

# TL NATURAL GAS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8536

First Quarterly  
Report

# 2021



## 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](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of publication and on the website of the Company at [www.tl-cng.com](http://www.tl-cng.com).*

## UNAUDITED FIRST QUARTERLY RESULTS

The board of Directors (the "Board") is pleased to report the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2021 (the "Period"), together with the unaudited comparative figures for the corresponding period in 2020, are as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2021

	Notes	Three months ended 31 March	
		2021 RMB'000	2020 RMB'000
<b>REVENUE</b>	3	<b>14,120</b>	6,642
Cost of sales		<b>(15,143)</b>	(7,718)
<b>Gross loss</b>		<b>(1,023)</b>	(1,076)
Other income and gains	3	<b>22</b>	398
Selling and distribution expenses		<b>(183)</b>	(86)
Administrative expenses		<b>(1,882)</b>	(2,942)
Reversal of impairment losses on financial assets		<b>414</b>	–
Share of profits and losses of an associate		<b>(20)</b>	(27)
Finance costs	5	<b>(298)</b>	(237)
Other expenses		<b>–</b>	(175)
<b>LOSS BEFORE TAX</b>	4	<b>(2,970)</b>	(4,145)
Income tax (expense)/credit	6	<b>(104)</b>	12
<b>LOSS FOR THE PERIOD</b>		<b>(3,074)</b>	(4,133)
Loss attributable to:			
Owners of the parent		<b>(3,074)</b>	(4,133)
Non-controlling interest		<b>–</b>	–
		<b>(3,074)</b>	(4,133)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (cents)	7	<b>(0.46)</b>	(0.74)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the three months ended 31 March 2021

	Notes	Three months ended 31 March	
		2021 RMB'000	2020 RMB'000
<b>LOSS FOR THE PERIOD</b>		<b>(3,074)</b>	(4,133)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<b>219</b>	(1,041)
Exchange differences on translation of the Company's financial statements		<b>(316)</b>	1,501
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		<b>(97)</b>	460
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>		<b>(97)</b>	460
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(3,171)</b>	(3,673)
Total comprehensive loss attributable to:			
Owners of the parent		<b>(3,171)</b>	(3,673)
Non-controlling interests		-	-
		<b>(3,171)</b>	(3,673)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Attributable to Owners of the Parent								
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Equity component of convertible bonds RMB'000	Capital reserve RMB'000	Exchange Fluctuation reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
<b>At 1 January 2020</b>	4,135	52,723	-	-	17,350	5,059	2,112	1,985	83,364
<b>Changes in equity for 2020:</b>									
Loss for the Period	-	-	-	-	-	-	-	(4,133)	(4,133)
Other comprehensive income/(loss) for the Period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,041)	-	-	(1,041)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	1,501	-	-	1,501
Total comprehensive income/(loss) for the Period	-	-	-	-	-	460	-	(4,133)	(3,673)
Issue of shares of the Company	497	6,762	-	-	-	-	-	-	7,259
Equity-settled share option arrangements	-	-	939	-	-	-	-	-	939
Issue of convertible bonds	-	-	-	2,388	-	-	-	-	2,388
Conversion of convertible bonds	59	1,014	-	(352)	-	-	-	-	721
<b>At 31 March 2020</b>	4,691	60,499	939	2,036	17,350	5,519	2,112	(2,148)	90,998
<b>At 1 January 2021</b>	5,607	74,190	3,068	2,029	17,350	3,601	2,112	(20,656)	87,301
<b>Changes in equity for 2021:</b>									
Loss for the Period	-	-	-	-	-	-	-	(3,074)	(3,074)
Other comprehensive income/(loss) for the Period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	219	-	-	219
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	(316)	-	-	(316)
Total comprehensive income/(loss) for the Period	-	-	-	-	-	(97)	-	(3,074)	(3,171)
Equity-settled share option arrangements	-	-	359	-	-	-	-	-	359
<b>At 31 March 2021</b>	5,607	74,190	3,427	2,029	17,350	3,504	2,112	(23,730)	84,489

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 CORPORATE INFORMATION

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

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

### 2 BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated financial statements for the three months ended 31 March 2021 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 2020, which have been prepared in accordance with HKFRSs.

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

In the Period, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2020, as described in those consolidated financial statements. The Group has adopted all the new and revised HKFRSs issued that are relevant to its operations and effective for its accounting period beginning on 1 January 2021. The application of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standard(s), amendments and interpretation(s) will have no material impact on the unaudited condensed consolidated financial statements.

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

### 3 REVENUE, OTHER INCOME AND GAINS

The Group generated revenue from sales of CNG and provision of automated car wash services, while other income and gains mainly represented bank interest income.

