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TL Natural Gas Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8536)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF EVERGREEN LEADER LIMITED; ISSUE OF SHARES UNDER SPECIFIC MANDATE; AND PROPOSED REFRESHMENT OF EXISTING GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 19 January 2020, the Purchaser and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase from the Vendors, and the Vendors have conditionally agreed to sell to the Purchaser, the Sale Shares (representing the entire issued share capital of the Target Company) at the Consideration of MYR29,000,000 (equivalent to approximately HK\$55,099,200), which shall be satisfied by the allotment and issue of the Consideration Shares and the issue of the Convertible Bonds upon the Completion.

Upon the 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 with those of the Group.

REFRESHMENT OF EXISTING GENERAL MANDATE

As the Existing General Mandate has been fully utilised by the Company, in order to allow for flexibility to raise further capital to finance future investments and/or for further business development, the Board also proposes to refresh the Existing General Mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued Shares as at the date of passing of the relevant resolution at the EGM. Subject to the passing of such resolution at the EGM and based on the total number of 555,490,000 issued Shares assuming that the Company does not issue or repurchase any Shares prior to the EGM, the Refreshment of General Mandate will allow the Directors to issue and allot up to 111,098,000 new Shares, being 20% of the entire issued share capital of the Company as at the date of this announcement.

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 25% but all applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Vendors are the controlling shareholders of the Company and the executive Directors. Accordingly, the Vendors are connected persons of the Company under the GEM Listing Rules, and the Acquisition, including the allotment and issue of the Consideration Shares and the Conversion Shares under the Specific Mandate, constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As the Refreshment of General Mandate is made before the next annual general meeting of the Company, pursuant to Rule 17.42A(1) of the GEM Listing Rules, the Refreshment of General Mandate will be subject to the approval of the Independent Shareholders by way of an ordinary resolution at the EGM. As at the date of this announcement, as Mr. Liu Yong Cheng and Mr. Liu Yong Qiang are the controlling shareholders of the Company, they and their respective associates are required to abstain from voting in favour of the ordinary resolution regarding the proposed grant of the Refreshment of General Mandate at the EGM.

EGM

The EGM will be held to consider and, if thought fit, pass the ordinary resolutions to approve, among other things, the Acquisition, the Specific Mandate, the Refreshment of General Mandate and the transactions contemplated thereunder by the Independent Shareholders.

Mr. Liu Yong Cheng and Mr. Liu Yong Qiang and their respective associates will abstain from voting on the relevant ordinary resolution(s) to be proposed at the EGM for approving the Acquisition, the Specific Mandate and the Refreshment of General Mandate.

DESPATCH OF CIRCULAR

A circular containing, among other information, (i) details of the Acquisition, (ii) details of the Specific Mandate, (iii) details of the Refreshment of General Mandate, (iv) details of the recommendations from the Independent Board Committee and the Independent Financial Adviser in relation to the Acquisition, the Specific Mandate and the Refreshment of General Mandate, and (v) a notice of the EGM, will be despatched to the Shareholders on or before 28 February 2020 as additional time is required for preparing the information to be included in the circular.

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

THE ACQUISITION

The Board is pleased to announce that on 19 January 2020, the Purchaser and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to purchase from the Vendors, and the Vendors have conditionally agreed to sell to the Purchaser, the Sale Shares (representing the entire issued share capital of the Target Company) at the Consideration of MYR29,000,000 (equivalent to approximately HK\$55,099,200), which shall be satisfied by the allotment and issue of the Consideration Shares and the issue of the Convertible Bonds upon the Completion.

THE SALE AND PURCHASE AGREEMENT

The principal terms and conditions of the Sale and Purchase Agreement are set out as follows:

- Date: 19 January 2020 (after trading hours)
- Parties: (1) Mr. Liu Yong Qiang (as one of the Vendors);
(2) Mr. Liu Yong Cheng (as one of the Vendors); and
(3) the Purchaser.

Nature of the transaction and assets to be acquired

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

The Reorganisation

To facilitate the Group's acquisition of the Target Group and the Property, and as one of the conditions precedent under the Sale and Purchase Agreement, the Reorganisation is contemplated which involves (i) the acquisition of the title, ownership and interest in the Property by DC Glove from KLE Products, (ii) the acquisition of the entire equity interest in DC Glove by Oasis Green, and (iii) the acquisition of the entire equity interest in the Target Company by the Vendors. Given that the current business of KLE Products is manufacturing of conveyor chain parts for rubber making machineries, and that KLE Products only intends to dispose of the Property, and the Group is only acquiring the Property in the current transaction, the Reorganisation is contemplated to delineate the Property from the existing business and operation of KLE Products. As such, KLE Products appointed nominees, being Independent Third Parties, and the Group appointed the Vendors to facilitate the Reorganisation. Upon completion of the Reorganisation, the Vendors will hold the entire equity interest in the Target Company and will indirectly own the entire interest in the Property.

