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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)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF CERTAIN EQUITY INTEREST IN THE TARGET**

#### **BACKGROUND**

The Board announces that on 19 December 2023, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, for the sale and purchase of the Sale Equity Interest, at a total consideration of RMB41,650,000 (equivalent to approximately HK\$45,737,064) subject to the terms and conditions as set out in the Agreement.

Upon completion of the Acquisition, the Target will not become a subsidiary of the Company and the financial results of the Target will not be consolidated into the financial statements of the Group.

#### **LISTING RULES IMPLICATIONS**

BE Group is the controlling shareholder of the Company, therefore is a controller of the Company. Beiran Enterprises, a 30%-controlled company of BE Group, is an associate of BE Group. In addition, as Beiran Enterprises is interested in over 10% of the entire equity interest of the Target, Beiran Enterprises is a substantial shareholder of the Target. Accordingly, the Acquisition constitutes a connected transaction under Rule 14A.28(2) of the Listing Rules.

As more than one of the applicable percentage ratios in respect of the Acquisition exceed 0.1% but are less than 5%, the Acquisition is only subject to the reporting and announcement requirements under the Listing Rules, and is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**As completion of the Acquisition is conditional upon fulfilment or, if applicable, waiver of the conditions precedent set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## BACKGROUND

The Board announces that on 19 December 2023, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, for the sale and purchase of the Sale Equity Interest, at a total consideration of RMB41,650,000 (equivalent to approximately HK\$45,737,064) (the “**Consideration**”) subject to the terms and conditions as set out in the Agreement.

## THE AGREEMENT

The principal terms of the Agreement are as follows:

- Date: 19 December 2023
- Parties: (1) Shenzhen Huaran Energy Co., Ltd.\* (深圳華然能源有限公司) as purchaser
- (2) Tractebel Engineering S.A. as vendor

### Subject matter

The Purchaser has agreed to acquire and the Vendor has agreed to dispose the Sale Equity Interest, representing 49% of the entire equity interests in the Target.

### Consideration

The Consideration for the sale and purchase of the Sale Equity Interest is approximately RMB41,650,000 (equivalent to approximately HK\$45,737,064), which shall initially be paid to an escrow account (the “**Escrow Account**”) on the second working day after the opening of the Escrow Account and then be released to the Vendor upon completion of the Acquisition. The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser, and determined with reference to the valuation based on the income approach in respect of 49% equity interest in the Target. The valuation report prepared by a valuer (the “**Valuer**”) provided that the appraised fair value of 49% equity interest of the Target as at 31 December 2022 based on the income approach was approximately RMB43,463,000 (the “**Valuation**”). The Valuer is an independent professional party engaged by the Company and it has the necessary qualifications to perform the Valuation and also has sufficient experience in carrying out similar valuations. The Valuation was prepared in accordance with the PRC Accepted Asset Valuation Standards.

In the Valuation, income approach and the market approach were adopted to derive the fair value of the Target as at 31 December 2022 taking into account of the following:

- (i) the income approach, which is commonly adopted in the business valuation for valuation subject with supportable operating profit and cash flow forecast, is considered suitable due to the fact that the Target has been operating continuously for several years and its business has entered into a stable development stage, such that the income and associated risks are generally measurable to come up with the appraised value of the Target; and
- (ii) the market approach was adopted as there were a certain number of companies engaged in the same or similar line of business as the Target that could be identified. For illustration purposes, the appraised fair value of 49% equity interest of the Target as at 31 December 2022 based on the market approach was appropriately RMB43,659,000.

According to the final assessment concluded from the Valuer, the income approach is a more appropriate valuation methodology in this case. The appraisal results of the income approach should be more in line with the actual situation of the Target. Therefore, the Board agreed with the Valuer that the income approach can be more comprehensively and reasonably reflect the value of all shareholders' equity of Target.

The principle of the income approach is that the value of the equity interest can be measured by the present worth of the economic benefits to be received over the asset life of the Target, which estimates the future economic benefits and discounts these benefits to their present value using an appropriate discount rate for all risks associated with realising those benefits. The Valuer conducted the Valuation based on discounted cash flow method within income approach.

With the discounted cash flow method used, all future cash flows are estimated and discounted to give them a present value. The discount rate of 9.48% used is the required rate of return of selected comparable companies, which are an exhaustive list of companies with similar business exposure in relation to the principal activity of the Target. For determination of such discount rate, the Weighted Average Cost of Capital ("WACC"), which is considered to be an appropriate discount rate to be applied to discount the future expected cash flows relating to the business of the Target, is adopted in the Valuation.

The Valuer has made certain key assumptions in the Valuation, which, to the Directors' best information and knowledge, are consistent with market practice and information available to the Company, including but not limited to:

- the current financial, economic, taxation, market and political conditions which prevail in the regions in which the Target is operating will have no material change.
- there will be no unforeseeable factors or events that will have a material adverse impact on the assets and liabilities of the Target.
- competent management, key personnel and technical staff will be maintained to support the ongoing operation of the Target.
- the Target will continue its business and operations in the same way as at the date of the Valuation.
- the Target will obtain net cash flow evenly throughout the year.
- the information regarding the Target provided is true and accurate.

