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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)

- (1) CAPITAL AND ASSET INJECTION PLAN INVOLVING**
(A) FINANCIAL ASSISTANCE FROM BEIJING GAS HK;
(B) SUBSCRIPTION OF NEW SHARES BY BEIJING GAS HK
UNDER SPECIFIC MANDATE; AND
(C) ACQUISITION OF THE TARGET COMPANY;
AND
(2) APPLICATION FOR WHITEWASH WAIVER

Financial Adviser to the Company



CAPITAL AND ASSET INJECTION PLAN

On 26 September 2022, the Company and Beijing Gas Group conditionally agreed to the proposed Capital and Asset Injection Plan, involving the Facility and Convertible Bond Subscription, the Share Subscription and the Acquisition, which are inter-conditional with each other.

(A) Financial Assistance from Beijing Gas HK

Beijing Gas HK has conditionally agreed to provide the Company a term loan facility of HK\$700 million; and the Company has conditionally agreed to issue and Beijing Gas HK has conditionally agreed to subscribe for, the Convertible Bond in the aggregate principal amount of HK\$300 million, both secured by issued shares of Beijing Gas Jingtang Company Limited* (北燃京唐有限公司), a wholly-owned subsidiary of the Company.

(B) Subscription of New Shares by Beijing Gas HK under Specific Mandate

The Company has conditionally agreed to allot and issue, and Beijing Gas HK has conditionally agreed to subscribe for, 6,250,000,000 Subscription Shares at the Subscription Price of HK\$0.08 per Subscription Share for a total subscription amount of HK\$500 million.

(C) Acquisition of the Target Company

Beijing Gas Group has conditionally agreed to sell and the Company has conditionally agreed to purchase, 100% equity interest in the Target Company, at a consideration of HK\$280 million to be settled by the issue and allotment of 3,500,000,000 Consideration Shares.

TAKEOVERS CODE IMPLICATIONS

As at the date of this announcement, Beijing Gas Group and its concert parties hold 5,341,042,131 Shares, representing approximately 41.13% of the total issued Shares of the Company. Upon completion of the Share Subscription and the Acquisition, Beijing Gas Group and its concert parties' voting right in the Company will increase to approximately 66.37% before conversion of any of the Convertible Bond, and will further increase to approximately 69.76% upon full conversion of the Convertible Bond. Accordingly, in the absence of the Whitewash Waiver, completion of the Share Subscription and the Acquisition will give rise to an obligation on the part of Beijing Gas Group to make a mandatory offer for all the Shares (other than those already owned or acquired by Beijing Gas Group and parties acting in concert with it) under Rule 26.1 of the Takeovers Code. Beijing Gas Group will apply to the Executive for the Whitewash Waiver from compliance with the obligation to make a mandatory general offer under Rule 26.1 of the Takeovers Code as a result of the issue of the Subscription Shares and the Consideration Shares.

LISTING RULES IMPLICATIONS

The Financial Assistance, Share Subscription and Acquisition constitute non-exempt connected transactions whilst the Acquisition also constitutes a major and connected transaction.

BACKGROUND

Reference is made to the Company's announcements dated 19 January 2021, 29 September 2021 and 19 April 2022. Mr. Cheng Ming Kit ("**Mr. Cheng**"), a former executive Director who was appointed in May 2014 and subsequently removed in November 2021, was believed to be involved in a number of suspicious transactions (the "**Incident**") after the Company's then management commissioned a comprehensive internal review of the Group's assets and past transactions in late 2020. In January 2021, the Board (excluding Mr. Cheng) resolved to suspend the duties and powers of Mr. Cheng as a Director, and subsequently resolved to establish a special committee to investigate into the Incident.

Based on findings of the forensic investigations, Mr. Cheng was found to be involved in most of the 54 suspicious transactions identified (i.e. Reviewed Transactions (as defined therein) as reported in the Company's announcements dated 29 September 2021 and 19 April 2022). This has caused significant adverse effects on the business operations, financial performance, cash flows of the Group for the two years ended 31 December 2020 and 2021. As a result, the Group

incurred one-off impairment charges of approximately HK\$3.7 billion and HK\$297 million, for the years ended 31 December 2020 and 2021 respectively. The net current liabilities of the Group as of 31 December 2021 was HK\$2.9 billion, with total bank and other borrowings amounted to HK\$3.6 billion, of which HK\$2.2 billion were due for repayment in 2022. The Company's auditors issued a disclaimer of opinion in the auditors' report for the years ended 31 December 2020 and 2021, with audit qualifications relating to the going concern of the Company in both years. As at 30 June 2022, the Group's net current liabilities position still stood at HK\$2.6 billion.

The trading in shares of the Company had been suspended since 17 January 2021 and resumption took place on 25 July 2022. During the trading suspension, certain creditors demanded immediate repayment of loans due by the Group. In light of the then situation, the Company began to explore with Beijing Gas Group, the Company's Controlling Shareholder, for potential assistance in different aspects such as strategic synergy, business support, investment and financing arrangements, talent recruitment and management enhancement to improve the Group's financial position and business performance in the interest of the Shareholders as a whole.

On 26 September 2022, the Company and Beijing Gas Group, conditionally agreed to the proposed Capital and Asset Injection Plan, involving the Facility, the Convertible Bond Subscription, the Share Subscription and the Acquisition, which are inter-conditional with each other, details of which are set out in this announcement.

(1) FINANCIAL ASSISTANCE FROM BEIJING GAS HK

On 26 September 2022 (after trading hours), the Company and Beijing Gas HK entered into a (i) Facility Agreement, pursuant to which Beijing Gas HK has agreed to provide the Company a term loan facility of HK\$700 million (the "**Facility**"); and (ii) Convertible Bond Subscription Agreement pursuant to which the Company has conditionally agreed to issue and Beijing Gas HK has conditionally agreed to subscribe for, the Convertible Bond in the aggregate principal amount of HK\$300 million (the "Convertible Bond"), both secured by issued shares of Beijing Gas Jingtang Company Limited* (北燃京唐有限公司), a wholly-owned subsidiary of the Company.

(i) The Facility Agreement

Parties: (i) the Company, as the borrower; and

(ii) Beijing Gas HK, as the lender.

Amount of Loan Facility: HK\$700 million

Maturity date: 31 December 2025

Conditions precedent and long stop date:	<p>Completion is conditional upon the fulfillment or satisfaction of the following conditions within six months after the date of the Facility Agreement:</p> <ul style="list-style-type: none"> (i) the Company having received all the necessary approval or consents from (a) the Stock Exchange and the SFC and (b) Independent Shareholders at the SGM in respect of the Financial Assistance, the Share Subscription, the Acquisition and the Whitewash Waiver; (ii) the Syndicated Facility Agreement between the Company and Syndication Lenders having been signed and entered into force in accordance with its terms; and (iii) each of (a) the Convertible Bond Subscription; (b) the Share Subscription; and (c) the Acquisition and the issuance of the Consideration Shares having become unconditional pursuant to their respective terms thereunder. <p>None of the condition precedent above can be waived. As of the date of this announcement, none of the conditions as set forth above has been satisfied.</p>
Interest rate and payment of interest:	<p>Hong Kong Interbank Offered Rate (HIBOR) plus 2% per annum</p> <p>All interest accrued shall be payable in arrears in full on the maturity date.</p>
Default interest:	<p>2% per annum higher than the rate which would have been payable on the overdue amount</p>
Repayment:	<p>The Company shall repay the loan in full on the maturity date, unless in the event that the Syndicated Facility is fully repaid before the maturity date (31 December 2025) where the Company can opt to repay the loan in full early.</p>
Security:	<p>The Facility shall be secured by approximately 20.92% of issued shares of Beijing Gas Jingtang Company Limited* (北燃京唐有限公司), a wholly-owned subsidiary of the Company, as collateral in favour of the lender.</p>