Consideration

Pursuant to the Sale and Purchase Agreement, the LYQ Consideration and the LYC Consideration shall be MYR20,590,000 (equivalent to approximately HK\$39,120,432) and MYR8,410,000 (equivalent to approximately HK\$15,978,768), respectively. The LYQ Consideration shall be satisfied by (i) the allotment and issue of 118,193,700 Consideration Shares at the Issue Price of HK\$0.156 per Consideration Share, and (ii) the issue of the Convertible Bonds in the principal amount of HK\$20,682,214.80 to Hongsheng, a company which is wholly owned by Mr. Liu Yong Qiang, upon the Completion. The LYC Consideration shall be satisfied by (i) the allotment and issue of 48,276,300 Consideration Shares at the Issue Price of HK\$0.156 per Consideration Shares, and (ii) the issue of the Convertible Bonds in the principal amount of HK\$8,447,665.20 to Yongsheng, a company which is wholly owned by Mr. Liu Yong Cheng, upon Completion.

Basis of the Consideration

The Consideration was determined through arm's length negotiation between the Vendors and the Purchaser on a commercial basis with reference to (i) the preliminary valuation of the Property, conducted by an independent valuer, of MYR30,900,000 (equivalent to approximately HK\$58,709,148) as at 31 December 2019, and (ii) the rental income to be generated from the Tenancy Agreement.

The total original acquisition costs of the Sale Shares for the Vendors is equal to the Consideration.

Taking into account of the above, the Directors (including the independent non-executive Directors but excluding the Vendors who have abstained from voting on the relevant Board resolutions) consider that the Consideration is fair, reasonable and on normal commercial terms or better, and the entering into the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The 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 Purchaser being satisfied with the completion of the Reorganisation;
- (b) the Purchaser being satisfied with the content and conclusion of the Malaysian legal opinions in respect of, among others, DC Glove and the Property;
- (c) the Purchaser being satisfied with the results of the due diligence review;
- (d) the Purchaser being satisfied that the Sale Shares and the Property are free from all encumbrances;

- (e) all necessary consents required to be obtained on the part of the Purchaser and the Vendors in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate) having been obtained and remaining in full force and effect;
- (f) the passing by the Independent Shareholders at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate);
- (g) the Stock Exchange granting or agreeing to grant the approval for the listing of and permission to deal in the Consideration Shares and the Conversion Shares and such approval not having been revoked;
- (h) the Tenancy Agreement having been entered into between DC Glove and the Tenant;
- (i) the warranties remaining true, accurate and complete in all respects; and
- (j) the Purchaser being satisfied that there has not been any material adverse change or effect in respect of the Target Group since the date of the Sale and Purchase Agreement.

None of the Vendors and the Purchaser shall have the right to waive the conditions precedent (a), (b), (e), (f), (g) and (h) as set out above. In the event that any of the conditions precedent are not fulfilled (or waived as the case may be), in each case, on or before the Long Stop Date, the Sale and Purchase Agreement and everything contained in it shall terminate, be null and void, of no further effect and no party to the Sale and Purchase Agreement shall have any liability to any other party, save for any antecedent breaches.

The Purchaser and the Vendors shall use their reasonable endeavours to ensure that the conditions precedent shall be fulfilled by the Long Stop Date.

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 Purchaser and the Vendors may mutually agree in writing.

Upon the 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 with those of the Group.

The Tenancy Agreement

The Property shall be subject to the Tenancy Agreement, the principal terms of which are as follows:

Parties : (1) DC Glove, as landlord; and
(2) the Tenant.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Tenant and its ultimate beneficial owners are Independent Third Parties.

Premises : The Property

Terms : Fixed term of three years, commencing one day after the completion of the acquisition of the Property by DC Glove from KLE Products

Renewal : Either party may renew the Tenancy Agreement for another four times with a fixed term of three years each and a maximum of 2% increase in rental payments for each renewal

Rental : MYR120,000 (equivalent to approximately HK\$227,997) per month, exclusive of utilities and other charges

Deposit : MYR1,080,000 (equivalent to approximately HK\$2,051,970), equivalent to nine months' rental

ISSUE OF THE CONSIDERATION SHARES

The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought by the Company at the EGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue.

