

# TL NATURAL GAS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 8536

Third Quarterly  
Report

# 2022



## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

*Unless otherwise stated, all monetary figures are expressed in Renminbi (“RMB”).*

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

*This report will remain on the website of GEM at [www.hkgem.com](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 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 2022 (the "Period"), together with the unaudited comparative figures for the corresponding periods in 2021, are as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and the nine months ended 30 September 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>REVENUE</b>	4	<b>19,093</b>	10,080	<b>46,160</b>	33,900
Cost of sales		<b>(13,268)</b>	(11,325)	<b>(36,090)</b>	(37,897)
<b>Gross profit (loss)</b>		<b>5,825</b>	(1,245)	<b>10,070</b>	(3,997)
Other income, gains and other losses	4	<b>(169)</b>	3,331	<b>18</b>	3,390
Selling and distribution expenses		<b>(165)</b>	(162)	<b>(446)</b>	(458)
Administrative expenses		<b>(7,045)</b>	(4,771)	<b>(13,536)</b>	(7,854)
Reversal of impairment losses on financial assets, net		-	12	-	2,126
Share of result of an associate		-	(3)	-	(23)
Finance costs	6	<b>(59)</b>	(133)	<b>(150)</b>	(716)
<b>LOSS BEFORE TAXATION</b>	5	<b>(1,613)</b>	(2,971)	<b>(4,044)</b>	(7,532)
Taxation	7	<b>27</b>	186	-	(604)
<b>LOSS FOR THE PERIOD</b>		<b>(1,586)</b>	(2,785)	<b>(4,044)</b>	(8,136)
Attributable to: Owners of the Company		<b>(1,586)</b>	(2,785)	<b>(4,044)</b>	(8,136)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>					
Basic and diluted (cents)	8	<b>(0.89)</b>	(1.57)	<b>(2.28)</b>	(4.75)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the three months and the nine months ended 30 September 2022

	Three months ended 30 September		Nine months ended 30 September	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>LOSS FOR THE PERIOD</b>	<b>(1,586)</b>	(2,785)	<b>(4,044)</b>	(8,136)
OTHER COMPREHENSIVE EXPENSE				
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(621)	(46)	(43)	(244)
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods	(621)	(46)	(43)	(244)
Other comprehensive (expense) income that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of the Company's financial statements	(19)	(74)	275	154
Net other comprehensive (expense) income that will not be reclassified to profit or loss in subsequent periods	(19)	(74)	275	154
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(640)</b>	(120)	<b>232</b>	(90)
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<b>(2,226)</b>	(2,905)	<b>(3,812)</b>	(8,226)
Attributable to:				
Owners of the Company	(2,226)	(2,905)	(3,812)	(8,226)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	Attributable to Owners of the Company								
	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	Accumulated losses RMB' 000	Total equity RMB' 000
<b>At 1 January 2021</b>	5,607	74,190	3,068	2,029	17,350	3,601	2,112	(20,656)	87,301
Loss for the period	-	-	-	-	-	-	-	(8,136)	(8,136)
Other comprehensive expense for the Period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(244)	-	-	(244)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	154	-	-	154
Total comprehensive expense for the Period	-	-	-	-	-	(90)	-	(8,136)	(8,226)
Equity-settled share option arrangements	-	-	1,063	-	-	-	-	-	1,063
Conversion of convertible bonds	383	6,370	-	(2,029)	-	-	-	-	4,724
<b>At 30 September 2021</b>	5,990	80,560	4,131	-	17,350	3,511	2,112	(28,792)	84,862
<b>At 1 January 2022</b>	5,990	80,560	3,985	-	17,350	3,322	2,112	(29,051)	84,268
Loss for the period	-	-	-	-	-	-	-	(4,044)	(4,044)
Other comprehensive expense for the Period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(43)	-	-	(43)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	275	-	-	275
Total comprehensive expense for the Period	-	-	-	-	-	232	-	(4,044)	(3,812)
Equity-settled share option arrangements	-	-	315	-	-	-	-	-	315
<b>At 30 September 2022</b>	5,990	80,560	4,300	-	17,350	3,554	2,112	(33,095)	80,771

## 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 in the People's Republic of China (the "PRC").

The shares of the Company (the "Shares") have been listed on GEM of the Stock Exchange since 18 May 2018.