(ii) The Convertible Bond Subscription Agreement

Parties:	(i) the Company, as the issuer; and (ii) Beijing Gas HK, as the subscriber.
Principal amount:	HK\$300 million
Interest rate and payment of interest:	Hong Kong Interbank Offered Rate (HIBOR) plus 1.8% per annum All interest accrued shall be payable in arrears in full on the maturity date.
Default interest:	1.5% per annum higher than the interest rate in respect of such time period (i.e. the applicable HIBOR plus 1.8% per annum)
Maturity date:	The third anniversary of the date of issue of the Convertible Bond, which may be further extended for 3 months by agreement in writing between the issuer and the bondholder.
Conversion Price:	HK\$0.118 per Conversion Share
Conversion rights:	The bondholder shall have the right to convert all or part of the Convertible Bond.
Conversion Shares:	Based on the Conversion Price of HK\$0.118 per Conversion Share and assuming full conversion of the Convertible Bond at the Conversion Price, the Convertible Bond will be convertible into 2,542,372,881 Conversion Shares.
Conversion period:	Any time after the issue date of the Convertible Bond up to its maturity date as described above.

Conditions precedent and long stop date:

Completion is conditional upon the fulfillment, waiver or satisfaction of the following conditions within six months after the date of the Convertible Bond Subscription Agreement:

- (i) the Company having obtained any and all approvals, consents and waivers necessary for consummation of the transactions contemplated by the Convertible Bond Subscription Agreement and other documents, including the approval from the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares;
- (ii) the passing of SGM by the Independent Shareholders approving (a) the Financial Assistance; (b) the Share Subscription, (c) the Acquisition and (d) the Whitewash Waiver;
- (iii) the Syndicated Facility Agreement between the Company and Syndication Lenders having been duly signed and entered into force in accordance with its terms;
- (iv) each of (a) the Facility; (b) the Share Subscription; and (c) the Acquisition and the issuance of the Consideration Shares having become unconditional pursuant to their respective terms thereunder;
- (v) the warranties made by the Company being true and correct in all material respects;
- (vi) the Company having performed and complied with in all material respects of all agreements, obligations and conditions contained in the Convertible Bond Subscription Agreement and the other transaction documents that are required to be performed or complied with by it; and
- (vii) there having not occurred any material adverse change in the context of the issue of the Convertible Bond.

The above conditions cannot be waived, except for the conditions under paragraph (v), (vi) and (vii) which can be waived by Beijing Gas HK. As of the date of this announcement, none of the conditions as set forth above has been satisfied.

Redemption:	The bondholder may require the Company to redeem all, but not part, of such Convertible Bond at a price equal to the principal plus accrued interest upon maturity or the occurrence of (i) the delisting of the Shares or suspension of trading in the Shares on the Stock Exchange for a period equal to or exceeding ten consecutive trading days; or (ii) the change of control of the Company.
Transferability:	The Convertible Bond is not transferrable unless with the consent from the Company at its sole discretion.
Security:	The Convertible Bond shall be secured by 8.37% of issued shares of Beijing Gas Jingtang Company Limited* (北燃京唐有限公司), a wholly-owned subsidiary of the Company, as collateral in favour of Beijing Gas HK.
Listing:	The Convertible Bond will not be listed. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in the Conversion Shares on the Stock Exchange.

Beijing Gas Jingtang Company Limited* (北燃京唐有限公司), a wholly owned subsidiary of the Company, indirectly owns 29% equity interest in PetroChina Jingtang LNG Co., Limited* (中石油京唐液化天然氣有限公司). PetroChina Jingtang LNG Co., Limited* is an associate of the Company and is principally engaged in provision of port facilities for vessels, receiving, storage and re-gasification of liquefied natural gas.

Conversion Price

The Conversion Price of HK\$0.118 per Conversion Share represents:

- (i) a premium of approximately 12.38% to the closing price of HK\$0.105 per Share as quoted on the Stock Exchange on 26 September 2022, being the Last Trading Day;
- (ii) a premium of approximately 5.92% to the average of the closing prices of HK\$0.1114 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 0.34% to the average of the closing prices of HK\$0.1184 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 21.78% to the average of the closing prices of HK\$0.0969 per Share as quoted on the Stock Exchange for the last 45 consecutive trading days counting from the first trading day since trading resumption on 25 July 2022 up to and including the Last Trading Day;
- (v) a premium of approximately 187.80% over the unaudited net asset value attributable to shareholders of the Company per Share of approximately HK\$0.041 per Share as at 30 June 2022, with reference to the result announcement of the Company dated 30 August 2022; and

- (vi) a premium of approximately 151.06% over the audited net asset value attributable to shareholders of the Company per Share of approximately HK\$0.047 per Share as at 31 December 2021, with reference to the result announcement of the Company dated 19 April 2022.

The Conversion Price is subject to adjustment in the event of consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues of new Shares at less than the then market price, modification of rights of conversion and other dilutive events as described in the terms and conditions of the Convertible Bond.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.117 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and Beijing Gas HK after taking into account: (i) the recent trading performance of the Shares; (ii) the current equity capital market conditions; and (iii) the Convertible Bond is secured and carries an interest that is payable in arrears on the maturity date.

Conversion Shares

2,542,372,881 Conversion Shares, representing approximately:

- (i) 19.58% of the issued share capital of the Company as at the date of this announcement;
- (ii) 16.37% of the issued share capital of the Company, as enlarged upon conversion in full of the Convertible Bond (assuming that there is no other change to the total number of Shares from the date of this announcement to the date of Completion); and
- (iii) 10.06% of the issued share capital of the Company as enlarged upon conversion in full of the Convertible Bond, issue of Subscription Shares and Consideration Shares (assuming that there is no other change to the total number of Shares from the date of this announcement to the date of Completion).

The Conversion Shares issued upon conversion of the Convertible Bond will in all respects rank *pari passu* with the Shares. The Conversion Shares will be allotted and issued under the Specific Mandate to be sought for approval at the SGM.

(2) SUBSCRIPTION OF NEW SHARES BY BEIJING GAS HK UNDER SPECIFIC MANDATE

On 26 September 2022 (after trading hours), the Company has entered into the Share Subscription Agreement with Beijing Gas HK, pursuant to which the Company has conditionally agreed to allot and issue, and Beijing Gas HK has conditionally agreed to subscribe for, 6,250,000,000 Subscription Shares at the Subscription Price of HK\$0.08 per Subscription Share for a total subscription amount of HK\$500 million.