The Consideration Shares represent:

- (i) approximately 29.97% of the total number of issued Shares as at the date of this announcement; and
- (ii) approximately 23.06% of the total number of issued Shares as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be issued at the Issue Price of HK\$0.156 per Consideration Share, which represents:

- (i) a premium of approximately 6.122% to the closing price of HK\$0.147 per Share as quoted on the Stock Exchange on the last trading day prior to the date of the Sale and Purchase Agreement; and

- (ii) a premium of approximately 6.849% to the average closing price of approximately HK\$0.146 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Issue Price was determined after arm's length negotiations between the Purchaser and the Vendors, with reference to, among others (i) the prevailing market price of the Shares, (ii) the liquidity of the Shares, and (iii) the financial performance of the Group. The Directors (including the independent non-executive Directors but excluding the Vendors who have abstained from voting on the relevant Board resolutions) consider the Issue Price is fair and reasonable and the issuance of the Consideration Shares at the Issue Price is in the interests of the Company and the Shareholders as a whole.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

ISSUE OF THE CONVERTIBLE BONDS

On 19 January 2020, the Company entered into the Subscription Agreements with Hongsheng and Yongsheng, pursuant to which the Company has agreed to issue and each of Hongsheng and Yongsheng has agreed to subscribe the Convertible Bonds, the details of which are as follows:

- Issuer : The Company
- Subscribers : Yongsheng and Hongsheng
- Principal Amount : HK\$20,682,214.80 (to be issued to and subscribed by Hongsheng); and
HK\$8,447,665.20 (to be issued to and subscribed by Yongsheng).
- Interest rate : The Convertible Bonds do not carry any interest.
- Maturity Date : Three years from the date of the issue of the Convertible Bonds, and the principal amount (to the extent that it is not converted into Conversion Shares or redeemed by the Company) shall be repayable upon maturity.
- Redemption by the Company : The Convertible Bonds may be redeemed by the Company at any time prior to the maturity date in whole or in part of the outstanding principal amount of the Convertible Bonds.
- Conversion Price : The Conversion Price is HK\$0.156 per Conversion Share, subject to adjustments on the occurrence of any Adjustment Event (as defined below), which represents:
- (a) a premium of approximately 6.122% to the closing price of HK\$0.147 per Share as quoted on the Stock Exchange on the last trading day prior to the date of the Subscription Agreements; and

- (b) a premium of approximately 6.849% to the closing price of HK\$0.146 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements.

The Conversion Price was arrived at after arm's length negotiations between the Purchaser and the Vendors, taking into account the average closing prices of the Shares prior to signing of the Subscription Agreements. The Conversion Price is the same as the Issue Price.

Conversion Shares : Based on the Conversion Price of HK\$0.156 per Conversion Share, the maximum number of Conversion Shares that may be allotted and issued upon exercise in full of the conversion rights under the Convertible Bonds is 186,730,000 Conversion Shares.

If fully converted, the Conversion Shares represent approximately 33.62% and 20.55% of the total number of issued Shares as at the date of this announcement and as enlarged by the allotment and issue of the Consideration Shares and the Conversion Shares, respectively.

Conditions precedent for the issue of the Convertible Bonds : (a) 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 the Conversion Shares;

(b) the completion of the Subscription Agreements having occurred or will occur concurrently in accordance with the Sale and Purchase Agreement;

(c) all necessary relevant approvals and consents have been obtained by the Company and each of Hongsheng and Yongsheng, such approvals remaining valid and subsisting, and there are no other rules and regulations that are implemented which would have the effect of prohibiting or materially delaying the issue of the Convertible Bonds; and

(d) the Independent Shareholders' approval having been obtained for the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares.

