
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Beijing Gas Blue Sky Holdings Limited, you should at once hand this circular together with the enclosed proxy form, to the purchaser(s) or transferee(s) or the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
NATURAL GAS MASTER AGREEMENT
AND
(2) DISCLOSEABLE AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
DEPOSIT SERVICES MASTER AGREEMENT
AND
(3) NOTICE OF THE SGM**

Financial Adviser to the Company



**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



Capitalised terms used on this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A notice convening the SGM to be held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Friday, 22 December 2023 at 11:00 a.m. is set out on pages 51 to 53 of this circular. A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.bgbluesky.com).

Whether or not you are able to attend and/or vote at the SGM in person, please complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM (i.e. no later than 11:00 a.m. on Wednesday, 20 December 2023) or any adjournment thereof should you so wish.

6 December 2023

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DEFINITIONS

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

“2021 LNG Master Agreement”	the master agreement dated 25 February 2021 entered into between BGGCL and the Company, pursuant to which BGGCL (or its designated subsidiaries or associates) agreed to sell and the Company (or its designated subsidiaries or associates) agreed to purchase LNG for a term of a period commencing from 25 February 2021 to 31 December 2023 (both days inclusive);
“Announcement”	the announcement of the Company dated 23 October 2023 in relation to, among other things, the Master Agreements and the New Annual Caps thereof;
“associate”	has the same meaning as ascribed to it under the Listing Rules;
“BE Group”	北京控股集團有限公司 (Beijing Enterprises Group Company Limited*), a company established in the PRC with limited liability and is ultimately wholly-owned by the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality;
“BE Group Finance”	北京控股集團財務有限公司 (Beijing Enterprises Group Finance Co., Ltd.*), a company established in the PRC with limited liability and is an associate of BE Group;
“BGGCL”	北京市燃氣集團有限責任公司 (Beijing Gas Group Co., Ltd.*), a company established in the PRC with limited liability, and is wholly-owned by Beijing Enterprises Holdings Limited, which in turn is more than 30% ultimately and beneficially owned by the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality;
“BGGT”	北京燃氣集團(天津)天然氣銷售有限公司 (Beijing Gas Group (Tianjin) Natural Gas Limited*), a company established in the PRC with limited liability, and is directly wholly-owned by BGGCL;
“Board”	the board of Directors;

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“close associate(s)”	has the same meaning as ascribed to it under the Listing Rules;
“CNG”	compressed natural gas;
“Company”	Beijing Gas Blue Sky Holdings Limited (北京燃氣藍天控股有限公司), 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;
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules;
“Deposit Services”	has the same meaning as ascribed to it under the section headed “Letter from the Board – 3. The Deposit Services Master Agreement – Principal Terms” in this circular;
“Deposit Services Master Agreement”	the deposit services master agreement entered into between the Company and BE Group Finance on 23 October 2023;
“Director(s)”	the director(s) of the Company;
“Effective Date”	the date of fulfilment of all conditions to the Deposit Services Master Agreement;
“Existing Annual Caps”	the aggregate annual value for the transactions contemplated under the 2021 LNG Master Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all three independent non-executive Directors, established to advise the Independent Shareholders in respect of the Master Agreements, the New Annual Caps and the transactions contemplated thereunder;

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“Independent Financial Adviser” or “Optima Capital”	Optima Capital Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Agreements, the New Annual Caps and the transactions contemplated thereunder;
“Independent Shareholder(s)”	the Shareholders other than BGGT, BGGCL, BE Group Finance and their respective associates, who do not have a material interest in the Master Agreements and the transactions contemplated thereunder;
“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) of the Company;
“Latest Practicable Date”	29 November 2023, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time;
“LNG”	liquefied natural gas;
“Master Agreements”	the Natural Gas Master Agreement and the Deposit Services Master Agreement;
“Natural Gas”	natural gas in varying forms including LNG, CNG and PNG;
“Natural Gas Master Agreement”	the natural gas trading contract entered into between the Company and BGGT on 23 October 2023;
“NAFR”	國家金融監督管理總局 (the National Administration of Financial Regulation*);

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“New Annual Caps”	<p>(i) the aggregate annual value for the transactions contemplated under the Natural Gas Master Agreement; and</p> <p>(ii) the maximum daily accumulated aggregate of deposits placed by the Group with BE Group Finance (including the corresponding interest accrued thereon) on any given day during the term of the Deposit Services Master Agreement;</p>
“PNG”	piped natural gas;
“PRC”	the People’s Republic of China, and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region of China;
“Proposed BE Group Finance Loan”	the proposed credit facility of HK\$200,000,000 to be extended by BE Group Finance to the Group on normal commercial terms or on terms no less favourable than terms available to the Group from Independent Third Parties and will not be secured by the assets of the Group, which are currently subject to negotiations;
“RMB”	Renminbi, the lawful currency of the PRC;
“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 to be held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Friday, 22 December 2023 at 11:00 a.m. to consider and, if thought fit, approve the Master Agreements, the New Annual Caps and the transactions contemplated thereunder, including any adjournment thereof;
“Share(s)”	ordinary share(s) of HK\$0.055 each in the issued share capital of the Company;
“Share Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong;

DEFINITIONS

“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the same meaning as ascribed to it under the Listing Rules;
“substantial shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules; and
“%”	per cent.

Remarks:

- (1) For the purpose of this circular, unless otherwise indicated, the exchange rate of HK\$1=RMB0.91764 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.
- (2) In this circular, the English name of any PRC entity marked with an asterisk(*) is a translation of its Chinese name, and is included herein for identification purposes only. In the event of any inconsistency, the Chinese name shall prevail.

LETTER FROM THE BOARD



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)

Executive Directors:

Li Weiqi
Wu Haipeng
Li Xianning
Yeung Shek Hin

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Zhi Xiaoye (*Chairman*)
Shao Dan

Principal place of business in Hong Kong:

Room 3402-4, 34/F, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

Independent Non-executive Directors:

Cui Yulei
Hsu Wai Man Helen
Xu Jianwen

6 December 2023

To the Shareholders

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
NATURAL GAS MASTER AGREEMENT
AND
(2) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
DEPOSIT SERVICES MASTER AGREEMENT
AND
(3) NOTICE OF THE SGM**

1. INTRODUCTION

Reference is made to (i) the circular of the Company dated 14 April 2021 in relation to the 2021 LNG Master Agreement; and (ii) the Announcement in relation to the Master Agreements. The purpose of this circular is to provide the Shareholders with, among other things, (i) further

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information of the Master Agreements, the New Annual Caps and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the aforesaid; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the aforesaid; and (iv) a notice convening the SGM to approve, among other things, the Master Agreements, the New Annual Caps and the transactions contemplated thereunder.

2. THE NATURAL GAS MASTER AGREEMENT

Principal Terms

On 23 October 2023, the Company entered into the Natural Gas Master Agreement with BGGT, pursuant to which BGGT (or its designated subsidiaries or associates) agreed to sell and the Company (or its designated subsidiaries) agreed to purchase Natural Gas for a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive).

Set out below are the principal terms of the Natural Gas Master Agreement:

Date:	23 October 2023
Parties:	(i) The Company; and (ii) BGGT.
Term:	For a term of three years commencing from 1 January 2024 to 31 December 2026 (both days inclusive)
Conditions Precedent:	The Natural Gas Master Agreement is conditional upon the fulfilment of the following conditions: (i) the Company having obtained all necessary internal approvals required for the Natural Gas Master Agreement, the New Annual Caps for the Natural Gas Master Agreement and the transactions contemplated thereunder; and (ii) the Company having obtained the approval on the Natural Gas Master Agreement, the New Annual Caps for the Natural Gas Master Agreement and the transactions contemplated thereunder from the Independent Shareholders at the SGM in accordance with the bye-laws of the Company and the Listing Rules.

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- Basis of Pricing: The sale and purchase price of Natural Gas under the Natural Gas Master Agreement shall be determined by the relevant parties upon arm's length negotiations based on normal commercial terms which shall be no less favourable to the Company than that are available from Independent Third Parties and/or the following benchmark prices:
- (i) the purchase price of LNG shall be determined with reference to the market price quoted from the respective local LNG terminal(s) or ex-factory price;
 - (ii) the purchase price of PNG shall be determined with reference to respective pipeline connection price or market price; and
 - (iii) the purchase price for CNG shall be determined with reference to the market-based prices in the corresponding regions of CNG supply and going-rate pricing.

In addition, in evaluating the reasonableness of the price quotation of Natural Gas from BGGT (or its designated subsidiaries or associates), the procurement function of the Group will compare the price quotation against the historical Natural Gas market data and price trend set out in China's Natural Gas Report published daily by CEthinktank* (清燃智庫), a professional big data, think tank, information and consultation service provider in the PRC natural gas sector and an Independent Third Party. As the customers of the Group are located in different areas of the PRC, the price of Natural Gas varies with reference to the supply and demand in the various particular areas of the PRC, and transportation cost. As such, the Directors considered referencing to the market prices quoted from the respective benchmark prices in the areas where the Group's customers are located would be in the best interest of the Company.

The sale and purchase price of Natural Gas shall be agreed by both BGGT (or its designated subsidiaries or associates) and the Group by written confirmations for each order.

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The above Natural Gas pricing arrangement is subject to the internal control measures as provided in the paragraph headed “5. Internal Control And Risk Management Measures – Natural Gas Master Agreement” below. Based on the foregoing, the Directors consider the Natural Gas pricing arrangement under the Natural Gas Master Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Settlement: The supply of Natural Gas by BGGT (or its designated subsidiaries or associates) will be subject to prepayment made by the Group pursuant to the Natural Gas Master Agreement. The actual settlement amount shall be based on the actual sale and purchase amount of Natural Gas between the relevant parties.

Historical Transaction Amounts And The Existing Annual Caps

The table below sets out the historical LNG amount purchased by the Group with BGGCL (including its designated subsidiaries and associates) for the two financial years ended 31 December 2021 and 2022, and the nine months ended 30 September 2023 and the Existing Annual Caps:

	For the year ended 31 December 2021 <i>Note 1</i>	For the year ended 31 December 2022	For the nine months ended 30 September 2023
Purchase volume (tons)	3,343	1,147	64,000
Purchase amount	HK\$22,610,000	HK\$11,547,000	HK\$298,913,000
Existing Annual Caps	HK\$954,135,000	HK\$1,105,650,000	HK\$1,228,500,000 <i>Note 2</i>
Utilisation Rate	2.37%	1.04%	24.33%

Notes:

- Commencing from the effective date of the 2021 LNG Master Agreement.
- The relevant Existing Annual Caps represent the annual caps for the year ending 31 December 2023.

