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TL Natural Gas Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8536)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF JET UNION TECHNOLOGY LIMITED INVOLVING THE ISSUE OF NEW SHARES UNDER GENERAL MANDATE

ACQUISITION

The Board is pleased to announce that on 17 December 2019 (after trading hours), the Company, the Vendor and the Vendor's Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase from the Vendor, and the Vendor has conditionally agreed to sell to the Company, the Sale Shares (representing the entire issued share capital of the Target Company) at the Consideration of RMB19.0 million, which will be satisfied partly by the allotment and issue of the Consideration Shares and partly by cash. The Vendor's Guarantor has agreed to guarantee all the performance, obligations, undertaking and liabilities of the Vendor under the Sale and Purchase Agreement.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Company's consolidated financial statements.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 19 of the GEM Listing Rules in relation of the Acquisition are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent to the Sale and Purchase Agreement and may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 17 December 2019 (after trading hours), the Company, the Vendor and the Vendor's Guarantor entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to purchase from the Vendor, and the Vendor has conditionally agreed to sell to the Company, the Sale Shares (representing the entire issued share capital of the Target Company) at the Consideration of RMB19.0 million, which will be satisfied partly by the allotment and issue of the Consideration Shares and partly by cash. The Vendor's Guarantor has agreed to guarantee all the performance, obligations, undertaking and liabilities of the Vendor under the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

Date: 17 December 2019 (after trading hours)

Parties: (1) the Company, as the purchaser;

(2) the Vendor; and

(3) the Vendor's Guarantor.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor (or its nominee(s)) and its/their ultimate beneficial owner(s) and the Vendor's Guarantor are Independent Third Parties.

Nature of the transaction and assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to purchase from the Vendor, and the Vendor has conditionally agreed to sell to the Company, the Sale Shares, which are duly allotted and issued and free from all encumbrances, and together with all rights and entitlements attaching thereto as at Completion.

As at the date of this announcement, the Sale Shares represent the entire issued share capital of the Target Company.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and the financial results of the Target Group will be consolidated into the Company's consolidated financial statements.

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration shall be RMB19.0 million, which shall be payable by the Company to the Vendor in accordance with the following manners:

- (i) RMB3.0 million shall be paid by the Company to the Vendor within seven Business Days upon signing the Sale and Purchase Agreement as refundable deposit and part payment of the Consideration (the “**Deposit**”);
- (ii) RMB13.1 million of the Consideration shall be settled by the Company within seven Business Days upon Completion by the issue and allotment of 100,000,000 new Shares at the Issue Price of HK\$0.146 per Consideration Share (equivalent to approximately RMB0.131 per Consideration Share) by the Company out of the General Mandate and free from any encumbrances to the Vendor (or its nominee(s)); and
- (iii) RMB2.9 million of the Consideration shall be settled by the Company by way of cash upon Completion.

The above cash payments will be funded by the Group’s internal resources.

Basis of the Consideration

The Consideration was determined through arm’s length negotiation between the Vendor and the Company on a commercial basis with reference to (i) the net asset value of Lvze Jieneng Technology, being the only operating subsidiary of the Target Group, (ii) the reasons for the Acquisition as discussed in the section headed “Reasons for and benefits of the Acquisition” below, and (iii) the growth prospects of the automated car wash business in the PRC.

Taking into account the above, the Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and on normal commercial terms or better, and the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be subject to the following conditions precedent being fulfilled and satisfied on or before the Long Stop Date or such other day as the parties to the Sale and Purchase Agreement may mutually agree in writing:

- (a) the representations, warranties and undertakings given by the Vendor and the Vendor’s Guarantor under the Sale and Purchase Agreement remaining true and accurate and not misleading in any respect as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and the date of Completion;
- (b) there being no breach of any of the terms and conditions set out in the Sale and Purchase Agreement by the Vendor and the Target Company;

- (c) the Listing Division of the Stock Exchange having granted the approval for the listing of, and the permission to deal in, the Consideration Shares; and
- (d) all necessary relevant approvals and consents (including approvals of the relevant governmental and regulatory authorities) if any, in relation to the Sale and Purchase Agreement and the transactions contemplated therein having been obtained by the Vendor.

The Company may waive in writing the conditions precedent (a) and (b) as set out above at its absolute discretion. The above conditions precedent (c) and (d) shall not be waived. In the event that all conditions precedent above are not being satisfied or waived (as the case may be) on or before the Long Stop Date, and without affecting the liabilities for any breach of any terms of the Sale and Purchase Agreement, the Vendor shall forthwith return the Deposit in its entirety to the Purchaser, and the Sale and Purchase Agreement and any matters contained thereof and the rights and obligations of the parties pursuant to the Sale and Purchase Agreement shall cease to have any effect. No party shall have any claim against the other in respect of the obligations and liabilities contemplated thereunder in the Sale and Purchase Agreement; provided that (i) non-fulfilment of any of the conditions is not due to the fault or default of the Company or the Vendor; or (ii) there are prior breaches of the terms of the Sale and Purchase Agreement by the Company or the Vendor.