Principal terms of the Share Subscription Agreement

The principal terms of the Share Subscription Agreement are set out as follows:

- Parties: (i) the Company, as the issuer; and
(ii) Beijing Gas HK, as the subscriber.
- Subscription Price: HK\$0.08 per Share
- Ranking of the Subscription Shares: The Subscription Shares will rank *pari passu* in all respects with Shares.
- Conditions precedent and long stop date: Completion is conditional upon the fulfillment or satisfaction of the following conditions within six months after the date of the Share Subscription Agreement:
- (i) the Stock Exchange granting or agreeing to grant the listing of and permission to deal in all of the Subscription Shares, and such permission not having been subsequently revoked or withdrawn;
 - (ii) the passing of resolutions by the Independent Shareholders at the SGM approving (a) the Financial Assistance; (b) the Share Subscription, (c) the Acquisition and the issuance of the Consideration Shares; and (d) the Whitewash Waiver;
 - (iii) the Executive granting the Whitewash Waiver and the Whitewash Waiver remains in full force and effect;
 - (iv) the passing of resolutions by the Independent Shareholders at the SGM approving the appointment of a non-executive Director as nominated by Beijing Gas HK and such appointment shall take effect from the completion of Share Subscription;
 - (v) each of the (a) Facility; (b) Convertible Bond Subscription; and (c) Acquisition and the issuance of Consideration Shares having become unconditional pursuant to their respective terms thereunder;

- (vi) all necessary approvals, consents and filings having been obtained from regulatory institutions (namely, the approval of Beijing state-owned assets supervision and administration authority and the filings with the Beijing Commerce Bureau, Beijing Municipal Commission of Development and Reform and the relevant foreign-exchange authority) by Beijing Gas HK, and such approvals, consents and filings subsequently remain in full force and effect;
- (vii) there having been no material breach by the Company of the Share Subscription Agreement;
- (viii) the warranties made by the Company being true and correct in all material respects;
- (ix) there having not occurred any material adverse change to the Company since the date of the Share Subscription Agreement;
- (x) no regulatory authorisation implementing or enacting decrees, legislations or regulations to prohibit the completion of the matter of Share Subscription, and no courts with competent jurisdiction issuing a decree or injunction to stop or prohibit completion of the Share Subscription; and
- (xi) the Syndicated Facility Agreement between the Company and Syndication Lenders having been duly signed and entered into force in accordance with its terms.

The above conditions cannot be waived, except for the conditions under paragraph (vii), (viii) and (ix) which can be waived by Beijing Gas HK. As of the date of this announcement, none of the conditions as set forth above has been satisfied.

Application for listing: An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Subscription Price

The Subscription Price of HK\$0.08 is the same as the issue price under the Acquisition Agreement and represents:

- (i) a discount of approximately 23.81% to the closing price of HK\$0.105 per Share as quoted on the Stock Exchange on 26 September 2022, being the Last Trading Day;
- (ii) a discount of approximately 28.19% to the average of the closing prices of HK\$0.1114 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

- (iii) a discount of approximately 32.43% to the average of the closing prices of HK\$0.1184 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 17.44% to the average of the closing prices of HK\$0.0969 per Share as quoted on the Stock Exchange for the last 45 consecutive trading days counting from the first trading day since trading resumption on 25 July 2022 up to and including the Last Trading Day;
- (v) a premium of approximately 95.12% over the unaudited net asset value attributable to shareholders of the Company per Share of approximately HK\$0.041 per Share as at 30 June 2022, with reference to the result announcement of the Company dated 30 August 2022; and
- (vi) a premium of approximately 70.21% over the audited net asset value attributable to shareholders of the Company per Share of approximately HK\$0.047 per Share as at 31 December 2021, with reference to the result announcement of the Company dated 19 April 2022.

The net Subscription Price, after deduction of relevant expenses, is estimated to be approximately HK\$0.0796 per Subscription Share.

The Subscription Price was arrived at an arm's length negotiation between the Company and Beijing Gas HK after taking into account: (i) the recent trading performance of the Shares; (ii) the net asset value of the Group; (iii) the business prospects and financial position of the Group; and (iv) the current equity capital market conditions.

Subscription Shares

As at the date of this announcement, Beijing Gas HK is the Controlling Shareholder of the Company, who directly holds 5,341,042,131 Shares, representing approximately 41.13% of the issued share capital of the Company. Thus, Beijing Gas HK is a connected person and the Controlling Shareholders of the Company.

The total number of 6,250,000,000 Subscription Shares to be allotted and issued represent approximately:

- (i) 48.13% of the issued share capital of the Company as at the date of this announcement;
- (ii) 32.49% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other changes to the total number of Shares from the date of this announcement to the date of Completion);
- (iii) 27.49% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and Consideration Shares (assuming that there is no other changes to the total number of Shares from the date of this announcement to the date of Completion); and
- (iv) 24.72% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, Consideration Shares and Conversion Shares (assuming that there is no other changes to the total number of Shares from the date of this announcement to the date of Completion).

The Subscription Shares shall rank *pari passu* in all respects with the Shares in issue and will be allotted and issued under the Specific Mandate to be sought for approval at the SGM.

(3) ACQUISITION OF THE TARGET COMPANY

On 26 September 2022 (after trading hours), the Company entered into the Acquisition Agreement with Beijing Gas Group, pursuant to which, Beijing Gas Group has conditionally agreed to sell and the Company has conditionally agreed to purchase, 100% equity interest in the Target Company, at a consideration of HK\$280 million to be settled by the issue and allotment of 3,500,000,000 Consideration Shares to Beijing Gas Group or its designated wholly-owned subsidiary. It is expected that the Consideration Shares will be issued and allotted to Beijing Gas HK. Upon the Completion, the Target Company will become an indirect wholly owned subsidiary of the Company.

Principal terms of the Acquisition Agreement

The principal terms of the Acquisition Agreement are set out as follows:

Parties:	(i) the Company, as the purchaser; and (ii) Beijing Gas Group, as the vendor.
Target:	100% issued share capital of the Target Company, which will indirectly own 51% equity interest in the Project Company upon completion of Reorganization of the Target Group.
Acquisition Consideration:	HK\$280 million, which is to be satisfied by the issuance of 3,500,000,000 Consideration Shares.
Consideration Shares issue price:	HK\$0.08 per Consideration Share
Conditions precedent and long stop date:	The acquisition completion is subject to the following conditions being satisfied within six months after the date of the Acquisition Agreement: (i) the Reorganization having been completed;

- (ii) Beijing Gas Group and the Company or its affiliates having obtained all necessary approvals, consents, filings (namely, the approval of Beijing state-owned assets supervision and administration authority, the consent of the provincial level government and the filings with the Beijing Commerce Bureau, Beijing Municipal Commission of Development and Reform and the relevant foreign-exchange authority), and completed all necessary registrations with the relevant local counterparts of State Administration for Market Regulation in respect of the Acquisition Agreement and the transactions contemplated thereunder;
- (iii) warranties made by Beijing Gas Group and the Company being true and correct in all material respects;
- (iv) the Stock Exchange having granted the listing approvals of, and permission to deal in, the Consideration Shares and such approval not subsequently being revoked or withdrawn;
- (v) the passing of resolutions by the Independent Shareholders at the SGM approving (a) the Financial Assistance; (b) the Share Subscription; (c) the Acquisition and the issuance of the Consideration Shares; and (d) the Whitewash Waiver;
- (vi) the Executive granting the Whitewash Waiver and the Whitewash Waiver remains in full force and effect;
- (vii) each of the (a) Facility; (b) Convertible Bond Subscription; and (c) Share Subscription having become unconditional pursuant to their respective terms thereunder;
- (viii) Beijing Gas Group having obtained or procured to obtain a confirmation from Guangxi Heyuxiang New Energy Investment Co., Ltd * (廣西和裕祥新能源投資), being the 49% shareholder of the Project Company, for the waiver of the right of first refusal (or similar right) exercisable under the PRC Company Law (which can be legally waived) for the acquisition of 51% equity interest held by Beijing Gas Group in the Project Company;
- (ix) the Syndicated Facility Agreement between the Company and Syndication Lenders having duly signed and entered into force in accordance with its terms;
- (x) there having not occurred any material adverse change to Group or Beijing Gas Group since the date of the Acquisition Agreement; and

- (xi) there having been no material breach by the Company or Beijing Gas Group of the Acquisition Agreement.