LETTER FROM THE BOARD

During the term of the 2021 LNG Master Agreement, due to the geopolitical tension between Russia and Ukraine, global natural gas supply chain was affected, causing significant fluctuation in the prices of LNG. As discussed in the section headed “Management Discussion and Analysis” in the 2022 Annual Report of Beijing Enterprises Holdings Limited (Stock Code: 392), the energy supply chain shortage arising from increasing global economic downward pressure and international geopolitical risks had brought about numerous changes and uncertainties in the industry and market environment associated with the businesses of Beijing Enterprises Holdings Limited, which owns the entire equity interest in BGGCL. The parties to the 2021 LNG Master Agreement were relatively prudent in placing and accepting LNG purchase orders, thus resulting in a relatively low utilisation rate.

The Group expanded its natural gas trading and distribution business in Shenzhen in 2023. In addition, as global natural gas prices declined sharply in 2023 from the price level in 2022, there had been an increasing demand for LNG from customers of the Group. The Group purchased greater volume of LNG from BGGCL (including its designated subsidiaries and associates) in the nine months ended 2023, thus resulting in a higher utilisation rate in the Existing Annual Caps in the corresponding period. Following the commencement of operation of Phase I of the Tianjin Nangang LNG emergency reserve project of BGGCL in September 2023, it is expected that BGGT can maintain a high and stable supply of Natural Gas. The Group seeks to leverage on such stable supply of Natural Gas from BGGT (or its designated subsidiaries or associates) to strengthen its capacities to fulfil Natural Gas demand spike in winter seasons.

The New Annual Caps And The Basis Of Determination

The New Annual Caps for purchase of Natural Gas by the Group from BGGT (or its designated subsidiaries or associates) pursuant to the Natural Gas Master Agreement for the three years ending 31 December 2024, 2025 and 2026 are set out below:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
Annual Caps	RMB2,300,000,000 (equivalent to approximately HK\$2,506,429,537	RMB2,900,000,000 (equivalent to approximately HK\$3,160,280,720)	RMB3,800,000,000 (equivalent to approximately HK\$4,141,057,495)
Estimated purchase volume under the Natural Gas Master Agreement (tons)	500,000	650,000	850,000

LETTER FROM THE BOARD

In arriving at the New Annual Caps for the Natural Gas Master Agreement, the Directors and the senior management of the Company (collectively the “**Management**”) have considered, among others, the following factors:

(A) *Historical transaction, the Existing Annual Caps and future supply capacity of BGGT*

The LNG trading business of the Group recorded LNG sales volume of approximately 180 thousand tons and 280 thousand tons for the year ended 31 December 2022 and the ten months ended 31 October 2023, respectively. The relatively low historical transaction volume and utilisation rate for the period between the effective date of the 2021 LNG Master Agreement and 31 December 2022 were attributable to, among other things, the delay in completion of the first phase of the Tianjin Nangang LNG emergency reserve project due to COVID-19. Following the ease of the COVID-19 pandemic in 2023 and the completion of the first phase of the Tianjin Nangang LNG emergency reserve in September 2023, the Group recorded a significant rebound in transaction volume of over 20 times with BGGCL for the nine months ended 30 September 2023.

The Management further expected that, following commencement of the first, second and third phases of the Tianjing Nangang LNG emergency reserve project between 2023 and 2025, BGGT would be in a better position to provide a stable supply of 500 thousand tons, 650 thousand tons and 850 thousand tons of LNG to the Group in 2024, 2025 and 2026, respectively.

(B) *Market outlook*

Natural gas is fundamental towards achieving the national strategy to actively respond to climate change, promoting a comprehensive green and low-carbon transformation of economic and social development, increasing the reduction of carbon emission intensity, strengthening the independent contribution target, and achieving remarkable results in green and low-carbon development making arrangements for “carbon peaking” and “carbon neutrality” and related work on ecological environment protection. The projected annual natural gas consumption volume of approximately 400 billion to 450 billion tons in the PRC in 2025 as set out in the Natural Gas Development Report 2021 jointly issued by the National Energy Administration, the State Council and the Ministry of Natural Resources of the PRC, representing a projected increase of more than 20% as compared to the annual natural gas consumption in the PRC in 2022.

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(C) Expiration of long term procurement contract of the Group

浙江博臣能源股份有限公司 (“**Zhejiang Bochen**”), a wholly-owned subsidiary of the Group and its subsidiaries (collectively, the “**Bochen Group**”) are principally engaged in LNG trading and direct supply of LNG business in Mainland China. Bochen Group and a wholly-owned subsidiary of one of the “three barrels of oil” entered into a ten-year LNG procurement contract (the “**Procurement Contract**”) in 2013, which is set to expire by the end of 2023. Based on the management account of the Group, pursuant to the Procurement Contract, Bochen Group purchased no less than 95 thousand tons and 110 thousand tons of LNG from the said supplier for the year ended 31 December 2022 and the ten months ended 31 October 2023, respectively. As at the Latest Practicable Date, Bochen Group had not entered into any renewal agreement with the said supplier, and was actively negotiating with alternative LNG suppliers, including BGGT. The Management was of the view that the purchase volume of Bochen Group will not deviate substantially from the historical purchase volume for the period between 1 January 2022 to 31 October 2023, taking into account the higher demand for Natural Gas in the winter season.

(D) Client portfolio of the Group

The Group acquired 59 new customer framework agreements during the period from 1 July 2023 to 31 October 2023. The client portfolio of the LNG trading business of the Group comprises state-owned enterprises, companies which shares are listed on the Stock Exchange and/or other renowned PRC enterprises, such as associates and/or subsidiaries of China Gas Holdings Limited (a company which shares are listed on the Main Board of the Stock Exchange with stock code 384), ENN Energy Holdings Limited (a company which shares are listed on the Main Board of the Stock Exchange with stock code 2688), Guanghui Energy Co., Ltd.* (廣匯能源股份有限公司) (a company which shares are listed on the Shanghai Stock Exchange with stock code 600256), Jiangxi Jovo Energy Co., Ltd.* (江西九豐能源股份有限公司) (a company which shares are listed on the Shanghai Stock Exchange with stock code 605090), Foran Energy Group Co., Ltd.* (佛燃能源集團股份有限公司) (a company which shares are listed on the Shenzhen Stock Exchange with stock code 002911). These clients operate on a commercial basis and tend to procure from the supplier in the nearby region with the most competitive offer. These clients, in assessing the suitability of the Group as a supplier, also take into account the capability of the Group to supply Natural Gas in bulk, such that the clients could maintain a stable supply of energy to its downstream customers.

LETTER FROM THE BOARD

(E) Historical fluctuation in Natural Gas price

During (i) the term of the 2021 LNG Master Agreements, LNG price (ton) fluctuated significantly from approximately RMB4,000 (equivalent to approximately HK\$4,359) to approximately RMB8,000 (equivalent to approximately HK\$8,718); and (ii) the 30-day period immediately preceding the date of the Natural Gas Master Agreement, LNG price (ton) ranged from approximately RMB4,400 (equivalent to approximately HK\$4,765) to RMB5,000 (equivalent to approximately HK\$5,449). The Management, in arriving at the New Annual Caps, considered the estimated LNG price range of RMB4,500/ton to be reasonable, having taken into account the said historical fluctuations in LNG prices. The Management will continue to monitor Natural Gas prices closely during the term of the Natural Gas Master Agreement and maintain a prudent procurement pricing strategy in dealing with BGGT (or its designated subsidiaries or associates).

3. THE DEPOSIT SERVICES MASTER AGREEMENT

Principal Terms

On 23 October 2023, the Company entered into the Deposit Services Master Agreement with BE Group Finance, pursuant to which the Group may, in its ordinary and usual course of business and treasury management, place and maintain deposits with BE Group Finance on normal commercial terms from time to time.

Set out below are the principal terms of the Deposit Services Master Agreement:

Date:	23 October 2023
Parties:	(i) The Company; and (ii) BE Group Finance.
Term:	For a term of three years commencing from the Effective Date to the third anniversary of the Effective Date (both days inclusive)
Conditions Precedent:	The Deposit Services Master Agreement is conditional upon the fulfilment of the following conditions: (i) The Company having complied with the relevant continuing connected transaction requirements under the Listing Rules; and

LETTER FROM THE BOARD

- (ii) the Company having complied with the relevant reporting, announcement and Shareholders' approval requirements in accordance with the Listing Rules.

Deposit Services: BE Group Finance will provide the Company with various types of deposit services, including demand deposits, time deposits, call deposits and agreement deposits, etc. All deposits placed by the Group with BE Group Finance are based on the principle of free deposit and retrieval access.

Interest rates: The rate at which interest will accrue on any deposit placed by the Group with BE Group Finance under the Deposit Services Master Agreement will not be lower than the following:

- (i) the minimum interest rate prescribed by the People's Bank of China for the same type of deposits;
- (ii) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits; and
- (iii) the interest rates offered by BE Group Finance to other members of BE Group for the same type of deposits.

The New Annual Caps And The Basis Of Determination

The maximum daily accumulated aggregate of deposits (including accrued interests) placed by the Group with BE Group Finance during the term of three years from the Effective Date are set out below:

	For the period between the Effective Date and 31 December 2023 <i>Note</i>	For the year ending 31 December 2024	For the year ending 31 December 2025	For the period between 1 January 2026 and the third anniversary of the Effective Date <i>Note</i>
Maximum daily accumulated aggregate of deposits (including accrued interests)	RMB280,000,000 (equivalent to approximately HK\$305,130,552)	RMB280,000,000 (equivalent to approximately HK\$305,130,552)	RMB280,000,000 (equivalent to approximately HK\$305,130,552)	RMB280,000,000 (equivalent to approximately HK\$305,130,552)

Note: Both dates inclusive

LETTER FROM THE BOARD

In arriving at the New Annual Caps under the Deposit Services Master Agreement, the Management have considered, among others, the following factors:

(A) *Balance of cash and cash equivalents of the Group*

The expected aggregate cash and deposits balances of the Group for the term of the Deposit Services Master Agreement, which is expected to remain at a level above the New Annual Caps for the Deposit Services Master Agreement, after taking into account (i) the actual amount of cash and deposits balances of the Group as at 30 June 2023 and 31 December 2022 of approximately HK\$355.0 million and HK\$554.1 million, respectively; (ii) the expected net increase in cash inflow to the Group to be generated during the term of the Deposit Services Master Agreement; and (iii) the projected interest income of the Group during the term of the Deposit Services Master Agreement.