- Adjustment events : Provided that the adjustment will not result in the conversion price falling below the nominal value of the Shares, the conversion price shall from time to time be adjusted upon the occurrence of the following events (the “**Adjustment Events**”):
- (a) an alternation of the nominal amount of the Shares by reason of any consolidation or sub-division; or
 - (b) an issue of Shares credited as fully-paid to Shareholders by way of capitalisation of profits or reserves, other than in lieu of a cash dividend; or
 - (c) a capital distribution.
- Conversion period and restrictions : The conversion rights shall be exercisable up to the maturity date, but provided that the conversion rights under the Convertible Bonds can only be exercised if:
- (a) a general offer obligation under the Hong Kong Code on Takeovers and Mergers in respect of the Shares would not arise; and
 - (b) the Company will continue to meet the public float requirements under the GEM Listing Rules after the conversion.
- Transferability : The Convertible Bonds are freely transferable subject to the terms and conditions of the Convertible Bonds (including compliance with the GEM Listing Rules and all other applicable laws and regulations), provided that no transfer or assignment of the Convertible Bonds shall be made to any connected person of the Company and its associates without the prior written consent of the Company and the Stock Exchange.
- Listing : No application will be made by the Company for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.
- Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the EGM.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 555,490,000 Shares in issue. Set out below is the shareholding structure of the Company (a) as at the date of this announcement, (b) immediately upon the allotment and issue of the Consideration Shares, (c) upon the allotment and issue of the Consideration Shares and full conversion of the Conversion Bonds into the Conversion Shares (assuming that there are no other changes in the share capital of the Company from the Completion up to the relevant allotment and issue), and (d) upon the allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds into the Conversion Shares and the Jet Union Convertible Bonds into the Jet Union Conversion Shares (assuming that there are no other changes in the share capital of the Company from the Completion up to the relevant allotment and issue):

Shareholders	(a) As at the date of this announcement		(b) Immediately upon the allotment and issue of the Consideration Shares		(c) Upon the allotment and issue of the Consideration Shares and full conversion of the Convertible Bonds into the Conversion Shares (for illustration purposes only) ^(Note 4)		(d) Upon the allotment and issue of the Consideration Shares and full conversion of the Conversion Bonds into the Conversion Shares and the Jet Union Convertible Bonds into the Jet Union Conversion Shares (for illustration purposes only) ^(Notes 4 and 5)	
	Approximate % of Shares in issue		Approximate % of Shares in issue		Approximate % of Shares in issue		Approximate % of Shares in issue	
	Shares		Shares		Shares		Shares	
Hongsheng ^(Note 1)	266,250,000	47.93	384,443,700	53.25	517,022,000	56.90	517,022,000	54.24
Yongsheng ^(Note 2)	108,750,000	19.58	157,026,300	21.75	211,178,000	23.24	211,178,000	22.15
Stable Development Company Limited ^(Note 3)	55,490,000	9.99	55,490,000	7.69	55,490,000	6.11	100,000,000	10.49
Other public Shareholders	125,000,000	22.50	125,000,000	17.31	125,000,000	13.75	125,000,000	13.12
Total	555,490,000	100.00	721,960,000	100.00	908,690,000	100.00	953,200,000	100.00

Notes:

- (1) As at the date of this announcement, (i) Mr. Liu Yong Qiang directly owns 100% of Hongsheng, which in turn holds 266,250,000 Shares or approximately 47.93% 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, and (ii) pursuant to the acting in concert confirmation dated 14 June 2017, Mr. Liu Yong Qiang is also deemed to be interested in 108,750,000 Shares or approximately 19.58% of the issued Shares owned by Yongsheng as a result of being a party acting in concert with Mr. Liu Yong Cheng.
- (2) As at the date of this announcement, (i) Mr. Liu Yong Cheng directly owns 100% of Yongsheng, which in turn holds 108,750,000 Shares or approximately 19.58% of the issued Shares; therefore he is deemed, or taken to be interested in, all the Shares held by Yongsheng for the purpose of the SFO, and (ii) 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 47.93% of the issued Shares owned by Hongsheng as a result of being a party acting in concert with Mr. Liu Yong Qiang.

- (3) As at the date of this announcement, Mr. Yu Kin Wai Perway directly owns 100% of Stable Development Company Limited, which in turn holds 55,490,000 shares or approximately 9.99% of the issued Shares; therefore he is deemed, or taken to be interested in, all the shares held by Stable Development Company Limited for the purpose of the SFO. Save for the above interests, Mr. Yu Kin Wai Perway and Stable Development Company Limited are Independent Third Parties.
- (4) The exercise of the conversion right to convert the Convertible Bonds into the Conversion Shares are subject to the restrictions in the Convertible Bonds including but not limited to the public float requirement under the GEM Listing Rules.
- (5) The exercise of the conversion right to convert the Jet Union Convertible Bonds into the Jet Union Conversion Shares are subject to the restrictions in the Jet Union Convertible Bonds including but not limited to the public float requirement under the GEM Listing Rules.

INFORMATION ON THE VENDORS, THE PROPERTY, THE TARGET GROUP AND THE TENANT

The Vendors

The Vendors are the controlling shareholders of the Company and the executive Directors. Pursuant to the acting in concert confirmation dated 14 June 2017, the Vendors are acting in concert with each other.