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

	Three months ended 31 March	
	2021 RMB'000	2020 RMB'000
Revenue		
Sales of CNG	<b>14,120</b>	6,499
Provision of automated car wash services	–	143
	<b>14,120</b>	6,642
Other income and gains		
Bank interest income and others	<b>22</b>	398

### 4 LOSS BEFORE TAXATION

The following items have been included in arriving at loss before taxation:

	Three months ended 31 March	
	2021 RMB'000	2020 RMB'000
Cost of inventories sold	<b>11,876</b>	5,210
Depreciation of property, plant and equipment	<b>1,087</b>	1,060
Depreciation of right-of-use asset	<b>661</b>	314
Utility expenses	<b>469</b>	292
Transportation expenses	<b>339</b>	198
Amortisation of prepaid land lease payments	<b>11</b>	11
Employee benefit expenses:		
Wages and salaries	<b>798</b>	972
Equity-settled share option expense	<b>359</b>	939
Pension scheme contributions	<b>96</b>	15
(Reversal of impairment)/impairment of trade receivables	<b>(414)</b>	33

## 5 FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 31 March	
	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	122	97
Interest on bank loans	35	–
Imputed interest on convertible bonds	141	140
	<b>298</b>	237

## 6 INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The major components of income tax expense/(credit) are analysed as follows:

	Three months ended 31 March	
	2021 RMB'000	2020 RMB'000
Current – Mainland China		
Charge for the Period	–	–
Deferred tax	104	(12)
Total tax expense/(credit) for the Period	<b>104</b>	(12)

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

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

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiary of the Group as determined in accordance with The Enterprise Income Tax Law of the PRC.



## 7 LOSS PER SHARE

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

	Three months ended 31 March	
	2021	2020
Loss attributable to ordinary equity holders of the Company (RMB'000)	<b>(3,074)</b>	(4,133)
Weighted average number of ordinary shares in issue ('000)	<b>662,360</b>	556,259
Basic loss per share (RMB cents)	<b>(0.46)</b>	(0.74)

In respect of the diluted loss per share amount for the Period, no adjustment has been made to the basic loss per share amount presented for the three months ended 31 March 2021 and 31 March 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.

## 8 DIVIDEND

The Board did not declare the payment of any dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

## 9 APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board on 13 May 2021.

## 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 was 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.

### Provision of automated car wash services

During the Period, the Group was also involved in the provision of 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 RMB14.1 million for the three months ended 31 March 2021, increased by approximately RMB7.5 million or 113.6% when compared with approximately RMB6.6 million for the corresponding period of 2020. The increase was primarily due to the resumption of the Group's business operation, as compared to the temporary suspension of the Group's business operation for nearly two months during the corresponding period in 2020 as a result of the outbreak of COVID-19.

Accordingly, revenue from sales of CNG to wholesale customers increased by approximately RMB5.4 million or 145.9% from approximately RMB3.7 million for the three months ended 31 March 2020 to approximately RMB9.1 million for the three months ended 31 March 2021, and the revenue from sales of CNG to retail customers increased by approximately RMB2.2 million or 78.6% from approximately RMB2.8 million for the three months ended 31 March 2020 to approximately RMB5.0 million for the three months ended 31 March 2021.

During the three months ended 31 March 2021, the Group did not derive any revenue from the provision of automated car wash services.

### Cost of sales

Cost of sales amounted to approximately RMB15.1 million for the three months ended 31 March 2021, representing an increase of approximately RMB7.4 million or 96.1% as compared to approximately RMB7.7 million for the three months ended 31 March 2020, which was primarily due to the increase in cost of inventories sold by approximately RMB6.7 million or 128.8% from approximately RMB5.2 million for the three months ended 31 March 2020 to approximately RMB11.9 million for the three months ended 31 March 2021, as a result of the significant increase in the sales volume of CNG and the high procurement cost of natural gas.

## FINANCIAL REVIEW (cont'd)

### Gross loss

Gross loss decreased by approximately RMB0.1 million from approximately RMB1.1 million for the three months ended 31 March 2020 to approximately RMB1.0 million for the three months ended 31 March 2021. Gross loss was resulted mainly due to (i) the impact of high procurement cost of the natural gas which 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; and (ii) certain fixed costs of the Group such as depreciation of property, plant and equipment and right-of-use asset, and gas refuelling stations rental expenses.

### Selling and distribution expenses

Selling and distribution expenses, which mainly represent staff costs and other office expenses incurred in our operation department, increased by approximately RMB97,000 or 112.8%, from approximately RMB86,000 for the three months ended 31 March 2020 to approximately RMB183,000 for the three months ended 31 March 2021. The increase was primarily due to the increase in staff costs, as a result of the resumption of the Group's business operation.

