
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) CONNECTED TRANSACTION
THE NEW FINANCE DOCUMENTS
AND

(2) 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 Wednesday, 24 January 2024 at 11:00 a.m. is set out on pages 41 to 42 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 (i.e. no later than 11:00 a.m. on Monday, 22 January 2024). 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.

8 January 2024

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 14 December 2023 in respect of the connected transaction in relation to, among other things, the New Facility, the New Finance Documents and the transactions contemplated thereunder;
“associate”	has the meaning 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;
“Beijing Gas Group”	BGGCL and its subsidiaries, and for the purpose of this circular, excluding the Group;
“Beijing Gas HK”	北京燃氣有限公司 (Beijing Gas Company Limited), a company incorporated in Hong Kong with limited liability, and is indirectly wholly-owned by BGGCL and a shareholder of the Company directly interested in approximately 66.37% of the Shares;
“Beijing Gas JingTang”	Beijing Gas JingTang Company Ltd., a company incorporated in the British Virgin Islands with limited liability, and is wholly-owned by the Company;
“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;
“BGJTCL”	Beijing Gas JingTang Company Limited* (北燃京唐有限公司), a company incorporated in Hong Kong with limited liability, and is wholly-owned by Beijing Gas JingTang and the Company;
“Board”	the board of Directors;

DEFINITIONS

“Capital and Asset Injection Plan”	has the meaning ascribed to it in the circular of the Company dated 31 October 2022;
“close associate(s)”	has the meaning ascribed to it under the Listing Rules;
“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 meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HIBOR”	the Hong Kong Interbank Offered Rate;
“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 New Facility, the New Finance Documents and the transactions contemplated thereunder;
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in 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 New Facility, the New Finance Documents and the transactions contemplated thereunder;

DEFINITIONS

“Independent Shareholder(s)”	the Shareholders other than (i) BGGCL, Beijing Gas HK, Beijing Enterprises Holdings Limited and BE Group and any of their concert parties and associates, and (ii) the Shareholders who are involved in or interested in the New Facility, the New Finance Documents 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”	4 January 2024, 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;
“New Facility”	the term loan facility in an aggregate amount of RMB637,448,000 (equivalent to HK\$700,000,000 calculated by reference to the middle rate of HKD to RMB published by the People’s Bank of China on the date of the New Finance Documents) to be made available under the New Finance Documents;
“New Facility Agreement”	the facility agreement dated 14 December 2023 entered into between the Company and BGGCL;
“New Finance Documents”	in respect of the provision of the New Facility, (i) the prepayment deed dated 14 December 2023 entered into between the Company, Beijing Gas JingTang, BGGCL and Beijing Gas HK; (ii) the New Facility Agreement; and (iii) the deed of share mortgage dated 14 December 2023 entered into between Beijing Gas JingTang and BGGCL;
“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;
“Previous Facility”	the term loan facility in an aggregate amount of HK\$700,000,000 made available under the Previous Facility Agreement;

DEFINITIONS

“Previous Facility Agreement”	the facility agreement dated 26 September 2022 entered into between Beijing Gas HK and the Company in respect of the provision of the Previous Facility;
“RMB”	Renminbi, the lawful currency of the PRC;
“SAFE”	State Administration of Foreign Exchange 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 and held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Wednesday, 24 January 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, approving, among other things, the New Facility, the New Finance Documents and the transactions contemplated thereunder;
“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;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Syndicated Facility Agreement”	the facility agreement dated 17 October 2022 entered into between the Company and a group of banks in respect of a term loan facility in an aggregate amount of HK\$1,013,023,665; and
“%”	per cent.

