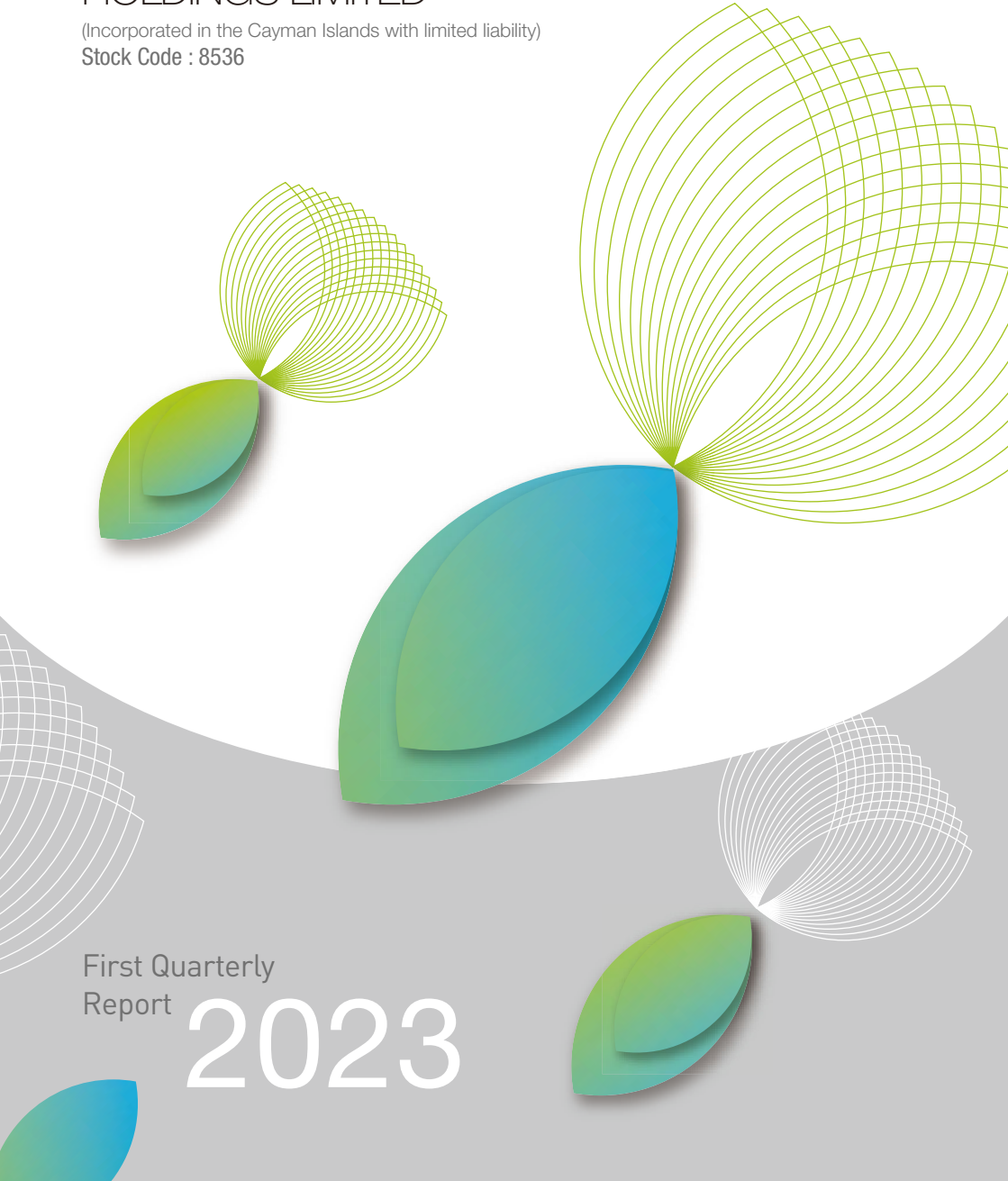


TL NATURAL GAS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8536



First Quarterly
Report

2023



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. Liquefied natural gas (“LNG”) refers to natural gas that has been converted to liquid form.

