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TL Natural Gas Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8536)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

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 first quarterly unaudited consolidated results of the Group for the three months ended 31 March 2022. This announcement, containing the full text of the 2022 first quarterly report of the Company (“**2022 First Quarterly Report**”), complies with the relevant requirements of The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of first quarterly results. Printed version of the 2022 First Quarterly Report will be delivered to the shareholders of the Company and available for viewing on the websites of GEM at www.hkgem.com and of the Company at www.tl-cng.com in due course.

By Order of the Board

TL Natural Gas Holdings Limited

LIU Yong Cheng

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 12 May 2022

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 Ms. LUO Hongru, Ms. ZENG Li and Mr. YEUNG Chun Yue David 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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

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

This report will remain on the website of GEM at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of publication and on the website of the Company at www.tl-cng.com.

UNAUDITED FIRST QUARTERLY RESULTS

The board of Directors (the "Board") is pleased to report the unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2022 (the "Period"), together with the unaudited comparative figures for the corresponding period in 2021, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2022

		Three months ended 31 March	
	Notes	2022 RMB'000	2021 RMB'000
REVENUE	4	11,057	14,120
Cost of sales		(10,571)	(15,143)
Gross Profit (loss)		486	(1,023)
Other income and gains	4	120	22
Reversal of impairment losses on financial assets, net		–	414
Selling and distribution expenses		(117)	(183)
Administrative expenses		(2,520)	(1,882)
Share of result of an associate		–	(20)
Finance costs	6	(44)	(298)
LOSS BEFORE TAXATION	5	(2,075)	(2,970)
Taxation	7	–	(104)
LOSS FOR THE PERIOD		(2,075)	(3,074)
Attributable to:			
Owners of the Company		(2,075)	(3,074)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			(Restated)
Basic and diluted (cents)	8	(1.20)	(1.86)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2022

	Three months ended 31 March		
	Notes	2022 RMB'000	2021 RMB'000
LOSS FOR THE PERIOD		(2,075)	(3,074)
OTHER COMPREHENSIVE INCOME (EXPENSE)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		1,282	219
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		1,282	219
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company's financial statements		(275)	(316)
Net other comprehensive expense that will not be reclassified to profit or loss in subsequent periods		(275)	(316)
OTHER COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD, NET OF TAX		1,007	(97)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(1,068)	(3,171)
Attributable to:			
Owners of the Company		(1,068)	(3,171)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 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
At 1 January 2022	5,990	80,560	3,985	-	17,350	3,322	2,112	(29,051)	84,268
Loss for the Period	-	-	-	-	-	-	-	(2,075)	(2,075)
Other comprehensive income for the Period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	1,282	-	-	1,282
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	(275)	-	-	(275)
Total comprehensive income (expense) for the Period	-	-	-	-	-	1,007	-	(2,075)	(1,068)
Equity-settled share option arrangement	-	-	136	-	-	-	-	-	136
At 31 March 2022	5,990	80,560	4,121	-	17,350	4,329	2,112	(31,126)	83,336
At 1 January 2021	5,607	74,190	3,068	2,029	17,350	3,601	2,112	(20,656)	87,301
Loss for the Period	-	-	-	-	-	-	-	(3,074)	(3,074)
Other comprehensive income for the Period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	219	-	-	219
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	(316)	-	-	(316)
Total comprehensive expense for the Period	-	-	-	-	-	(97)	-	(3,074)	(3,171)
Equity-settled share option arrangement	-	-	359	-	-	-	-	-	359
At 31 March 2021	5,607	74,190	3,427	2,029	17,350	3,504	2,112	(23,730)	84,489

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

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

The Company is an investment holding company. During the Period, the Company's subsidiaries were involved in the sales of CNG 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.

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 and change in board lot size of the Shares for trading on GEM of the Stock Exchange from 10,000 Shares to 5,000 Shares with effect from 20 July 2021, on the basis that every four issued and unissued 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 (the "Share Consolidation"). Upon completion of the Share Consolidation, the Company's share capital consists of 177,255,000 consolidated shares of HK\$0.04 each.