As the Group maintains a positive cash balance to finance its operating expenses, by entering into the Deposit Services Master Agreement and adopting the New Annual Caps thereunder, it gives the Group more flexibility to engage either BE Group Finance or other Independent Third Party financial institutions for the provision of high quality deposit services depending on its terms of services in order to achieve better utilisation of the cash balance.

(B) *Business development needs of the Group*

The Group's business segments have been developing steadily, with improved net cash flows from operating activities, among which: the business scale increased after the acquisition of a city gas project company in Teng County of the PRC in December 2022 and the scale of trade in LNG increased. Based on development requirements, the Group needs to increase its investment and financing scale in the future. In particular, as disclosed in the Announcement, the Group has been seeking additional funding for its operating activities. In this regard, BE Group Finance has principally agreed to extend the Proposed BE Group Finance Loan. The Proposed BE Group Finance Loan shall be principally applied to improve the capital structure of the Company by repaying bank and other borrowings of the Group. Therefore, by entering into the Deposit Services Master Agreement and adopting the New Annual Caps thereunder, the drawdown of the Proposed BE Group Finance Loan would be facilitated, and the expansion of cooperation and sharing of resources for mutual benefits between the Group and BE Group Finance will be realised.

(C) *Treasury strategy and diversification*

The Group maintains deposits and other bank balances with financial institutions in the PRC and Hong Kong from time to time as part of its treasury activities in order to satisfy its business needs in the ordinary and usual course of business. Taking into account the business development plans and the financial needs of the Group, and the diversification of Group's portfolio of its principal bankers and/or financial institutions after its assessment of

LETTER FROM THE BOARD

the counterparty risk and credit risk to conduct transactions with the BE Group Finance as compared with the other major commercial banks and/or financial institutions in the principal place of business of the relevant members of the Group. As part of the strategies for treasury management of the Group, whether the Group will deposit any cash balance with BE Group Finance or the independent banks and/or financial institutions depends on the comparison of the terms they offer, including interest rates and consideration of other factors as set out in the paragraph headed “5. Internal Control And Risk Management Measures – Deposit Services Master Agreement” below. By enabling the Group to utilise the Deposit Services up to the New Annual Caps for the Deposit Services Master Agreement, i.e. the aggregate amount of daily maximum balance of deposits that can be placed and maintained by the Group with BE Group Finance, the Group can broaden its choices and combinations in respect of the amount of the idle funds that the Company may deposit with BE Group Finance and/or independent banks or financial institutions. Accordingly, through the aforesaid internal control measures, the diversification of the Group’s portfolio of its principal banks and/or financial institutions will be facilitated.

For the avoidance of doubt, as at the Latest Practicable Date, (i) the Group had not placed or maintained any deposits with BE Group Finance; and (ii) the Proposed BE Group Finance Loan may or may not materialise, and the Company will make further announcements in compliance with the Listing Rules as and when appropriate.

4. REASONS AND BENEFITS OF THE NEW ANNUAL CAPS UNDER THE MASTER AGREEMENTS

The Company is an investment holding company and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6828). The Group is principally engaged in (i) the distribution and sale of natural gas to residential, industrial and commercial consumers through pipelines, sale of gas-related equipment and the provision of pipeline construction services and related value-added services such as repair and maintenance services; (ii) the sale of LNG to industrial end users through direct supply facilities; (iii) the trading and distribution of CNG, LNG, fuel oil and other related oil byproducts as a wholesaler to industrial and commercial users; and (iv) the operating of CNG and LNG refueling stations for vehicles.

(1) Natural Gas Master Agreement

The Natural Gas Master Agreement between BGGT and the Company was entered into by the Company in the ordinary and usual course of business of the Group. The purchase of Natural Gas from BGGT could provide the Group with a stable and alternative source of Natural Gas, providing strong support to the daily operation of the Company’s gas business. The Group will keep optimising its gas sources by leveraging advantages in gas source from the controlling Shareholder, and will adjust its gas procurement strategy in response to changes in the times so that the Group may acquire stable and high quality gas sources continuously.

LETTER FROM THE BOARD

In light of the above, and given the Natural Gas purchase price will be determined with reference to the market price quoted from the respective local LNG terminal or PNG market price or CNG market going-rate pricing whichever is applicable, the Directors (including the independent non-executive Directors whose views are set out in the section headed “Letter from the Independent Board Committee” of this circular) consider that the New Annual Caps for the Natural Gas Master Agreement have been determined on an arm’s length basis and the Natural Gas Master 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 of the Natural Gas Master Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

(2) Deposit Services Master Agreement

The Group has entered into the Deposit Services Master Agreement so that it can enjoy the Deposit Services provided by BE Group Finance. In addition, BE Group Finance has principally agreed to extend the Proposed BE Group Finance Loan to the Company. BE Group Finance generally requires its customers to maintain a deposit account in BE Group Finance to facilitate drawdown. When a customer draws down a loan, BE Group Finance will deposit the loan amount into the deposit account of such customer maintained with BE Group Finance. Detailed terms of the Proposed BE Group Finance Loan are still subject to negotiations between the parties, and if materialised, will be either on normal commercial terms or on terms no less favourable to the Group than terms available from Independent Third Parties and will not be secured by the assets of the Group. Further announcement(s) will be made by the Company to comply with the applicable requirements under the Listing Rules as and when necessary.

BE Group Finance is established in the PRC with limited liability. BE Group Finance’s equity interest is held as to more than 30% by BE Group. Its establishment as a non-bank financial institution has been approved by the NAFR. BE Group Finance acts as a platform for members of the BE Group (including the Group) for the provision of intragroup loan facilities through financial products including deposit-taking, money-lending and custodian services.

The Group has to maintain deposits and other bank balances with financial institutions in the PRC and Hong Kong from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business.

The Deposit Services will be conducted on normal commercial terms and the deposit interest rates offered by BE Group Finance to the Group will be equal to or more favourable to the Group than those offered by commercial banks in the PRC and Hong Kong to the Group for comparable deposits. The Deposit Services Master Agreement is therefore expected to provide the Group with a new means to improve the efficiency of the use of its

LETTER FROM THE BOARD

funds through higher interest income from the Deposit Services. The Group also expects to be in a better position to manage the security of its funds since BE Group Finance is not considered to be exposed to any significant capital risk.

For the avoidance of doubt, the Deposit Services Master Agreement does not preclude the Group from using the services of other financial institutions. The Group still has the freedom to select any major and independent commercial banks in the PRC and Hong Kong as its financial services providers as it thinks fit and appropriate for the benefit of the Group.

BE Group Finance has a good understanding of the financial needs of the Group, which is conducive to its provision of stable, efficient and convenient Deposit Services to support the Group's strategic development. With its understanding of the Group, BE Group Finance is also in a position to provide more diversified, flexible, efficient, customised and stable services to the Group in the future. The Deposit Services Master Agreement and the Proposed BE Group Finance Loan will provide higher interest income to the Group while enabling the Group to achieve lower financing cost, thereby improving its capital utilisation ratio, effectively reducing the Group's finance cost, and accelerating the Group's profits. The Proposed BE Group Finance Loan will also serve as a strong credit support for the Group's development, which will enable the Group to explore more low-cost financing channels and enhance the Group's liquidity and flexibility.

The entering into of the Master Agreements has demonstrated that the controlling Shareholder has provided comprehensive supports to the Company in terms of strategic synergy, business supports and financing resources, and it also shows the diversified synergies between the controlling Shareholder and the Group. The support from the controlling Shareholder will be conducive to the expansion of the Group's business development, in particular, the sound operation of the Company, which will enable the Company to provide returns to the Shareholders in a long-term and sustainable manner.

Accordingly, the Directors (including the independent non-executive Directors whose views are set out in the section headed "Letter from the Independent Board Committee" of this circular) consider that the New Annual Caps for the Deposit Services Master Agreement have been determined on an arm's length basis and the Deposit Services Master Agreement was entered into on normal commercial terms in the ordinary and usual course of business and treasury management of the Company after arm's length negotiation, and the terms of the Deposit Services Master Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

5. INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

Natural Gas Master Agreement

Before the Company purchases any Natural Gas from any suppliers, the procurement department of the Company will consider (i) the prevailing market benchmark prices; and (ii) the estimated quantity of Natural Gas to be used by the Company. The procurement department of the Company will compare price quotations of BGGT (or its designated subsidiaries or associates) against price quotations from local Natural Gas terminals which are Independent Third Parties in respect of the requested quantity of Natural Gas, as well as taking into account factors such as quality of the Natural Gas and ability of the suppliers in meeting technical specifications and delivery schedules. If the Company determines the terms of sales of Natural Gas offered by BGGT (or its designated subsidiaries or associates) are based on normal commercial terms or better, both parties will sign on a purchase order to confirm the mutually agreed purchase price and quantity of Natural Gas and delivery arrangement. In addition, in evaluating the reasonableness of the purchase price of Natural Gas with BGGT (or its designated subsidiaries or associates), the Group will take into account the historical Natural Gas market data and price trend set out in China's Natural Gas Report published daily by CEthinktank* (清燃智庫), a professional big data, think tank, information and consultation service provider in the PRC natural gas sector and an Independent Third Party.

The Board is of the view that the above internal control procedure could ensure that the purchase price of Natural Gas offered by BGGT (or its designated subsidiaries or associates) at any material time will be no less favourable to the Company than the purchase price of Natural Gas offered by other suppliers, who are Independent Third Parties.

The Group would regularly monitor the actual amounts transacted under the Deposit Services Master Agreement for the purpose of ensuring the relevant New Annual Caps are not exceeded.