The Property

The Property, which is used for industrial purposes, comprises the Land with a site area of approximately 13,565 sq. m. and the Building, a single storey factory erected on the Land with a total floor area of approximately 9,063 sq. m. The Property is located at No. 17, Jalan Perusahaan 1, Kawasan Perusahaan Beranang, 43700 Beranang, Selangor Darul Ehsan, Malaysia, which is approximately an hour's drive from Kuala Lumpur City Centre.

The Target Group

The Target Company is a company incorporated in the British Virgin Islands with limited liability on 22 October 2019, which is principally engaged in investment holding. Oasis Green is a company incorporated in Hong Kong with limited liability on 11 October 2019, which is principally engaged in investment holding and wholly owned by the Target Company. DC Glove is a company incorporated in Malaysia with limited liability on 3 December 2019 for the purpose of holding and leasing the Property.

The Target Group is in the process of the Reorganisation. Upon completion of the Reorganisation, it is expected that the Target Group will be comprised of the Target Company, Oasis Green and DC Glove, which shall in turn hold the title, ownership and interest in the Property.

Financial information of the Target Group

As at the date of this announcement, the Target Company is a holding company whose only asset is the entire equity interest of Oasis Green. As advised by the Vendors, the combined unaudited net loss (both before and after taxation and extraordinary items) of the Target Company and Oasis Green from 11 October 2019 (being the date of incorporation of Oasis Green) to 31 December 2019 was HK\$11,600 and the combined unaudited net asset value of the Target Company and Oasis Green as at 31 December 2019 was HK\$378,400.

Since DC Glove will only become a subsidiary of Oasis Green upon completion of the Reorganisation, the above combined unaudited financial information did not include those of DC Glove. As advised by the Vendors, the unaudited net loss (both before and after taxation and extraordinary items) of DC Glove from 3 December 2019 (being the date of incorporation of DC Glove) to 31 December 2019 was HK\$2,749 and the unaudited net liability value of DC Glove as at 31 December 2019 was HK\$2,560.

Upon completion of the Reorganisation, the Property, with the preliminary valuation of MYR30,900,000 (equivalent to approximately HK\$58,709,148), will become part of the Target Group.

The Tenant

The Tenant is a company incorporated in Malaysia with limited liability on 16 March 2016, which is principally engaged in the manufacturing and trading of rubber gloves.

INFORMATION ON THE PURCHASER AND THE GROUP

The Purchaser is a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability on 22 November 2019 and is principally engaged in investment holding.

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

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the third quarterly report of the Company for the nine months ended 30 September 2019, in order to diversify the income source of the Group, the Group has been actively considering exploring opportunities in new businesses in the PRC and/or other locations. In particular, in 2013, the PRC government launched the Belt and Road Initiative, referring to the Silk Road Economic Belt (the “**Belt**”) and the 21st Century Maritime Silk Road (the “**Road**”), which is a significant development strategy with the intention of promoting economic cooperation among countries along the proposed routes of the Belt and the Road. The countries along the Belt and the Road, such as Indonesia, Malaysia and Thailand, will benefit from their strategic locations. The Directors consider that the Acquisition (i) represents an investment opportunity for the Group to participate in the industrial property market in Malaysia, which is a country along the Belt and the Road, (ii) allows the Group to capitalise on such national policies of the PRC government, and (iii) enhances the Shareholders’ value.

It is intended that the Property would be used for investment purposes by leasing out to the Tenant for rental income pursuant to the Tenancy Agreement. The Directors consider that the Tenancy Agreement, which has a fixed term of three years and may be renewed for another four times with a fixed term of three years each, would generate a stable source of income to the Group and would be beneficial to its financial position. The Directors also consider that the Acquisition is commercially favourable for the Group as the Consideration is lower than the preliminary valuation of the Property, conducted by an independent valuer, of MYR30,900,000 (equivalent to approximately HK\$58,709,148) as at 31 December 2019. In addition, the Directors are optimistic about the industrial property market in Malaysia and believe that it may provide the Group with benefits from the long term appreciation in the value of the Property.

Moreover, as the Consideration shall be settled by way of the allotment and issue of the Consideration Shares and the issue of the Convertible Bonds, cash flow of the Group would be reduced whilst the capital base of the Company would be enlarged; therefore, the current and future liquidity position of the Group can be enhanced.

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 but excluding the Vendors who have abstained from voting on the relevant Board resolutions) are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

PROPOSED REFRESHMENT OF THE GENERAL MANDATE TO ISSUE SHARES

The Existing General Mandate was granted to the Directors pursuant to an ordinary resolution passed at the AGM 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.