2 BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated financial statements for the three months ended 31 March 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.

In the Period, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2021, as described in those consolidated financial statements. The Group has adopted all the new and revised HKFRSs issued that are relevant to its operations and effective for its accounting period beginning on 1 January 2022. The application of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standard(s), amendments and interpretation(s) will have no material impact on the unaudited condensed consolidated financial statements.

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

3 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 31 March 2022 RMB'000	As at 31 December 2021 RMB'000
The PRC	33,029	34,071
Malaysia	13,965	14,117
	46,994	48,188

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 31 March	
	2022 RMB'000	2021 RMB'000
Company A*	2,538	4,940
Company B*	2,434	2,482
	4,972	7,422

* The customers are state-owned enterprises.

4 REVENUE, OTHER INCOME AND GAINS

The Group generated revenue from sales of CNG and other income and gains mainly represented bank interest income.

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

	Three months ended 31 March	
	2022 RMB'000	2021 RMB'000
Revenue		
Sales of CNG	11,057	14,120
Other income and gains		
Bank interest income and others	120	22

5 LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging (crediting):

	Three months ended 31 March	
	2022 RMB'000	2021 RMB'000
Cost of inventories sold	8,549	11,876
Depreciation of property, plant and equipment	1,060	1,087
Depreciation of right-of-use assets	437	661
Amortisation of other intangible assets	10	11
Utility expenses	373	469
Transportation expense	204	339
Employee benefit expense:		
Wages and salaries	813	798
Equity-settled share option expense	167	359
Pension scheme contributions	118	96
Reversal of impairment losses on trade receivables, net	-	(414)

6 FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 31 March	
	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	44	122
Interest on bank loans	–	35
Imputed interest on convertible bonds	–	141
	44	298

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 of the Group during the period are analysed as follows:

	Three months ended 31 March	
	2022 RMB'000	2021 RMB'000
Current – Mainland China		
Charge for the Period	–	–
Deferred tax	–	104
Total tax charge for the Period	–	104

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

8 LOSS PER SHARE

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

	Three months ended 31 March	
	2022	2021 (Restated)
Loss attributable to ordinary equity holders of the Company (RMB'000)	(2,075)	(3,074)
Weighted average number of ordinary shares in issue used in the basic loss per share calculation ('000)	172,768	165,590
Basic loss per share (RMB cents)	(1.20)	(1.86)

For the period ended 31 March 2022 and 2021, the weighted average number of ordinary shares for the purpose of the calculation of diluted loss per share has been adjusted for the Share Consolidation with effect from 20 July 2021. No adjustment has been made to the basic loss per share amounts presented for the period ended 31 March 2022 and 2021 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

In respect of the diluted loss per share amount for the Period, no adjustment has been made to the basic loss per share amount presented for the three months ended 31 March 2022 and 31 March 2021 as the impact of the share options and convertible bonds outstanding 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 the payment of any dividend for the three months ended 31 March 2022 (three months ended 31 March 2021: Nil).

10 APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board on 12 May 2022.

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 sales of CNG 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.

FINANCIAL REVIEW

Revenue

Revenue amounted to approximately RMB11.1 million for the three months ended 31 March 2022, decreased by approximately RMB3.0 million or 21.3% when compared with approximately RMB14.1 million for the corresponding period of 2021. The decrease was primarily due to the decrease in sales of CNG to both wholesale customers and retail customers, with reasons stated below.

The revenue from sales of CNG to wholesale customers decreased by approximately RMB2.5 million or 27.5% from approximately RMB9.1 million for the three months ended 31 March 2021 to approximately RMB6.6 million for the three months ended 31 March 2022, primarily due to the decrease in sales volume of CNG as a result of the ongoing impact of coronavirus pandemic (the "COVID-19") which affect the Group's business, in particular decrease in demand and reduction in travelling and passenger journeys, resulting from the on-going anti-pandemic measures. In addition, the revenue from sales of CNG to retail customers also decreased by approximately RMB0.5 million or 10.0% from approximately RMB5.0 million for the three months ended 31 March 2021 to approximately RMB4.5 million for the three months ended 31 March 2022. This is primarily due to the closure of certain main roads near one of the Group's gas refuelling stations at Shihao Road (十號路), Jingzhou, Hubei Province (which was demolished in the third quarter of 2021), according to the unified planning requirements of the Shacheng District Government, which resulted in the decrease in sales volume of CNG.