The above conditions cannot be waived, except for the conditions under paragraph (iii), (x) and (xi) which can be waived by any party to the Acquisition Agreement. As of the date of this announcement, none of the conditions as set forth above has been satisfied.

CONSIDERATION SHARES ISSUE PRICE

The issue price of HK\$0.08 per Consideration Share represents:

- (i) a discount of approximately 23.81% to the closing price of HK\$0.105 per Share as quoted on the Stock Exchange on 26 September 2022, being the Last Trading Day;
- (ii) a discount of approximately 28.19% to the average of the closing prices of HK\$0.1114 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 32.43% to the average of the closing prices of HK\$0.1184 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 17.44% to the average of the closing prices of HK\$0.0969 per Share as quoted on the Stock Exchange for the last 45 consecutive trading days counting from the first trading day since trading resumption on 25 July 2022 up to and including the Last Trading Day; and
- (v) a premium of approximately 95.12% over the unaudited net asset value attributable to shareholders of the Company per Share of approximately HK\$0.041 per Share as at 30 June 2022, with reference to the result announcement of the Company dated 30 August 2022; and
- (vi) a premium of approximately 70.21% over the audited net asset value attributable to shareholders of the Company per Share of approximately HK\$0.047 per Share as at 31 December 2021, with reference to the result announcement of the Company dated 19 April 2022.

The Consideration was determined after arm's length negotiations between the Company and Beijing Gas Group, having regard to the (i) prime opportunities for the Company to expand its city gas business into the Guangxi market, in which the Company currently has limited presence in the region; (ii) financial position, prospects and potential of the business of the Target Group in light of PRC government's continuous efforts in reducing pollution and carbon emissions by transiting from coal to clean energy (such as LNG); and (iii) the preliminary valuation in respect of 51% equity interest in the Project Company prepared by Jones Lang LaSalle, an independent valuer, as at 31 July 2022 based on the market approach taking into account the appropriate trading multiples of suitable comparable listed companies, with adjustment made to multiples to reflect the features of the Target Group relative to the comparable listed companies. The valuation report to be prepared an independent valuer will be disclosed in the circular to be despatched by the Company in compliance with Rule 11 of the Takeovers Code.

The issue price per Consideration Share is determined after taking into account the following: (i) the recent trading performance of the Shares; (ii) the net asset value of the Group; (iii) the business prospects and financial position of the Group; and (iv) the current market equity capital conditions.

CONSIDERATION SHARES

The total number of 3,500,000,000 Consideration Shares to be allotted and issued represent approximately:

- (i) 26.95% of the issued share capital of the Company as at the date of this announcement;
- (ii) 21.23% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other changes to the total number of Shares from the date of this announcement to the date of Completion);
- (iii) 15.39% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares and Subscription Shares (assuming that there is no other changes to the total number of Shares from the date of this announcement to the date of Completion); and
- (iv) 13.85% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, Subscription Shares and Conversion Shares (assuming that there is no other changes to the total number of Shares from the date of this announcement to the date of Completion).

The Consideration Shares shall rank *pari passu* in all respects with the Shares in issue and will be allotted and issued under the Specific Mandate to be sought for approval at the SGM.

INFORMATION OF TARGET GROUP

Basic information of the Target Group

The Target Group upon the completion of Reorganization will consist of three companies, namely, the Target Company, the PRC Project Holding Company and the Project Company. The Target Company is a wholly owned subsidiary of Beijing Gas HK that was incorporated in Hong Kong on 19 September 2022. The issued share capital of the Target Company as at the date of this announcement is HK\$110,000. To the best knowledge of the Company after making reasonable enquiries, the Target Company is an investment holding company that does not engage in any business activities.

PRC Project Holding Company was established in the PRC on 18 September 2015 with a registered capital of HK\$100,000 and is an indirectly wholly-owned subsidiary of the Company as at the date of this announcement. It is an investment holding company that does not engage in business activities. Upon completion of the Reorganization, the PRC Project Holding Company shall be wholly-owned by the Target Company and shall hold 51% equity interest of the Project Company.

The Project Company was established in the PRC in August 2014 with a registered share capital of RMB30,000,000 and is a city gas business operator located at Teng County of Guangxi Province in the PRC. It supplies gas and provide ancillary services to residential,

commercial and industrial users in its administrative region under an operating concession right of 30 years commencing from year 2016 in the region. As at the date of this announcement, Beijing Gas Group indirectly holds 51% equity interest in the Project Company. The remaining 49% equity interest in the Project Company are owned by Guangxi Heyuxiang New Energy Investment Co., Ltd* (廣西和裕祥新能源投資有限公司), a company which is ultimately beneficially owned as to 95% by Xu Lingling* (許玲玲) and as to 5% by Wang Liwei* (王立委), which and who is an independent third party(ies) to the Company. As confirmed by Beijing Gas Group, neither Guangxi Heyuxiang New Energy Investment Co., Ltd* nor its beneficial owner (including Xu Lingling and Wang Liwei*) is a party acting in concert with Beijing Gas Group and Beijing Gas HK.

As at 31 December 2021, the Project Company's customer network comprised 11,546 residential users, 83 commercial users and 13 industrial users. The volume of gas sales for the two years ended 31 December 2021 was approximately 95.3 million cubic meters and approximately 127.1 million cubic meters, respectively.

By leveraging the geographic location of Teng County being adjacent to Xijiang River, the Project Company also intends to develop other natural gas supply business such as CNG/LNG refueling stations for vehicles and business of LNG refueling for vessels when opportunities arise in the future according to market demand.

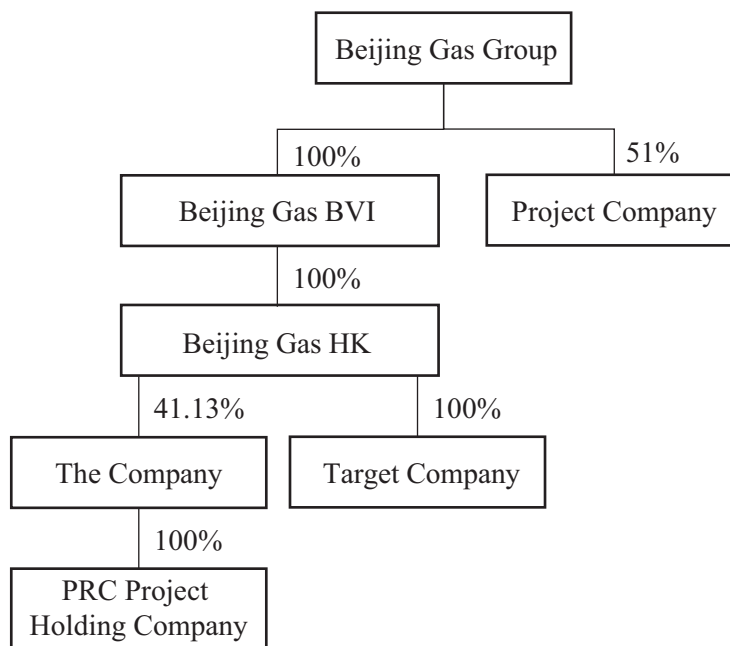
Reorganization of the Target Group

In order for the Acquisition to be structured via an existing foreign invested entity with a track record of no less than three years with the view to complying with the Circular of the State Council Concerning Further Strengthening the Administration of Share Issuance and Listing Overseas (《國務院關於進一步加強在境外發行股票和上市管理的通知》)國發[1997] 21號), the Target Group will undergo the Reorganization which shall comprise the following steps: (i) the Target Company will first acquire 100% of the equity interest of the PRC Project Holding Company; (ii) the PRC Project Holding Company, being such existing foreign invested entity that meets the relevant requirement, will then acquire the 51% equity interest of the Project Company held by Beijing Gas Group; and consequently form the offshore holding structure of the Target Group.