Deposit Services Master Agreement

I. Internal control and risk management measures adopted by the Group:

(1) Materialising the optimal conditions of service through comparables selection

The Group considers using the services of BE Group Finance on an arm's length, voluntary and non-exclusive basis, and BE Group Finance only serves as one of the many financial institutions that provide services to the Group. According to the financial management requirements of the Group, when the Group needs services such as financial deposits or loans, it shall request financial institutions to offer proposals and quotations in accordance with the Group's requirements, and select a proposal and quotation with the best terms and conditions from at least three financial institutions through comparables selection, so as to safeguard the interests of the Group and the Shareholders.

LETTER FROM THE BOARD

BE Group Finance, as one of the eligible institutions for providing deposit services to the Group, will be considered in comparables selection in the same manner as other independent financial institutions, in which: the interest rate for Deposit Services shall not be lower than (i) the minimum interest rate prescribed by the People's Bank of China for the same type of deposits; (ii) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits; and (iii) the interest rates offered by BE Group Finance to other members of BE Group for the same type of deposits.

The Deposit Services Master Agreement with BE Group Finance does not restrict the Group from using deposit services of other financial institutions. The Group is still free to choose the deposit services provided by other financial institutions according to its own interests.

- (2) *Conducting inspection and audit on a regular basis to ensure that the transactions are carried out in accordance with respective terms*

The Company conducts periodic inspections and assesses whether the Deposit Services are carried out in accordance with the terms of the Deposit Services Master Agreement and whether the interest rate therein is fair and reasonable. In addition, the Company annually engages an accounting firm to conduct an annual review of the continuing connected transactions, including the New Annual Caps for the Deposit Services Master Agreement, in accordance with the applicable audit procedures, among which: firstly, report on whether the total deposits at any time of the year are not higher than the New Annual Caps; and secondly, report on any circumstances causing them to believe the Deposit Services are, in all material respects, not in accordance with the terms of the Deposit Services Master Agreement. Upon completion, the accounting firm reports to the Board in writing, a copy of which is submitted to the Stock Exchange, and relevant audit results will be included as one of the disclosures in the annual reports of the Company.

II. *Internal control and risk management measures adopted by BE Group Finance:*

- (1) *Strictly regulated by all levels of government and the industry in accordance with laws, with the security of deposit funds guaranteed*

BE Group Finance is a non-bank financial institution approved by the NAFR and are subject to the guidance and supervision of the NAFR and its representative office, the People's Bank of China, State Administration of Foreign Exchange, China National Association of Finance Companies, State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality in accordance with laws, and shall be equally treated as other banks in terms of regulatory strength, risk control system, and security of funds, in which: the funds of BE Group Finance shall be strictly managed to ensure the security of the funds.

LETTER FROM THE BOARD

In its daily operation, the NAFR and its branch office will comprehensively supervise the independence and compliance of BE Group Finance through on-site and off-site inspections to ensure that BE Group Finance operates in compliance with regulations; BE Group Finance submits various regulatory reports to regulatory authorities on daily, monthly, quarterly and annual basis in accordance with the regulatory requirements, including balance sheets, statement of profit or loss, and other financial accounting, statistical statements, operation and management information, and audit reports issued by certified public accountants.

(2) *Establishing stringent monitoring system to ensure the compliance of deposit-related transactions*

BE Group Finance formulates the “Measures for the Administration of Connected Transaction Business with Listed Companies*” (《上市公司關連交易業務管理辦法》) for the purpose of servicing the business operations of listed company customers, including the Group, so as to regulate various business dealings with listed companies, and to stipulate requirements in respect of the management of financial service agreements with listed companies, the management of pricing of connected transactions, the management of credit and loan services, the management of settlement services, the management of cross-border services of funds and the information disclosure of connected transactions, so as to safeguard the compliance risks of connected transactions with listed companies.

In 2022, BE Group Finance completed the development of the “Deposit Intake Monitoring System and Cap Monitoring System for Listed Companies*” (上市公司吸收存款監控系統及上限監測系統), which shifted the daily monitor from manual to intelligence management, and compiled daily statistics of relevant deposit data in accordance with the list of related parties, so as to continuously monitor the Group’s deposits therein. The system automatically identifies whether the deposits amount per day has exceeded the deposit cap. And in the event of exceeding the annual deposit cap, the system will automatically alert and return the exceeding deposit amount to the original transferor account or designated account of the Group, and notify the Group in a timely manner.

In addition, BE Group Finance has well-established internal control systems and full-process risk management systems, and has established contingency plans based on different risks to effectively prevent risks, and development of the company, so as to ensure the security of the funds deposited by submits reports such as risk and internal control report to the directors of BE Group Finance on a regular basis to supervise the daily risk management and control, risk governance and operational the Group.

LETTER FROM THE BOARD

(3) *BE Group Finance is in robust operation with good operating data indicators*

As at 30 June 2023, BE Group Finance's capital adequacy ratio, liquidity ratio, inter-bank lending ratio, guarantee ratio, investment ratio, fixed assets ratio, non-performing loans ratio and non-performing assets ratio is 34.33%, 65.09%, 0%, 0%, 11.06%, 0.07%, 0% and 0%, respectively. All of the above indicators reflect that BE Group Finance is a creditworthy organisation with high-quality assets, and its exposure to counterparty risk, credit risk, market risk and liquidity risk is significantly lower than the average level in the industry.

The laws and regulations require that the service targets and scope of BE Group Finance are strictly limited to each fellow enterprise member within the group. Under this background, BE Group Finance has sufficient mutual trust, good relationship and longer and stable cooperation with the Group. BE Group Finance has a better understanding of the operation and risk appetite of each fellow enterprise member of the Group than other external financial institutions, therefore it is capable of formulating better risk control measures.

III. Support by BE Group:

In the event that BE Group Finance encounters difficulties in operation, according to the laws of the PRC and the articles of association of BE Group Finance, BE Group, as the founder and the parent company of BE Group Finance, will assume the primary responsibility for risk prevention and resolution of BE Group Finance in accordance with laws, and will, if necessary, provide additional capital or liquidity to BE Group Finance, and BE Group Finance undertakes that the replenishment of capital or liquidity will be prioritised for guaranteeing the Group's deposits withdrawals.

6. INFORMATION ON THE COMPANY, THE GROUP, BGGT, BGGCL AND BE GROUP FINANCE

The Company and the Group

The Company is a company incorporated in Bermuda with limited liability and is principally engaged in (i) the distribution and sale of natural gas to residential, industrial and commercial consumers through pipelines, sale of gas-related equipment and the provision of pipeline construction services and related value-added services such as repair and maintenance services; (ii) the sale of LNG to industrial end users through direct supply facilities; (iii) the trading and distribution of CNG, LNG, fuel oil and other related oil byproducts as a wholesaler to industrial and commercial users; and (iv) the operating of CNG and LNG refueling stations for vehicles. The Group's operations are based in the PRC, including Hong Kong. The ultimate controlling Shareholder of the Company is BE Group.

LETTER FROM THE BOARD

BGGT and BGGCL

BGGCL is a company established in the PRC with limited liability whose principal activities include natural gas production and distribution services. BGGT is a wholly-owned subsidiary of BGGCL and in the business of natural gas production and supply. BGGCL is wholly-owned by Beijing Enterprises Holdings Limited, which in turn is more than 30% ultimately and beneficially owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality. Beijing Enterprises Holdings Limited is a company incorporated in Hong Kong with limited liability and listed on the Main Board of the Stock Exchange (Stock Code: 392). Beijing Enterprises Holdings Limited together with its subsidiaries are principally engaged in, *inter alia*, the distribution and sale of PNG and gas-related equipment, the provision of natural gas transmission, the surveying and plotting of underground construction projects, the installation of gas pipelines and related equipment and the provision of related repair and maintenance services in the PRC and the trading of LNG and production and sale of oil and gas in certain overseas countries.

BE Group Finance

BE Group Finance is established in the PRC with limited liability. Its establishment as a non-bank financial institution has been approved by the NAFR. BE Group Finance acts as a platform for members of BE Group (including the Group) for provision of intra-group facilities through financial products including deposit-taking, money-lending and custodian services, etc. As at the Latest Practicable Date, BE Group Finance's equity interest was held as to more than 30% equity by BE Group (the ultimate controlling Shareholder) and its subsidiaries, excluding the Group and Beijing Enterprises Water Group Limited. The ultimate controlling Shareholder of BE Group Finance is 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 (北京市人民政府國有資產監督管理委員會).

7. IMPLICATIONS UNDER THE LISTING RULES

Natural Gas Master Agreement

In respect of the Natural Gas Master Agreement and as at the Latest Practicable Date, as BGGT was an associate of BGGCL which in turn was the controlling Shareholder of the Company indirectly holding approximately 66.37% of the issued share capital of the Company, BGGT was a connected person of the Company. Accordingly, the transactions contemplated under the Natural Gas Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the New Annual Caps for the Natural Gas Master Agreement exceed 5%, the transactions contemplated under the Natural Gas Master Agreement constitute non-exempt continuing connected transactions for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. BGGT and BGGCL and their respective associate(s) are required to abstain from voting on the resolution(s) for approving the Natural Gas Master Agreement (including the Annual Caps) and the transactions contemplated thereunder at the SGM.

Deposit Services Master Agreement

In respect of the Deposit Services Master Agreement, the proposed placing of deposits contemplated under the Deposit Services Master Agreement would be regarded as the Company providing financial assistance to BE Group Finance which falls within the definition of "transaction" under both rules 14.04(1)(e) and 14A.24(4) of the Listing Rules. As at the Latest Practicable Date, as the Company's ultimate controlling Shareholder BE Group owned not less than 30% equity interest in BE Group Finance, BE Group Finance was an associate of BE Group and was therefore a connected person of the Company. The Deposit Services will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the New Annual Caps for the Deposit Services Master Agreement exceed 5% but less than 25% and the maximum daily accumulated aggregate of deposits (including accrued interests) placed by the Group with BE Group Finance is more than HK\$10,000,000, the transactions contemplated under the Deposit Services Master Agreement constitute non-exempt continuing connected transactions for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules and a discloseable transaction under Chapter 14 of the Listing Rules. BE Group Finance and its associate(s) are required to abstain from voting on the resolution(s) for approving the Deposit Services Master Agreement (including the Annual Caps) and the transactions contemplated thereunder at the SGM.