Taking into account of the above, the Company considers that the Valuation is fair and reasonable, and hence reliable as a reference for determining the Consideration. The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms.

The Group intends to satisfy the Consideration by external financing and/or the internal resources of the Group.

### **Completion and conditions precedent**

Completion of the Acquisition shall occur on the date of the satisfaction and fulfilment or waiver (as the case may be) of the following conditions precedent:

- (a) the Vendor and the Purchaser having obtained all internal corporate approvals required to complete the Acquisition;

- (b) Beiran Enterprises has approved in writing the transaction which shall reflect Beiran Enterprises's waiver of the preemptive right and tag-along right to the Sale Equity Interest;
- (c) the Purchaser having issued an undertaking to comply with the terms and conditions of the original joint venture agreement between the Vendor and Beiran Enterprises (the "**Original Joint Venture Agreement**");
- (d) the Target having approved in writing the Acquisition by way of a board resolution;
- (e) the Vendor and Beiran Enterprises having executed a termination agreement regarding the Target's original articles of association and the Original Joint Venture Agreement;
- (f) the Vendor and the Purchaser having obtained all external approvals required to complete the Acquisition;
- (g) subject to the fulfillment of (a) to (f) above, the application materials relating to the registration and/or filing of the Acquisition having been submitted to the PRC State Administration for Market Regulation (or its local counterparts) ("**AMR**") and the local AMR having issued a new business license to the Target; and
- (h) the Purchaser and the Target having completed all the tax (including withholding tax) and foreign exchange procedures required to release the Consideration from the Escrow Account to the Vendor.

As of the date of this announcement, save for conditions (a) to (f), none of the conditions as set forth above has been satisfied or waived.

## **INFORMATION OF THE TARGET**

As at the date of this announcement, the Target is owned as to 51% by Beiran Enterprises, and as to 49% by the Vendor. Beiran Enterprises is wholly owned by the Company's controlling shareholder, BE Group, and is an associate of a connected person of the Company under the Listing Rules. The Vendor is wholly owned by Engie S.A. (a company listed on the Euronext with stock code: ENGI), and is an independent third party of the Group.

Based on information currently available to the Group, the Target is an enterprise in the technology space that is principally engaged in the planning, designing and consulting of gas, heat, comprehensive energy utilization and new energy power generation projects. The Target has comprehensive business qualifications, with more than 20 industry and professional qualifications for its business, including qualifications in gas power, new energy power generation, engineering supervision and general contracting of municipal public works. The registered and paid-up capital of the Target is RMB30 million.

Based on information currently available to the Group, in recent years, the Target has undertaken more than 40 research projects for enterprises and governments, and conducted research in various disciplines such as energy-saving technology, green energy and comprehensive energy utilization technology, smart energy technology, urban gas planning technology, natural gas storage and peaking technology, natural gas transmission and distribution technology, and natural gas application technology. The Target have also participated in more than 30 national, industry, local, group and corporate standardization works. Based on information currently available to the Group, as of the date of this announcement, the Target has more than 20 patents.

The business model of the Target integrates general contracting, project supervision, scientific research and energy-saving technical services. The geographical scope of the Target's business covers key economic development regions in China and the Target has carried out more than 50 energy projects of various types in more than 30 provinces and cities.

The financial information of Target for the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively, is as follows:

	<b>For the year ended 31 December 2021 (audited) RMB'000</b>	<b>For the year ended 31 December 2022 (audited) RMB'000</b>	<b>For the six months ended 30 June 2022 (unaudited) RMB'000</b>	<b>For the six months ended 30 June 2023 (unaudited) RMB'000</b>
Revenue	135,716	125,726	31,788	38,046
Profit before taxation	15,791	8,086	308	3,542
Profit after taxation	13,312	6,833	98	3,588

The audited net asset value of the Target as at 31 December 2022 was approximately RMB44,956,000. The unaudited net asset value of the Target as at 30 June 2023 was approximately RMB49,005,000.

Upon completion of the Acquisition, the Target will not become a subsidiary of the Company and the financial results of the Target will not be consolidated into the financial statements of the Group.

## **REASONS AND BENEFITS FOR THE ACQUISITION**

The Board believes that the Acquisition is consistent with the national dual carbon policy and the rapid development of renewable energy, low carbon energy and new energy supply systems under the national energy development strategy, and will enable the Group to achieve balance and diversification of its investment in addition to traditional natural gas projects. The Board further considers that the Acquisition will not only provide support to the Group's business transformation in terms of energy solution design and technology, but also enable the Group to develop new businesses such as integrated energy coupling, low carbon technology, energy digitization and intelligence, and traditional energy optimization, which can enhance the Group's core competitiveness in the energy industry, create new growth poles for the Group's business, and contribute to greater investor confidence in the Company, which in turn may enhance its overall value in the long run.