The Reorganization is expected to be completed no later than mid December 2022. Upon completion of the Reorganization, the Target Company will hold 51% equity interest of the Project Company through the PRC Project Holding Company. The completion of the Reorganization is one of the conditions precedents under the Acquisition Agreement.

The following charts set forth the group structures of the Target Group immediately prior to, and subsequent to the completion of, the Reorganization and the completion of the Acquisition:

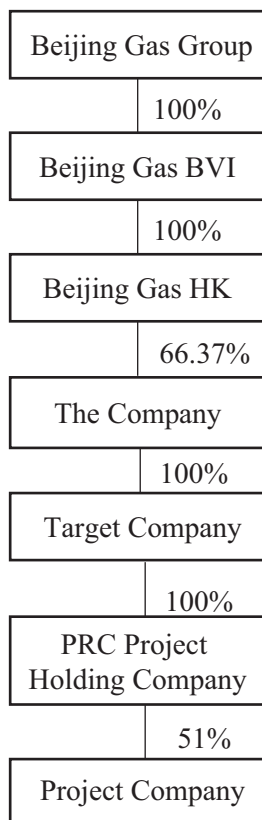
Shareholding Structure of the Target Group immediately prior to the Reorganization



Shareholding Structure of the Target Group immediately after the completion of the Reorganization



Shareholding Structure of the Target Group immediately after the completion of the Acquisition and the Share Subscription



Financial information

The Target Company was incorporated in Hong Kong on 19 September 2022 with an issued share capital of HK\$110,000 as at the date of this announcement.

Set out below are certain unaudited financial information of the PRC Project Holding Company and the Project Company based on their management accounts:

PRC Project Holding Company

	For the year ended 31 December 2020 (RMB'000)	For the year ended 31 December 2021 (RMB'000)
Net Liability	5	5
Profit before taxation	Nil	Nil
Profit after taxation	Nil	Nil

The Project Company

	For the year ended 31 December 2020 (RMB'000)	For the year ended 31 December 2021 (RMB'000)
Net Asset	41,707	65,547
Profit before taxation	32,041	54,036
Profit after taxation	27,220	45,875

Pursuant to Rule 14.58(6) and (7) of the Listing Rules, the Company is required to disclose the above financial information relating to the Target Group in this announcement. Pursuant to Rule 10 of the Takeovers Code, the above unaudited financial information relating to the PRC Project Holding Company and Project Company (each being part of the Target Group) constitutes a profit estimate and is required to be reported on by the Company's financial advisers and reporting accountants (the "**Reports**"). However, due to the time constraint in issuing this announcement in compliance with Chapters 14 and 14A of the Listing Rules, the Company has encountered the practical difficulties of including the Reports in this announcement. The financial information relating to the PRC Project Holding Company and Project Company is not strictly in compliance with the requirements of Rule 10 of the Takeovers Code. A full set of the audited financial information relating to the Project Holding Company and Project Company covering the financial years ended 31 December 2020 and 31 December 2021 prepared under International Financial Reporting Standards and reported upon by the reporting accountants will be included in the next document sent to the Shareholders. Shareholders should note that there may be differences between the unaudited financial information relating to the PRC Holding Company and Project Company as presented in this announcement and the audited financial information to be presented in the next document sent to the Shareholders.

The Company would like to draw to the attention of the Shareholders and potential investors that the above unaudited financial information in relation to the PRC Holding Company and Project Company (each being part of the Target Group) does not meet the standard required by Rule 10 of the Takeovers Code and is subject to review by the reporting accountants of the Company and therefore subject to changes. Shareholders and potential investors should exercise caution in placing reliance on the above information in assessing the merits and demerits of the Acquisition and any other transactions disclosed in this announcement.

COMPLETION OF THE FINANCIAL ASSISTANCE, SHARE SUBSCRIPTION AND THE ACQUISITION

The completions of the Facility, the Convertible Bond Subscription, the Share Subscription and the Acquisition are inter-conditional on each other. If any of the conditions precedent in the Facility Agreement, the Convertible Bond Subscription Agreement, the Share Subscription Agreement and the Acquisition Agreement is not fulfilled or waived on or before the Long Stop Date, these agreements shall lapse and the Financial Assistance, Share Subscription and Acquisition will not proceed.

REASONS FOR AND BENEFITS OF THE CAPITAL AND ASSET INJECTION PLAN (INVOLVING THE FINANCIAL ASSISTANCE, THE SHARE SUBSCRIPTION AND THE ACQUISITION)

As mentioned in the section headed “Background” above, the Group recorded net current liabilities of HK\$2.9 billion, with total bank and other borrowings amounted to HK\$3.6 billion as at 31 December 2021, of which HK\$2.2 billion are due for repayment in 2022. In addition, a further HK\$1.3 billion of bank and other borrowings were classified as current liabilities as events of defaults due to, among others, the suspension of trading of the Company’s shares since 18 January 2021, had occurred. Certain creditors had also demanded immediate repayment of loans due by the Group.

The Directors have since taken various measures to mitigate the liquidity pressure and to improve the financial position of the Group as mentioned in the Company’s annual report for the year ended 31 December 2021, including but not limited to the following:

- (a) In January 2022, the Group appointed a bank as facility agent to negotiate with potential lenders on behalf of the Group for a refinancing plan, which is conditional upon, among others, the successful resumption of trading of the Shares and the provision of certain financial assistance from Beijing Gas Group; and
- (b) The Board has been in active discussion with Beijing Gas Group on possible capital and/or asset injections plans.

As at 30 June 2022, the Group’s net current liabilities position stood at HK\$ 2.6 billion. Trading of Shares has resumed on 25 July 2022, and the Capital and Asset Injection Plan is formulated to address the Group’s pressing liquidity issues, strengthen asset base and earning capability taking into account the needs of the Group in term of its current financial position as well as its long-term development goals.

The implementation of the Capital and Asset Injection Plan will strengthen the Group’s working capital position and provide an immediate cash inflow of HK\$1.5 billion in total. Moreover, the terms in the Facility Agreement and the Convertible Bond Agreement allow the Company to accrue all its interest payments by paying them in full and one lump sum on the maturity dates. These allow the Group to repay part of its existing borrowings due for immediate repayment as mentioned above as well as to retain more cash resources to service other external borrowings, and it is expected that the Group will return to net current asset position and have a much reduced gearing.

Beijing Gas Group, the Controlling Shareholder of the Company, provides clear signs of support by increasing its shareholding in the Company as part of the Capital and Asset Injection Plan and it is committed to the long-term continued growth of the Group.

During the six months ended 30 June 2022, the Group has 8 city gas projects located in Shanxi Province, Jilin Province, Liaoning Province and Hubei Province. The Group intends to actively explore industry opportunities and continues to focus on developing LNG whole industry chain business and city gas business by fully leveraging the management expertise and resources of Beijing Gas Group.

In February 2022, the National Development and Reform Commission and the National Energy Administration published the Opinions to Improve the Energy Green Low Carbon Transition Systems, Mechanisms, Policies and Measures (《關於完善能源綠色低碳轉型體制機制和政策措施的意見》) emphasizing the importance of advancing green transformation. The

Group will seize the opportunity of achieving reduction of carbon emission over the long run according to the latest PRC government's environmental policy, enhancing risk and compliance control, and making all efforts in creating social values.