### 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 2022 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 2021, 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 current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these 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 2022 RMB'000	As at 31 December 2021 RMB'000
The PRC	34,276	34,071
Malaysia	14,150	14,117
	48,426	48,188

### 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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Customer A*	3,001	3,557	8,713	12,401
Customer B*	2,637	1,682	7,381	6,280
	5,638	5,239	16,094	18,681

\* The customers are state-owned enterprises.

### 4 REVENUE, OTHER INCOME, GAINS AND OTHER LOSSES

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

	Three months ended 30 September		Nine months ended 30 September	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>Revenue</b>				
Sales of CNG	18,287	10,080	43,260	33,900
Transmission services	806	–	2,900	–
	19,093	10,080	46,160	33,900
<b>Other income, gains and other losses</b>				
Compensation income	–	3,296	–	3,296
Bank interest income	28	10	71	45
Others	(141)	25	(53)	49
	(169)	3,331	18	3,390

## 5 LOSS BEFORE TAXATION

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

	Three months ended 30 September		Nine months ended 30 September	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Cost of inventories sold	9,256	7,792	28,229	28,281
Depreciation of property, plant and equipment	920	1,898	2,940	4,084
Depreciation of right-of-use asset	485	523	1,062	1,855
Utility expense	462	349	1,206	1,250
Auditor's remuneration	261	–	593	238
Transportation expense	311	71	732	769
Amortisation of other intangible assets	12	128	37	391
Employee benefit expense:				
Wages and salaries	1,080	662	2,883	2,140
Equity-settled share option expense	–	230	315	1,063
Pension scheme contributions	55	81	333	261
Reversal of impairment losses on financial assets, net	–	(12)	–	(2,126)
Write off of other intangible assets	–	1,542	–	1,542
Write off of property, plant and equipment	–	1,495	–	1,495

## 6 FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	59	99	150	376
Interest on bank loans	–	34	–	102
Imputed interest on convertible bonds	–	–	–	238
	59	133	150	716

## 7 TAXATION

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 taxation are analysed as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Current – the PRC Charge for the Period	–	–	–	–
Deferred tax	(27)	(186)	–	604
<b>Total taxation for the Period</b>	<b>(27)</b>	<b>(186)</b>	<b>–</b>	<b>604</b>

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 subsidiaries in Hong Kong is 16.5%. No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the Period.

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

## 8 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the accounting period.

## 8 LOSS PER SHARE (cont'd)

The basic loss per share is calculated as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
Loss attributable to owners of the Company (RMB'000)	<b>(1,586)</b>	(2,785)	<b>(4,044)</b>	(8,136)
Weighted average number of ordinary shares in issue ('000)	<b>177,255</b>	177,255	<b>177,255</b>	171,251
Basic loss per share (cents)	<b>(0.89)</b>	(1.57)	<b>(2.28)</b>	(4.75)

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 2022 and 30 September 2021 as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

## 9 DIVIDEND

The Board did not declare the payment of any dividend for the three and nine months ended 30 September 2022 (for the three and nine months ended 30 September 2021: Nil).

## 10 APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board on 10 November 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Company is an investment holding company and its principal subsidiaries were involved in the sales of CNG in the PRC with principal place of business in Jingzhou, Hubei Province, the PRC. During the Period, the Company was also engaged in the provision of digital marketing and fast food catering businesses in the PRC, which did not generate significant revenue to the Group during the Period.

#### 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 (“PetroChina”).

## FINANCIAL REVIEW

### Revenue

Revenue amounted to approximately RMB46.2 million for the nine months ended 30 September 2022, increased by approximately RMB12.3 million or 36.3% when compared with approximately RMB33.9 million for the corresponding period of 2021. The increase was primarily due to the increase in sales of CNG to wholesale customers with reasons stated below.

