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TL Natural Gas Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8536)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of TL Natural Gas Holdings Limited (the “**Company**” and its subsidiaries, the “**Group**”) is pleased to announce the interim unaudited consolidated results of the Group for the six months ended 30 June 2021. This announcement, containing the full text of the 2021 interim report of the Company (“**2021 Interim Report**”), complies with the relevant requirements of The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of interim results. Printed version of the 2021 Interim Report will be delivered to the shareholders of the Company and available for viewing on the websites of GEM at www.hkgem.com and of the Company at www.tl-cng.com in due course.

By Order of the Board

TL Natural Gas Holdings Limited

LIU Yong Cheng

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 13 August 2021

As at the date of this announcement, the Board comprises Mr. LIU Yong Cheng, Mr. LIU Yong Qiang and Mr. LIU Chunde as executive Directors; and Mr. LI Wai Kwan, Ms. LUO Hongru and Ms. ZENG Li as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of its posting. This announcement will also be published on the Company’s website at www.tl-cng.com.

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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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 on the "Latest Company Announcements" page for at least 7 days from the date of publication and on the website of the Company at www.tl-cng.com.

UNAUDITED INTERIM 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 six months ended 30 June 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 and the six months ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
REVENUE	4	9,700	12,976	23,820	19,618
Cost of sales		(11,429)	(12,247)	(26,572)	(19,965)
Gross (loss)/profit		(1,729)	729	(2,752)	(347)
Other income and gains	4	37	3,252	59	3,650
Selling and distribution expenses		(113)	(318)	(296)	(404)
Administrative expenses		(1,201)	(4,488)	(3,083)	(7,433)
Reversal of impairment losses on financial assets		1,700	–	2,114	–
Share of profits and losses of an associate		–	(24)	(20)	(51)
Finance costs	6	(285)	(336)	(583)	(573)
Other expenses		–	–	–	(172)
LOSS BEFORE TAX	5	(1,591)	(1,185)	(4,561)	(5,330)
Income tax (expense)/credit	7	(686)	40	(790)	52
LOSS FOR THE PERIOD		(2,277)	(1,145)	(5,351)	(5,278)
Loss attributable to:					
Owners of the parent		(2,277)	(1,145)	(5,351)	(5,278)
Non-controlling interests		–	–	–	–
		(2,277)	(1,145)	(5,351)	(5,278)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted (cents)	8	(0.33)	(0.18)	(0.80)	(0.89)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and the six months ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
LOSS FOR THE PERIOD		(2,277)	(1,145)	(5,351)	(5,278)
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		(417)	305	(198)	765
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:		(417)	305	(198)	765
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of the Company's financial statements		544	–	228	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		544	–	228	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		127	305	30	765
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(2,150)	(840)	(5,321)	(4,513)
Total comprehensive loss attributable to:					
Owners of the parent		(2,150)	(840)	(5,321)	(4,513)
Non-controlling interests		–	–	–	–
		(2,150)	(840)	(5,321)	(4,513)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	27,343	25,255
Right-of-use assets		9,729	11,061
Other intangible assets		1,695	1,958
Investment in an associate		99	118
Deferred tax assets		1,227	2,017
Advance payments for property, plant and equipment		27,996	27,501
Total non-current assets		68,089	67,910
CURRENT ASSETS			
Inventories		41	51
Trade receivables	11	6,272	12,627
Prepayments, other receivables and other assets		18,204	31,399
Cash and cash equivalents		15,469	6,226
Total current assets		39,986	50,303
CURRENT LIABILITIES			
Interest-bearing bank loans	12	4,000	4,000
Other payables and accruals		4,336	6,649
Lease liabilities		2,683	4,451
Tax payable		2,647	2,726
Total current liabilities		13,666	17,826
NET CURRENT ASSETS		26,320	32,477
TOTAL ASSETS LESS CURRENT LIABILITIES		94,409	100,387
NON-CURRENT LIABILITIES			
Lease liabilities		6,872	7,894
Convertible bonds		–	5,192
Total non-current liabilities		6,872	13,086
NET ASSETS		87,537	87,301

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

As at 30 June 2021

		As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
	Notes		
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	5,990	5,607
Reserves		81,547	79,665
Equity component of convertible bonds		–	2,029
TOTAL EQUITY		87,537	87,301