Reference is made to the announcements of the Company dated 17 December 2019, 18 December 2019 and 6 January 2020 in relation to the Jet Union SPA and the Jet Union Subscription Agreement, pursuant to which the Company acquired the entire issued share capital of Jet Union Technology Limited at the consideration of approximately RMB20.0 million, which was satisfied partly by the allotment and issue of 55,490,000 new Shares at HK\$0.181 per Share and the issue of the Jet Union Convertible Bonds, which may be converted into 44,510,000 new Shares based on the initial conversion price of HK\$0.181 per Share. Accordingly, the Existing General Mandate has been fully utilised as at the date of this announcement.

As at the date of this announcement, the Company has 555,490,000 Shares in issue. The Company has not refreshed the Existing General Mandate since it was granted at the AGM.

Subject to the Independent Shareholders' approval of the Refreshment of General Mandate, and assuming that no other Shares will be issued and/or repurchased by the Company on or prior to the date of the EGM, the Shares in issue would be 555,490,000 Shares, which means that under the Refreshment of General Mandate, the Directors would be authorised to issue and allot up to 111,098,000 new Shares, being 20% of the entire issued share capital of the Company as at the date of this announcement.

The Refreshment of General Mandate will, if granted, expire at the earliest of (i) the conclusion of the next annual general meeting of the Company, (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws and regulations of the Cayman Islands to be held, or (iii) the date on which the authority set out in the resolution for the approval of the Refreshment of General Mandate is revoked or varied by the passing of an ordinary resolution of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

REASONS FOR THE REFRESHMENT OF GENERAL MANDATE

Having considered that (a) the Existing General Mandate has been fully utilised by the Company as at the date of this announcement, and (b) the Refreshment of General Mandate will empower the Directors to issue new Shares under the refreshed limit and provide the Company with the flexibility and ability to capture any appropriate capital raising or business opportunities in a timely manner, which may arise, the Directors (including the independent non-executive Directors but excluding Mr. Liu Yong Cheng and Mr. Liu Yong Qiang who have abstained from voting on the relevant Board resolutions) consider that the grant of the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company has not yet formulated any substantive plan for raising capital by issuing new Shares under the Refreshed General Mandate.

GEM LISTING RULES IMPLICATIONS

The Acquisition and the Specific Mandate

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 25% but all applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

As at the date of this announcement, the Vendors are the controlling shareholders of the Company and the executive Directors. Accordingly, the Vendors are connected persons of the Company under the GEM Listing Rules and the Acquisition, including the allotment and issue of the Consideration Shares and the Conversion Shares under the Specific Mandate, constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

In addition, the Vendors have abstained from voting on the relevant Board resolutions approving the Acquisition, the Specific Mandate and the transactions contemplated thereunder.

The Refreshment of General Mandate

As the Refreshment of General Mandate is made before the next annual general meeting of the Company, pursuant to Rule 17.42A(1) of the GEM Listing Rules, the Refreshment of General Mandate will be subject to the approval of the Independent Shareholders by way of an ordinary resolution at the EGM at which any controlling shareholders of the Company and their associates or, where there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution approving the Refreshment of General Mandate.

As at the date of this announcement, as Mr. Liu Yong Cheng and Mr. Liu Yong Qiang are the controlling shareholders of the Company, they and their respective associates are required to abstain from voting in favour of the ordinary resolution regarding the proposed grant of the Refreshment of General Mandate at the EGM.

EGM

The EGM will be held to consider and, if thought fit, pass the ordinary resolutions to approve, among other things, the Acquisition, the Specific Mandate, the Refreshment of General Mandate and the transactions contemplated thereunder by the Independent Shareholders.

The voting in relation to the Acquisition, the Specific Mandate, the Refreshment of General Mandate and the transactions contemplated thereunder at the EGM will be conducted by way of poll at the EGM. Shareholders who are involved in or interested in the Acquisition, the Specific Mandate, the Refreshment of General Mandate and the transactions contemplated thereunder are required to abstain from voting on the relevant ordinary resolution(s) approving the Acquisition, the Specific Mandate, the Refreshment of General Mandate and the transactions contemplated thereunder. Therefore, Mr. Liu Yong Cheng, Mr. Liu Yong Qiang and their respective associates will abstain from voting on the relevant ordinary resolution(s) to be proposed at the EGM for approving the Acquisition, the Specific Mandate and the Refreshment of General Mandate.

The Independent Board Committee, comprising all the independent non-executive Directors, namely and Mr. Wong Chun Peng Stewart, Mr. Li Wai Kwan and Ms. Li Helen Hoi Lam, will be established to advise the Independent Shareholders on the Acquisition, the Specific Mandate, the Refreshment of General Mandate and the transactions contemplated thereunder at the EGM. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Specific Mandate, the Refreshment of General Mandate and the transactions contemplated thereunder at the EGM.