The revenue from sales of CNG to wholesale customers increased by RMB9.1 million or 43.1% from RMB21.1 million for the nine months ended 30 September 2021 to RMB30.2 million for the nine months ended 30 September 2022, which was primarily due to increase in average selling price of CNG to wholesale customers as a result of introduction of certain new customers with higher selling price. The revenue from sales of CNG to retail customers remained stable at RMB13.1 million for the nine months ended 30 September 2022 as compared to RMB12.8 million for the nine months ended 30 September 2021.



## **FINANCIAL REVIEW** *(cont'd)*

### **Cost of Sales**

Cost of sales remained stable at approximately RMB36.1 million for the nine months ended 30 September 2022 as compared to approximately RMB37.9 million for the nine months ended 30 September 2021, which was primarily due to an overall stable purchase volume and purchase price of CNG. The purchase price for natural gas of the Group is determined based on a combination of certain factors including the benchmark gateway station prices set by the National Development and Reform Commission of the PRC and the procurement cost from PetroChina.

### **Gross profit/(loss)**

Gross profit for the nine months ended 30 September 2022 amounted to approximately RMB10.1 million, compared to a gross loss of approximately RMB4.0 million for the corresponding period in 2021. Gross profit margin amounted to 21.8% for the nine months ended 30 September 2022, mainly attributable to (i) introduction of certain new customers with higher markup; and (ii) transmission services income with a higher profit margin was generated during the Period. Gross loss for the nine months ended 30 September 2021 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.

### **Other income, gains and other losses**

Other income, gains and other losses mainly represent bank interest income and others, which amounted to approximately RMB18,000 for the nine months ended 30 September 2022, compared to approximately RMB3.4 million for the nine months ended 30 September 2021 mainly attributable to the compensation income received from the Shacheng District Government for the demolition of our gas refuelling station located at Shihao Road (十號路), Jingzhou, Hubei Province, according to the unified planning requirements of the Shacheng District Government.

### **Selling and distribution expenses**

Selling and distribution expenses, which mainly represent staff costs and other office expenses incurred in our operation department, remained stable at approximately RMB446,000 for the nine months ended 30 September 2022 as compared to approximately RMB458,000 for the nine months ended 30 September 2021.

## **FINANCIAL REVIEW** *(cont'd)*

### **Administrative expenses**

Administrative expenses, which mainly represent employee benefit expenses and legal and professional fee, increased by approximately RMB5.6 million or 70.9% from approximately RMB7.9 million for the nine months ended 30 September 2021 to approximately RMB13.5 million for the nine months ended 30 September 2022.

The increase was mainly attributable to (i) the increase in general operating costs such as staff costs, utilities and other office expenses of approximately RMB1.5 million as a result of the introduction of new businesses during the Period and (ii) increase in repair and maintenance expenses of approximately RMB3.5 million incurred for the gas refuelling stations in order to cope with the safety requirements.

### **Finance costs**

Finance costs mainly represent interest on lease liabilities.

### **Taxation**

Income tax credit amounted to approximately RMB27,000 for the three months ended 30 September 2022, representing deferred tax due to the temporary differences arising from the impairment allowance on the trade receivables, accelerated accounting depreciation and lease liabilities.

No current income tax expense has been provided for the nine months ended 30 September 2022 as there were no assessable profits generated during the Period and there were no significant deferred tax for the Period.

### **Loss for the period**

Loss attributable to the owners of the Company for the nine months ended 30 September 2022 was approximately RMB4.0 million, decreased by approximately RMB4.1 million or 50.6% as compared to approximately RMB8.1 million for the same period last year. The decrease was mainly attributable to the gross profit recorded for the nine months ended 30 September 2022.

## **PROSPECTS**

The global economy has been significantly affected by the COVID-19 since 2020. Mainland China is still being impacted by the COVID-19 with the ware of new cases of COVID-19 sparked largely by the Omicron and other COVID-19 variants. Unless the spread of the COVID-19 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.