This report will remain on the “Latest Listed Company Information” page on the website of the Stock Exchange of Hong Kong Limited at www.hkexnews.hk for a minimum period of seven days from the date of its publication and on the Company’s website 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 2023 (the "Period"), together with the unaudited comparative figures for the corresponding period in 2022, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2023

	Notes	Three months ended 31 March	
		2023 RMB'000	2022 RMB'000
REVENUE	4	14,825	11,057
Cost of sales		(12,905)	(10,571)
Gross Profit		1,920	486
Other income	4	53	120
Selling and distribution expenses		(149)	(117)
Administrative expenses		(3,613)	(2,520)
Finance costs	6	(43)	(44)
LOSS BEFORE TAXATION	5	(1,832)	(2,075)
Taxation	7	-	-
LOSS FOR THE PERIOD		(1,832)	(2,075)
Attributable to:			
Owners of the Company		(1,798)	(2,075)
Non-Controlling interests		(34)	-
		(1,832)	(2,075)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (cents)	8	(1.01)	(1.20)



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2023

	Notes	Three months ended 31 March	
		2023 RMB'000	2022 RMB'000
LOSS FOR THE PERIOD		(1,832)	(2,075)
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		818	1,282
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		818	1,282
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		(523)	(275)
Net other comprehensive expense that will not be reclassified to profit or loss in subsequent periods		(523)	(275)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		295	1,007
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(1,537)	(1,068)
Attributable to:			
Owners of the Company		(1,503)	(1,068)
Non-Controlling interests		(34)	–
		(1,537)	(1,068)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Attributable to Owners of the Company								Non-controlling interest RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total RMB'000		
At 1 January 2023	5,990	80,560	4,300	17,350	4,464	2,112	(32,125)	82,651	(570)	82,081
Loss for the Period	-	-	-	-	-	-	(1,798)	(1,798)	(34)	(1,832)
Other comprehensive income for the Period:										
Exchange differences on translation of foreign operations	-	-	-	-	818	-	-	818	-	818
Exchange differences on translation of the Company's financial statements	-	-	-	-	(523)	-	-	(523)	-	(523)
Total comprehensive income (expense) for the Period	-	-	-	-	295	-	(1,798)	(1,503)	(34)	(1,537)
At 31 March 2023	5,990	80,560	4,300	17,350	4,759	2,112	(33,923)	81,148	(604)	80,544
At 1 January 2022	5,990	80,560	3,985	17,350	3,322	2,112	(29,051)	84,268	-	84,268
Loss for the Period	-	-	-	-	-	-	(2,075)	(2,075)	-	(2,075)
Other comprehensive income for the Period:										
Exchange differences on translation of foreign operations	-	-	-	-	1,282	-	-	1,282	-	1,282
Exchange differences on translation of the Company's financial statements	-	-	-	-	(275)	-	-	(275)	-	(275)
Total comprehensive income (expense) for the Period	-	-	-	-	1,007	-	(2,075)	(1,068)	-	(1,068)
Equity-settled share option arrangement	-	-	136	-	-	-	-	136	-	136
At 31 March 2022	5,990	80,560	4,121	17,350	4,329	2,112	(31,126)	83,336	-	83,336



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 and LNG and provision of transmission service in the People's Republic of China (the "PRC").

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

2 BASIS OF PREPARATION AND PRESENTATION

These unaudited condensed consolidated financial statements for the three months ended 31 March 2023 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 2022, 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 2022, 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 2023 RMB'000	As at 31 December 2022 RMB'000
The PRC	28,887	28,640
Malaysia	14,706	14,546
	43,593	43,186

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	
	2023 RMB'000	2022 RMB'000
Company A*	5,068	2,538
Company B*	1,355	2,434
	6,423	4,972

* The customers are state-owned enterprises.



4 REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Three months ended 31 March	
	2023 RMB'000	2022 RMB'000
Revenue		
Sale of CNG	13,067	11,057
Transmission service	232	–
Sale of LNG	1,526	–
	14,825	11,057
Other income		
Bank interest income and others	53	120

5 LOSS BEFORE TAXATION

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

	Three months ended 31 March	
	2023 RMB'000	2022 RMB'000
Cost of inventories sold	9,815	8,549
Depreciation of property, plant and equipment	730	1,060
Depreciation of right-of-use assets	432	437
Amortisation of other intangible assets	11	10
Utility expenses	310	373
Transportation expense	274	204
Employee benefit expense:		
Wages and salaries	820	813
Equity-settled share option expense	–	167
Pension scheme contributions	94	118



6 FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 31 March	
	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	43	44
	43	44

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	
	2023 RMB'000	2022 RMB'000
Current – Mainland China Charge for the Period	–	–
Deferred tax	–	–
Total tax charge for the Period	–	–

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	
	2023	2022
Loss attributable to ordinary equity holders of the Company (RMB'000)	(1,798)	(2,075)
Weighted average number of ordinary shares in issue used in the basic loss per share calculation ('000)	177,255	172,768
Basic loss per share (RMB cents)	(1.01)	(1.20)

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 2023 and 31 March 2022 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 2023 (three months ended 31 March 2022: Nil).