Completion

The Completion shall take place no later than the Long Stop Date after the conditions precedent to the Sale and Purchase Agreement having been fulfilled (or waived), or such other day as the parties to the Sale and Purchase Agreement may mutually agree in writing.

Vendor's Guarantor's guarantee

The Vendor's Guarantor has agreed to guarantee all the performance, obligations, undertaking and liabilities of the Vendor under the Sale and Purchase Agreement.

CONSIDERATION SHARES AND THE ISSUE PRICE

The Consideration Shares of 100,000,000 Shares represent:

- (i) 20.000% of the total number of issued shares of the Company as at the date of this announcement; and
- (ii) approximately 16.667% of the total number of issued shares of the Company as enlarged by the issue and allotment of the Consideration Shares.

The Consideration Shares will be allotted and issued under the General Mandate at Completion. As at the date of the announcement, no Shares had been issued under the General Mandate.

The Consideration Shares will be issued at the Issue Price of HK\$0.146 per Consideration Share which represents:

- (i) a discount of approximately 16.571% to the closing price of HK\$0.175 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and
- (ii) a discount of approximately 19.337% to the average closing price of approximately HK\$0.181 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of signing of the Sale and Purchase Agreement.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distribution and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Issue Price was determined after arm's length negotiations between the Company and the Vendor, with reference to, among others (i) the prevailing market price of the Shares; (ii) the relatively thin trading volume of the Shares in the last two months before signing of the Sale and Purchase Agreement; and (iii) the financial performance of the Group. The Directors consider the Issue Price is fair and reasonable and the issue of the Consideration Shares at the Issue Price is in the interests of the Company and the Shareholders as a whole.

GENERAL MANDATE

All the Consideration Shares will be allotted and issued under the General Mandate, which was granted to the Directors pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 3 May 2019 to issue and allot up to 100,000,000 Shares, representing 20% of the total number of issued Shares as at the date of passing such resolution. Up to the date of this announcement, (i) no Shares had been allotted or issued pursuant to the General Mandate, and (ii) the General Mandate was sufficient for the allotment and issue of the Consideration Shares. The Company has not repurchased any Shares within the last 30 days prior to the date of this announcement. As the Consideration Shares will be allotted and issued pursuant to the General Mandate, the allotment and issue of the Consideration Shares is not subject to any further approval of the Shareholders.

APPLICATION FOR LISTING OF THE CONSIDERATION SHARES

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued and credited as fully paid, will rank *pari passu* in all respects with each other and with other Shares then in issue at the time of allotment and issue of the Consideration Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 500,000,000 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately upon the allotment and issuance of the Consideration Shares (i.e after the Completion) and assuming there are no other changes in the share capital of the Company from the date of this announcement to the date of allotment and issue of the Consideration Shares:

Shareholders	(i) As at the date of this announcement		(ii) Immediately upon the allotment and issuance of the Consideration Shares (i.e. after the Completion)	
	Shares Approximately %		Shares Approximately %	
Hongsheng Enterprise Limited ("Hongsheng") (Note 1)	266,250,000	53.250	266,250,000	44.375
Yongsheng Enterprise Limited ("Yongsheng") (Note 2)	108,750,000	21.750	108,750,000	18.125
The Vendor (or its nominees)	–	–	100,000,000	16.667
Other public Shareholders	125,000,000	25.000	125,000,000	20.833
Total	500,000,000	100.000	600,000,000	100.000

Notes:

- (1) Mr. Liu Yong Qiang directly owns 100% interest of Hongsheng, which in turn holds 266,250,000 shares or approximately 53.250% of the issued Shares of the Company; 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 is also deemed to be interested in 108,750,000 Shares or approximately 21.750% of the issued Shares owned by Yongsheng as a result of being a party acting in concert with Mr. Liu Yong Cheng.
- (2) Mr. Liu Yong Cheng directly owns 100% interest of Yongsheng, which in turn holds 108,750,000 shares or approximately 21.750% of the issued Shares of the Company; therefore he is 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 is also deemed to be interested in 266,250,000 Shares or approximately 53.250% of the issued Shares owned by Hongsheng as a result of being a party acting in concert with Mr. Liu Yong Qiang.