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 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/(accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	4,135	52,723	-	-	17,350	5,059	2,112	1,985	83,364	-	83,364
Loss for the period	-	-	-	-	-	-	-	(5,278)	(5,278)	-	(5,278)
Other comprehensive income for the Period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	765	-	-	765	-	765
Total comprehensive income/(loss) for the period	-	-	-	-	-	765	-	(5,278)	(4,513)	-	(4,513)
Issue of shares of the Company	1,066	14,333	-	-	-	-	-	-	15,399	-	15,399
Equity-settled share option arrangements	-	-	2,434	-	-	-	-	-	2,434	-	2,434
Issue of convertible bonds	-	-	-	4,642	-	-	-	-	4,642	-	4,642
Conversion of convertible bonds	406	6,935	-	(2,227)	-	-	-	-	5,114	-	5,114
At 30 June 2020	5,607	73,991	2,434	2,415	17,350	5,824	2,112	(3,293)	106,440	-	106,440
At 1 January 2021	5,607	74,190	3,068	2,029	17,350	3,601	2,112	(20,656)	87,301	-	87,301
Loss for the period	-	-	-	-	-	-	-	(5,351)	(5,351)	-	(5,351)
Other comprehensive income for the Period:											
Exchange differences on translation of foreign operations	-	-	-	-	-	(198)	-	-	(198)	-	(198)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	228	-	-	228	-	228
Total comprehensive income/(loss) for the period	-	-	-	-	-	30	-	(5,351)	(5,321)	-	(5,321)
Equity-settled share option arrangements	-	-	833	-	-	-	-	-	833	-	833
Conversion of convertible bonds	383	6,370	-	(2,029)	-	-	-	-	4,724	-	4,724
At 30 June 2021	5,990	80,560	3,901	-	17,350	3,631	2,112	(26,007)	87,537	-	87,537

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Net cash from operating activities	17,328	3,110
Net cash (used in)/from investing activities	(4,274)	1,265
Net cash used in financing activities	(3,373)	(1,162)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,681	3,213
Cash and cash equivalents at beginning of period	6,226	27,402
Effect of foreign exchange rate changes, net	(438)	765
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15,469	31,380

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

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

The Company is an investment holding company. During the Period, the Company's subsidiaries were principally engaged in the sales of CNG and provision of automated car wash services in the People's Republic of China (the "PRC").

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

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* 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 statements 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 Hong Kong Financial Reporting Standards ("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.

The interim financial report is unaudited, but have been reviewed by the Company's audit and risk management committee.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(cont'd)*

In the Period, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2020, as described in those consolidated financial statements, except for the adoption of the following revised HKFRSs effective from 1 January 2021, noted below.

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

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

3 OPERATING SEGMENT INFORMATION

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

Geographical information

During the Period, all of the Group's revenue was generated from customers located in the PRC.

Non-current assets by geographical location are detailed below:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
The PRC	52,470	50,916
Malaysia	14,392	14,977
	66,862	65,893

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 June		Six months ended 30 June	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Company A*	3,992	4,840	8,844	7,357
Company B*	2,203	2,487	4,598	3,690
	6,195	7,327	13,442	11,047

* The customers are state-owned enterprises.

4 REVENUE, OTHER INCOME AND GAINS

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

	Three months ended 30 June		Six months ended 30 June	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue				
Sales of CNG	9,700	12,893	23,820	19,392
Provision of automated car wash services	–	83	–	226
	9,700	12,976	23,820	19,618
Other income and gains				
Government grants*	–	3,013	–	3,027
Interest income from loan to a related party	–	43	–	87
Bank interest income	13	5	35	6
Others	24	191	24	530
	37	3,252	59	3,650

* The amount represents grants received from the PRC government authorities by the Group in connection with certain financial rewards when local business enterprises meet certain conditions.