10 APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved by the Board on 11 May 2023.



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 and LNG and provision of transmission service in the PRC.

Sales of CNG and LNG

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. The Group also supplies LNG to some wholesale customers.

FINANCIAL REVIEW

Revenue

Revenue amounted to approximately RMB14.8 million for the three months ended 31 March 2023, increased by approximately RMB3.7 million or 33.3% when compared with approximately RMB11.1 million for the corresponding period of 2022. The increase was primarily due to the increase in sales of CNG to wholesale customers, which was partially offset by the decrease in sales of CNG to retail customers, with reasons stated below.

The revenue from sales of CNG to wholesale customers increased by approximately RMB4.3 million or 65.2% from approximately RMB6.6 million for the three months ended 31 March 2022 to approximately RMB10.9 million for the three months ended 31 March 2023, primarily due to increase in both sales volume of CNG and the average selling price. On the contrary, the revenue from sales of CNG to retail customers decreased by approximately RMB2.3 million or 51.1% from approximately RMB4.5 million for the three months ended 31 March 2022 to approximately RMB2.2 million for the three months ended 31 March 2023. This is primarily due to one of the Group's major retail customers, Jingzhou Public Transportation Head Office (荆州市公共交通總公司) has gradually switched its operated buses to electric vehicles instead of CNG vehicles.

During the Period, the Group also derived revenue of approximately RMB1.5 million from sales of LNG (three months ended 31 March 2022: Nil) and approximately RMB0.2 million from provision of transmission services of CNG (three months ended 31 March 2022: Nil).

Cost of sales

Cost of sales amounted to approximately RMB12.9 million for the three months ended 31 March 2023, representing an increase of approximately RMB2.3 million or 21.7% as compared to approximately RMB10.6 million for the three months ended 31 March 2022, which was primarily due to the increase in cost of inventories sold by approximately RMB1.3 million or 15.3% from approximately RMB8.5 million for the three months ended 31 March 2022 to approximately RMB9.8 million for the three months ended 31 March 2023, as a result of the increase in the sales volume of CNG.



FINANCIAL REVIEW (cont'd)

Gross profit

Gross profit increased by approximately RMB1.4 million from approximately RMB0.5 million for the three months ended 31 March 2022 to approximately RMB1.9 million for the three months ended 31 March 2023. Gross profit margin increased by 8.6% from 4.4% for the three months ended 31 March 2022 to 13.0% for the three months ended 31 March 2023, mainly attributable to introduction of certain new customers with higher markup in the second half of 2022.

Selling and distribution expenses

Selling and distribution expenses, which mainly represent staff costs and other office expenses incurred in our operation department, increased by approximately RMB32,000 or 27.4%, from approximately RMB117,000 for the three months ended 31 March 2022 to approximately RMB149,000 for the three months ended 31 March 2023, mainly due to expenses incurred as a result of the introduction of new businesses since the second quarter of 2022.

Administrative expenses

Administrative expenses, which mainly represent employee benefit expenses and legal and professional fees, increased by approximately RMB1.1 million or 44.0% from approximately RMB2.5 million for the three months ended 31 March 2022 to approximately RMB3.6 million for the three months ended 31 March 2023. The increase was mainly attributable to (i) increase in repair and maintenance expenses of approximately RMB0.9 million incurred for the gas refuelling stations in order to cope with the safety requirements and (ii) the increase in general operating costs such as staff costs, utilities and other office expenses of approximately RMB0.1 million as a result of the introduction of new businesses since the second quarter of 2022.

Finance costs

Finance costs represent interest on lease liabilities.

Taxation

No current income tax expense has been provided for the three months ended 31 March 2023 as there were no assessable profits generated during the Period and there were no significant deferred tax for the Period.