LETTER FROM THE BOARD

8. GENERAL

Mr. Zhi Xiaoye, being a non-executive Director and chairman of the Board, is also the vice president of Beijing Enterprises Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 392) and is a director and general manager of BGGCL. Mr. Shao Dan, being a non-executive Director, is a director of Beijing Gas Yanqing Co., Ltd.* (北京燃氣延慶有限公司), Beijing Gas Fangshan Co., Ltd.* (北京燃氣房山有限責任公司), and Beijing Gas Group Dingan Co., Ltd.* (北京燃氣集團定安有限公司), which are subsidiaries of BGGCL, and serves on the supervisory board of China Oil and Gas Pipeline Network Corporation Northern China Natural Gas Pipeline Co., Ltd.* (國家管網集團華北天然氣管道有限公司), an affiliated company of BGGCL. Mr. Zhi Xiaoye and Mr. Shao Dan have abstained from voting on the relevant Board resolution(s).

The Independent Board Committee (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders, after taking into account the advice of the Independent Financial Adviser, (i) as to whether the Master Agreements, the New Annual Caps and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better after arm's length negotiation and in the ordinary and usual course of business of the Group and in the interest of the Company and its Shareholders as a whole; and (ii) on how to vote at the SGM.

Optima Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Agreements, the New Annual Caps and the transactions contemplated thereunder.

9. SGM

A notice convening the SGM to be held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Friday, 22 December 2023 at 11:00 a.m., is set out on pages 51 to 53 of this circular. The SGM will be held for the Independent Shareholders to consider and, if thought fit, pass the resolutions to approve, among other things, the Master Agreements, the New Annual Caps and the transactions contemplated thereunder.

For determining the entitlement of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 19 December 2023 to Friday, 22 December 2023 (both dates inclusive) during which period no transfer of the shares of the Company will be registered. In order to qualify for entitlement to attend and vote at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 18 December 2023.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend and/or vote at the SGM in person, please complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. no later than 11:00 a.m. on Wednesday, 20 December 2023) or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

As BGGT, BGGCL, BE Group Finance and BE Group are considered to have a material interest in the Master Agreements and the transactions contemplated thereunder, BGGT, BGGCL, BE Group Finance and BE Group (together with their respective associates) shall abstain from voting at the SGM on the proposed resolutions to approve, among other things, the Master Agreements, the New Annual Caps and the transactions contemplated thereunder. As at the Latest Practicable Date, BE Group (including its associates) controlled or was entitled to control over the entire voting right in respect of 15,091,042,131 Shares (representing approximately 66.37% of the issued share capital of the Company). Save for the aforesaid and to the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, no other Shareholders are required to abstain from voting at the SGM.

10. RECOMMENDATIONS

The Board (including the members of the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) are of the opinion that the Master Agreements, the New Annual Caps and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better after arm's length negotiation and in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM.

11. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 27 to 28 of this circular, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 29 to 45 of this circular and the information set out in the appendix to this circular.

Yours faithfully,
By Order of the Board
Beijing Gas Blue Sky Holdings Limited
Zhi Xiaoyue
Chairman



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)

6 December 2023

To the Independent Shareholders,

Dear Sir/Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
NATURAL GAS MASTER AGREEMENT
AND
(2) DISCLOSEABLE AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
DEPOSIT SERVICES MASTER AGREEMENT
AND
(3) NOTICE OF THE SGM**

We refer to the circular (the “**Circular**”) dated 6 December 2023 issued by the Company of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Master Agreements, the New Annual Caps and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better after arm’s length negotiation, in the ordinary and usual course of business of the Group and in the interest of the Company and its Shareholders as a whole, and to advise the Independent Shareholders how to vote at the SGM.

Optima Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard. Details of the advice from Optima Capital Limited are contained in its letter set out on pages 29 to 45 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Master Agreements and the advice from the Independent Financial Adviser, we consider that the terms of the Master Agreements, the New Annual Caps and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) in the interest of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolutions to be proposed at the SGM to approve the Master Agreements, the New Annual Caps and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. Cui Yulei

Ms. Hsu Wai Man Helen
Independent non-executive Directors

Mr. Xu Jianwen

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the independent financial advisor, Optima Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

6 December 2023

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
NATURAL GAS MASTER AGREEMENT AND
(2) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO DEPOSIT SERVICES MASTER AGREEMENT**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of continuing connected transactions (the “**Continuing Connected Transactions**”) contemplated under the Natural Gas Master Agreement and the Deposit Services Master Agreement, and the respective proposed New Annual Caps. Details of the Natural Gas Master Agreement, the Deposit Services Master Agreement, the Continuing Connected Transactions and the New Annual Caps are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 6 December 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, BGGT was an associate of BGGCL which in turn was the controlling Shareholder indirectly holding approximately 66.37% of the issued share capital of the Company. Therefore, BGGT is a connected person of the Company under the Listing Rules, and the transactions contemplated under the Natural Gas Master Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the New Annual Caps for the Natural Gas Master Agreement exceed 5%, the transactions contemplated under the Natural Gas Master Agreement are subject to reporting, announcement and Independent Shareholders’ approval requirements pursuant to the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company's ultimate controlling Shareholder, BE Group, owned not less than 30% equity interest in BE Group Finance as at the Latest Practicable Date. BE Group Finance was an associate of BE Group and was therefore a connected person of the Company. The Deposit Services constitute continuing connected transactions of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the New Annual Caps for the Deposit Services Master Agreement exceed 5% but less than 25% and the maximum daily accumulated aggregate of deposits (including accrued interests) placed by the Group with BE Group Finance is more than HK\$10,000,000, the transactions contemplated under the Deposit Services Master Agreement (i) are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules; and (ii) constitute discloseable transaction under the Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen, has been established to make a recommendation to the Independent Shareholders on whether (i) the Natural Gas Master Agreement and the Deposit Services Master Agreement are entered into in the ordinary and usual course of business of the Group; (ii) the terms of the Natural Gas Master Agreement and the Deposit Services Master Agreement are on normal commercial terms, and fair and reasonable; (iii) the entering into of the Natural Gas Master Agreement and the Deposit Services Master Agreement are in the interests of the Company and the Shareholders as a whole; and (iv) the New Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. We, Optima Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We did not act as the independent financial adviser to the Company during the two years preceding the Latest Practicable Date. As at the Latest Practicable Date, there had been no other relationships or interests existing between us and the Group that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Natural Gas Master Agreement, the Deposit Services Master Agreement, the Continuing Connected Transactions contemplated thereunder and the proposed New Annual Caps as detailed in the Circular. Accordingly, we are independent under Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Group (together the "**Management**"), and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were provided or expressed to us and will remain so up to the time of SGM. We have also assumed that all the opinions or representations of the Management have been reasonably made after due and careful enquiry. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

have relied on such information and consider that the information we have received is sufficient for us to reach an informed view, and have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, BGGT, BGGCL, BE Group Finance, or BE Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below:

1. Background to and reasons for the Continuing Connected Transactions

(A) Natural Gas Master Agreement

The Group is principally engaged in (i) distribution and sale of natural gas to residential, industrial and commercial consumers through pipelines, sale of gas-related equipment and the provision of pipeline construction services and related value-added services such as repair and maintenance services; (ii) the sale of LNG to industrial end users through direct supply facilities; (iii) the trading and distribution of CNG, LNG, fuel oil and other related oil byproducts as a wholesaler to industrial and commercial users; and (iv) operating of CNG and LNG refuelling stations for vehicles.

BGGT is a wholly-owned subsidiary of BGGCL and in the business of natural gas production and supply.

The Management consider that a stable supply of the Natural Gas is critical to the success of the Group. Therefore, the Company and BGGCL (being the holding company of BGGT) entered into the 2021 LNG Master Agreement for the supply of LNG by BGGCL to the Group in February 2021 to broaden the Group's LNG supplier base. The 2021 LNG Master Agreement will be expired on 31 December 2023.

As advised by Management, a stable relationship has been maintained between the Group and BGGCL since the entering into of the master agreement in 2021. Moreover, the Group is satisfied with the quality of LNG supplied by BGGCL and would like to keep optimising its gas sources by leveraging advantages in gas source from the controlling Shareholder. On this basis, the Management is of the view that it is in the interests of the Company and the Shareholders as a whole to continue the business relationship with BGGCL. The Natural Gas Master Agreement was entered into between the Company and BGGT to regulate the terms for the purchase of Natural Gas by the Group from BGGT.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(B) Deposit Services Master Agreement

It is stated in the Letter from the Board that BE Group Finance has principally agreed to provide a credit facility of HK\$200 million to the Group (i.e. the Proposed BE Group Finance Loan). Detailed terms of the Proposed BE Group Finance Loan are still subject to negotiations between the parties, and if materialised, will be either on normal commercial terms or on terms no less favourable to the Group than terms available from Independent Third Parties and will not be secured by the assets of the Group.

We understand from the Management that BE Group Finance generally requires its customers to maintain a deposit account in BE Group Finance to facilitate drawdown. When a customer draws down the loan, BE Group Finance will deposit the loan amount into the deposit account of such customer maintained with BE Group Finance. The Management advises us that if the Group can reach an agreement with BE Group Finance regarding final terms of the Proposed BE Group Finance Loan, the Proposed BE Group Finance Loan shall be principally applied to improve the capital structure of the Company by repaying bank and other borrowings of the Group.

As part of the Group's treasury activities, the Group would maintain deposits and other bank balances with financial institutions in the PRC and Hong Kong. In view of approval status of the Proposed BE Group Finance Loan and the treasury need of the Group, the Group would like to open and maintain a deposit account with BE Group Finance. Accordingly, the Deposit Services Master Agreement was entered into between the Company and BE Group Finance. The Management is of the view that the entering into of the Deposit Services Master Agreement provides the Group with flexibility to manage its treasury activities by placing deposits in BE Group Finance when it is in the interests of the Company to do so. As advised by the Management, BE Group Finance can offer interest rate higher than that offered by commercial banks for same type of deposits. Pursuant to the Deposit Services Master Agreement, the depository services are provided by BE Group Finance on a non-exclusive basis. The Group is not obliged to place deposits with BE Group Finance.