5 LOSS BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Cost of inventories sold	8,613	9,403	20,489	14,613
Depreciation of property, plant and equipment	1,099	1,053	2,186	2,113
Depreciation of right-of-use assets	671	636	1,332	950
Utility expense	432	391	901	683
Auditor's remuneration	238	285	238	285
Transportation expense	359	90	698	118
Amortisation of other intangible assets	122	74	263	148
Employee benefit expense:				
Wages and salaries	680	825	1,478	1,798
Equity-settled share option expense	474	1,495	833	2,434
Pension scheme contributions	84	(34)	180	(19)
Reversal of impairment losses on financial assets	(1,700)	–	(2,114)	–

6 FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	155	124	277	222
Interest on bank loans	33	–	68	–
Imputed interest on convertible bonds	97	212	238	351
	285	336	583	573

7 INCOME TAX

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

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

	Three months ended 30 June		Six months ended 30 June	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Current – the PRC Charge for the Period	–	–	–	–
Deferred tax	686	(40)	790	(52)
Total tax expense/(credit) for the Period	686	(40)	790	(52)

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

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax 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 subsidiary 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 equity holders of the Company by the weighted average number of ordinary shares in issue during the Period.

The basic loss per share is calculated as follows:

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
Loss attributable to equity holders of the Company (RMB'000)	(2,277)	(1,145)	(5,351)	(5,278)
Weighted average number of ordinary shares in issue ('000)	683,098	632,114	672,729	594,396
Basic loss per share (cents)	(0.33)	(0.18)	(0.80)	(0.89)

To illustrate the effect of the share consolidation pursuant to the ordinary resolutions passed at the extraordinary general meeting of the Company held on 16 July 2021 (see Note 15), 177,255,000 consolidated shares were in issue as at the date of this report. Accordingly, the calculation of the adjusted basic loss per share is based on the loss attributable to equity holders of the Company of RMB5,351,000 (loss for the six months ended 30 June 2020: RMB5,278,000) and the weighted average of 168,182,000 ordinary shares (six months ended 30 June 2020: weighted average of 148,599,000 ordinary shares) in issue during the Period. The adjusted basic loss per share for the Period was RMB3.18 (six months ended 30 June 2020: RMB3.55).

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 six months ended 30 June 2021 and 30 June 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.

9 DIVIDEND

The Board did not declare any payment of dividend for the three and six months ended 30 June 2021 (for the three and six months ended 30 June 2020: Nil).

10 PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2021, certain of the Group's building with a net carrying amount of approximately RMB707,000 was pledged to secure bank loan facilities granted to the Group (31 December 2020: RMB745,000).

11 TRADE RECEIVABLES

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Trade receivables	10,878	19,347
Impairment	(4,606)	(6,720)
	6,272	12,627

Trade receivables are expected to be recovered within 1 year.

As at 30 June 2021 and 31 December 2020, the ageing analysis of trade receivables based on the invoice date and net of loss allowance is as follows:

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Less than 3 months	5,398	9,768
3 to 6 months	874	2,269
6 to 12 months	-	6
Over 1 year	-	584
	6,272	12,627

12 INTEREST-BEARING BANK LOANS

As at 30 June 2021, the Group's bank loans, amounted to RMB4,000,000 (31 December 2020: RMB4,000,000), were interest-bearing at an effective rate of 3.35% per annum (31 December 2020: 3.35% per annum), mature in 2021 and were secured by mortgage over the Group's building and right-of-use assets, which had a net carrying value of approximately RMB707,000 and RMB1,452,000, respectively, a director of the Company, Liu Yong Cheng has guaranteed the Group's bank loans up to RMB4,000,000 at 30 June 2021 (31 December 2020: RMB4,000,000).

13 SHARE CAPITAL

	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000
Authorised 10,000,000,000 ordinary shares of HK\$0.01 each	88,632	88,632
Issued and fully paid: 709,020,000 (31 December 2020: 662,360,000) ordinary shares of HK\$0.01 each	5,990	5,607

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2020	500,000,000	4,135
Issue of shares (<i>note (a)</i>)	117,850,000	1,066
Conversion of convertible bonds (<i>note (b)</i>)	44,510,000	406
At 31 December 2020 and 1 January 2021	662,360,000	5,607
Conversion of convertible bonds (<i>note (c)</i>)	46,660,000	383
At 30 June 2021	709,020,000	5,990

13 SHARE CAPITAL (cont'd)

Notes:

- (a) On 6 January 2020, the Company completed the acquisition of the entire issued share capital of Jet Union Technology Limited, a company principally engaged in the automated car wash business in the PRC, through its wholly-owned subsidiaries by issue of 55,490,000 Shares and issue of convertible bonds in the principal amount of HK\$8,056,310 with the conversion price of HK\$0.181 per share (the "Jet Union Convertible Bonds").