## PROSPECTS *(cont'd)*

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 the recovery of economy will be supported in the near future by strong national policies and fiscal programmes. 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.

In addition, during the Period, the Group was also engaged in the provision of digital marketing and fast food catering businesses in the PRC, the financial results of which have been consolidated into the Group's financial statements for the Period. As such businesses are still in early stages, they did not generate significant revenue to the Group during the Period.

The Board will continue to assess the impact of the COVID-19 on the Group's operation and financial performance and will 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 nine months ended 30 September 2022 (for the nine months ended 30 September 2021: 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 2022.

### **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 other 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 30 September 2022, the Group had a total of 73 employees (31 December 2021: 67 employees). Staff costs, including Directors' remuneration and equity-settled share option expense, of our Group were approximately RMB3.5 million for the nine months ended 30 September 2022 (for the nine months ended 30 September 2021: RMB3.5 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 2022, 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	Share Options	Approximate percentage of the total issued Shares*
Mr. Liu Yong Cheng	Interest in controlled corporation and parties acting in concert	85,955,000 (Note 1)	1,655,900 (Note 2)	49.43%
	Beneficial owner	–	1,655,900 (Note 3)	0.93%
Mr. Liu Yong Qiang	Interest in controlled corporation and parties acting in concert	85,955,000 (Note 4)	1,655,900 (Note 3)	49.43%
	Beneficial owner	–	1,655,900 (Note 2)	0.93%

## **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 2022, Mr. Liu Yong Cheng directly owned 100% of Yongsheng Enterprise Limited ("Yongsheng"), which in turn held 19,392,500 shares or approximately 10.94% 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 66,562,500 Shares or approximately 37.55% of the issued Shares owned by Hongsheng Enterprise Limited ("Hongsheng") as at 30 September 2022 as a result of being a party acting in concert with Mr. Liu Yong Qiang.
- (2) On 21 January 2020 and 23 June 2020, Mr. Liu Yong Qiang was granted an option to subscribe for 1,375,000 Shares and 280,900 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.
- (3) On 21 January 2020 and 23 June 2020, Mr. Liu Yong Cheng was granted an option to subscribe for 1,375,000 Shares and 280,900 Shares, respectively, under the Share Option Scheme.
- (4) As at 30 September 2022, Mr. Liu Yong Qiang directly owned 100% of Hongsheng, which in turn held 66,562,500 shares or approximately 37.55% 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 19,392,500 Shares or approximately 10.94% of the issued Shares owned by Yongsheng as at 30 September 2022 as a result of being a party acting in concert with Mr. Liu Yong Cheng.

Save as disclosed above, as at 30 September 2022, 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 2022, 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	Share Options	Approximate percentage of the total issued Shares*
Yongsheng	Beneficial owner and parties acting in concert	85,955,000 (Note 1)	3,311,800 (Note 2)	50.36%
Hongsheng	Beneficial owner and parties acting in concert	85,955,000 (Note 3)	3,311,800 (Note 2)	50.36%
Stable Development Company Limited	Beneficial owner	13,872,500 (Note 4)	–	7.83%
Mr. Lee Kwok Wah	Beneficial owner	9,492,500	–	5.36%

## **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 30 September 2022, Mr. Liu Yong Cheng directly owned 100% of Yongsheng, which in turn held 19,392,500 shares or approximately 10.94% 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 66,562,500 Shares or approximately 37.55% of the issued Shares owned by Hongsheng as at 30 September 2022 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 1,375,000 Shares and 280,900 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 30 September 2022, Mr. Liu Yong Qiang directly owned 100% of Hongsheng, which in turn held 66,562,500 shares or approximately 37.55% 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 19,392,500 Shares or approximately 10.94% of the issued Shares owned by Yongsheng as at 30 September 2022 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 30 September 2022, Mr. Yu Kin Wai Perway directly owned 100% of Stable Development Company Limited, which in turn held 13,872,500 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 2022 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 2021.