On this basis and given that the Continuing Connected Transactions will be conducted on normal commercial terms (as more particularly discussed in the sub-sections headed "Principal terms of the Natural Gas Master Agreement" and "Principal terms of the Deposit Services Master Agreement" below), we consider that the entering into of the Master Agreements are in the interests of the Company and the Shareholders as a whole. In light of the principal activities of the Group, we also consider that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group.

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2. Principal terms of the Natural Gas Master Agreement

Set out below is a summary of principal terms of the Natural Gas Master Agreement. Further details of the terms of the Natural Gas Master Agreement are set out in the Letter from the Board.

Subject matter

Pursuant to the Natural Gas Master Agreement, the Company (or its designated subsidiaries) would purchase Natural Gas from BGGT (or its designated subsidiaries or associates) for a term of a period commencing from 1 January 2024 to 31 December 2026 (both days inclusive). The Natural Gas to be procured represents natural gas in varying forms including LNG, CNG and PNG.

Basis of pricing

The sale and purchase price of Natural Gas under the Natural Gas Master Agreement shall be determined by the relevant parties upon arm's length negotiations based on normal commercial terms which shall be no less favourable to the Company than that are available from Independent Third Parties; and/or the benchmark prices: (i) the purchase price of LNG shall be determined with reference to the market price quoted from the respective local LNG terminal or ex-factory price; (ii) the purchase price of PNG shall be determined with reference to respective pipeline connection price or market price; and (iii) the purchase price for CNG shall be determined with reference to the market-based prices in the corresponding regions of CNG supply and going-rate pricing.

The sale and purchase price of Natural Gas shall be agreed by both BGGT (or its designated subsidiaries or associates) and the Group by written confirmations for each order.

Payment term

The supply of Natural Gas by BGGT (or its designated subsidiaries or associates) will be subject to prepayment made by the Group pursuant to the Natural Gas Master Agreement. The actual settlement amount shall be based on the actual sale and purchase amount of Natural Gas between the relevant parties.

We have reviewed a number of natural gas supply contracts entered into between the Group and Independent Third Party suppliers, and noted that Independent Third Party suppliers also request prepayment by the Group before they supply natural gas to the Group pursuant to the terms of these natural gas supply contracts. Accordingly, we consider that the payment term with BGGT is comparable to that of Independent Third Party suppliers of the Group.

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We noted from the annual reports of the Company for the two years ended 31 December 2021 and 2022 that the Company engaged its auditors to report on the Continuing Connected Transactions in respect of the purchase of LNG for the two years ended 31 December 2021 and 2022, and the auditors issued an unqualified letter containing its findings and conclusions in accordance with the Listing Rules for these two financial years. Moreover, it was stated in the aforesaid annual reports of the Company that the independent non-executive Directors had reviewed the Continuing Connected Transactions in respect of the purchase of LNG for two years ended 31 December 2021 and 2022.

Moreover, we have, on a sampling basis, randomly selected a number of transactions of the purchases of natural gas from BGGCL (the “**Sample Transactions**”) for review. We note from the Sample Transactions that the prices of natural gas purchased by the Group from BGGCL were lower than (i) the price quoted by the Independent Third Party supplier; and (ii) the price charged by BGGCL to third party customers of BGGCL. In view of (i) the aforesaid review results by the auditor and the independent non-executive Directors; and (ii) our review results of the Sample Transactions, we consider the samples size to appropriate.

Internal control measures have been adopted by the Company regarding the Continuing Connected Transactions in respect of the Natural Gas Master Agreement. Details of such internal control measures are set out in the Letter from the Board. Based on (i) the aforesaid review results by auditor and the independent non-executive Directors; and (ii) our review results of the Sample Transactions, we consider that the internal control measures are being implemented to safeguard the interests of the Group.

Moreover, based on (i) our review results of the Sample Transactions; (ii) the auditor’s review results of the Continuing Connected Transactions in respect of the purchase of LNG for the two years ended 31 March 2021 and 2022; (iii) the internal control measures adopted by the Company regarding the Continuing Connected Transactions in respect of the purchase of LNG; and (iv) the obligations of the Directors to comply with the Listing Rules to conduct the Continuing Connected Transactions on normal commercial terms, we consider that the Continuing Connected Transactions in respect of the purchase of LNG are being conducted on normal commercial terms.

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3. New Annual Caps with respect to the Continuing Connected Transactions contemplated under the Natural Gas Master Agreement

The Continuing Connected Transactions contemplated under the Natural Gas Master Agreement will be subject to the relevant New Annual Caps whereby for each of the three years ending 31 December 2024, 2025 and 2026, the amount of the Continuing Connected Transactions contemplated under the Natural Gas Master Agreement will not exceed the applicable annual amounts stated in the Letter from the Board. In assessing the reasonableness of the New Annual Caps in respect of the Natural Gas Master Agreement, we have discussed with the Management the basis and underlying assumptions for the purpose of setting the New Annual Caps in respect of the Natural Gas Master Agreement.

Set out below is the historical transaction amount for the purchase of LNG from BGGCL by the Group for the two years ended 31 December 2021 and 2022, and for the nine months ended 30 September 2023:

	For the year ended		For the nine
	31 December		months ended
	2021	2022	30 September
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>2023</i>
			<i>HK\$ million</i>
Historical transaction amount			
for the purchase of LNG			
by the Group from			
BGGCL	22.6	11.5	298.9

We understand from the Management that when the Company determined the annual caps for the purchase of LNG from BGGCL for 2021, 2022 and 2023, the Company assumed that BGGCL would complete the first phase of the Tianjin Nangang LNG emergency reserve project in 2022. However, there was delay in completion of the first phase of the Tianjin Nangang LNG emergency reserve project due to COVID-19 pandemic. Moreover, the LNG prices surged in 2022 as a result of Russo-Ukrainian conflict. All of these resulted in little supply of LNG to the Group by BGGCL in both of 2021 and 2022, and low utilisation rate of the Existing Annual Caps for both of 2021 and 2022.

LNG price dropped in early 2023 as compared to that of 2022. BGGCL did not supply any LNG to the Group during the first quarter of 2023. BGGCL has begun to supply LNG to the Group since April 2023. For the period from April 2023 to September 2023, the transaction amount for the purchase of LNG by the Group from BGGCL was approximately HK\$298.9 million.

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When estimating the quantity of LNG to be purchased from BGGT, the Management discusses with management of BGGT regarding BGGT's business plan for coming three years. BGGT informs the Management that the first phase of the Tianjin Nangang LNG emergency reserve project has been commenced in operation. The second and third phases of the Tianjin Nangang LNG emergency reserve project are expected to be completed in 2024 and 2025 respectively. The Tianjin Nangang LNG emergency reserve project allows BGGT to supply more LNG to the Group for coming three years.

We search and note from the official website of the Tianjin Economic-Technological Development Area that the Tianjin Nangang LNG emergency reserve project will be built in three phases. Phase I includes an LNG terminal with an annual capacity of 5 million tons, four LNG storage tanks, and a receiving station gasification facility with a daily gasification capacity of 60 million cubic meters and its related ancillary facilities. The first phase achieves an emergency peaking capacity of not less than 480 million cubic meters after commissioning. After completion of the three phases development, the Tianjin Nangang LNG emergency reserve project will achieve an emergency gas storage capacity of 1.2 billion cubic meters. We conduct a further search and note from the project summary prepared by the New Development Bank that the total cost of the Tianjin Nangang LNG emergency reserve project is estimated at RMB13.8 billion. The New Development Bank is a multilateral development bank established by Brazil, Russia, India, China and South Africa with the purpose of mobilising resources for infrastructure and sustainable development projects in emerging markets and developing countries.

Moreover, we review an email correspondence between the Group and BGGT. BGGT states in the email that following (i) commencement of operation of the first phase of the Tianjin Nangang LNG emergency reserve project in September 2023; (ii) the second phase of the Tianjin Nangang LNG emergency reserve project planning to be commenced in operation in 2024; and (iii) the third phase of the Tianjin Nangang LNG emergency reserve project planning to be commenced in operation in 2025, BGGT can supply 500,000 tons, 650,000 tons and 850,000 tons of LNG to the Group in 2024, 2025 and 2026 respectively.

In response to the latest development of the Tianjin Nangang LNG emergency reserve project, the Group has committed additional resources to strengthen its customer base since July 2023. The Group has signed 59 new customer framework agreements during the period from 1 July 2023 to 31 October 2023. Save for two customer framework agreements to be expired in 2024, all the other customer framework agreements will expire in 2025 or 2026. The quantity of gas to be supplied by the Group to these customers is not specified in the customer framework agreements. The Group also expands its natural gas trading and distribution business in Shenzhen in 2023. We understand from the Management that the Group will communicate with its customers to estimate the quantity of LNG to be supplied to customers before the Group confirms the purchase order with BGGT. Customers are requested to make prepayment before delivery of LNG to them by the Group. These measures can alleviate working capital pressure of the Group. It is stated in the Letter from the Board that a LNG procurement contract between 浙江博臣能源股份有限公司 (“**Zhejiang Bochen**”, together with its subsidiaries, the “**Bochen Group**”), a wholly-owned subsidiary of the Group, and a supplier will be expired by end of 2023. The Bochen

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Group purchased no less than 95,000 tons and 110,000 tons of LNG from the said supplier in 2022 and for the ten months ended 31 October 2023 respectively. The Bochen Group was in the process of negotiating with alternative LNG suppliers, including BGGT as at the Latest Practicable Date. If the Bochen Group reaches an agreement with BGGT, BGGT might supply LNG to the Bochen Group after the expiry of LNG procurement contract with the said supplier.

On this basis, we consider that the Management determines the New Annual Caps for the Natural Gas Master Agreement by reference to 500,000 tons, 650,000 tons and 850,000 tons of LNG for 2024, 2025 and 2026 respectively to be reasonable.

The Management adopts the LNG price of RMB4,500 per ton to determine the New Annual Caps for the Natural Gas Master Agreement for coming three years.

The chart below shows the daily LNG price in China quoted on the Shanghai Petroleum and Natural Gas Exchange Co., Ltd (上海石油天然氣交易中心) from 4 January 2022 and up to 23 October 2023 (being the date of the Natural Gas Master Agreement) (both days inclusive). The Shanghai Petroleum and Natural Gas Exchange Co., Ltd (上海石油天然氣交易中心) is a national energy trading platform established with the approval of the Shanghai Municipal People's Government.



