible bonds	154	–	505	–
	262	112	835	336

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 (credit)/expense are analysed as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Current – the PRC				
Charge for the Period	–	453	–	1,178
Deferred tax	(46)	–	(98)	–
Total tax (credit)/expense for the Period	(46)	453	(98)	1,178

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 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 accounting period.

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

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

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
(Loss)/Profit attributable to equity holders of the Company (RMB'000)	(3,000)	436	(8,278)	524
Weighted average number of ordinary shares in issue ('000)	662,360	500,000	617,299	500,000
Basic (loss)/earnings per share (cents)	(0.45)	0.09	(1.34)	0.10

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

9 DIVIDEND

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

10 APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board on 10 November 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 from February to March 2020, 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 and exploring new business opportunities in the PRC and other locations. During the Period, the Group 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 approximately RMB34.8 million for the nine months ended 30 September 2020, decreased by approximately RMB20.9 million or 37.5% when compared with approximately RMB55.7 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.

FINANCIAL REVIEW (cont'd)

Revenue (cont'd)

Accordingly, revenue from sales of CNG to wholesale customers decreased by approximately RMB5.6 million or 22.8% from approximately RMB24.6 million for the nine months ended 30 September 2019 to approximately RMB19.0 million for the nine months ended 30 September 2020, and the revenue from sales of CNG to retail customers decreased by approximately RMB13.9 million or 47.3% from approximately RMB29.4 million for the nine months ended 30 September 2019 to approximately RMB15.5 million for the nine months ended 30 September 2020.

In addition, the Group derived revenue of approximately RMB321,000 from provision of automated car wash services, and revenue of approximately RMB65,000 from transmission services during the Period (for the nine months ended 30 September 2019: RMB1,742,000).

Cost of sales

Cost of sales amounted to approximately RMB34.7 million for the nine months ended 30 September 2020, representing a decrease of approximately RMB14.9 million or 30.0% as compared to approximately RMB49.6 million for the nine months ended 30 September 2019, which was primarily due to the decrease in cost of inventories sold by approximately RMB13.9 million or 35.0% from approximately RMB39.7 million for the nine months ended 30 September 2019 to approximately RMB25.8 million for the nine months ended 30 September 2020, as a result of the significant decrease in the sales volume of CNG.

Gross profit

Gross profit decreased by approximately RMB6.0 million from approximately RMB6.0 million for the nine months ended 30 September 2019 to approximately RMB36,000 for the nine months ended 30 September 2020. Gross profit margin decreased by 10.7 percentage points from 10.8% for the nine months ended 30 September 2019 to 0.1% for the nine months ended 30 September 2020. Despite the decrease in cost of inventories sold as a result of the decrease in revenue, certain of the Group's cost of sales, which were fixed costs such as depreciation of property, plant and equipment, and gas refuelling stations rental expenses resulted in the significant decrease in gross profit and gross profit margin for the Period.

Selling and distribution expenses

Selling and distribution expenses, which mainly represent staff costs, rental expenses for refuelling stations and other office expenses incurred in our operation department, increased by approximately RMB154,000 or 26.3%, from approximately RMB585,000 for the nine months ended 30 September 2019 to approximately RMB739,000 for the nine months ended 30 September 2020. The increase was primarily due to the increase in rental expenses for gas refuelling stations.

Administrative expenses

Administrative expenses, which mainly represent employee benefit expenses and legal and professional fee, increased by approximately RMB6.6 million or 164.5% from approximately RMB4.0 million for the nine months ended 30 September 2019 to approximately RMB10.6 million for the nine months ended 30 September 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 RMB3.2 million.

FINANCIAL REVIEW *(cont'd)*

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 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. Income tax credit amounted to approximately RMB98,000 for the nine months ended 30 September 2020, which represents deferred tax credit due to the temporary differences arising from the accelerated accounting depreciation and lease liabilities.

(Loss)/Profit for the period

Loss attributable to the owners of the Company for the nine months ended 30 September 2020 was approximately RMB8.3 million, compared with a net profit of approximately RMB0.5 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 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.

PROSPECTS *(cont'd)*

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, the PRC government has announced a number of policies and initiatives for newer and cleaner energy sources and new energy vehicles (“NEVs”), including 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)). The Group expects that these policies would stimulate the new energy vehicle industry and would foster development of related industries such as manufacturing of NEVs, components of NEVs and other new energy products. 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 nine months ended 30 September 2020 (for the nine months ended 30 September 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 nine months ended 30 September 2020.

INTEREST RATE RISK

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 17 December 2019, the Company and Stable Development Company Limited (“Stable Development”), among others, entered into a sale and purchase agreement, pursuant to which the Company agreed to acquire from Stable Development the entire issued share capital of the Jet Union Technology Limited, a company incorporated in the British Virgin Islands and principally engaged in the automated car wash business in the PRC, through its wholly-owned subsidiaries (the “Acquisition”). On 18 December 2019, the Company and Stable Development, among others, entered into a supplemental agreement, pursuant which the consideration for the Acquisition was revised to RMB20,029,908, 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 convertible bonds in the principal amount of HK\$8,056,310 (the “Convertible Bonds”). The Acquisition was completed on 6 January 2020. On 7 February 2020 and 8 May 2020, the Company allotted and issued 6,540,000 Shares and 37,970,000 Shares, respectively, to Stable Development at the conversion price of HK\$0.181 per share 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.