## SHARE OPTION SCHEME (cont'd)

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

Name or category of participant	Number of Share options					Exercise 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 exercise date HK\$
	At 1 January 2022	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period				
<b>Directors, chief executive, substantial shareholders and/or their respective associates</b>									
Liu Yong Cheng	1,375,000	-	-	-	-	1,375,000	21 January 2020 to 20 January 2025	0.664	0.812
	280,900	-	-	-	-	280,900	23 June 2020 to 22 June 2025	0.520	0.544
Liu Yong Qiang	1,375,000	-	-	-	-	1,375,000	21 January 2020 to 20 January 2025	0.664	0.812
	280,900	-	-	-	-	280,900	23 June 2020 to 22 June 2025	0.520	0.544
Liu Qionde	1,375,000	-	-	-	-	1,375,000	21 January 2020 to 20 January 2025	0.664	0.812
	280,900	-	-	-	-	280,900	23 June 2020 to 22 June 2025	0.520	0.544
<b>Employees (other than Directors)</b>									
In aggregate	6,875,000	-	-	-	-	6,875,000	21 January 2020 to 20 January 2025	0.664	0.812
	12,317,409	-	-	-	-	12,317,409	23 June 2020 to 22 June 2025	0.520	0.544
<b>Shareholder and supervisor of an associate of the Group</b>									
In aggregate	1,375,000	-	-	-	-	1,375,000	21 January 2020 to 20 January 2025	0.664	0.812
	280,900	-	-	-	-	280,900	23 June 2020 to 22 June 2025	0.520	0.544
Total	25,816,009	-	-	-	-	25,816,009			

**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 (before the Share Consolidation)	<b>HK\$0.130</b>	<b>HK\$0.166</b>
Exercise price per share (before the Share Consolidation) (note 5)	<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 during the Period was estimated at RMB4,655,000 using the Binomial Option Pricing Model, of which the Group recognised share option expenses of RMB315,000 (for the nine months ended 30 September 2021: RMB1,063,000) 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.



## SHARE OPTION SCHEME (cont'd)

Notes: (cont'd)

- Due to the Share Consolidation, adjustments were made to the number of outstanding share options and the exercise price with effective from 20 July 2021 (the "Adjustments"). The exercise price of the share options granted on 21 January 2020 was adjusted from HK\$0.166 to HK\$0.664 and the exercise price of the share options granted on 23 June 2020 was adjusted from HK\$0.130 to HK\$0.520. For further details, please refer to the announcement of the Company dated 16 July 2021.

At the date of this report, the Company had utilised all of the existing scheme mandate limit under the Share Option Scheme and had 25,816,009 share options outstanding under the Share Option Scheme (as adjusted by the Adjustments), which represented approximately 14.56% 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 2022 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 2022.

### 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 2022.

### 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.

### **DEED OF NON-COMPETITION** *(cont'd)*

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 2022, 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.

### **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 2022 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 C.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 C.2.1 of the CG Code is appropriate in such circumstances.



## CHANGES IN DIRECTORS' INFORMATION

Subsequent to the date of the 2021 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 nine months ended 30 September 2022 and up to the date of this report are set out below:

- (a) Mr. Liu Chunde has resigned as an executive Director with effect from 24 June 2022;
- (b) Mr. Liu Yong Sheng has been appointed as an executive Director with effect from 24 June 2022. For the biographical details of Mr. Liu Yong Sheng, please refer to the announcement of the Company dated 24 June 2022.

## 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 D.3.3 of the CG Code. The audit and risk management committee consists of three independent non-executive Directors, namely Mr. Yeung Chun Yue David as the Chairman, 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 nine months ended 30 September 2022 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 2022

*As at the date of this report, the Board comprises Mr. Liu Yong Cheng, Mr. Liu Yong Qiang and Mr. Liu Yong Sheng as executive Directors; Ms. Luo Hongru, Ms. Zeng Li and Mr. Yeung Chun Yue David as independent non-executive Directors.*