Source: the Shanghai Petroleum and Natural Gas Exchange Co., Ltd (上海石油天然氣交易中心) (<https://www.shpgx.com>)

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The LNG prices in China fluctuated in a range of between RMB4,545 per ton and RMB8,568 per ton in 2022 with an average of RMB6,912 per ton. Since 3 January 2023, prices of LNG in China were on a downward trend and hit the bottom at RMB3,783 per ton on 10 August 2023. Thereafter, prices of LNG in China were on an upward trend. The LNG prices in China in 2022 were at high level probably due to Russo-Ukrainian conflict. The Management advises us that the drop of LNG prices in China in 2023 as compared to that of 2022 is due to the weakening impact of Russo-Ukrainian conflict on the LNG prices in China. Accordingly, we consider that it is more appropriate to assess the reasonableness of RMB4,500 per ton by reference to the LNG price in China in 2023. The average LNG price in China was RMB4,843 per ton during the period from 3 January 2023 to 23 October 2023. The LNG price in China was relatively high in January 2023 with prices for first half of the month at a level above the average price of RMB6,912 per ton in 2022. After excluding the LNG prices in China in January 2023, the average LNG price in China was RMB4,654 per ton during the period from 1 February 2023 to 23 October 2023. On this basis, we consider the LNG price of RMB4,500 per ton adopted by the Company to determine the New Annual Caps in respect of the Natural Gas Master Agreement to be reasonable.

Accordingly, the estimated transaction amount with BGGT for the three years ending 31 December 2024, 2025 and 2026 are approximately RMB2,250 million (500,000 x 4,500), RMB2,925 million (650,000 x 4,500) and RMB3,825 million (850,000 x 4,500) respectively. In setting the New Annual Caps for the Natural Gas Master Agreement for 2024, 2025 and 2026, these figures are rounded up to the nearest hundred million to RMB2,300 million for 2024, and rounded down to the nearest hundred million to RMB2,900 million and RMB3,800 million for 2025 and 2026 respectively.

Taking the above factors into account, the proposed New Annual Caps for the Natural Gas Master Agreement are set as follows:

	For the year ending 31 December		
	2024	2025	2026
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed New Annual Caps for the Natural Gas Master Agreement	2,300 (equivalent to approximately HK\$2,506.4 million)	2,900 (equivalent to approximately HK\$3,160.3 million)	3,800 (equivalent to approximately HK\$4,141.1 million)
Approximate increase as compared to the New Annual Caps of previous year (%)		26.1%	31.0%

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4. Principal terms of the Deposit Services Master Agreement

Set out below is a summary of principal terms of the Deposit Services Master Agreement. Further details of the terms of the Deposit Services Master Agreement are set out in the Letter from the Board.

Subject matter

Pursuant to the Deposit Services Master Agreement and subject to the approval by the Independent Shareholders, the term of the Deposit Services Master Agreement shall commence on the Effective Date and shall continue for a term of 3 years.

Deposit Services

BE Group Finance will provide the Company with various types of deposit services, including demand deposits, time deposits, call deposits and agreement deposits, etc. All deposits placed by the Group with BE Group Finance are based on the principle of free deposit and retrieval access.

Interest rate

The rate at which interest will accrue on any deposit placed by the Group with BE Group Finance under the Deposit Services Master Agreement will not be lower than the following: (a) the minimum interest rate prescribed by the People's Bank of China for the same type of deposits; (b) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group for the same type of deposits; and (c) the interest rates offered by BE Group Finance to other members of BE Group for the same type of deposits.

We note from the Deposit Services Master Agreement that BE Group Finance is to provide the Group with depository services on a non-exclusive basis, indicating that BE Group Finance provides an additional choice of depository services for the Group to choose from. Accordingly, the Group can place deposits with banks or other financial institutions after signing the Deposit Services Master Agreement.

In view of (i) that the Group can utilize the depository services of BE Group Finance on a voluntary and non-exclusive basis (i.e. BE Group Finance representing an additional choice for the Group); (ii) the Proposed BE Group Finance Loan; and (iii) the deposit interest rate not to be lower than the minimum interest rate prescribed by the People's Bank of China, the interest rates offered by commercial banks in Hong Kong and the PRC to the Group, and the interest rates offered by BE Group Finance to other members of BE Group for the same type of deposits as mentioned above, we agree with the Directors' view that terms of the Deposit Services Master Agreement are on normal commercial terms.

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5. Information on BE Group Finance

(a) Business of BE Group Finance

BE Group Finance is established as a non-bank financial institution with approval by 國家金融監督管理總局 (the National Administration of Financial Regulation) (i.e. NAFR), and its customers are restricted to members of BE Group (including the Company and other members of the Group). Services provided by BE Group Finance include but not limited to deposit-taking, money-lending and custodian services.

As advised by the Management, BE Group Finance's equity interest was held as to more than 30% by BE Group and its subsidiaries (excluding the Group and Beijing Enterprises Water Group Limited) as at the Latest Practicable Date. BE Group is (i) the ultimate controlling shareholder of BE Group Finance; and (ii) ultimately and beneficially owned by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality).

(b) Financial information of BE Group Finance

Set out below is a summary of financial information of BE Group Finance as extracted from its 2021 and 2022 audited financial statements for the three years ended 31 December 2020, 2021 and 2022 prepared in accordance with the PRC accounting principles:

	(Audited)		
	For the year ended 31 December		
	2020	2021	2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Turnover	529.6	530.6	564.5
Profit after taxation	152.5	202.9	211.3

As shown in the table above, the financial results of BE Group Finance was relatively stable for the past three financial years.

The audited net assets of BE Group Finance was approximately RMB5.2 billion as at 31 December 2022.

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(c) Regulatory environment of BE Group Finance

BE Group Finance is subject to compliance with relevant rules and regulations as promulgated by relevant PRC governmental bodies such as NAFR and the People's Bank of China. Pursuant to 《企業集團財務公司管理辦法》 (Administrative Measures for the Group Finance Companies) (the “**Administrative Measures**”), BE Group Finance has to comply with certain ratio requirements. As advised by the Management, BE Group Finance has to meet the following major regulatory ratios:

		As at 31 December		
	Requirements	2020	2021	2022
Capital adequacy ratio	Not lower than 10%	18.8%	18.6%	32.9%
Current ratio	Not lower than 25%	57.7%	57.4%	65.2%
Non-performing asset ratio	Not higher than 4%	0%	0%	0%
Non-performing loan ratio	Not higher than 5%	0%	0%	0%

As illustrated above, BE Group Finance has been maintaining the requisite ratios at a higher standard than the regulatory requirements as at 31 December 2020, 2021 and 2022. Moreover, as confirmed by the Management, NAFR has not taken any disciplinary actions, or imposed penalties or fines on BE Group Finance since 1 January 2021.

(d) Internal control measures of the Group on the Deposit Services

It is stated in the Letter from the Board that the Group will adopt certain internal control measures regarding the Deposit Services provided by BE Group Finance. When the Group needs services such as financial deposits, the Group shall request at least three financial institutions to offer proposals and quotations in accordance with the Group's requirements. After receiving the offer proposals and quotations, the Group will review the terms offered by the financial institutions and select the one with the best terms and conditions. Moreover, periodic inspections will be conducted by the Company to assess whether (i) the Deposit Services are carried out in accordance with the terms of the Deposit Services Master Agreement; and (ii) the interest rate therein is fair and reasonable. Auditor will be engaged by the Company to conduct the relevant review of the Deposit Services. On this basis, we consider that these internal control measures can safeguard the interests of the Group.

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6. New Annual Caps with respect to the Continuing Connected Transactions contemplated under the Deposit Services Master Agreement

The placement of deposits (including accrued interests) by the Group with BE Group Finance during the term of the Deposit Services Master Agreement is subject to a limit. It is stated in the Letter from the Board that the daily accumulated aggregate of deposits (including accrued interests) placed by the Group with BE Group Finance on any given day during the term of the Deposit Services Master Agreement will not exceed the following caps:

For the period from the Effective Date to 31 December 2023	RMB280,000,000 (equivalent to approximately HK\$305,130,552)
For the year ending 31 December 2024	RMB280,000,000 (equivalent to approximately HK\$305,130,552)
For the year ending 31 December 2025	RMB280,000,000 (equivalent to approximately HK\$305,130,552)
For the period from 1 January 2026 to the third anniversary of the Effective Date	RMB280,000,000 (equivalent to approximately HK\$305,130,552)

In assessing the reasonableness of the New Annual Caps for the Deposit Services Master Agreement, we have discussed with the Management the basis and underlying assumptions for the purpose of setting the amount of cap.

When determining the New Annual Caps for the Deposit Services Master Agreement in respect of the daily accumulated aggregate of deposits (including accrued interests) placed by the Group with BE Group Finance, the Management firstly refers to the amount of HK\$200 million regarding the Proposed BE Group Finance Loan. After finalising the negotiations and terms of the Proposed BE Group Finance Loan, the Group will sign the relevant loan agreement with BE Group Finance and arrange the drawdown of the Proposed BE Group Finance Loan. Therefore, the minimum amount of the New Annual Caps for the Deposit Services Master Agreement is HK\$200 million. It is the intention of the Group to further negotiate with BE Group Finance for additional loans for coming three years to cope with the Group's business needs and diversify the source of funding. We understand from the Management that the Group would borrow money from BE Group Finance if it is in the interests of the Group to do so.

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As part of the treasury policy, the Group would place deposits to earn interest income for the benefit of the Group. The Management understands from BE Group Finance that BE Group Finance can offer interest rate higher than that offered by commercial banks for same type of deposits. After obtaining approval from the Independent Shareholders, the Group may place deposits with BE Group Finance provided that it is in the interests of the Group to do so.

Accordingly, the amount of the New Annual Caps for the Deposit Services Master Agreement is set at RMB280 million.

