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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 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 interim unaudited consolidated results of the Group for the six months ended 30 June 2022. This announcement, containing the full text of the 2022 interim report of the Company (“**2022 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 2022 Interim Report will be delivered to the shareholders of the Company and available for viewing on the websites of GEM at [www.hkgem.com](http://www.hkgem.com) and of the Company at [www.tl-cng.com](http://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, 10 August 2022

*As at the date of this announcement, the Board comprises Mr. LIU Yong Cheng, Mr. LIU Yong Qiang and Mr. LIU Yong Sheng 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](http://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](http://www.tl-cng.com).*



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

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

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

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

*This report will remain on the website of GEM at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of publication and on the website of the Company at [www.tl-cng.com](http://www.tl-cng.com).*



## UNAUDITED 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 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 and the six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>REVENUE</b>	4	<b>16,010</b>	9,700	<b>27,067</b>	23,820
Cost of sales		<b>(12,251)</b>	(11,429)	<b>(22,822)</b>	(26,572)
<b>Gross profit (loss)</b>		<b>3,759</b>	(1,729)	<b>4,245</b>	(2,752)
Other income and gains	4	<b>67</b>	37	<b>187</b>	59
Selling and distribution expenses		<b>(164)</b>	(113)	<b>(281)</b>	(296)
Administrative expenses		<b>(3,870)</b>	(1,201)	<b>(6,390)</b>	(3,083)
Reversal of impairment losses on financial assets, net		–	1,700	–	2,114
Share of result of an associate		–	–	–	(20)
Finance costs	6	<b>(148)</b>	(285)	<b>(192)</b>	(583)
<b>LOSS BEFORE TAXATION</b>	5	<b>(356)</b>	(1,591)	<b>(2,431)</b>	(4,561)
Taxation	7	<b>(27)</b>	(686)	<b>(27)</b>	(790)
<b>LOSS FOR THE PERIOD</b>		<b>(383)</b>	(2,277)	<b>(2,458)</b>	(5,351)
Attributable to: Owners of the Company		<b>(383)</b>	(2,277)	<b>(2,458)</b>	(5,351)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>					
Basic and diluted (cents)	8	<b>(0.22)</b>	(0.33)	<b>(1.39)</b>	(0.80)

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

For the three months and the six months ended 30 June 2022

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
<b>LOSS FOR THE PERIOD</b>	<b>(383)</b>	(2,277)	<b>(2,458)</b>	(5,351)
OTHER COMPREHENSIVE EXPENSE				
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	<b>(1,984)</b>	(417)	<b>(702)</b>	(198)
Net other comprehensive expense that may be reclassified to profit or loss in subsequent periods	<b>(1,984)</b>	(417)	<b>(702)</b>	(198)
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	<b>569</b>	544	<b>294</b>	228
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<b>569</b>	544	<b>294</b>	228
<b>OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(1,415)</b>	127	<b>(408)</b>	30
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD</b>	<b>(1,798)</b>	(2,150)	<b>(2,866)</b>	(5,321)
Attributable to:				
Owners of the Company	<b>(1,798)</b>	(2,150)	<b>(2,866)</b>	(5,321)



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		23,037	23,876
Right-of-use assets		5,895	5,012
Other intangible assets		1,174	1,436
Deferred tax assets		1,802	1,829
Advance payments for property, plant and equipment		17,712	17,864
Total non-current assets		49,620	50,017
<b>CURRENT ASSETS</b>			
Inventories		70	12
Trade receivables	10	4,781	6,028
Prepayments, other receivables and other assets		11,340	11,902
Bank balances and cash		28,255	29,647
Total current assets		44,446	47,589
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		4,795	6,718
Lease liabilities		955	968
Tax payable		2,870	2,870
Total current liabilities		8,620	10,556
<b>NET CURRENT ASSETS</b>		<b>35,826</b>	<b>37,033</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>85,446</b>	<b>87,050</b>
<b>NON-CURRENT LIABILITY</b>			
Lease liabilities		3,729	2,782
Total non-current liability		3,729	2,782
<b>NET ASSETS</b>		<b>81,717</b>	<b>84,268</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (cont'd)

As at 30 June 2022

		As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
	Note		
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	11	5,990	5,990
Reserves		75,727	78,278
<b>TOTAL EQUITY</b>		<b>81,717</b>	84,268



