

TL NATURAL GAS HOLDINGS LTD:
THE SHARE PRICE IS DROPPING FOR GOOD AND VALID REASONS

Five Companies' Revenues Account
For More Than 60 Percent of Annual Revenues

Since trading commenced on the secondary equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), Management of TL Natural Gas Holdings Ltd (Code: 8536, The **G**rowth **E**nterprise **M**arket [the **GEM**], The Stock Exchange of Hongkong Ltd) has seen an almost immediate deterioration of its Share Price, compared with the final Offer Price Per Share of 48 cents.

The share price yesterday, at about noon, was 27 cents.

This material, share-price reduction should not be considered surprising, actually, because in this medium's opinion of this Company and of its Management, upon scanning the Share Offer Prospectus, published and disseminated on Tuesday, May 8, 2018, the Offer Price Per Share was way over the top, in any case.

The Initial Public Offering (IPO) Of TL Natural Gas Holdings Ltd

Management of TL Natural Gas Holdings Ltd Offered a total of 125 million, one-cent Shares at an Indicative Offer Price Range Per Share, being a low of 40 cents to a high of 48 cents.

On May 17, 2018, the Company announced that the Offer Price Per Share had been struck at the highest point of the Offer Price Range: 48 cents.

The net proceeds from this cash-raising exercise amounted to about \$HK29.20 million, one was informed in a public announcement in respect of the Offer Price and the Allotment Results.

The amount of money, derived from the sales of the Company's shares at the IPO, compared poorly to the aggregate amount of money that the Company had committed to expend in respect of this public flotation.

Management had contracted to pay the HKSAR underwriters a seven-percent commission of the aggregate Offer Price Per Share; and, the Sponsor's Fee was agreed at the flat rate of \$HK4.50 million.

Totally, therefore, \$HK30.50 million was the total amount of money that the Company had agreed to spend on sending this Company public on the GEM. (Page 244 of the Share Offer Prospectus)

The costs, relating to the IPO, therefore, were \$HK1.30 million in excess of the net proceeds from the sales of the 125 million Offered Shares.

Which begs the question:

*'For what reason did Management bother to float the Company
on the GEM in the first place?'*

At Page Eight of the announcement with regard to the Offer Price and Allotment Results, one was told how the net proceeds of this IPO would be utilised:

1. Approximately, \$HK17.50 million, that is about 59.90 percent, *'will be used for investing in the construction of two gas refuelling stations at Jingzhou, Hubei Province (the PRC) including (i) construction and renovation of gas stations (approximately 26.9%), (ii) machinery and equipment (approximately 6.8%) and (iii) miscellaneous costs incurred for constructing our two new gas refuelling stations'*;
2. Approximately, \$HK8.80 million, that is about 30.10 percent, *'will be used for upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity'*; and,
3. Approximately, \$HK2.90 million, that is about 10.00 percent, *'will be used as working capital and other general corporate purposes.'*

The Business Of TL Natural Gas Holdings Ltd

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