As disclosed in the section "Information of the Target Group", the Project Company is granted with an operating concession right in the region for 30 years commencing from 2016 for natural gas supply business. The natural gas source supply of the Project Company is backed by two major natural gas supply pipelines of the PipeChina (國家管網) namely West-to-East Gas Pipeline #2* (西氣東輸二線) and China-Myanmar Natural Gas Pipeline* (中緬天然氣管線). With the construction of LNG storage and distribution stations (city gate), the Project Company can directly source natural gas from the PipeChina network covering the natural gas consumption in the Teng County and its neighboring rural townships under the operating concession right. This natural gas supply model promotes a clean energy solution that is in line with the country's environmental goal. In particular, the Project Company is expected to benefit from the increasing industrial activities in the Teng County, most notably the development of a ceramic industrial park in the region which is expected to lead to rising energy demand from clean energy sources. As such, the Acquisition will not only enhance the Group's city gas business portfolio but also fits in the Group's natural gas expansion and development strategy.

The Directors also expect that the Acquisition will enhance the Group's natural gas business portfolio and asset base and represents an excellent opportunity for the Company to expand its city gas business into the Guangxi market, in which the Company currently has limited presence in this region.

As of the date of this announcement, the Company has not received other viable proposal which may address the Group's pressing liquidity issue taking into account the needs of the Group other than the transaction contemplated herein. In the event the Capital and Asset Injection Plan does not materialise, the Company might be unable to reduce the liquidity and credit risk of the Group.

Based on the aforesaid, the Directors (other than (i) the independent non-executive Directors who will express their views after receiving advice from the Independent Financial Adviser), are of the view that the Capital and Asset Injection Plan, involving the Facility, the Convertible Bond Subscription, the Share Subscription and the Acquisition were agreed upon after arm's length negotiations between the parties, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Facility, Convertible Bond Subscription and Share Subscription amount to HK\$700 million, HK\$300 million and HK\$500 million respectively and the net proceeds, after deduction of all relevant expenses, amount to approximately HK\$698.9 million, HK\$297.8 million and HK\$497.8 million respectively. The total net proceeds of the Facility, Convertible Bond Subscription and Share Subscription of 1,494.5 million are intended to be used for repaying some of the existing bank borrowings and for business development and general working capital purposes in the future.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not raised any other funds by equity issue in the past 12 months immediately preceding the date of this announcement.

INFORMATION OF THE COMPANY

The Company is a company incorporated in Bermuda with limited liability and principally engaged in investment holding. The Group is an integrated natural gas provider and distributor that offers innovative and diversified clean energy solution in the PRC. The Group focuses on the downstream natural gas distribution business which encompasses (i) construction and operation of compressed natural gas and LNG refueling stations for vehicles; and (ii) construction of natural gas connection pipelines and supply of piped gas to industrial parks, commercial complex and residential communities.

INFORMATION ABOUT BEIJING GAS GROUP AND BEIJING GAS HK

Beijing Gas Group is the Controlling Shareholder of the Company and is indirectly interested in approximately 41.13% of the issued share capital of the Company as at the date of this announcement. It was established in the PRC with limited liability and is principally engaged in supplying and selling piped natural gas and related businesses in Beijing. Beijing Gas Group is an indirect wholly owned subsidiary of Beijing Enterprises Holding Limited, an integrated public utilities operator with principal activities focusing on gas, water and environment, solid waste treatment and beer business. Beijing Enterprises Holding Limited is a company incorporated in Hong Kong and listed on the Main Board of the Stock Exchange (stock code: 392) and controlled as to 62.31% by Beijing Enterprises Group Company Limited* (北京控股集團有限公司) (the “**BE Group**”), which is in turn ultimately and beneficially owned by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality (北京市人民政府). The remaining issued shares of Beijing Enterprises Holding Limited are held by the public shareholders.

Beijing Gas HK is a company incorporated in Hong Kong with limited liability, the Controlling Shareholder of the Company and is indirectly wholly-owned by Beijing Gas Group. Its principal business is investment holding.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after allotment and issue of the Subscription Shares and Consideration Shares, before conversion of any of the Convertible Bond; and (iii) immediately after allotment and issue completion of the Subscription Shares, Consideration Shares and Conversion Shares after full conversion of the Convertible Bond.

	As at the date of this announcement		Immediately after allotment and issue of the Subscription Shares and Consideration Shares, before conversion of any of the Convertible Bond		Immediately after allotment and issue of the Subscription Shares, Consideration Shares and Conversion Shares after full conversion of the Convertible Bond	
	No. of Shares	Approximately	No. of Shares	Approximately	No. of Shares	Approximately
		%		%		%
Beijing Gas HK Parties acting in concert with Beijing Gas Group and Beijing Gas HK	5,341,042,131	41.13%	15,091,042,131	66.37%	17,633,415,012	69.76%
	-	-	-	-	-	-
Beijing Gas Group, Beijing Gas HK and their concert parties	5,341,042,131	41.13%	15,091,042,131	66.37%	17,633,415,012	69.76%
Public Shareholders	7,645,072,584	58.87%	7,645,072,584	33.63%	7,645,072,584	30.24%
	<u>12,986,114,715</u>	<u>100%</u>	<u>22,736,114,715</u>	<u>100%</u>	<u>25,278,487,596</u>	<u>100%</u>

Notes:

- (1) The percentages in the table above are expressed as percentages of the total issued Shares of the Company at the relevant time and are subject to rounding adjustments.
- (2) BNP Paribas is the financial adviser to Beijing Gas Group in respect of the Capital and Asset Injection Plan. Accordingly, BNP Paribas and relevant members of the BNP Paribas Group which hold the Shares are presumed to be acting in concert with Beijing Gas Group in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code (except in respect of Shares held by exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purposes of the Takeovers Code). Details of holdings or borrowings of the Shares and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) by other parts of the BNP Paribas Group will be obtained as soon as possible after this announcement has been made in accordance with Note 1 to Rule 3.5 of the Takeovers Code.
- (3) The Acquisition and the Share Subscription are inter-conditional to each other and the issue and allotment of the Subscription Shares and the Consideration Shares will take place on the same day.

Upon Completion, Beijing Gas Group will hold 66.37% before conversion of any of the Convertible Bond and 69.76% upon full conversion of the Convertible Bond. No less than 25% of the shares of the Company will be held by Independent Third Parties. As such, the Company will be able to comply with the public float requirement under Rule 8.08 of the Listing Rules.

LISTING RULES IMPLICATIONS

Beijing Gas Group is the Controlling Shareholder of the Company holding approximately 41.13% of the issued share capital of the Company and thus is a connected person of the Company under the Listing Rules.

Financial Assistance

The Financial Assistance, comprising (i) the Facility and (ii) the Convertible Bond Subscription, constitute a non-exempt connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Share Subscription

The Share Subscription and the transactions contemplated thereunder constitute a non-exempt connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Acquisition

As the highest applicable percentage ratio in respect of the Acquisition Agreement and the transactions contemplated thereunder exceeds 25% but is less than 100%, the Acquisition constitutes a major and connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

(4) TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Beijing Gas Group and its concert parties hold 5,341,042,131 Shares, representing approximately 41.13% of the total issued Shares. As illustrated in the section headed "Effect on the Shareholding Structure of the Company", upon completion of the Share Subscription and the Acquisition, Beijing Gas Group and its concert parties' voting right will increase to approximately 66.37% before conversion of any of the Conversion Bond, and will further increase to approximately 69.76% upon full conversion of the Conversion Bond.