On 3 April 2020, the Group completed the acquisition of the entire issued share capital of Silver Max AP Company Limited through issue of 62,360,000 shares and the issue of convertible bonds in the aggregate principal amount of HK\$7,465,600 with the conversion price of HK\$0.160 per share (the "Silver Max Convertible Bonds").

- (b) During the year ended 31 December 2020, the Jet Union Convertible Bonds have been fully converted and the 44,510,000 Shares in aggregate were allotted and issued accordingly.
- (c) On 21 May 2021, the Company allotted and issued 46,660,000 Shares at the conversion price of HK\$0.16 per share, upon full conversion of the Silver Max Convertible Bonds, as disclosed in the announcement of the Company dated 21 April 2020.

14 RELATED PARTY TRANSACTIONS

(a) *Transaction with related parties*

The Group had the following transactions with related parties during the Period:

	Three months ended 30 June		Six months ended 30 June	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Interest from an associate	-	43	-	87

Key management personnel compensation

Compensation paid and payable to key management personnel compensation comprises:

	Three months ended 30 June		Six months ended 30 June	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Short-term employee benefits	110	96	203	192
Equity-settled share option expense	69	181	132	731
Pension scheme contributions	-	-	-	2
Total compensation paid to key management personnel	179	277	335	925

14 RELATED PARTY TRANSACTIONS (cont'd)

(b) Period-end balance with related parties

As at 30 June 2021, the Group had an amount due from an associate of RMB3.8 million (31 December 2020: RMB3.8 million).

15 SUBSEQUENT EVENTS

Pursuant to the ordinary resolutions passed at the extraordinary general meeting of the Company held on 16 July 2021, the Company implemented the share consolidation with effect from 20 July 2021, on the basis that every four issued and unissued existing shares of the Company of HK\$0.01 each were consolidated into one consolidated share of HK\$0.04 each, ranked pari passu in all respects with each other. Upon completion of the share consolidation, the Company's share capital consists of 177,255,000 consolidated shares of HK\$0.04 each. No adjustment has been made in these financial statements in this regard.

The Group was recently informed by Jingzhou Public Transportation Group Co., Ltd. (荊州市公共交通集團有限責任公司) that our gas refuelling substation located at Shihao Road (十字號), Jingzhou, Hubei Province ("Shihao Substation"), will need to be demolished according to the unified planning requirements of the Shacheng District Government by mid of September 2021 and the Group will be compensated by approximately RMB3.3 million as a result of the incident. The Company will look for relocation opportunities and publish announcement(s) to inform its shareholders as and when appropriate. The Company confirms that the above incident will not have any material impact on the business operations and financial position of the Group.

16 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board on 13 August 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 RMB23.8 million for the six months ended 30 June 2021, increased by approximately RMB4.2 million or 21.4% when compared with approximately RMB19.6 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 RMB3.1 million or 28.4% from approximately RMB10.9 million for the six months ended 30 June 2020 to approximately RMB14.0 million for the six months ended 30 June 2021, and the revenue from sales of CNG to retail customers increased by approximately RMB1.3 million or 15.3% from approximately RMB8.5 million for the six months ended 30 June 2020 to approximately RMB9.8 million for the six months ended 30 June 2021.

For the three months ended 30 June 2021, revenue amounted to approximately RMB9.7 million, decreased by approximately RMB3.3 million or 25.4% from approximately RMB13.0 million for the three months ended 30 June 2020, which is mainly attributable to the main roads closure near one of the Group's gas refuelling substations and hence, minimal revenue was generated accordingly.

During the six months ended 30 June 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 RMB26.6 million for the six months ended 30 June 2021, representing an increase of approximately RMB6.6 million or 33.0% as compared to approximately RMB20.0 million for the six months ended 30 June 2020, which was primarily due to the increase in cost of inventories sold by approximately RMB5.9 million or 40.4% from approximately RMB14.6 million for the six months ended 30 June 2020 to approximately RMB20.5 million for the six months ended 30 June 2021, as a result of the significant increase in the sales volume of CNG and the high procurement cost of natural gas.