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to Owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Equity component of convertible bonds RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
<b>At 1 January 2021</b>	5,607	74,190	3,068	2,029	17,350	3,601	2,112	(20,656)	87,301
Loss for the period	-	-	-	-	-	-	-	(5,351)	(5,351)
Other comprehensive expense for the Period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(198)	-	-	(198)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	228	-	-	228
Total comprehensive income/ (expense) for the period	-	-	-	-	-	30	-	(5,351)	(5,321)
Equity-settled share option arrangements	-	-	833	-	-	-	-	-	833
Conversion of convertible bonds	383	6,370	-	(2,029)	-	-	-	-	4,724
<b>At 30 June 2021</b>	5,990	80,560	3,901	-	17,350	3,631	2,112	(26,007)	87,537
<b>At 1 January 2022</b>	5,990	80,560	3,985	-	17,350	3,322	2,112	(29,051)	84,268
Loss for the period	-	-	-	-	-	-	-	(2,458)	(2,458)
Other comprehensive expense for the Period:									
Exchange differences on translation of foreign operations	-	-	-	-	-	(702)	-	-	(702)
Exchange differences on translation of the Company's financial statements	-	-	-	-	-	294	-	-	294
Total comprehensive expense for the period	-	-	-	-	-	(408)	-	(2,458)	(2,866)
Equity-settled share option arrangements	-	-	315	-	-	-	-	-	315
<b>At 30 June 2022</b>	5,990	80,560	4,300	-	17,350	2,914	2,112	(31,509)	81,717



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
<b>Net cash generated from operating activities</b>	<b>743</b>	17,328
<b>Net cash used in investing activities</b>	<b>(1,163)</b>	(4,274)
<b>Net cash used in financing activities</b>	<b>(718)</b>	(3,373)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,138)</b>	9,681
Cash and cash equivalents at beginning of period	<b>29,647</b>	6,226
Effect of foreign exchange rate changes, net	<b>(254)</b>	(438)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>28,255</b>	15,469





## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1 CORPORATE AND GROUP INFORMATION

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

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

The shares of the Company (the "Shares") 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 2022 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 2021, 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)

### Application of amendments to HKFRSs

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

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

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3 OPERATING SEGMENT INFORMATION

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

### Geographical information

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

Non-current assets by geographical location are detailed below:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
The PRC	33,563	34,071
Malaysia	14,255	14,117
	47,818	48,188

### 3 OPERATING SEGMENT INFORMATION *(cont'd)*

#### Major customers

The following are major customers of the Group with revenue equal to or more than 10% of the Group's total revenue:

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Customer A*	3,174	3,992	5,712	8,844
Customer B*	2,310	2,203	4,744	4,598
	5,484	6,195	10,456	13,442

\* 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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Revenue				
Sales of CNG	16,010	9,700	27,067	23,820
Other income and gains				
Bank interest income	31	13	43	35
Others	36	24	144	24
	67	37	187	59

## 5 LOSS BEFORE TAXATION

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

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Cost of inventories sold	<b>10,424</b>	8,613	<b>18,973</b>	20,489
Depreciation of property, plant and equipment	<b>960</b>	1,099	<b>2,020</b>	2,186
Depreciation of right-of-use assets	<b>140</b>	671	<b>577</b>	1,332
Utility expense	<b>371</b>	432	<b>744</b>	901
Auditor's remuneration	<b>170</b>	238	<b>332</b>	238
Transportation expense	<b>217</b>	359	<b>421</b>	698
Amortisation of other intangible assets	<b>15</b>	122	<b>25</b>	263
Employee benefit expense:				
Wages and salaries	<b>990</b>	680	<b>1,803</b>	1,478
Equity-settled share option expense	<b>179</b>	474	<b>315</b>	833
Pension scheme contributions	<b>160</b>	84	<b>278</b>	180
Reversal of impairment losses on financial assets, net	-	(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	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	<b>148</b>	155	<b>192</b>	277
Interest on bank loans	-	33	-	68
Imputed interest on convertible bonds	-	97	-	238
	<b>148</b>	285	<b>192</b>	583

## 7 TAXATION

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

The major components of taxation are analysed as follows:

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Current – Mainland China Charge for the Period	–	–	–	–
Deferred tax	27	686	27	790
<b>Total taxation for the Period</b>	<b>27</b>	<b>686</b>	<b>27</b>	<b>790</b>