Accordingly, in the absence of the Whitewash Waiver, completion of the Share Subscription and the Acquisition will give rise to an obligation on the part of Beijing Gas Group to make a mandatory offer for all the Shares (other than those already owned or acquired by Beijing Gas Group and parties acting in concert with it) under Rule 26.1 of the Takeovers Code.

Beijing Gas Group will apply to the Executive for the Whitewash Waiver from compliance with the obligation to make a mandatory general offer under Rule 26.1 of the Takeovers Code as a result of the issue of the Subscription Shares and Consideration Shares. The Whitewash Waiver, if granted by the Executive, is expected to be subject to, amongst others, the passing of the Whitewash Waiver Resolutions. Beijing Gas Group and its concert parties, and those who are involved in or interested in the Financial Assistance, the Share Subscription and the Acquisition will be required to abstain from voting in respect of the Whitewash Waiver Resolutions. The Financial Assistance, the Acquisition and the Share Subscription will not proceed if the Whitewash Waiver is not granted by the Executive, or not approved by the Independent Shareholders.

As at the date of this announcement, the Company does not believe that the Financial Assistance, the Acquisition and the Share Subscription give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a

concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular in respect of the Whitewash Waiver. The Company notes that the Executive may not grant the Whitewash Waiver if the Financial Assistance, the Acquisition and the Share Subscription do not comply with other applicable rules and regulations.

ADDITIONAL DISCLOSURE OF INTEREST

As at the date of this announcement, the Company has in aggregate 12,986,114,715 Shares in issue and does not have any options, warrants or convertible securities in issue.

As at the date of this announcement, Beijing Gas Group confirms that:

- (i) save as disclosed in the section headed “Effect on the Shareholding Structure of the Company” above, there is no holding of voting rights in the Company or rights over any Shares which is owned, controlled or directed by Beijing Gas Group or parties acting in concert with it;
- (ii) none of Beijing Gas Group or parties acting in concert with it has dealt in any Shares, acquired or entered into any agreement to acquire any voting rights in the Company within six months immediately prior to the date of this announcement;
- (iii) save for the Shares to be allotted to Beijing Gas HK pursuant to (a) the Share Subscription Agreement; (b) the Acquisition Agreement and (c) as a result of the conversion of the Convertible Bond respectively, none of Beijing Gas Group or parties acting in concert with it will make any acquisitions or disposals of voting rights in the Company in the period between the date of this announcement and the completion of the Share Subscription Agreement, the Acquisition Agreement and the Convertible Bond Subscription Agreement;
- (iv) none of Beijing Gas Group or parties acting in concert with it has received any irrevocable commitment from any person to vote for or against the resolutions to be proposed at the SGM to approve the Whitewash Waiver Resolutions;
- (v) Beijing Gas Group and parties acting in concert with it do not hold any outstanding options, warrants, derivatives or any securities that are convertible into Shares or any derivatives in respect of securities in the Company;
- (vi) save for (a) the Acquisition Agreement, (b) the Convertible Bond Subscription Agreement, (c) the Deeds of Share Mortgage, (d) the Facility Agreement and (e) the Share Subscription Agreement, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of any of Beijing Gas Group and parties acting in concert with it and which might be material to the Financial Assistance, the Share Subscription, the Acquisition and the Whitewash Waiver;
- (vii) save for (a) the subscription price for the Shares and the Convertible Bond payable under the Share Subscription Agreement and the Convertible Bond Subscription Agreement, respectively; (b) the transfer of 100% equity interest of the Target Company from Beijing Gas Group to the Company pursuant to the Acquisition Agreement; and (c) the loan provided by Beijing Gas HK to the Company pursuant to the Facility Agreement, none of Beijing Gas Group or parties acting in concert with it has paid or

will pay any other consideration, compensation or benefits in whatever form to the Company or any parties in concert with it or any shareholder of the Company in relation to the Financial Assistance, the Share Subscription and the Acquisition;

- (viii) none of Beijing Gas Group or parties acting in concert with it has entered into any understanding, arrangement, agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) with any Shareholders;
- (ix) save for the Share Subscription Agreement, the Convertible Bond Subscription Agreement, the Acquisition Agreement and the Facility Agreement, there are no agreements or arrangements to which Beijing Gas Group is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition under the Financial Assistance, the Share Subscription, the Acquisition or the Whitewash Waiver; and
- (x) none of Beijing Gas Group or parties acting in concert with it has borrowed or lent any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

The Directors confirm that none of the Company, its subsidiaries or associated companies has entered into any understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) with any of the Shareholders.

GENERAL

The Company will convene a SGM to seek Independent Shareholders' approval on the Financial Assistance, Share Subscription, Acquisition and the Whitewash Waiver. Beijing Gas Group, its associates and parties acting in concert with it and any other parties who are involved or interested in the Financial Assistance, Share Subscription, Acquisition and the Whitewash Waiver shall abstain from voting at the SGM in respect of the relevant resolution(s).

Pursuant to Rule 2.8 of the Takeovers Code, an independent board committee of the Company, comprising all non-executive Directors who have no direct or indirect interest in the Financial Assistance, the Share Subscription, the Acquisition and the Whitewash Waiver, should be established to advise the Independent Shareholders on the terms of the Financial Assistance, Share Subscription, Acquisition and the Whitewash Waiver. As Mr. Zhi Xiaoye, being the non-executive Director, also holds directorship position in Beijing Gas Group, he shall be absent from the appointment as member of the independent board committee to avoid conflict of interests for compliance of Rule 2.8 of the Takeovers Code.

Accordingly, an Independent Board Committee, comprising only all independent non-executive Directors, namely Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen, has been established. None of the members of the Independent Board Committee has any interest or involvement in the Financial Assistance, the Subscription, the Acquisition and the Whitewash Waiver.

With the approval of the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code, Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Financial Assistance, Share Subscription, Acquisition and the Whitewash Waiver are fair and reasonable and to advise the Independent Shareholders on how to vote. The Independent

Board Committee will form its view in respect of the terms of the Financial Assistance, Share Subscription, Acquisition and the Whitewash Waiver after taking into account the recommendations of the Independent Financial Adviser.

A circular including, among other things, details of (i) the Financial Assistance, the Share Subscription, the Acquisition and the Whitewash Waiver; (ii) the recommendation of the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the SGM will be despatched on or before 17 October 2022 pursuant to the Takeovers Code and the Listing Rules.

The Facility, the Convertible Bond Subscription, the Share Subscription and the Acquisition are inter-conditional to each other and will be subject to a number of conditions, which may or may not be fulfilled. In addition, the Executive may or may not grant the Whitewash Waiver and in the event that the Whitewash Waiver is not granted, the Facility Agreement, the Convertible Bond Subscription Agreement, the Share Subscription Agreement and the Acquisition Agreement shall lapse, and the Financial Assistance, the Share Subscription and the Acquisition will not proceed. The Whitewash Waiver, if granted, will be subject to approval of the Whitewash Waiver Resolutions by Independent Shareholders at the SGM. As the obtaining of the Whitewash Waiver is one of the conditions precedent to the Share Subscription Agreement and the Acquisition Agreement and such condition is not waivable, and the Facility, the Convertible Bond Subscription, the Share Subscription and the Acquisition are inter-conditional to each other, in the event that the Whitewash Waiver is not granted or the Whitewash Waiver Resolutions are not approved, the Financial Assistance, the Acquisition and the Share Subscription will not proceed.