Gross profit/(loss)

Gross loss for the six months ended 30 June 2021 amounted to approximately RMB2.8 million, compared to a gross loss of approximately RMB0.3 million for the corresponding period of 2020. 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.



FINANCIAL REVIEW *(cont'd)*

Selling and distribution expenses

Selling and distribution expenses, which mainly represent staff costs and other office expenses incurred in our operation department, decreased by approximately RMB108,000 or 26.7%, from approximately RMB404,000 for the six months ended 30 June 2020 to approximately RMB296,000 for the six months ended 30 June 2021, mainly due to the decrease in staff costs.

Administrative expenses

Administrative expenses, which mainly represent employee benefit expenses and legal and professional fee, decreased by approximately RMB4.3 million or 58.1% from approximately RMB7.4 million for the six months ended 30 June 2020 to approximately RMB3.1 million for the six months ended 30 June 2021. The decrease was mainly attributable to (i) decrease in professional fee as a result of the acquisitions during the six months ended 30 June 2020; and (ii) recognition of fair value of the share options granted amounted to approximately RMB0.8 million during the Period, as compared to approximately RMB2.4 million during the six months ended 30 June 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 RMB790,000 for the six months ended 30 June 2021, compared to the income tax credit of approximately RMB52,000 for the six months ended 30 June 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 six months ended 30 June 2021 remained stable at approximately RMB5.4 million, compared with the net loss of approximately RMB5.3 million for the same period last year.

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 six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2021 was approximately RMB87.5 million. The Group's cash and cash equivalents as at 30 June 2021 was approximately RMB15.5 million. Our working capital represented by net current assets was approximately RMB26.3 million and our current ratio was 2.9. Based on our steady cash inflows from operations, coupled with sufficient cash and bank balances, we have adequate liquidity and financial resources to meet our working capital requirements.

Gearing ratio represents the bank and other borrowings (excluding convertible bonds) as a percentage of equity attributable to equity holders of the Company. As at 30 June 2021, total bank borrowings of the Group amounted to approximately RMB4.0 million. Accordingly, the gearing ratio of the Group was approximately 4.6%.

COMMITMENTS

As at 30 June 2021, the Group had the following capital commitments:

	30 June 2021 RMB'000	31 December 2020 RMB'000
Contracted, but not provided for:		
Plant and machinery	10,262	10,975
Acquisition of a subsidiary	–	46,901
	10,262	57,876

CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2021, our Group had no significant contingent liabilities and guarantees (31 December 2020: Nil).

CHARGE OF ASSETS

As at 30 June 2021, the Group's bank loans of RMB4.0 million were secured by mortgage over the Group's building and leasehold land, which had a net carrying value of approximately RMB0.7 million and RMB1.5 million, respectively (31 December 2020: RMB0.7 million and RMB1.5 million, respectively).

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 Period.

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 30 June 2021, our Group has a total of 69 employees (31 December 2020: 67 employees). Staff costs, including Directors' remuneration and equity-settled share option expense, of the Group were approximately RMB2.5 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately RMB4.2 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.

USE OF PROCEEDS

The Company's shares were listed on GEM of the Stock Exchange (the "Listing") on 18 May 2018 and the net proceeds from the Listing were approximately HK\$29.2 million. The Company intends to apply the net proceeds in the following manner:

Description	Planned use of proceeds as shown in the prospectus of the Company dated 8 May 2018 (the "Prospectus") (adjusted based on the actual net proceeds) HK\$'000	Percentage of net proceeds	Actual usage of proceeds from the Listing Date to 30 June 2021 HK\$'000	Unutilised amount as at 30 June 2021 HK\$'000
Expanding gas station network by constructing one CNG refuelling station	5,212	17.9%	1,193	4,019
Expanding gas station network by constructing one combined CNG/LNG refuelling station	12,250	42.0%	2,334	9,916
Upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity	8,772	30.1%	6,331	2,441
Working capital and other general corporate purposes	2,916	10.0%	2,916	–
Total	29,150	100.0%	12,774	16,376

