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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)

CONNECTED TRANSACTION – LEASE AGREEMENT

LEASE AGREEMENT

The Board announces that on 30 March 2023, the Company entered into the Lease Agreement with BCCF. Pursuant to the Lease Agreement, BCCF leased a commercial property located in Chaoyang District, Beijing to the Company for office use with a lease term of five years commencing from 1 June 2023.

LISTING RULES IMPLICATIONS

BEHL is the controlling shareholder of the Company, and BCCF, a 30%-controlled company (as defined under the Listing Rules) of BEHL, is an associate of BEHL. As a result, BCCF is a connected person of the Company. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the value of the right-of-use assets recognized under the Lease Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Lease Agreement are subject to the reporting and announcement requirements, but are exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

The Board announces that on 30 March 2023, the Company entered into the Lease Agreement with BCCF. Pursuant to the Lease Agreement, BCCF leased a commercial property located in Chaoyang District, Beijing to the Company for office use with a lease term of five years commencing from 1 June 2023.

LEASE AGREEMENT

The principal terms of the Lease Agreement are as follows:

Date:	30 March 2023
Lessor:	BCCF
Lessee:	The Company
Leased property:	A commercial property in the BCCF Energy Research and Development Center* (北京煉焦化學廠有限公司能源研發科技中心) located on Huagong Road, Chaoyang District, Beijing (hereinafter referred to as the “ Leased Property ”)
Lease area:	The gross floor area of the Leased Property is 1,740.07 m ²
Usage:	Office use
Lease term:	A lease term of five (5) years (hereinafter referred to as the “ Lease Term ”) from 1 June 2023 to 31 May 2028
Lease payment:	The annual rental payable is determined as follows: RMB4.64/day/m ² (tax included).

The specific annual rental payments are set out as follows:

Lease Term	Rent (Tax included) (RMB)
First Rental Year	2,955,056.48
Second Rental Year	2,946,982.55
Third Rental Year	2,946,982.55
Fourth Rental Year	2,946,982.55
Fifth Rental Year	2,955,056.48

The consideration paid by the Company to BCCF under the Lease Agreement is determined after arm’s length negotiations between parties after taking into consideration the prevailing market rental for comparable premises in the vicinity of the Leased Property.

Payment arrangement:	The Company shall pay the rent for the first three (3) months, in the sum of RMB742,801.08, within 20 working days of the Agreement Date. Thereafter, the rent shall be paid every three months.
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Security Deposit: The Company shall pay a security deposit of RMB742,801.08, equivalent to approximately three (3) months' rent, within 20 working days of the Agreement Date.

Reasons for and benefits of the transaction under the Lease Agreement: In view of the continuous growth of the Group's business, the Directors believe that entering into of the Lease Agreement would enable the Group to secure a long-term premises for office use which would facilitate the increasing size of employees and at the same time improve the office environment and enhance working efficiency.

The Directors (including the independent non-executive Directors) are of the view that the Lease Agreement was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms after arm's length negotiations between the parties; and (iii) on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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 OF BCCF

BCCF is a company incorporated in the PRC with limited liability and principally engaged in property management and the leasing of office use property.

LISTING RULES IMPLICATIONS

BEHL is the controlling shareholder of the Company, and BCCF, a 30%-controlled company (as defined under the Listing Rules) of BEHL, is an associate of BEHL. As a result, BCCF is a connected person of the Company.

Under IFRS 16 "Leases", the Company will recognize the value of the relevant right-of-use assets under the Lease Agreement and the transaction contemplated hereunder will be treated as an acquisition of assets by the Company under the Listing Rules and constitute a one-time connected transaction of the Company under Chapter 14A of the Listing Rules. The right-of-use asset represents the right to use the underlying leased asset over the lease term and the lease liability represents the obligation of the lessee to make lease payments (i.e. the rent). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Lease Agreement, using the weighted average incremental borrowing rate as the discount rate.

As at the date of the announcement, the unaudited total value of the right-of-use assets to be recognized by the Company under the Lease Agreement is estimated to be approximately RMB12 million, which is the present value of the total rent payable for the Leased Property according to the Lease Contract, and the annual discount rate applied is 4.75% when calculating the present value of the total rent. Shareholders should note that the aforesaid figure is unaudited and may be subject to adjustment in the future. Under IFRS 16 “Leases” and in the consolidated income statement of the Group, the Group shall recognise the (i) depreciation charge over the life of the right-of-use assets; and (ii) interest expenses amortised from the lease liability over the lease term.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the value of the right-of-use assets recognized under the Lease Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Lease Agreement is subject to the reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the Lease Agreement and the transaction contemplated thereunder and shall abstain from voting on the relevant Board resolutions(s) in approving the Lease Agreement and the transaction contemplated thereunder, but as Mr. Zhi Xiaoye holds directorship and senior positions in certain members of BEHL, he has voluntarily abstained from voting on the relevant Board resolution(s).

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“BCCF”	Beijing Coking Chemical Factory Limited* (北京煉焦化學廠有限公司), a company established in the PRC with limited liability
“BEHL”	Beijing Enterprises Holdings Limited* (北京控股集團有限公司), a limited liability company established in the PRC, which is a controlling shareholder of the Company
“Board”	The Board of the Directors of the Company
“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries
“IFRS”	International Financial Reporting Standard(s) issued by the International Accounting Standards Board from time to time

“Lease Agreement”	the lease agreement dated 30 March 2023 entered into between the Company and BCCF
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent

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

Hong Kong, 30 March 2023

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

* *for identification purpose only*