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

The statutory tax rate for the 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 ordinary 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	
	2022	2021	2022	2021
Loss attributable to ordinary equity holders of the Company (RMB'000)	<b>(383)</b>	(2,277)	<b>(2,458)</b>	(5,351)
Weighted average number of ordinary shares in issue ('000)	<b>177,255</b>	683,098	<b>177,255</b>	672,729
Basic loss per share (cents)	<b>(0.22)</b>	(0.33)	<b>(1.39)</b>	(0.80)

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 and six months ended 30 June 2022 and 30 June 2021 as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

## 9 DIVIDEND

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

## 10 TRADE RECEIVABLES

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Trade receivables, gross	<b>10,825</b>	12,072
Less: Allowance for credit losses	<b>(6,044)</b>	(6,044)
Trade receivables, net	<b>4,781</b>	6,028

Trade receivables are expected to be recovered within 1 year.

As at 30 June 2022 and 31 December 2021, the ageing analysis of trade receivables based on the invoice date and net of loss allowance is as follows:

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Within 3 months	<b>4,781</b>	6,028
3 to 6 months	-	-
6 to 12 months	-	-
Over 1 year	-	-
	<b>4,781</b>	6,028

**11 SHARE CAPITAL**

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Authorised 2,500,000,000 ordinary shares of HK\$0.04 each	<b>88,632</b>	88,632
Issued and fully paid: 177,255,000 ordinary shares of HK\$0.04 each	<b>5,990</b>	5,990

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 2021	662,360,000	5,607
Conversion of convertible bonds ( <i>note (a)</i> )	46,660,000	383
Share consolidation ( <i>note (b)</i> )	(531,765,000)	–
At 31 December 2021 and 30 June 2022	177,255,000	5,900



## 11 SHARE CAPITAL (cont'd)

Notes:

- (a) 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 convertible bonds, as disclosed in the announcement of the Company dated 21 April 2020.
- (b) 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 consolidated financial statements in this regard.

## 12 RELATED PARTY TRANSACTIONS

### (a) Key management personnel compensation

Compensation paid and payable to key management personnel compensation comprises:

	Three months ended 30 June		Six months ended 30 June	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Short-term employee benefits	247	110	499	203
Equity-settled share option expense	19	69	37	132
Total compensation paid to key management personnel	266	179	536	335

**12 RELATED PARTY TRANSACTIONS (cont'd)***(b) Period-end balance with related parties*

As at 31 December 2021, the Group had an amount due from an associate of RMB480,000 (30 June 2022: Nil).

**13 SUBSEQUENT EVENTS**

The Group had no significant events occurred subsequent to the end of the Period.

**14 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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



## **MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW**

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

### **Sales of CNG**

The Group mainly supplies CNG and derives revenue mainly from the distribution of CNG to both (i) retail customers which are mostly vehicular end-users; and (ii) wholesale customers which are urban gas companies, gas refuelling station operators and industrial users. The principal product offering is CNG and the Group purchases natural gas from PetroChina Company Limited.

## FINANCIAL REVIEW

### Revenue

Revenue amounted to approximately RMB27.1 million for the six months ended 30 June 2022, increased by approximately RMB3.3 million or 13.9% when compared with approximately RMB23.8 million for the corresponding period of 2021. 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 RMB4.5 million or 32.1% from RMB14.0 million for the six months ended 30 June 2021 to RMB18.5 million for the six months ended 30 June 2022, due to increase in average selling price of CNG to wholesale customers while the sales volume remained stable. On the contrary, the revenue from sales of CNG to retail customers decreased by RMB1.2 million or 12.2% from RMB9.8 million for the six months ended 30 June 2021 to RMB8.6 million for six months ended 30 June 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 RMB22.8 million for the six months ended 30 June 2022, representing a decrease of approximately RMB3.8 million or 14.3% as compared to approximately RMB26.6 million for the six months ended 30 June 2021, which was primarily due to the decrease in cost of inventories sold by approximately RMB1.5 million or 7.3% from approximately RMB20.5 million for the six months ended 30 June 2021 to approximately RMB19.0 million for the six months ended 30 June 2022, as a result of the decrease in the sales volume of CNG.

### Gross profit/(loss)

Gross profit for the six months ended 30 June 2022 amounted to approximately RMB4.2 million, compared to a gross loss of approximately RMB2.8 million for the corresponding period of 2021. Gross loss for the six months ended 30 June 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.



## **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, remained stable at approximately RMB281,000 for the six months ended 30 June 2022, as compared to approximately RMB296,000 for the six months ended 30 June 2021.