USE OF PROCEEDS (cont'd)

In pursuance of our business objectives, the implementation plans of our Group are set forth below:

Implementation plan as disclosed in Prospectus	Actual progress achieved up to 30 June 2021
Expanding gas station network by constructing one CNG refuelling station	<ul style="list-style-type: none"> • Obtained quotations for equipment and settled deposits for certain station equipment • Discussing with consultants on the engagement terms and design work of the gas refuelling station • Submitted the application to the relevant government authorities for the construction of new refuelling station and negotiating with officials in relation to the specific requirements • Expected to complete the implementation by end of 2021
Expanding gas station network by constructing one combined CNG/LNG refuelling station	<ul style="list-style-type: none"> • Performed site visits and estimated traffic flow of possible sites to identify suitable site • Obtained quotations and settled deposits for certain station equipment • Discussing with consultants on the engagement terms and design work of the gas refuelling station • Submitted the application to the relevant government authorities for the construction of new refuelling station and negotiating with officials in relation to the specific requirements • Expected to complete the implementation by end of 2021
Upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity	<ul style="list-style-type: none"> • Engaged consultant for modification design of Jingzhou Primary Station and settled the prepayment for the consulting services • Discussing with contractors on engagement terms and construction work of facility building • Constructing additional facility building, compressor room and electricity switchboard room • Purchased tanker trucks and certain station equipment • Informed the relevant government authorities in relation to the proposed installation of new facilities at our Jingzhou Primary Station with LNG processing capability • Expected to complete the implementation by end of 2021

USE OF PROCEEDS *(cont'd)*

In relation to the required government approval for the above implementation plans, we have submitted the relevant application and have been in discussion with the government officials on the approval progress. However, due to the COVID-19 outbreak in the PRC, the approval process from the relevant government authorities has been delayed. Nevertheless, the Group has commenced other preparation works. Upon receiving the relevant approval from the government authorities, the Group would carry out feasibility study including environmental impact assessment to further implement the plans. The unutilised net proceeds have been placed with licensed banks in the PRC as at 30 June 2021.

The Directors would constantly evaluate the Group's business objectives and will change or modify plan against the changing market condition to ascertain the business growth of the Group.

As at the date of this report, the Directors do not anticipate any change to the principal plan as to the use of proceeds.

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 June 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)	53.82%
	Beneficial owner	–	6,623,600 (Note 3)	0.93%
Mr. Liu Yong Qiang	Interest in controlled corporation and parties acting in concert	375,000,000 (Note 4)	6,623,600 (Note 3)	53.82%
	Beneficial owner	–	6,623,600 (Note 2)	0.93%
Mr. Liu Chunde	Beneficial owner	–	6,623,600 (Note 5)	0.93%

* The percentage was calculated based on 709,020,000 Shares in issue as at 30 June 2021.

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 June 2021, Mr. Liu Yong Cheng directly owned 100% of Yongsheng Enterprise Limited ("Yongsheng"), which in turn held 108,750,000 shares or approximately 15.34% 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 37.55% of the issued Shares owned by Hongsheng Enterprise Limited ("Hongsheng") as at 30 June 2021 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 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.
- (3) 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.
- (4) As at 30 June 2021, Mr. Liu Yong Qiang directly owned 100% of Hongsheng, which in turn held 266,250,000 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 108,750,000 Shares or approximately 15.34% of the issued Shares owned by Yongsheng as at 30 June 2021 as a result of being a party acting in concert with Mr. Liu Yong Cheng.
- (5) On 21 January 2020 and 23 June 2020, Mr. Liu Chunde was granted an option to subscribe for 5,500,000 Shares and 1,123,600 Shares, respectively, under the Share Option Scheme.

Save as disclosed above, as at 30 June 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 30 June 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	Share Options	Approximate percentage of the total issued Shares*
Yongsheng	Beneficial owner and parties acting in concert	375,000,000 (Note 1)	13,247,200 (Note 2)	54.76%
Hongsheng	Beneficial owner and parties acting in concert	375,000,000 (Note 3)	13,247,200 (Note 2)	54.76%
Stable Development Company Limited (Note 3)	Beneficial owner	55,490,000 (Note 4)	–	7.83%
Mr. Lee Kwok Wah	Beneficial owner	37,970,000	–	5.36%

* The percentage was calculated based on 709,020,000 Shares in issue as at 30 June 2021.