Loss for the period

Loss attributable to the owners of the Company for the three months ended 31 March 2023 was approximately RMB1.8 million, decreased by RMB0.3 million or 14.3% as compared to approximately RMB2.1 million for the same period last year. The decrease was mainly attributable to the gross profit of approximately RMB1.9 million recorded for the Period, partially offset by the increase in administrative expenses, as explained above.



PROSPECTS

As the anti-pandemic restrictive measures in PRC such as quarantines and home observations for international travels have been lifted, China's economy has been recovering with GDP growth expected to remain robust in the coming years.

Since 2022, the Group was also engaged in the digital marketing and fast food catering businesses in the PRC. As such businesses are still in early stages, they did not generate significant revenue for the Group. The Group will continue to actively explore new business opportunities in order to diversify its income source. The Directors believe that the recovery of economy will be supported in the near future by strong national policies and fiscal programmes.

Looking forward, the Group is optimistic about the growth of consumption of natural gas along with China improving its energy consumption structure by shifting from coal to cleaner energy such as natural gas and other renewable energy. In recent years, the PRC government has issued a series of policies to support further development and utilisation of natural gas and natural gas vehicles. Besides, the PRC government is making every effort to prevent and control pollution and to promote clean production in enterprises. 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 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 explore additional ways to increase shareholder value.



DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2023 (three months ended 31 March 2022: 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 2023.

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 2023, our Group had a total of 62 employees (31 December 2022: 64 employees). Staff costs, including Directors' remuneration and equity-settled share option expense, of the Group were approximately RMB0.9 million for the three months ended 31 March 2023 (three months ended 31 March 2022: approximately RMB1.1 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 2023, interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

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

Name	Capacity/Nature of interests	Number of Shares held	Share Options	Approximate percentage of the total issued Shares
Mr. Liu Yong Cheng	Interest in controlled corporation and parties acting in concert	85,955,000 (Note 1)	1,655,900 (Note 2)	49.43%
	Beneficial owner	–	1,655,900 (Note 3)	0.93%
Mr. Liu Yong Qiang	Interest in controlled corporation and parties acting in concert	85,955,000 (Note 4)	1,655,900 (Note 3)	49.43%
	Beneficial owner	–	1,655,900 (Note 2)	0.93%



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

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

Notes:

- (1) As at 31 March 2023, 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 2023 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 2023, 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 2023 as a result of being a party acting in concert with Mr. Liu Yong Cheng.

Save as disclosed above, as at 31 March 2023, 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 2023, 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 2023, 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 2023, 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 2023 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 2023, 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 2023 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 2022.



SHARE OPTION SCHEME (cont'd)

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

Name or category of participant	Number of share options				Exercise price of share options HK\$	Date of grant of share options	Closing price of Shares immediately before the date of grant of share options HK\$	Weighted average closing price of the Shares immediately before the exercise date HK\$	
	At 1 January 2023	Granted during the period	Exercised during the period	Cancelled during the period					Lapsed during the period
Directors, chief executive, substantial shareholders and/or their respective associates									
Liu Yong Cheng	1,375,000 280,900	-	-	-	-	1,375,000 280,900	0.664 0.520	21 January 2020 to 20 January 2025 23 June 2020 to 22 June 2025	0.812 0.544
Liu Yong Qiang	1,375,000 280,900	-	-	-	-	1,375,000 280,900	0.664 0.520	21 January 2020 to 20 January 2025 23 June 2020 to 22 June 2025	0.812 0.544
Employees (other than Directors)									
In aggregate	8,250,000 12,598,309	-	-	-	-	8,250,000 12,598,309	0.664 0.520	21 January 2020 to 20 January 2025 23 June 2020 to 22 June 2025	0.812 0.544
Shareholder and supervisor of an associate of the Group									
In aggregate	1,375,000 280,900	-	-	-	-	1,375,000 280,900	0.664 0.520	21 January 2020 to 22 January 2025 23 June 2020 to 22 June 2025	0.812 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. 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 2023 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 2023.

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 2023.

DEED OF NON-COMPETITION

As disclosed in the Company's annual report for the year ended 31 December 2022, 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 2023, 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 2023 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 Hubei Tonglin Natural Gas Service Company Limited* (湖北桐林石油天然氣服務有限公司) since its establishment, 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 2023 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.

* For identification purpose only



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, 11 May 2023

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