INFORMATION ON THE VENDOR AND THE TARGET GROUP

The Vendor

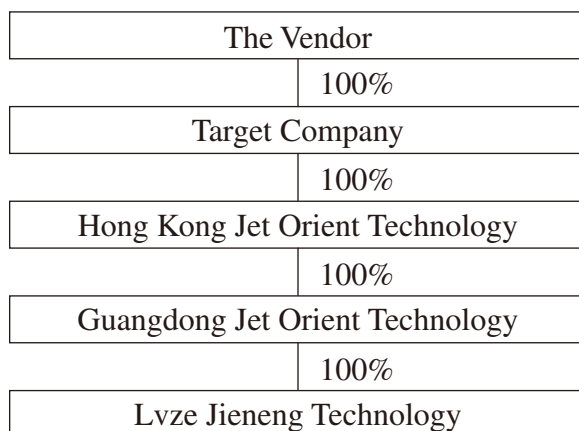
To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, the Vendor, is principally engaged in investment holding.

The Target Group

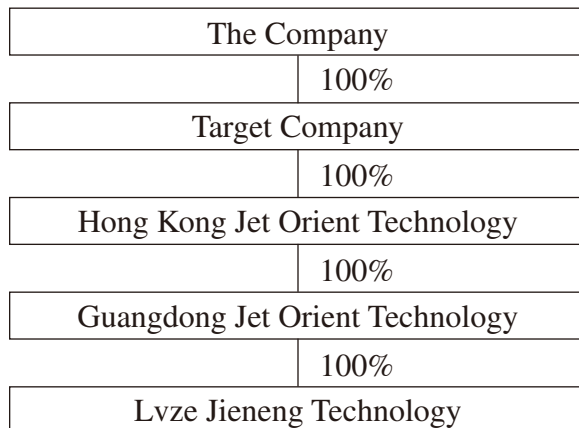
To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, the following set out the information of the Target Group.

The following diagrams illustrate the shareholding structures of the Target Group (i) as at the date of this announcement, and (ii) immediately after the Completion:

Shareholding structure of the Target Group as at the date of this announcement



Shareholding structure of the Target Group immediately after the Completion



(i) *The Target Company*

The Target Company is a company incorporated in the British Virgin Islands with limited liability on 18 October 2019. As advised by the Vendor, the principal business of the Target Company is investment holding. As at the date of this announcement, the Target Company is wholly-owned by the Vendor.

(ii) *Hong Kong Jet Orient Technology*

Hong Kong Jet Orient Technology is a company incorporated in Hong Kong with limited liability on 29 October 2019. As advised by the Vendor, the principal business of Hong Kong Jet Orient Technology is investment holding. As at the date of this announcement, Hong Kong Jet Orient Technology is wholly-owned by the Target Company.

(iii) *Guangdong Jet Orient Technology*

Guangdong Jet Orient Technology is a limited liability company established in the PRC on 13 November 2019. As advised by the Vendor, the principal business of Guangdong Jet Orient Technology is investment holding. As at the date of this announcement, Guangdong Jet Orient Technology is wholly-owned by Hong Kong Jet Orient Technology.

(iv) *Lvze Jieneng Technology*

Lvze Jieneng Technology is a company established in the PRC with limited liability on 12 August 2015. As advised by the Vendor, Lvze Jieneng Technology is principally engaged in the automated car wash business by providing automated car wash services through its car washing facilities set up in a number of gas refueling and petroleum stations in the PRC. As at the date of this announcement, Lvze Jieneng Technology is wholly-owned by Guangdong Jet Orient Technology.

Set out below is the unaudited financial information of Lvze Jieneng Technology, being the only operating subsidiary of the Target Group, for the years ended 31 December 2017 and 31 December 2018 and the period from 1 January 2019 to 11 December 2019:

	For the period from 1 January 2019 to 11 December 2019 RMB'000 (unaudited)	For the year ended 31 December 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Net loss (before taxation and extraordinary items) and net loss (after taxation and extraordinary items)	122	28	42

As at 11 December 2019, the unaudited total assets and net asset value of Lvze Jieneng Technology was approximately RMB19.0 million and RMB18.8 million, respectively.

As the Target Company, Hong Kong Jet Orient Technology and Guangdong Jet Orient Technology were only incorporated or established recently, these companies did not have any financial statements as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group mainly supplies CNG and derives revenue mainly from the distribution of CNG to both retail customers which are mostly vehicular end-users, and wholesale customers which are urban gas companies, gas refueling station operators and industrial users.