### Administrative expenses

Administrative expenses, which mainly represent employee benefit expenses and legal and professional fee, decreased by approximately RMB1.0 million or 34.5% from approximately RMB2.9 million for the three months ended 31 March 2020 to approximately RMB1.9 million for the three months ended 31 March 2021. The decrease was mainly attributable to (i) decrease in professional fee as a result of the acquisitions during the three months ended 31 March 2020; and (ii) recognition of fair value of the share options granted amounted to approximately RMB0.4 million during the Period, as compared to approximately RMB0.9 million during the three months ended 31 March 2020.

### Finance costs

Finance costs mainly represent interest on lease liabilities, interest on bank loans and amortised cost on the convertible bonds.

### Income tax (expense)/credit

Income tax expense amounted to approximately RMB104,000 for the three months ended 31 March 2021, compared to the income tax credit of approximately RMB12,000 for the three months ended 31 March 2020. The income tax (expense)/credit represents deferred tax due to the temporary differences arising from the impairment allowance on the trade receivables, accelerated accounting depreciation and lease liabilities.

### Loss for the period

Loss attributable to the owners of the Company for the three months ended 31 March 2021 was approximately RMB3.1 million, decreased by RMB1.0 million or 24.4% as compared to approximately RMB4.1 million for the same period last year. The decrease was mainly attributable to (i) the resumption of business operation; (ii) decrease in professional fee incurred in relation to the acquisitions during the three months ended 31 March 2020; and (iii) decrease in the recognition of the non-cash fair value of the share options granted.

## PROSPECTS

The global economy has been significantly affected by the prolonged COVID-19 pandemic. Whilst mass vaccination programmes have begun in different countries and regions starting from the first quarter of 2021, progress remains to be made in light of the logistical challenge in administering the same to the global population. Until the spread of the coronavirus has been halted, the pace of global economic recovery is unlikely to be expeditious. Accordingly, the Group's revenue and profitability for the Period had still been affected by 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 Group will continue to actively explore new business opportunities in the PRC and other locations in order to diversify the income source of the Group. The Directors believe that recovery and growth will be supported in the near future by strong national policies and fiscal programmes in shifting towards recovery. Besides, the PRC government has announced a number of policies and initiatives for newer and cleaner energy sources, 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). The Group expects that these policies would stimulate the natural gas industry and would foster development of other related products. The Group will endeavour to seize the growth potential resulting from such policies and industry trends.

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 and will act prudently in considering any new investment opportunities, and will in the meantime also pursue other means of enhancing shareholder value.

## DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

## FOREIGN CURRENCY RISK

The Group carries out its business in China and most of its transactions are denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the three months ended 31 March 2021.

## 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**

There were no significant investments held by the Company, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period.

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 31 March 2021, our Group had a total of 67 employees (31 December 2020: 67 employees). Staff costs, including Directors' remuneration and equity-settled share option expense, of the Group were approximately RMB1.3 million for the three months ended 31 March 2021 (three months ended 31 March 2020: approximately RMB1.9 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. The Group reviews the performance of employees from time to time.

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

As at 31 March 2021, interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

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

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

Name	Capacity/Nature of interests	Number of Shares held	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)	6,623,600 (Note 2)	57.62%
	Beneficial owner	–	6,623,600 (Note 3)	1%
Mr. Liu Yong Qiang	Interest in controlled corporation and parties acting in concert	375,000,000 (Note 4)	6,623,600 (Note 3)	57.62%
	Beneficial owner	–	6,623,600 (Note 2)	1%
Mr. Liu Chunde	Beneficial owner	–	6,623,600 (Note 5)	1%

### Notes:

- As at 31 March 2021, 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 31 March 2021 as a result of being a party acting in concert with Mr. Liu Yong Qiang.
- 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.
- 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.
- As at 31 March 2021, Mr. Liu Yong Qiang directly owned 100% of Hongsheng, which in turn held 266,250,000 shares or approximately 40.20% of the issued Shares; therefore he was deemed, or taken to be interested in, all the shares held by Hongsheng for the purpose of the SFO; pursuant to the acting in concert confirmation dated 14 June 2017, in which Mr. Liu Yong Qiang was also deemed to be interested in 108,750,000 Shares or approximately 16.42% of the issued Shares owned by Yongsheng as at 31 March 2021 as a result of being a party acting in concert with Mr. Liu Yong Cheng.
- 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.

## 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)*

Save as disclosed above, as at 31 March 2021, none of the Directors nor chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2021, 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	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 <i>(Note 1)</i>	–	13,247,200 <i>(Note 2)</i>	58.62%
Hongsheng	Beneficial owner and parties acting in concert	375,000,000 <i>(Note 3)</i>	–	13,247,200 <i>(Note 2)</i>	58.62%
Stable Development Company Limited ("Stable Development")	Beneficial owner	55,490,000 <i>(Note 4)</i>	–	–	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%

## **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:

- (1) As at 31 March 2021, 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 31 March 2021 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.
- (2) 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.
- (3) As at 31 March 2021, 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 31 March 2021 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.
- (4) As at 31 March 2021, 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 31 March 2021 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 2020.