### **Administrative expenses**

Administrative expenses, which mainly represent employee benefit expenses and legal and professional fee, increased by approximately RMB3.3 million or 106.5% from approximately RMB3.1 million for the six months ended 30 June 2021 to approximately RMB6.4 million for the six months ended 30 June 2022.

The increase was mainly attributable to the increase in general operating costs such as staff costs, utilities and other office expenses as a result of the introduction of new businesses during the Period; and the increase in legal and professional fees, 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 and interest on bank loans.

### **Taxation**

Income tax expense amounted to approximately RMB27,000 for the six months ended 30 June 2022. 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 six months ended 30 June 2022 was approximately RMB2.5 million, decreased by approximately RMB2.9 million or 53.7% as compared to approximately RMB5.4 million for the same period last year. The decrease was mainly attributable to the gross profit was recorded for the six months ended 30 June 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 wave 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.

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

The Board will continue to assess the impact of the COVID-19 on the Group's operation and financial performance and will closely monitor the Group's exposure to the risks and uncertainties in connection with the outbreak of the COVID-19. The Group will take appropriate measures as necessary to minimise the risks exposed and will act prudently in considering any new investment opportunities, and will in the meantime also pursue other means of enhancing shareholder value.



## DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The total equity of the Group as at 30 June 2022 was approximately RMB81.7 million. The Group's cash and cash equivalents as at 30 June 2022 was approximately RMB28.3 million. Our working capital represented by net current assets was approximately RMB35.8 million and our current ratio was 5.2. 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. Gearing ratio is not applicable to the Group since the Group did not have any interest-bearing bank borrowings as at 30 June 2022.

## COMMITMENTS

As at 30 June 2022, the Group had the following capital commitments:

	30 June 2022 RMB'000	31 December 2021 RMB'000
Contracted, but not provided for: Plant and machinery	189	2,569

## CONTINGENT LIABILITIES AND GUARANTEES

As at 30 June 2022, our Group had no significant contingent liabilities and guarantees (31 December 2021: Nil).

### **CHARGE OF ASSETS**

As at 30 June 2022, the Group had no charge of assets (31 December 2021: Nil).

### **FOREIGN CURRENCY RISK**

The Group carries out its business in the PRC and most of its transactions are denominated in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the 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 2022, our Group has a total of 84 employees (31 December 2021: 67 employees). Staff costs, including Directors' remuneration and equity-settled share option expense, of the Group were approximately RMB2.4 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately RMB2.5 million). Remuneration is determined with reference to factors such as comparable market salaries, work performance, time commitment and responsibilities of each individual. Employees are provided with relevant in-house and/or external training from time to time. The Group reviews the performance of employees from time to time.



## 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 has applied and 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 2022 HK\$'000	Unutilised amount as at 30 June 2022 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%	8,772	–
Working capital and other general corporate purposes	2,916	10.0%	2,916	–
<b>Total</b>	<b>29,150</b>	<b>100.0%</b>	<b>15,215</b>	<b>13,935</b>

**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 2022
Expanding gas station network by constructing one CNG refuelling station	<ul style="list-style-type: none"> <li>• Obtained quotations for equipment and settled deposits for certain station equipment</li> <li>• Discussing with consultants on the engagement terms and design work of the gas refuelling station</li> <li>• 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</li> <li>• Expected to complete the implementation by end of 2022</li> </ul>
Expanding gas station network by constructing one combined CNG/LNG refuelling station	<ul style="list-style-type: none"> <li>• Performed site visits and estimated traffic flow of possible sites to identify suitable site</li> <li>• Obtained quotations and settled deposits for certain station equipment</li> <li>• Discussing with consultants on the engagement terms and design work of the gas refuelling station</li> <li>• 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</li> <li>• Expected to complete the implementation by end of 2022</li> </ul>
Upgrading infrastructures and facilities of our Jingzhou Primary Station to equip it with LNG processing capacity	<ul style="list-style-type: none"> <li>• Engaged consultant for modification design of Jingzhou Primary Station and settled the prepayment for the consulting services</li> <li>• Discussing with contractors on engagement terms and construction work of facility building</li> <li>• Constructing additional facility building, compressor room and electricity switchboard room</li> <li>• Purchased tanker trucks and certain station equipment</li> <li>• Informed the relevant government authorities in relation to the proposed installation of new facilities at our Jingzhou Primary Station with LNG processing capability</li> <li>• Completed the implementation in 2021</li> </ul>