Cost of sales

Cost of sales amounted to approximately RMB10.6 million for the three months ended 31 March 2022, representing a decrease of approximately RMB4.5 million or 29.8% as compared to approximately RMB15.1 million for the three months ended 31 March 2021, which was primarily due to the decrease in cost of inventories sold by approximately RMB3.4 million or 28.6% from approximately RMB11.9 million for the three months ended 31 March 2021 to approximately RMB8.5 million for the three months ended 31 March 2022, as a result of the significant decrease in the sales volume of CNG.

FINANCIAL REVIEW *(cont'd)*

Gross profit/(loss)

Gross profit for the three months ended 31 March 2022 amounted to approximately RMB0.5 million, compared to a gross loss of approximately RMB1.0 million for the corresponding period of 2021. Gross loss for the three months ended 31 March 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.

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 RMB66,000 or 36.1%, from approximately RMB183,000 for the three months ended 31 March 2021 to approximately RMB117,000 for the three months ended 31 March 2022, mainly due to the decrease in staff costs.

Administrative expenses

Administrative expenses, which mainly represent employee benefit expenses and legal and professional fees, increased by approximately RMB0.6 million or 31.6% from approximately RMB1.9 million for the three months ended 31 March 2021 to approximately RMB2.5 million for the three months ended 31 March 2022. The increase was mainly attributable to increase in legal and professional fees from approximately RMB0.7 million for the three months ended 31 March 2021 to approximately RMB1.2 million for the three months ended 31 March 2022, as a result of the increase in general cost of compliance in order to cope with the latest regulatory requirements.

Finance costs

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

Taxation

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

Loss for the period

Loss attributable to the owners of the Company for the three months ended 31 March 2022 was approximately RMB2.1 million, decreased by RMB1.0 million or 32.3% as compared to approximately RMB3.1 million for the same period last year. The decrease was mainly attributable to the gross profit was recorded for the three months ended 31 March 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 variant. 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 Year 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 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.

The Group is principally engaged in the sales of compressed natural gas in the PRC. Whilst remaining focused on developing its existing principal businesses, the Group has been exploring electric power source as a cleaner alternative fuel, in addition to compressed natural gas and liquefied natural gas, which is in line with the government's initiatives for newer and cleaner energy sources. The Directors are of the view that the potential opportunity in the construction and operation of electric vehicle charging business will enable the Group to catch up with the development trend of new energy vehicles and seize the growth potential in the new energy vehicles sector resulting from the government's initiatives.

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 three months ended 31 March 2022 (three months ended 31 March 2021: Nil).

FOREIGN CURRENCY RISK

The Group carries out its business in China and most of its transactions are denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the three months ended 31 March 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 significant investments held by the Company, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Period.

There is no other plan authorised by the Board for other material investments or additions of capital assets as at the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, our Group had a total of 60 employees (31 December 2021: 67 employees). Staff costs, including Directors' remuneration and equity-settled share option expense, of the Group were approximately RMB1.1 million for the three months ended 31 March 2022 (three months ended 31 March 2021: approximately RMB1.3 million). Remuneration is determined with reference to factors such as comparable market salaries, work performance, time commitment and responsibilities of each individual. Employees are provided with relevant in-house and/or external training from time to time. The Group reviews the performance of employees from time to time.

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

As at 31 March 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%
Mr. Liu Chunde	Beneficial owner	–	1,655,900 (Note 5)	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 31 March 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 31 March 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 31 March 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 31 March 2022 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 1,375,000 Shares and 280,900 Shares, respectively, under the Share Option Scheme.