As at the date of this announcement, save as disclosed above, no other Shareholders will be required to abstain from voting at the EGM to be convened for the purpose of considering and, if thought fit, approving the Acquisition, the Specific Mandate, the Refreshment of General Mandate and the transactions contemplated thereunder.

DESPATCH OF CIRCULAR

A circular containing, among other information, (i) details of the Acquisition, (ii) details of the Specific Mandate, (iii) details of the Refreshment of General Mandate, (iv) details of the recommendations from the Independent Board Committee and the Independent Financial Adviser in relation to the Acquisition, the Specific Mandate and the Refreshment of General Mandate, and (v) a notice of the EGM, will be despatched to the Shareholders on or before 28 February 2020 as additional time is required for preparing the information to be included in the circular.

GENERAL

As the Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent to the Sale and Purchase Agreement, and the Acquisition 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 Purchaser from the Vendors subject to the terms and conditions of the Sale and Purchase Agreement;
“AGM”	the annual general meeting of the Company held on 3 May 2019;
“associates”	has the meaning ascribed to it in the GEM Listing Rules;
“Board”	the board of Directors;
“Building”	a single storey factory erected on the Land bearing postal address No. 17, Jalan Perusahaan 1, Kawasan Perusahaan Beranang, 43700 Beranang, Selangor Darul Ehsan, Malaysia;
“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;

“Circular”	the circular to be issued by the Company in accordance with the GEM Listing Rules in respect of the Acquisition, the Specific Mandate and the transactions contemplated thereunder;
“Company”	TL Natural Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 24 March 2017, 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”	the LYQ Consideration and the LYC Consideration;
“Consideration Share(s)”	the new Shares to be allotted and issued at the Issue Price, credited as fully paid, pursuant to the Sale and Purchase Agreement;
“controlling shareholder(s)”	has the same meaning ascribed to it under the GEM Listing Rules;
“Conversion Price”	HK\$0.156 per Conversion Share, being the initial conversion price of the Convertible Bonds;
“Conversion Share(s)”	the new Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds;
“Convertible Bonds”	the convertible bonds to be issued by the Company pursuant to the Subscription Agreements;
“DC Glove”	DC Glove Sdn. Bhd., a company incorporated in Malaysia with limited liability on 3 December 2019, which is owned by an Independent Third Party as at the date of this announcement;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to approve, among other things, the Acquisition, the Specific Mandate, the Refreshment of General Mandate and the transactions contemplated thereunder;
“Existing General Mandate”	the general mandate granted to the Directors by the resolution of the Shareholders passed at the AGM to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at the date of the AGM;

“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;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hongsheng”	Hongsheng Enterprise Limited (鴻盛實業有限公司), a company incorporated in the British Virgin Islands with limited liability on 4 October 2016 and a controlling shareholder of the Company, which is wholly owned by Mr. Liu Yong Qiang as at the date of this announcement;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Financial Adviser”	Lego Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders;
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors to advise the Independent Shareholders on the Acquisition, the Specific Mandate, the Refreshment of General Mandate and the transactions contemplated thereunder;
“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;
“Independent Shareholders”	Shareholders other than those who are required to abstain from voting on the relevant resolutions to approve, among other things, the Acquisition, the Specific Mandate and the Refreshment of General Mandate at the EGM;
“Issue Price”	HK\$0.156, being the issue price per Consideration Share pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Jet Union Conversion Shares”	the 44,510,000 new Shares which may fall to be allotted and issued to Stable Development Company Limited upon exercise of the conversion rights attaching to the Jet Union Convertible Bonds pursuant to the Jet Union Subscription Agreement;