We have reviewed the month end balance of cash and cash equivalents for the twelve months period from October 2022 to September 2023 and noted that the month end balance fluctuated in a range of between approximately HK\$172 million and HK\$554.0 million with an average of month end balance of approximately HK\$284 million. Although the month end cash and cash equivalents balance can reach a maximum amount of approximately HK\$554.0 million, we are of the view that it is in the interests of the Group to have a lower amount for the New Annual Caps for the Deposit Services Master Agreement in order to limit the risk exposure arising from the depository services provided by BE Group Finance. Coupled with possible additional loans from BE Group Finance, we consider the New Annual Caps for the Deposit Services Master Agreement to be reasonable.

7. Conditions of the Continuing Connected Transactions

In compliance with the Listing Rules, the Continuing Connected Transactions are subject to a number of conditions which include, among other things:

- (i) the New Annual Caps for the Continuing Connected Transaction will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the Continuing Connected Transactions and confirm in the Company's annual report whether the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iii) the auditors of the Company must, in accordance with the Listing Rules, report on the Continuing Connected Transactions annually and they must confirm in a letter to the Board (a copy of which letter will be provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company) whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:

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- (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the Continuing Connected Transactions; and
 - (d) have exceeded the New Annual Caps with respect to the Continuing Connected Transactions;
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters set out in the points (ii) and/or (iii) above respectively;
- (v) the Company must allow, and ensure that BGGT and BE Group Finance allow, the auditors of the Company sufficient access to their respective records of the Continuing Connected Transactions for the purpose of the auditors' reporting on the Continuing Connected Transactions; and
- (vi) the Company must re-comply with the applicable provisions of the Listing Rules governing the Continuing Connected Transactions in the event that the total amount of the Continuing Connected Transactions exceeds the relevant New Annual Caps, or that there is any material amendment to the terms of agreements governing the Continuing Connected Transactions.

In light of the conditions imposed on the Continuing Connected Transactions, in particular, (1) the limit of the value of the Continuing Connected Transactions by way of the relevant New Annual Caps; (2) the on-going review by the independent non-executive Directors and auditors of the Company regarding the terms of the Continuing Connected Transactions; and (3) the aforesaid on-going review by the auditors of the Company regarding the New Annual Caps, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

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OPINION

Having taken into account the above principal factors, we consider that (i) both of the Natural Gas Master Agreement and the Deposit Services Master Agreement are entered into in the ordinary and usual course of business of the Group; (ii) the terms of the Natural Gas Master Agreement and the Deposit Services Master Agreement are on normal commercial terms, and fair and reasonable; (iii) the entering into of the Natural Gas Master Agreement and the Deposit Services Master Agreement are in the interests of the Company and the Shareholders as a whole; and (iv) the New Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Natural Gas Master Agreement, the Deposit Services Master Agreement, the transactions contemplated thereunder and the New Annual Caps in relation to the Continuing Connected Transactions.

Yours faithfully,

for and on behalf of

OPTIMA CAPITAL LIMITED

Ng Ka Po

Richard Leung

Managing Director

Senior Director

Corporate Finance

Corporate Finance

Mr. Ng is a responsible officer of Optima Capital Limited and a licensed person registered with the Securities and Futures Commission to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Ng has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

Mr. Leung is a responsible officer of Optima Capital Limited and a licensed person registered with the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Leung has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) contained in Appendix 10 to the Listing Rules.

3. 5% SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such securities:

(i) Interest in shares of the Company:

Name	Capacity	Number of Shares <i>(Note 1)</i>	Approximate percentage of shareholding as at the Latest Practicable Date <i>(Note 2)</i>
Beijing Gas Company Limited	Beneficial owner	15,091,042,131 (L)	66.37%
BGGCL <i>(Note 3)</i>	Interest of controlled corporation	15,091,042,131 (L)	66.37%
BE Group <i>(Note 3)</i>	Interest of controlled corporation	15,091,042,131 (L)	66.37%

(ii) Derivative interests in the Company

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding as at the Latest Practicable Date (Note 2)
Beijing Gas Company Limited	Beneficial owner	2,542,372,881 (L)	11.18%
BGGCL (Note 3)	Interest of controlled corporation	2,542,372,881 (L)	11.18%
BE Group (Note 3)	Interest of controlled corporation	2,542,372,881 (L)	11.18%

Notes:

- The letter "L" denotes a long position in the shares of the Company.
- The percentage is calculated on the basis of 22,736,114,715 Shares in issue as at the Latest Practicable Date.
- BE Group indirectly controlled Beijing Gas Company Limited through BGGCL and is deemed to be interested in 15,091,042,131 Shares and 2,542,372,881 conversion Shares. Mr. Zhi Xiaoye, the non-executive Director and chairman of the Board, is currently vice president of Beijing Enterprises Holdings Limited and a director and general manager of BGGCL.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or who had any options in respect of such securities.

4. COMPETING INTERESTS

As at the Latest Practicable Date, the two non-executive Directors, Mr. Zhi Xiaoye and Mr. Shao Dan, were also director of BGGCL (the controlling Shareholder) and certain subsidiaries of BGGCL, respectively, which are principally engaged in supplying and selling PNG and related businesses in Beijing. Save as disclosed above, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing service contract with the Company or any of its subsidiaries is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group (other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group).

7. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

8. LITIGATION

On 18 February 2022, Benxi Liaoyou New Era Gas Co., Ltd (“**Benxi Liaoyou**”), a non-wholly-owned subsidiary of the Company, received a statement of claim from the Intermediate People’s Court of Huai’an City regarding the claims by CITIC Financial Leasing Co., Ltd (“**CITIC Financial**”) against several parties including Benxi Liaoyou for a dispute over a finance lease arrangement. The litigation is related to (among other things) a finance lease arrangement entered into in December 2016 between CM International Financial Leasing Corp., Ltd. (the “**Lessor**”) and Benxi Liaoyou and Huai’an Zhongyou Longyi Energy Industry Co., Ltd (together, the “**Lessees**”). As disclosed in the pleadings of the litigation, the Lessor shall acquire certain liquefied natural gas equipment and then lease the same to the Lessees pursuant to the finance lease arrangement. In December 2017, the Lessor entered into another finance lease arrangement with CITIC Financial, and later failed to fulfil its payment obligations to CITIC Financial. In January 2022, CITIC Financial commenced this litigation via subrogation, claiming a total amount of RMB107,737,002.16. On 18 April 2022, Benxi Liaoyou received a statement of claim from the Tianjin Maritime Court in regard of the aforementioned dispute raised by the Lessor, claiming a total amount of RMB222,131,700.78. On 28 April 2022, due to the amendment of claimed amount (from RMB107,737,002.16 to RMB79,792,157.88), the Intermediate People’s Court of Huai’an City decided that the litigation shall be transferred to and heard before the Huaiyin District People’s Court of Huai’an City (the “**Huaiyin Court**”). On 22 July 2022, the Huaiyin Court held the trial, where parties to the litigation exchanged evidence. Currently, the case is pending notice of further trial. On 16 August 2022, Tianjin Maritime Court held the trial and issued civil judgement on 31 August 2022, stating that this litigation shall be suspended for trial until the case raised before the Huaiyin Court is closed. On 19 April 2023, Benxi Liaoyou received a notice of civil ruling issued by the Huaiyin Court that the claimant filed a withdrawal of its claims and it was approved by the Huaiyin Court with immediate effect.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claim of material importance was pending or threatened by or against any member of the Group.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

10. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion which is contained in this circular:

Name	Qualification
Optima Capital	a licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Optima Capital did not have (i) any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) any direct or indirect interest in any assets which had been, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

Optima Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it is included.

11. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's Branch Share Registrar and Transfer Office in Hong Kong, Tricor Investor Services Limited, is situated at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (b) The company secretary of the Company is Ms. Annie Chen, who is a practising solicitor in Hong Kong with extensive experience in legal and company secretarial matters.
- (c) The principal place of business of the Company in Hong Kong is situated at Room 3402-4, 34/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.bgbluesky.com) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Natural Gas Master Agreement;
- (b) the Deposit Services Master Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular; and
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular.

NOTICE OF THE SGM



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Beijing Gas Blue Sky Holdings Limited (the “Company”) will be held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Friday, 22 December 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company as ordinary resolutions. Capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 6 December 2023, unless otherwise specified.

ORDINARY RESOLUTIONS

1. “**THAT**

- (i) the Natural Gas Master Agreement, a copy of which is produced to the SGM and for the purpose of identification initialed by the chairman of the SGM, and the transactions contemplated thereunder, including the purchase of Natural Gas by the Group from BGGT (or its designated subsidiaries or associates) pursuant to the Natural Gas Master Agreement subject to the annual caps as more particularly described in the circular of the Company dated 6 December 2023, be and are hereby confirmed, ratified and approved.
- (ii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Natural Gas Master Agreement and the transactions contemplated thereunder.”

NOTICE OF THE SGM

2. “**THAT**

- (i) the Deposit Services Master Agreement, a copy of which is produced to the SGM and for the purpose of identification initialed by the chairman of the SGM, and the transactions contemplated thereunder, including the provision of deposit services by BE Group Finance to the Group pursuant to the Deposit Services Master Agreement subject to the annual caps as more particularly described in the circular of the Company dated 6 December 2023, be and are hereby confirmed, ratified and approved.

- (ii) the directors of the Company be and are hereby authorised on behalf of the Company to do all such things and sign, seal, execute, perfect and deliver all such documents as they may in their discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation and/or give effect to any matters relating to the Deposit Services Master Agreement and the transactions contemplated thereunder.”

By Order of the Board
Beijing Gas Blue Sky Holdings Limited
Zhi Xiaoyue
Chairman

Hong Kong, 6 December 2023

NOTICE OF THE SGM

Notes:

1. For determining the entitlement of the Shareholders to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 19 December 2023 to Friday, 22 December 2023 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify for entitlement to attend and vote at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 18 December 2023.
2. A Shareholder entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
3. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours (exclusive of any part of a day that is a public holiday) before the time fixed for holding the SGM (i.e. no later than 11:00 a.m. on Wednesday, 20 December 2023). Forms of proxy returned electronically or by any other data transmission process will not be accepted.
4. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution set out in the notice will be voted by way of a poll.
5. If Typhoon Signal No. 8 or above, or "extreme conditions" caused by super typhoons, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the SGM, the meeting will be postponed. The Company will post an announcement on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.bgbluesky.com) to notify Shareholders of the date, time and place of the rescheduled meeting.

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