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 fulfilment 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 was settled 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 convertible bonds in the aggregate principal amount of HK\$7,465,600. The acquisition of Silver Max AP Company Limited was completed on 21 April 2020. For further details of the acquisition, please refer to the announcements of the Company dated 3 April 2020 and 21 April 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 31 August 2020, Dongguan Lvze Jieneng Technology Co., Ltd. ("Lvze Jieneng Technology"), an indirect wholly-owned subsidiary of the Company, and Sichuan Yi Tong Tian Xia Technology Limited ("Sichuan Yi Tong"), a company established in the PRC, entered into a memorandum of understanding, pursuant to which Lvze Jieneng Technology intends to inject capital into Sichuan Yi Tong (the "Proposed Capital Injection"), which is principally engaged in the provision of internet intelligent health care information services in the PRC, with big data and blockchain interconnection, and the huge information flow provides strong support for the development and construction of related industries. The due diligence investigation on Sichuan Yi Tong has not been completed as at the date of this report. Upon completion of the due diligence investigation, Lvze Jieneng Technology and Sichuan Yi Tong shall further negotiate on the terms and conditions of the Proposed Capital Injection with an aim to enter into the formal agreement(s). For further details of the Proposed Capital Injection, please refer to the announcement of the Company dated 31 August 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 September 2020, the Group has a total of 74 employees (as at 31 December 2019: 82). Staff costs, including Directors' remuneration and equity-settled share option expense, of our Group were approximately RMB6.1 million for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019: RMB3.1 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.

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 2020, interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares and underlying Shares of the Company:

Name	Capacity/Nature of interests	Number of Shares held	Number of other Shares interested	Equity Derivatives (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 September 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 September 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 September 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 September 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 30 September 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 September 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 September 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 (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 September 2020.

Notes:

- (1) As at 30 September 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 September 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.

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)

- (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, 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 September 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 September 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 September 2020, Mr. Yu Kin Wai Perway directly owned 100% of Stable Development, 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 September 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:

Number of share options											
Name or category of participant	At 1 January 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	As at 30 September 2020	Exercise period of share options	Exercise price of share options HK\$	Date of grant of share options	Closing price of the Shares immediately before the date of grant of share options HK\$	Weighted average closing price of the Shares immediately before the date of exercise HK\$
Directors, chief executive, substantial shareholders and/or their respective associates											
Liu Yong Cheng	-	5,500,000	-	-	-	5,500,000	21 January 2020 to 20 January 2025	0.166	21 January 2020	0.203	-
	-	1,123,600	-	-	-	1,123,600	23 June 2020 to 22 June 2025	0.130	23 June 2020	0.136	-
Liu Yong Qiang	-	5,500,000	-	-	-	5,500,000	21 January 2020 to 20 January 2025	0.166	21 January 2020	0.203	-
	-	1,123,600	-	-	-	1,123,600	23 June 2020 to 22 June 2025	0.130	23 June 2020	0.136	-
Liu Chunde	-	5,500,000	-	-	-	5,500,000	21 January 2020 to 20 January 2025	0.166	21 January 2020	0.203	-
	-	1,123,600	-	-	-	1,123,600	23 June 2020 to 22 June 2025	0.130	23 June 2020	0.136	-
Employees (other than Directors)											
In aggregate	-	27,500,000	-	-	-	27,500,000	21 January 2020 to 20 January 2025	0.166	21 January 2020	0.203	-
	-	55,505,600	-	-	-	55,505,600	23 June 2020 to 22 June 2025	0.130	23 June 2020	0.136	-
Consultant(s)											
In aggregate	-	6,236,000	-	-	-	6,236,000	23 June 2020 to 22 June 2025	0.130	23 June 2020	0.136	-
Shareholder and supervisor of an associate of the Group											
In aggregate	-	5,500,000	-	-	-	5,500,000	21 January 2020 to 22 January 2025	0.166	21 January 2020	0.203	-
	-	1,123,600	-	-	-	1,123,600	23 June 2020 to 22 June 2025	0.130	23 June 2020	0.136	-
Total	-	115,736,000	-	-	-	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 (for the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 September 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 nine months ended 30 September 2020 to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner, save for the deviation stipulated below.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company has established an audit and risk management committee with written terms of reference in compliance with the code provision C.3.3 of the CG Code. The audit and risk management committee consists of three independent non-executive Directors, namely Mr. Li Wai Kwan as the chairman, 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 nine months ended 30 September 2020 and this report.

FORWARD LOOKING STATEMENTS

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

By order of the Board

TL Natural Gas Holdings Limited

Liu Yong Cheng

Executive Director, Chairman & Chief Executive Officer

Hong Kong, 10 November 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.