Notes:

- (1) As at 30 June 2021, Mr. Liu Yong Cheng directly owned 100% of Yongsheng, which in turn held 108,750,000 shares or approximately 15.34% 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 37.55% of the issued Shares owned by Hongsheng as at 30 June 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.

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

Long position in ordinary shares and underlying Shares of the Company: *(cont'd)*

Notes: (cont'd)

- (2) 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 30 June 2021, Mr. Liu Yong Qiang directly owned 100% of Hongsheng, which in turn held 266,250,000 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 108,750,000 Shares or approximately 15.34% of the issued Shares owned by Yongsheng as at 30 June 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 30 June 2021, Mr. Yu Kin Wai Perway directly owned 100% of Stable Development Company Limited, which in turn held 55,490,000 Shares, therefore he was deemed, or taken to be interested in, all the Shares held by Stable Development Company Limited for the purpose of the SFO.

Save as disclosed above, as at 30 June 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				Exercise period of share options	Exercise price of share options HK\$	Date of grant of share options	Closing price of the Shares immediately before the date of grant of share options HK\$	Weighted average price of the Shares closing price of immediately before the exercise date HK\$
	At 1 January 2021	Granted during the Period	Exercised during the Period	Cancelled during the Period					
Directors, chief executive, substantial shareholders and/or their respective associates									
Liu Yong Cheng	5,500,000	-	-	-	21 January 2020 to 20 January 2025	0.166	21 January 2020	0.203	-
	1,123,600	-	-	-	23 June 2020 to 22 June 2025	0.130	23 June 2020	0.136	-
Liu Yong Qiang	5,500,000	-	-	-	21 January 2020 to 20 January 2025	0.166	21 January 2020	0.203	-
	1,123,600	-	-	-	23 June 2020 to 22 June 2025	0.130	23 June 2020	0.136	-
Liu Chunde	5,500,000	-	-	-	21 January 2020 to 20 January 2025	0.166	21 January 2020	0.203	-
	1,123,600	-	-	-	23 June 2020 to 22 June 2025	0.130	23 June 2020	0.136	-
Employees (other than Directors)									
In aggregate	27,500,000	-	-	-	21 January 2020 to 20 January 2025	0.166	21 January 2020	0.203	-
	55,505,600	-	-	-	23 June 2020 to 22 June 2025	0.130	23 June 2020	0.136	-
Shareholder and supervisor of an associate of the Group									
In aggregate	5,500,000	-	-	-	21 January 2020 to 22 January 2025	0.166	21 January 2020	0.203	-
	1,123,600	-	-	-	23 June 2020 to 22 June 2025	0.130	23 June 2020	0.136	-
Total	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	HK\$0.130	HK\$0.166
Exercise price per share	HK\$0.130	HK\$0.166
Expected volatility (%)	42.55	42.33
Risk-free interest rate (%)	0.31	1.62

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome.

3. The fair value of the share options granted during the Period was estimated at RMB4,655,000 using the Binomial Option Pricing Model, of which the Group recognised share option expenses of RMB833,000 (six months ended 30 June 2020: RMB2,434,000) 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)

5. Due to the share consolidation implemented by the Company with effect from 20 July 2021, adjustments were made to the number of outstanding share options and the exercise price on 16 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 six months ended 30 June 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 six months ended 30 June 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 during the six months ended 30 June 2021.

DEED OF NON-COMPETITION

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

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

COMPETING INTERESTS

During the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 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, 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 six months ended 30 June 2021 and this report.

SUBSEQUENT EVENT

Pursuant to the ordinary resolutions passed at the extraordinary general meeting of the Company held on 16 July 2021, the Company implemented the share consolidation with effect from 20 July 2021. In addition, the Group's Shihao Substation will need to be demolished by mid of September 2021 pursuant to the unified planning requirements of the Shacheng District Government. Details of the above are set out in note 15 of the unaudited condensed consolidated financial statements.

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 August 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.