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BEIJING GAS BLUE SKY HOLDINGS LIMITED

北京燃氣藍天控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 6828)

CONTINUING CONNECTED TRANSACTION

THE LNG SUPPLY AGREEMENT

The Board is pleased to announce that on 9 May 2018, Beijing Blue Sky Energy, an indirect wholly-owned subsidiary of the Company, entered into a LNG Supply Agreement with Kunlun Energy Shandong, pursuant to which Beijing Blue Sky Energy agrees to sell and Kunlun Energy Shandong agrees to purchase LNG for a term of three years from 9 May 2018 to 8 May 2021 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, KunLun Energy is a substantial shareholder (as defined under the Listing Rules) of Haikou Xinyuan, a non-wholly-owned subsidiary of the Company, through its wholly-owned subsidiary, Shennan Petroleum Technology, and is, therefore, a connected person of the Company at the subsidiary level. KunLun Energy in turns holds the entire equity interest of Kunlun Energy Shandong. Therefore, Kunlun Energy Shandong is an associate (as defined under the Listing Rules) of Shennan Petroleum Technology and accordingly a connected person of the Company under the Listing Rules at the subsidiary level. Accordingly, the transactions contemplated under the LNG Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since (i) Kunlun Energy Shandong is a connected person of the Company at subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the LNG Supply Agreement and the transactions contemplated thereunder; (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the LNG Supply Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the LNG Supply Agreement and the transactions contemplated thereunder will constitute continuing connected transactions which are only subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors has any material interest in the LNG Supply Agreement and the transactions contemplated thereunder, and none of the Directors has abstained from voting on the board resolution approving the LNG Supply Agreement and the transactions contemplated thereunder.

INTRODUCTION

The Board is pleased to announce that on 9 May 2018, (after trading hours), Beijing Blue Sky Energy, an indirect wholly-owned subsidiary of the Company, entered into the LNG Supply Agreement with Kunlun Energy Shandong, pursuant to which Beijing Blue Sky Energy agrees to sell and Kunlun Energy Shandong agrees to purchase LNG for a term of three years from 9 May 2018 to 8 May 2021 (both days inclusive).

PRINCIPAL TERMS OF THE LNG SUPPLY AGREEMENT

Date: 9 May 2018 (after trading hours)

Parties: (i) Beijing Blue Sky Energy, an indirect wholly-owned subsidiary of the Company; and

(ii) Kunlun Energy Shandong, an associate (as defined under the Listing Rules) of Shennan Petroleum Technology which is a substantial shareholder (as defined under the Listing Rules) of Haikou Xinyuan and a wholly-owned subsidiary of KunLun Energy. As KunLun Energy holds the entire equity interest of Kunlun Energy Shandong, Kunlun Energy Shandong is therefore a connected person of the Company under the Listing Rules at the subsidiary level.

Term

Pursuant to the LNG Supply Agreement, Beijing Blue Sky Energy agrees to sell and Kunlun Energy Shandong agrees to purchase LNG for a term of three years from 9 May 2018 to 8 May 2021 (both days inclusive). The selling price of LNG as set out under the paragraph headed “Basis of Pricing” in this announcement.

Basis of Pricing

Kunlun Energy Shandong shall purchase LNG for approximately 10 trucks (20 tons per truck) daily within 3 months from the commencement date of the supply of LNG and for approximately 3,000 trucks (equivalent to 60,000 tons) of LNG annually. The actual amount of purchase of LNG will depend on the change of market conditions and daily purchase plan of Kunlun Energy Shandong.

The pricing for the sale and purchase of LNG under the LNG Supply Agreement is determined by arm’s length negotiations based on normal commercial terms and be based on the following principles:

- (i) the daily settlement price shall not be higher than the settlement price quoted by Sinopec; and
- (ii) the selling price to Kunlun Energy Shandong will be no less favourable than the selling price to the Independent Third Parties ordering at the same time of similar order quantities.

If the selling price of LNG is in fact higher than the above reference price, Kunlun Energy Shandong is entitled to reduce or cancel its amount of purchase.

Under the following circumstances the parties may adjust the selling price by mutual agreement:

- (i) the market price for LNG has changed drastically; or
- (ii) the transportation cost has changed drastically.

In such circumstances, any party can notify the other party of their intention of adjustment to the selling price of LNG with supporting documents.

Payment

After Beijing Blue Sky Energy has supplied LNG with Kunlun Energy Shandong, Kunlun Energy Shandong will confirm the payable amount within 2 working days from the date of issue of confirmation letter by Beijing Blue Sky Energy. Thereafter Kunlun Energy Shandong will settle the outstanding payment within 10 days from the issue of formal invoice by Beijing Blue Sky Energy. The actual settlement amount shall be based on the actual sale and purchase amount of LNG between the parties to the LNG Supply Agreement.

The parties will evaluate the terms of the LNG Supply Agreement in March each year in light of the change of market conditions and political policy. If there is any variation to the terms of the LNG Supply Agreement, then supplemental agreement will be executed.

Proposed Annual Caps

The Annual Caps for the LNG Supply Agreement for the period commencing from 9 May 2018 to 31 December 2018, the year ending 31 December 2019, the year ending 31 December 2020 and the period commencing from 1 January 2021 to 8 May 2021 are set out as follows:

	For the period commencing from 9 May 2018 to 31 December 2018	For the year ending 31 December 2019	For the year ending 31 December 2020	For the period commencing from 1 January 2021 to 8 May 2021
Annual Caps	RMB170,000,000	RMB255,000,000	RMB255,000,000	RMB85,000,000

The Annual Caps for the three years commencing from 9 May 2018 to 8 May 2021 are determined based on the followings:

- (i) the estimated usage of the LNG by Kunlun Energy Shandong; and
- (ii) the annual average price of the LNG of approximately RMB4,250 per ton.