If the Whitewash Waiver is approved by the Independent Shareholders and the Share Subscription and the Acquisition occur, the aggregate shareholding of Beijing Gas Group and parties acting in concert with it in the Company will exceed 50%. Beijing Gas Group may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the Target Group by the Company pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement entered into by Beijing Gas Group and the Company on 26 September 2022, in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules

“Beijing Gas Group”	Beijing Gas Group Company Limited* (北京市燃氣集團有限責任公司), a company established in the PRC with limited liability, and is wholly-owned by Beijing Enterprises Holdings Limited (stock code: 392), which is in turn ultimately controlled by the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality as to approximately 62.31%
“Beijing Gas HK”	Beijing Gas Company Limited* (北京燃氣有限公司), a company incorporated in Hong Kong with limited liability, is indirectly wholly-owned by Beijing Gas Group and a shareholder of the Company directly interested in approximately 41.13% of the Shares
“BNP Paribas”	BNP Paribas Securities (Asia) Limited, the financial adviser to Beijing Gas Group in respect of the Capital and Asset Injection Plan. BNP Paribas is a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Board”	the board of Directors
“Capital and Asset Injection Plan”	a financing and asset injection plan to be implemented involving the Facility, Convertible Bond Subscription, Share Subscription and the Acquisition
“Company”	Beijing Gas Blue Sky Holdings Limited (stock code: 6828), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	Completion of the Financial Assistance (including the Facility and the Convertible Bond Subscription), Share Subscription and the Acquisition
“Consideration Shares”	an aggregate of 3,500,000,000 new Shares to be allotted and issued by the Company to Beijing Gas Group (or its nominee in accordance with the Acquisition Agreement) at the issue price of HK\$0.08 per Share for full settlement of the consideration for the Acquisition
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the price per Share at which the Conversion Shares will be issued upon conversion of the Convertible Bond, with the initial conversion price being HK\$0.118 per Conversion Share (subject to adjustments)
“Conversion Shares”	the Shares to be allotted and issued by the Company upon conversion of the Convertible Bond

“Convertible Bond”	the convertible bond in the principal amount of HK\$300 million due on the third anniversary of the date of issue of the Convertible Bond (as maybe agreed to further extend for 3 months) issued by the Company to Beijing Gas HK pursuant to the Convertible Bond Subscription Agreement
“Convertible Bond Subscription”	the subscription of the Convertible Bond by Beijing Gas HK pursuant to terms and conditions of the Convertible Bond Subscription Agreement
“Convertible Bond Subscription Agreement”	the convertible bond subscription agreement entered into between the Company and Beijing Gas HK dated 26 September 2022 in respect of the Convertible Bond Subscription
“Deeds of Share Mortgage”	pursuant to the Facility Agreement and Convertible Bond Subscription Agreement, the Company as the borrower and as convertible bond issuer is required to provide the equity interest of Beijing Gas Jingtang Company Limited* (北燃京唐有限公司) as security in favor of Beijing Gas HK, who is the lender and convertible bond subscriber under respective deeds of share mortgage
“Directors”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Facility”	the term loan facility in an aggregate amount of HK\$700,000,000 made available under the Facility Agreement
“Facility Agreement”	the facility agreement dated 26 September 2022 entered into between the Company and Beijing Gas HK in respect of provision of the Facility
“Financial Assistance”	the Facility and the Convertible Bond Subscription
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Independent Board Committee”	a Board committee comprising all independent non executive Directors, namely Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen, established to make recommendation to the Independent Shareholders in relation to the Financial Assistance, Share Subscription, the Acquisition and the Whitewash Waiver
“Independent Financial Adviser”	Octal Capital Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Financial Assistance, the Share Subscription, the Acquisition and the Whitewash Waiver

“Independent Shareholders”	the Shareholders other than (i) Beijing Gas Group, Beijing Gas HK, Beijing Enterprises Holding Limited and Beijing Enterprises Group Company Limited and any of their concert parties and associates, and (ii) the Shareholders who are involved in or interested in the Financial Assistance, the Share Subscription, the Acquisition, and/or the Whitewash Waiver
“Independent Third Party(ies)”	party(ies) independent of the Directors, chief executive, substantial shareholders and management shareholders of the Company and their respective associates
“Last Trading Day”	26 September 2022
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	six months after the date of the Facility Agreement, the Convertible Bond Subscription Agreement, the Share Subscription Agreement and the Acquisition Agreement, respectively.
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Project Holding Company”	Shenzhen Huaran Natural Resources Limited* (深圳華然能源公司), an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Project Company”	Beijing Gas Group (Teng County) Co., Ltd* (北京燃氣集團藤縣有限公司), which is owned as to 51% by Beijing Gas Group as at the date of this announcement and as to 49% by Guangxi Heyuxiang New Energy Investment Co., Ltd,* (廣西和裕祥新能源投資有限公司), in which is ultimately beneficially owned by independent third parties
“Reorganization”	a reorganization exercise for formation of the Target Group for the purpose of the Acquisition, details of which are set out in the section headed “INFORMATION OF THE TARGET GROUP – Reorganization of the Target Group” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Financial Assistance, Share Subscription, Acquisition and the Whitewash Waiver

“Share Subscription”	subscription of 6,250,000,000 new Shares by Beijing Gas Group at the Subscription Price pursuant to the Share Subscription Agreement
“Share Subscription Agreement”	the share subscription agreement entered into between the Company and Beijing Gas HK dated 26 September 2022 in respect of the Share Subscription
“Share(s)”	the issued share(s) of the Company
“Shareholders”	holder(s) of the Shares
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the SGM to grant the authority to the Board for the allotment and issue of the Subscription Shares, Consideration Shares and Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.08 per Subscription Shares
“Subscription Shares”	the new Shares to be issued pursuant to the Share Subscription Agreement
“Syndicated Facility”	a term loan facility in an aggregate amount of no less than HK\$1,000,000,000 expected to be made available by the Syndication Lenders to the Company for 3 years ending 31 December 2025
“Syndicated Facility Agreement”	a facility agreement expected to be entered into by the Company and the Syndication Lenders no later than mid-October 2022 in respect of the Syndicated Facility
“Syndication Lenders”	a group of banks in Hong Kong who are expected to provide the Syndicated Facility to the Company under the Syndicated Facility Agreement
“Takeovers Code”	the Code on Takeovers and Mergers published by the SFC
“Target Company”	Sapphire Gas Company Limited, a wholly owned subsidiary of Beijing Gas HK as at the date of this announcement
“Target Group”	comprising the Target Company, PRC Project Holding Company and Project Company upon the completion of the Reorganization

“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of Beijing Gas Group to make a general offer for all Shares and other equity share capital of the Company (other than those already owned or agreed to be acquired by Beijing Gas Group and its concert parties) as a result of the allotment and issue of Shares pursuant to (a) the Share Subscription Agreement and (b) the Acquisition Agreement
“Whitewash Waiver Resolutions”	resolutions approving (A) the Whitewash Waiver by at least 75% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the SGM, and (B) each of the Facility Agreement, the Convertible Bond Subscription Agreement, the Share Subscription Agreement and the Acquisition Agreement is approved by more than 50% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the SGM as required under the Takeovers Code
“%”	per cent

* For identification purposes only

By order of the Board
Beijing Gas Blue Sky Holdings Limited
Zhi Xiaoye
Chairman

Hong Kong, 26 September 2022

As at the date of this announcement, the executive Directors of the Company are Mr. Li Weiqi, Mr. Chen Ning and Mr. Yeung Shek Hin; the non-executive Director of the Company is Mr. Zhi Xiaoye; and the independent non-executive Directors of the Company are Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen.

The Directors jointly and severally accept full responsibility for accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.