Save as disclosed above, as at 31 March 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 31 March 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 <i>(Note 1)</i>	3,311,800 <i>(Note 2)</i>	50.36%
Hongsheng	Beneficial owner and parties acting in concert	85,955,000 <i>(Note 3)</i>	3,311,800 <i>(Note 2)</i>	50.36%
Stable Development Company Limited ("Stable Development")	Beneficial owner	13,872,500 <i>(Note 4)</i>	–	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 31 March 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 31 March 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 31 March 2022, Mr. Liu Yong Qiang directly owned 100% of Hongsheng, which in turn held 66,562,000 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 19,392,500 Shares or approximately 10.94% of the issued Shares owned by Yongsheng as at 31 March 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 31 March 2022, Mr. Yu Kin Wai Perway directly owned 100% of Stable Development, 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 31 March 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				As at 31 March 2022	Exercise period of share options	Exercise price of share options	Date of grant of share options	Closing price of Shares immediately before the date of grant of share options	Weighted average closing price of the Shares immediately before the exercise date
	At 1 January 2022	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	1,375,000	-	-	-	1,375,000	21 January 2020 to 20 January 2025	0.664	21 January 2020	0.812	-
	280,900	-	-	-	280,900	23 June 2020 to 22 June 2025	0.520	23 June 2020	0.544	-
Liu Yong Qiang	1,375,000	-	-	-	1,375,000	21 January 2020 to 20 January 2025	0.664	21 January 2020	0.812	-
	280,900	-	-	-	280,900	23 June 2020 to 22 June 2025	0.520	23 June 2020	0.544	-
Liu Chunde	1,375,000	-	-	-	1,375,000	21 January 2020 to 20 January 2025	0.664	21 January 2020	0.812	-
	280,900	-	-	-	280,900	23 June 2020 to 22 June 2025	0.520	23 June 2020	0.544	-
Employees (other than Directors)										
In aggregate	6,875,000	-	-	-	6,875,000	21 January 2020 to 20 January 2025	0.664	21 January 2020	0.812	-
	12,317,409	-	-	-	12,317,409	23 June 2020 to 22 June 2025	0.520	23 June 2020	0.544	-
Shareholder and supervisor of an associate of the Group										
In aggregate	1,375,000	-	-	-	1,375,000	21 January 2020 to 22 January 2025	0.664	21 January 2020	0.812	-
	280,900	-	-	-	280,900	23 June 2020 to 22 June 2025	0.520	23 June 2020	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)	HK\$0.130	HK\$0.166
Exercise price per share (before the Share Consolidation) (note 5)	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 was estimated at RMB4,655,000 using the Binomial Option Pricing Model, of which the Group recognised share option expenses of RMB167,000 (for the three months ended 31 March 2021: RMB359,000) 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.
5. 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 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, which represented approximately 14.56% of the issued Shares as at the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save for the Share Option Scheme, at no time for the three months ended 31 March 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 three months ended 31 March 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 for the three months ended 31 March 2022.

DEED OF NON-COMPETITION

As disclosed in the Company's annual report for the year ended 31 December 2021, the controlling shareholders of the Group ("Controlling Shareholders") entered into a deed of non-competition on 20 April 2018 (for itself and as trustee for its subsidiaries) (the "Deed of Non-Competition"). The Controlling Shareholders confirmed to the Company that they have complied with the Deed of Non-Competition during the Period.

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

COMPETING INTERESTS

During the three months ended 31 March 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 three months ended 31 March 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.

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 and Ms. Luo Hongru and Ms. Zeng Li as its members. The audit and risk management committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 and this report.

SUBSEQUENT EVENT

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

FORWARD LOOKING STATEMENTS

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

By order of the Board

TL Natural Gas Holdings Limited
Liu Yong Cheng

Executive Director, Chairman & Chief Executive Officer

Hong Kong, 12 May 2022

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; Ms. Luo Hongru, Ms. Zeng Li and Mr. Yeung Chun Yue David as independent non-executive Directors.