The Group has been actively considering and exploring various business opportunities according to the market conditions with an aim to enhance the Shareholders' value. The Directors consider that the automated car wash business of the Target Group will provide additional value-added services to the Group's retail customers and boost its revenue generated from its existing gas refueling stations through providing automated car wash services to retail customers.

In addition, the Group plans to expand its business presence by providing automated car wash services to other gas refueling and petroleum stations in the PRC, which will promote the Group's brand while simultaneously generating a new revenue stream for the Group.

Moreover, settlement of the Consideration partially by way of the allotment and issue of the Consideration Shares would reduce cash outflows of the Group, while the capital base of the Company would be enlarged; therefore, the current and future liquidity position of the Group can be maintained.

In light of the benefits above, the terms of the Sale and Purchase Agreement were determined after arm's length negotiations between the parties thereto and the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 19 of the GEM Listing Rules in relation of the Acquisition are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent to the Sale and Purchase Agreement and may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendor subject to the terms and conditions of the Sale and Purchase Agreement;
“associates”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday or any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted between 9:00 a.m. and 5:00 p.m. in Hong Kong) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours;
“Company”	TL Natural Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM (Stock Code: 8536);
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement;
“connected person(s)”	has the meaning as ascribed thereto under the GEM Listing Rules;
“Consideration”	RMB19.0 million, being the total consideration for the Acquisition, which will be satisfied partly by the allotment and issue of the Consideration Shares and partly by cash upon Completion, in accordance with the terms and conditions of the Sale and Purchase Agreement;
“Consideration Share(s)”	the 100,000,000 new Shares to be allotted and issued to the Vendor (or its nominee(s)) at the Issue Price, credited as fully paid, for the purpose of settling part of the Consideration;
“Director(s)”	the director(s) of the Company;
“GEM”	GEM of the Stock Exchange;

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited;
“General Mandate”	the mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 3 May 2019 to allot, issue and otherwise deal with up to 20% of the total number of issued Shares as at the date of passing such resolution;
“Group”	the Company and its subsidiaries;
“Guangdong Jet Orient Technology”	Guangdong Jet Orient Technology Co., Ltd.* (廣東捷凱科技有限公司), a wholly owned foreign enterprise established in the PRC, which is wholly-owned by Hong Kong Jet Orient Technology as at the date of this announcement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Jet Orient Technology”	Jet Orient Technology Limited (捷凱科技有限公司), a company incorporated in Hong Kong with limited liability, which is wholly-owned by the Target Company as at the date of this announcement;
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“Issue Price”	HK\$0.146 (equivalent to approximately RMB0.131), being the issue price per Consideration Share, the price at which the Consideration Shares will be allotted and issued by the Company to the Vendor (or its nominee(s)), pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Listing Division”	the listing division of the Stock Exchange for consideration applications for and granting of listing;
“Long Stop Date”	31 March 2020 or such later date as extended pursuant to the Sale and Purchase Agreement;

“Lvze Jieneng Technology”	Dongguan Lvze Jieneng Technology Co., Ltd.* (東莞市綠澤節能科技有限公司), a company established in the PRC with limited liability, which is wholly-owned by Guangdong Jet Orient Technology as at the date of this announcement;
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 17 December 2019 entered into between the Company and the Vendor in respect of the Acquisition;
“Sale Share(s)”	100 issued and fully paid up share of the Target Company, representing the entire issued share capital of Target Company, being beneficially owned by the Vendor;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the issued share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Jet Union Technology Limited (捷銳科技有限公司), a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by the Vendor as at the date of this announcement and an Independent Third Party;
“Target Group”	the Target Company, Hong Kong Jet Orient Technology, Guangdong Jet Orient Technology and Lvze Jieneng Technology;
“Vendor”	Stable Development Company Limited (安穩發展有限公司), a company incorporated in Hong Kong with limited liability, which is wholly-owned by the Vendor’s Guarantor as at the date of this announcement and an Independent Third Party;

“Vendor’s Guarantor” Mr. Yu Kin Wai Perway, an Independent Third Party and the ultimate beneficial owner of the Vendor; and

“%” per cent.

By Order of the Board
TL Natural Gas Holdings Limited
LIU Yong Cheng
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 17 December 2019

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese name prevails.*

For the purpose of this announcement, the translation of RMB into HK\$ is based on the rate of HK\$1.00 = RMB0.89668. The above conversion rates are for illustrative purpose only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforesaid or any other rates or at all.

As at the date of this announcement, the Board comprises Mr. LIU Yong Cheng, Mr. LIU Yong Qiang and Mr. LIU Chunde as executive Directors; and Mr. WONG Chun Peng Stewart, Mr. LI Wai Kwan and Ms. LI Helen Hoi Lam as independent non-executive Directors.

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

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