## SHARE OPTION SCHEME (cont'd)

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

Name or category of participant	Number of share options				As at 31 March 2021	Exercise period of share options	Exercise price of share options	Date of grant of share options	Closing price of Shares immediately before the date of grant of share options	Weighted average closing price of the Shares immediately before the exercise date
	At 1 January 2021	Granted during the period	Exercised during the period	Cancelled during the period						
<b>Directors, chief executive, substantial shareholders and/or their respective associates</b>										
Liu Yong Cheng	5,500,000 1,123,600	-	-	-	5,500,000 1,123,600	21 January 2020 to 20 January 2025 23 June 2020 to 22 June 2025	0.166 0.130	21 January 2020 23 June 2020	0.203 0.136	-
Liu Yong Qiang	5,500,000 1,123,600	-	-	-	5,500,000 1,123,600	21 January 2020 to 20 January 2025 23 June 2020 to 22 June 2025	0.166 0.130	21 January 2020 23 June 2020	0.203 0.136	-
Liu Chunde	5,500,000 1,123,600	-	-	-	5,500,000 1,123,600	21 January 2020 to 20 January 2025 23 June 2020 to 22 June 2025	0.166 0.130	21 January 2020 23 June 2020	0.203 0.136	-
<b>Employees (other than Directors)</b>										
In aggregate	27,500,000 55,505,600	-	-	-	27,500,000 55,505,600	21 January 2020 to 20 January 2025 23 June 2020 to 22 June 2025	0.166 0.130	21 January 2020 23 June 2020	0.203 0.136	-
<b>Shareholder and supervisor of an associate of the Group</b>										
In aggregate	5,500,000 1,123,600	-	-	-	5,500,000 1,123,600	21 January 2020 to 20 January 2025 23 June 2020 to 22 June 2025	0.166 0.130	21 January 2020 23 June 2020	0.203 0.136	-
Total	109,500,000	-	-	-	109,500,000					

**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	<b>HK\$0.130</b>	<b>HK\$0.166</b>
Exercise price per share	<b>HK\$0.130</b>	<b>HK\$0.166</b>
Expected volatility (%)	<b>42.55</b>	<b>42.33</b>
Risk-free interest rate (%)	<b>0.31</b>	<b>1.62</b>

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 was estimated at RMB4,655,000 using the Binomial Option Pricing Model, of which the Group recognised share option expenses of RMB359,000 (for the three months ended 31 March 2020: RMB939,000) 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 109,500,000 share options outstanding under the Share Option Scheme, which represented approximately 16.53% of the issued Shares as at the date of this report.

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

Save for the Share Option Scheme, at no time for the three months ended 31 March 2021 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2021.

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

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings for the three months ended 31 March 2021.

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

As disclosed in the Company's annual report for the year ended 31 December 2020, 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"). The Controlling Shareholders confirmed to the Company that they have complied with the Deed of Non-Competition during the Period.

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

### **COMPETING INTERESTS**

During the three months ended 31 March 2021, 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

The Company had appointed Giraffe Capital Limited as its compliance adviser from the date of listing of the shares on GEM of the Stock Exchange to 31 March 2021, being the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the date of listing. 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 interests in the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## CORPORATE GOVERNANCE CODE

The Company has adopted and complied with, where applicable, the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules for the three months ended 31 March 2021 to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner, save for the deviation stipulated below.

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

## CHANGES IN DIRECTORS’ INFORMATION

Subsequent to the date of the 2020 annual report of the Company, the changes in Directors’ information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules for the three months ended 31 March 2021 and up to the date of this report are set out below:

- (a) Ms. Li Helen Hoi Lam has resigned as an independent non-executive Director and ceased to be a member of the nomination committee and a member of the audit and risk management committee of the Company with effect from 30 April 2021; and
- (b) Ms. Zeng Li has been appointed as an independent non-executive Director and a member of the nomination committee and a member of the audit and risk management committee of the Company with effect from 30 April 2021. For the biographical details of Ms. Zeng Li, please refer to the announcement of the Company dated 30 April 2021.



### **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 Ms. Luo Hongru, and Ms. Zeng Li as its members. The audit and risk management committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2021 and this report.

### **SUBSEQUENT EVENT**

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

### **FORWARD LOOKING STATEMENTS**

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

By order of the Board

#### **TL Natural Gas Holdings Limited**

##### **Liu Yong Cheng**

*Executive Director, Chairman & Chief Executive Officer*

Hong Kong, 13 May 2021

*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. Luo Hongru and Ms. Zeng Li as independent non-executive Directors.*