The actual settlement amount shall be calculated based on the actual sale and purchase amount of LNG between the parties.

Should the actual annual purchase amount exceed the above proposed annual caps, the Company will revise the annual caps in compliance with the relevant requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND THE BENEFITS OF ENTERING INTO THE LNG SUPPLY AGREEMENT

The Company is an investment holding company. The Group is principally engaged in (i) natural gas for transportation; (ii) trading and distribution of natural gas; and (iii) city gas and other related products.

Beijing Blue Sky Energy is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, and principally engaged in the trading and distribution of natural gas.

As advised by Kunlun Energy Shandong, Kunlun Energy Shandong is a company established in the PRC with limited liability, and principally engaged in, among other things, trading of LNG and operation of LNG refueling stations.

The LNG Supply Agreement between Beijing Blue Sky Energy and Kunlun Energy Shandong was entered into by Beijing Blue Sky Energy in the ordinary and usual course of business of the Group. The sale of LNG by Beijing Blue Sky Energy to Kunlun Energy Shandong will strengthen the existing business of the Group in the sales of natural gas and increase the revenue of the Group.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Annual Caps have been determined on an arm's length basis and the LNG Supply Agreement was entered into on normal commercial terms in the ordinary and usual course of business of the Company after arm's length negotiation, and the terms are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, KunLun Energy is a substantial shareholder (as defined under the Listing Rules) of Haikou Xinyuan, a non-wholly-owned subsidiary of the Company, through its wholly-owned subsidiary, Shennan Petroleum Technology, and is, therefore, a connected person of the Company at the subsidiary level. KunLun Energy in turns holds the entire equity interest of Kunlun Energy Shandong. Therefore, Kunlun Energy Shandong is an associate (as defined under the Listing Rules) of Shennan Petroleum Technology and accordingly a connected person of the Company under the Listing Rules at the subsidiary level. Accordingly, the transactions contemplated under the LNG Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since (i) Kunlun Energy Shandong is a connected person of the Company at subsidiary level; (ii) the Directors (including the independent non-executive Directors) have approved the LNG Supply Agreement and the transactions contemplated thereunder; (iii) the independent non-executive Directors have confirmed that the terms of the transactions contemplated under the LNG Supply Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the LNG Supply Agreement and the transactions contemplated thereunder will constitute continuing connected transactions which are only subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors has any material interest in the LNG Supply Agreement and the transactions contemplated thereunder, and none of the Directors has abstained from voting on the board resolution approving the LNG Supply Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Annual Caps”	the proposed maximum aggregate annual value for the CCT contemplated under the LNG Supply Agreement
“associate”	has the meaning as ascribed thereto under the Listing Rules
“Beijing Blue Sky Energy”	北京北燃藍天能源有限公司 (Beijing Gas Blue Sky Energy Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“CCT”	the transactions to be entered into between Beijing Blue Sky Energy and Kunlun Energy Shandong on an ongoing basis pursuant to the LNG Supply Agreement
“Company”	Beijing Gas Blue Sky Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 6828)
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“Haikou Xinyuan”	海口鑫元天然氣技術股份有限公司 (Haikou Xinyuan Natural Gas Technology Co., Ltd.*), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company
“KunLun Energy”	KunLun Energy Company Limited (Stock Code: 135), a company incorporated in the Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Kunlun Energy Shandong”	昆侖能源投資(山東)有限公司 (Kunlun Energy Investment Shandong Company Limited, a company incorporated in PRC with limited liability and a wholly-owned subsidiary of KunLun Energy
“Listing Rules”	the Rules governing the Listing of Securities on The Stock Exchange
“LNG”	liquefied natural gas
“LNG Supply Agreement”	the agreement dated 9 May 2018 between Beijing Blue Sky Energy and Kunlun Energy Shandong, pursuant to which Beijing Blue Sky Energy agrees to sell and Kunlun Energy Shandong agrees to purchase LNG for a term of 3 years commencing from 9 May 2018 to 8 May 2021 together with the respective safety management agreement in relation to the sale and purchase of LNG
“PRC”	the People’s Republic of China, and for the purpose of this announcement excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.055 each in the issued share capital of the Company

“Shareholder(s)”	the shareholder(s) of the Company
“Shennan Petroleum Technology”	海南中油深南石油技術開發有限公司 (Hainan China Petroleum Shennan Petroleum Technology Development Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of KunLun Energy and holding 20% interest in Haikou Xinyuan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* *The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

By order of the Board
Beijing Gas Blue Sky Holdings Limited
Cheng Ming Kit
Co-Chairman

Hong Kong, 9 May 2018

As at the date of this announcement, the executive directors of the Company are Mr. Cheng Ming Kit, Mr. Sze Chun Lee, Mr. Hung Tao, Mr. Tam Man Kin and Mr. Li Weiqi; the non-executive director of the Company is Mr. Zhi Xiaoye; and the independent non-executive directors of the Company are Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing and Mr. Pang Siu Yin.

If there is any inconsistency in this announcement between the Chinese and English versions and the English version shall prevail.