**USE OF PROCEEDS** *(cont'd)*

As disclosed in the Prospectus, the Company intended to install new facilities at the Jingzhou Primary Station, a gas processing station which acts as a primary station bridging high pressure pipelined gas that is being transmitted from PetroChina to the Group, to enlarge the Group's wholesale customer base and enable the Group to capture both CNG and LNG market. The implementation plan for upgrading infrastructures and facilities of the Jingzhou Primary Station to equip it with LNG processing capacity has been completed during the Year, and the Jingzhou Primary Station is currently able to maintain the pressure and low temperature of LNG, pump and dispense LNG, thereby operating with selling both CNG and LNG.

In relation to the above other implementation plans, the Group has submitted the relevant application and has been in discussion with the government officials on the approval progress. However, due to the demolition of one of the Group's gas refuelling substation located at Shihao Road, Jingzhou, Hubei Province, in July 2021, the Company has been looking for relocation opportunities and will seek approval from the relevant government authorities once the new location is identified. 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 2022.

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 2022, interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

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

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

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION (cont'd)****Long positions in ordinary shares and underlying Shares of the Company: (cont'd)**

Notes:

- (1) As at 30 June 2022, Mr. Liu Yong Cheng directly owned 100% of Yongsheng Enterprise Limited ("Yongsheng"), which in turn held 19,392,500 shares or approximately 10.94% of the issued Shares; therefore he was deemed, or taken to be interested in, all the shares held by Yongsheng for the purpose of the SFO; pursuant to the acting in concert confirmation dated 14 June 2017, in which Mr. Liu Yong Cheng was also deemed to be interested in 66,562,500 Shares or approximately 37.55% of the issued Shares owned by Hongsheng Enterprise Limited ("Hongsheng") as at 30 June 2022 as a result of being a party acting in concert with Mr. Liu Yong Qiang.
- (2) On 21 January 2020 and 23 June 2020, Mr. Liu Yong Qiang was granted an option to subscribe for 1,375,000 Shares and 280,900 Shares, respectively, under the share option scheme approved and adopted by the shareholders of the Company by way of written resolutions passed on 20 April 2018 (the "Share Option Scheme"). For further details of the Share Option Scheme, please refer to the section headed Share Option Scheme in this report.
- (3) On 21 January 2020 and 23 June 2020, Mr. Liu Yong Cheng was granted an option to subscribe for 1,375,000 Shares and 280,900 Shares, respectively, under the Share Option Scheme.
- (4) As at 30 June 2022, Mr. Liu Yong Qiang directly owned 100% of Hongsheng, which in turn held 66,562,500 shares or approximately 37.55% of the issued Shares; therefore he was deemed, or taken to be interested in, all the shares held by Hongsheng for the purpose of the SFO; pursuant to the acting in concert confirmation dated 14 June 2017, in which Mr. Liu Yong Qiang was also deemed to be interested in 19,392,500 Shares or approximately 10.94% of the issued Shares owned by Yongsheng as at 30 June 2022 as a result of being a party acting in concert with Mr. Liu Yong Cheng.

Save as disclosed above, as at 30 June 2022, none of the Directors nor chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2022, other than the Directors and chief executive of the Company, the following persons/entities have an interest or a short position in the Shares or the underlying Shares as recorded in the register of the Company required to be kept under section 336 of the SFO:

### Long position in ordinary shares and underlying Shares of the Company:

Name	Capacity	Number of Shares held	Share Options	Approximate percentage of the total issued Shares
Yongsheng	Beneficial owner and parties acting in concert	85,955,000 (Note 1)	3,311,800 (Note 2)	50.36%
Hongsheng	Beneficial owner and parties acting in concert	85,955,000 (Note 3)	3,311,800 (Note 2)	50.36%
Stable Development Company Limited (Note 3)	Beneficial owner	13,872,500 (Note 4)	–	7.83%
Mr. Lee Kwok Wah	Beneficial owner	9,492,500	–	5.36%

#### Notes:

- (1) As at 30 June 2022, Mr. Liu Yong Cheng directly owned 100% of Yongsheng, which in turn held 19,392,500 shares or approximately 10.94% of the issued Shares; therefore he was deemed, or taken to be interested in, all the shares held by Yongsheng for the purpose of the SFO; pursuant to the acting in concert confirmation dated 14 June 2017, in which Mr. Liu Yong Cheng was also deemed to be interested in 66,562,500 Shares or approximately 37.55% of the issued Shares owned by Hongsheng as at 30 June 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.