“Jet Union Convertible Bonds”	the convertible bonds in the principal amount of HK\$8,056,310 issued by the Company to Stable Development Company Limited on 6 January 2020 pursuant to the Jet Union Subscription Agreement;
“Jet Union SPA”	the sale and purchase agreement dated 17 December 2019 (as amended by the supplemental agreement dated 18 December 2019) entered into by the Company as the purchaser, Stable Development Company Limited as the vendor and Mr. Yu Kin Wai Perway as the vendor’s guarantor in relation to the acquisition of the entire issued share capital of Jet Union Technology Limited for a consideration of approximately RMB20.0 million;
“Jet Union Subscription Agreement”	the subscription agreement dated 18 December 2019 entered into by the Company and Stable Development Company Limited in relation to the issue of convertible bonds of the Company in the principal amount of HK\$8,056,310;
“KLE Products”	KLE Products Sdn. Bhd., a company incorporated in Malaysia with limited liability, which is wholly owned by VIP Gloves Limited, a company listed on the Australian Stock Exchange (ASX code: VIP) and an Independent Third Party;
“Land”	a piece of leasehold land held under Individual Title HS(D) No. 58970, PT No. 14, Bandar Batu 26, Beranang, District of Ulu Langat, State of Selangor, Malaysia;
“Long Stop Date”	31 July 2020 or such later date as the the Purchaser and the Vendors may agree in writing;
“LYC Consideration”	MYR8,410,000 (equivalent to approximately HK\$15,978,768) for the sale and purchase of the LYC Sale Shares;
“LYC Sale Shares”	14,500 issued and fully paid up shares of the Target Company;
“LYQ Consideration”	MYR20,590,000 (equivalent to approximately HK\$39,120,432) for the sale and purchase of the LYQ Sale Shares;
“LYQ Sale Shares”	35,500 issued and fully paid up shares of the Target Company;
“Mr. Liu Yong Cheng”	Mr. Liu Yong Cheng (劉永成), a controlling shareholder of the Company, an executive Director and the elder brother of Mr. Liu Yong Qiang;
“Mr. Liu Yong Qiang”	Mr. Liu Yong Qiang (劉永強), a controlling shareholder of the Company, an executive Director and the younger brother of Mr. Liu Yong Cheng;

“MYR”	Malaysian Ringgit, the lawful currency of the Malaysia;
“Oasis Green”	Oasis Green Limited (森發有限公司), a company incorporated in Hong Kong with limited liability on 11 October 2019, which is wholly owned by the Target Company as at the date of this announcement and an Independent Third Party;
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan;
“Property”	collectively, the Land and the Building, which was owned by KLE Products prior to the acquisition of the Property by DC Glove;
“Purchaser”	Excellence Enterprise Holdings Limited (卓越實業控股有限公司), a company incorporated in the British Virgin Islands with limited liability on 22 November 2019 and a direct wholly-owned subsidiary of the Company;
“Refreshment of General Mandate”	the new general mandate proposed to be sought at the EGM to authorise the Directors to allot, issue and deal with new Shares not exceeding 20% of the issued share capital of the Company as at date of passing of the relevant resolution;
“Reorganisation”	a reorganisation to be conducted prior to the Completion which involves (i) the acquisition of the title, ownership and interest in the Property by DC Glove from KLE Products, (ii) the acquisition of the entire equity interest in DC Glove by Oasis Green, and (iii) the acquisition of the entire equity interest in the Target Company by the Vendors;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 19 January 2020 entered into by the Purchaser and the Vendors in respect of the Acquisition;
“Sale Share(s)”	the LYQ Sale Shares and the LYC Sale Shares, representing the entire issued share capital of Target Company;
“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);

“Specific Mandate”	a specific mandate to be sought from the Independent Shareholders at the EGM to satisfy the allotment and issue of the Consideration Shares and the Conversion Shares;
“sq. m.”	square metre(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreements”	the two subscription agreements both dated 19 January 2020 entered into by the Company and each of Hongsheng and Yongsheng in relation to the issue and the subscription of the Convertible Bonds;
“Target Company”	Evergreen Leader Limited, a company incorporated in the British Virgin Islands with limited liability on 22 October 2019, which is wholly owned by an Independent Third Party as at the date of this announcement and will be wholly owned by the Vendors upon completion of the Reorganisation;
“Target Group”	the Target Company and its subsidiaries upon completion of the Reorganisation;
“Tenancy Agreement”	the tenancy agreement entered into between DC Glove as landlord and the Tenant on 16 January 2020 in respect of the leasing of the Property;
“Tenant”	VIP Glove Sdn. Bhd., a company incorporated in Malaysia with limited liability on 16 March 2016, which is wholly owned by VIP Gloves Limited, a company listed on the Australian Stock Exchange (ASX code: VIP) as at the date of this announcement and an Independent Third Party;
“Vendors”	Mr. Liu Yong Qiang and Mr. Liu Yong Cheng;
“Yongsheng”	Yongsheng Enterprise Limited (永盛實業有限公司), a company incorporated in the British Virgin Islands with limited liability on 4 October 2016 and a controlling shareholder of the Company, which is wholly owned by Mr. Liu Yong Cheng as at the date of this announcement; 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, 19 January 2020

For the purpose of this announcement, the translation of MYR into HK\$ is based on the approximate rate of HK\$1.00 = MYR0.5263. 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.