Further, the Board believes that the Acquisition will promote the Group's strategy of developing comprehensive energy and new energy businesses, create synergies, and improve the Group's competitiveness and overall profitability. Based on currently available information, the business of the Target covers technology research and development, consulting, planning, design, general engineering contracting, project supervision, and energy-saving technology. It has also conducted scientific and technological innovation works, which the Board believes will contribute to the Group's new energy business, from both operational and technical points of view. In addition, the Board considers that the Target's presence in the new energy projects of photovoltaic, distributed wind power, and energy storage in the Southeast Coast area of the PRC is aligned with the Group's strategy to develop its new energy business. Upon completion of the Acquisition, the Group also expects to benefit from the mutual sharing of market data between the Group and the Target, which will be favorable to the Group's expansion of relevant new energy projects.

Upon completion of the Acquisition, the Group will benefit from profit and cash flow contribution of the Target and the prospects of the new energy industry, thereby enhancing the asset base and profitability of the Group. In addition, the continuing annual dividend distribution from the Target is also expected to provide stable returns to the Group. The Target is an enterprise in the technology space that is mainly engaged in the planning, designing and consulting of gas, heat, comprehensive energy utilization and new energy power generation projects. Therefore, the Acquisition is consistent with the Group's strategy which concentrates on developing businesses of comprehensive energy and new energy and building a clean, low-carbon, safe and efficient energy system.

For the reasons and benefits set out above, the Directors are of the view that the Acquisition is on normal commercial terms which are fair and reasonable, and are in the interest of the Company and its shareholders as a whole.

Mr. Zhi Xiaoye, being a non-executive Director and chairman of the Board, has been the vice president of Beijing Enterprises Holdings Limited (a company listed on the Stock Exchange, stock code: 392) since July 2014. Mr. Shao Dan, being a non-executive Director, is currently 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. By virtue of their respective roles in the aforesaid entities, Mr. Zhi Xiaoye and Mr. Shao Dan are considered to have material interests in the Agreement. As a result, Mr. Zhi Xiaoye and Mr. Shao Dan had abstained from voting on the Board resolution(s) of the Company to approve the Agreement and the transaction contemplated thereunder. Save for the aforementioned, no other Director has a material interest in the Agreement and therefore is required to abstain from voting on the Board resolution(s) of the Company to approve any of the same.

## **INFORMATION OF THE PARTIES**

### **The Company and the Group**

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 CNG and LNG refueling stations for vehicles.

### **The Purchaser**

The Purchaser is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in the import and export of technologies, the development of energy-saving and environmentally friendly new energy technologies, project investment and management consulting.

## The Vendor

The Vendor is a company incorporated in Belgium and is wholly owned by Engie S.A. (a company listed on the Euronext with stock code: ENGI). The Vendor is principally engaged in energy, water and infrastructure projects, and offers services in thermal power, alternative energy, transmission, distribution, hydroelectric power, water resources, gas, ports, and urban infrastructure. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

## LISTING RULES IMPLICATIONS

BE Group is the controlling shareholder of the Company, and therefore a controller of the Company. Beiran Enterprises, a 30%-controlled company of BE Group, is an associate of BE Group. In addition, as Beiran Enterprises is interested in over 10% of the entire equity interest of the Target, Beiran Enterprises is a substantial shareholder of the Target. Accordingly, the Acquisition constitutes a connected transaction under Rule 14A.28(2) of the Listing Rules.

As more than one of the applicable percentage ratios in respect of the Acquisition exceed 0.1% but are less than 5%, the Acquisition is only subject to the reporting and announcement requirements under the Listing Rules, and is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the Acquisition exceed 5% but is less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**As completion of the Acquisition is conditional upon fulfilment or, if applicable, waiver of the conditions precedent set out in the Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“30%-controlled company”	has the meaning ascribed thereto under the Listing Rules
“Acquisition”	the acquisition of the Sale Equity Interest by the Purchaser pursuant to the terms and conditions of the Agreement
“Agreement”	the equity transfer agreement dated 19 December 2023 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“BE Group”	Beijing Enterprises Group Company Limited* (北京控股集團有限公司), a limited liability company established in the PRC, which is a controlling shareholder of the Company

“Beiran Enterprises”	Beijing Beiran Enterprises Group Company Limited* (北京北燃實業集團有限公司), a company established in the PRC with limited liability
“BGGCL”	Beijing Gas Group Co., Ltd.* (北京市燃氣集團有限責任公司), a company established in the PRC with limited liability, and is indirectly 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
“Board”	the Board of the Directors of the Company
“Company”	Beijing Gas Blue Sky Holdings Limited (stock code: 6828), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controller”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region of China
“Purchaser”	Shenzhen Huaran Energy Company Limited* (深圳華然能源有限公司), a company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity Interest”	49% of the entire equity interest in the Target
“Share(s)”	ordinary share(s) of HK\$0.055 each in the issued share capital of the Company



“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Target”	Beijing United Energy Engineering & Technology Company Limited* (北京優奈特能源工程技術有限公司), a company established in the PRC with limited liability
“Vendor”	Tractebel Engineering S.A., a company incorporated in Belgium with limited liability
“%”	per cent

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

Hong Kong, 19 December 2023

*For the purposes of illustration only, any amount denominated in RMB in this announcement and translated into HK\$ at a rate of HK\$1 = RMB0.91064. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.*

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

\* *For identification purpose only*