## **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 1,375,000 Shares and 280,900 Shares, respectively, under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the section headed Share Option Scheme in this report.
- (3) As at 30 June 2022, Mr. Liu Yong Qiang directly owned 100% of Hongsheng, which in turn held 66,562,500 shares or approximately 37.55% of the issued Shares; therefore he is deemed, or taken to be interested in, all the shares held by Hongsheng for the purpose of the SFO; pursuant to the acting in concert confirmation dated 14 June 2017, in which Mr. Liu Yong Qiang was also deemed to be interested in 19,392,500 Shares or approximately 10.94% of the issued Shares owned by Yongsheng as at 30 June 2022 as a result of being a party acting in concert with Mr. Liu Yong Cheng. Mr. Liu Yong Qiang, an executive Director, is also a director of Hongsheng.
- (4) As at 30 June 2022, Mr. Yu Kin Wai Perway directly owned 100% of Stable Development Company Limited, which in turn held 13,872,500 Shares, therefore he was deemed, or taken to be interested in, all the Shares held by Stable Development Company Limited for the purpose of the SFO.

Save as disclosed above, as at 30 June 2022 and so far as known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company and any Associated Corporation" above, had notified the Company of an interest or short position in the Shares or underlying Shares which had been required to be recorded in the register required to be kept by the Company pursuant Section 336 of the SFO.

### **SHARE OPTION SCHEME**

The Share Option Scheme was approved and adopted by the shareholders of the Company by way of written resolutions passed on 20 April 2018. Details of the Share Option Scheme are set out in the annual report of the Company for the year ended 31 December 2021.

## SHARE OPTION SCHEME (cont'd)

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

Name or category of participant	Number of share options				Exercise price of share options HK\$	Date of grant of share options	Closing price of the Shares immediately before the date of grant of share options HK\$	Weighted average closing price of the Shares immediately before the exercise date HK\$
	At 1 January 2022	Granted during the Period	Exercised during the Period	Cancelled during the Period				
<b>Directors, chief executive, substantial shareholders and/or their respective associates</b>								
Liu Yong Cheng	1,375,000	-	-	-	0.664	21 January 2020	0.812	-
	280,900	-	-	-	0.520	23 June 2020	0.544	-
Liu Yong Qiang	1,375,000	-	-	-	0.664	21 January 2020	0.812	-
	280,900	-	-	-	0.520	23 June 2020	0.544	-
Liu Chunde	1,375,000	-	-	-	0.664	21 January 2020	0.812	-
	280,900	-	-	-	0.520	23 June 2020	0.544	-
<b>Employees (other than Directors)</b>								
In aggregate	6,875,000	-	-	-	0.664	21 January 2020	0.812	-
	12,317,409	-	-	-	0.520	23 June 2020	0.544	-
<b>Shareholder and supervisor of an associate of the Group</b>								
In aggregate	1,375,000	-	-	-	0.664	21 January 2020	0.812	-
	280,900	-	-	-	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 during the Period was estimated at RMB4,655,000 using the Binomial Option Pricing Model, of which the Group recognised share option expenses of RMB315,000 (six months ended 30 June 2021: RMB833,000) during the Period. The fair value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.
4. Share options which are cancelled/lapsed/forfeited prior to their exercise date will be removed from the Company's register of outstanding share options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits/accumulated losses as a movement in reserves.

## SHARE OPTION SCHEME (cont'd)

Notes: (cont'd)

- Due to the Share Consolidation 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 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 six months ended 30 June 2022.

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

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings during the six months ended 30 June 2022.

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

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

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 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 six months ended 30 June 2022 to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner, save for the deviation stipulated below.

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

## **CHANGES IN DIRECTORS’ INFORMATION**

Subsequent to the date of the 2021 annual report of the Company, the changes in Directors’ information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules for the six months ended 30 June 2022 and up to the date of this report are set out below:

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

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

The Company has established an audit and risk management committee with written terms of reference in compliance with the code provision D.3.3 of the CG Code. The audit and risk management committee consists of three independent non-executive Directors, namely Mr. Yeung Chun Yue David as the Chairman, Ms. Luo Hongru and Ms. Zeng Li as its members. The audit and risk management committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 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, 10 August 2022

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