Remarks:

- (1) For the purpose of this circular, unless otherwise indicated, the exchange rate of HK\$1= RMB0.91064 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 (*Chairman of the Board*)
Wu Haipeng (*Chief Executive Officer*)
Li Xianning (*Chief Financial Officer*)
Yeung Shek Hin

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

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

8 January 2024

To the Shareholders

Dear Sir/Madam,

**(1) CONNECTED TRANSACTION
THE NEW FINANCE DOCUMENTS
AND
(2) NOTICE OF THE SGM**

1. INTRODUCTION

Reference is made to (i) the circular of the Company dated 31 October 2022 in relation to the Capital and Asset Injection Plan comprising the Previous Facility Agreement, the share subscription agreement dated 26 September 2022, the convertible bond subscription agreement dated 26 September 2022 and the acquisition agreement dated 26 September 2022 which (a) the respective completions were inter-conditional and (b) the respective completions occurred on or about 30 December 2022; and (ii) the Announcement in relation to the New Facility, the New Finance Documents and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with, among other things, (i) further information of the New Facility, the New Finance Documents 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 New Facility, the New Finance Documents and the transactions contemplated thereunder.

2. THE NEW FACILITY

On 14 December 2023, the Company entered into the New Finance Documents with BGGCL, Beijing Gas HK and Beijing Gas JingTang, pursuant to which BGGCL agreed to provide the Company with the New Facility with selected principal terms set out as follows:

Parties	:	(i) the Company, as the borrower; (ii) BGGCL; (iii) Beijing Gas HK; and (iv) Beijing Gas JingTang, as the mortgagor
Amount of loan facility	:	RMB637,448,000 (equivalent to HK\$700 million)
Maturity date	:	31 December 2025
Interest rate and payment of interest	:	2.27% per annum All interest accrued shall be payable in arrears in full on the maturity date
Default interest	:	2% per annum higher than the rate which would have been payable on the overdue amount
Repayment	:	The Company shall repay the loan in full on the maturity date, unless in the event that the term loan facility made available to the Company pursuant to the Syndicated Facility Agreement is fully repaid before the maturity date (i.e. 31 December 2025) where the Company can opt to repay the loan in full early ^{Note}
Security	:	The New Facility shall be secured by approximately 20.92% of the issued shares of BGJTCL, a wholly-owned subsidiary of the Company, as collateral in favor of BGGCL (the “ New Share Mortgage ”)

Note: As at the Latest Practicable Date, the Company planned to fully repay the Syndicated Facility (and the interest accrued thereon) on or before the drawing down of the New Facility.

LETTER FROM THE BOARD

New Finance Documents will be effective conditional upon the fulfillment or satisfaction of the following key conditions:

- (A) that in relation to the Syndicated Facility Agreement, the Company has obtained from the agent acting on the instructions of the majority lenders as defined in the Syndicated Facility Agreement, all the consent and/or waiver required under the Syndicated Facility Agreement for the Company, Beijing Gas JingTang, Beijing Gas HK and BGGCL to enter into the New Finance Documents (if applicable); and
- (B) that the Company and all related parties have obtained all internal, corporate and other relevant government regulatory approvals (including, without limitation, approvals from the SAFE, the Stock Exchange and (where applicable) the SFC and from the Independent Shareholders at the SGM in respect of the New Finance Documents.

None of the condition precedent above can be waived. As at the Latest Practicable Date, the Company planned to fully repay the term loan facility made available pursuant to the Syndicated Facility Agreement (and the interest accrued thereon) on or before the drawing down of the New Facility. The condition precedent in respect of the Syndicated Facility Agreement will not be applicable following the repayment of the Syndicated Facility Agreement and none of the remaining conditions as set forth above had been satisfied.

Undertakings

In connection with the provision of the New Facility by BGGCL to the Company, the Company undertakes to Beijing Gas HK and BGGCL that once it draws the loan under the New Facility, it will repay the loan principal of HK\$700 million under the Previous Facility in full with funds in Hong Kong dollars to be converted from the proceeds of the New Facility.

Once the Company repays the loan principal of HK\$700 million under the Previous Facility in full, the Company, Beijing Gas JingTang and Beijing Gas HK undertake to release and discharge each other from all of their respective liabilities and obligations under the Previous Facility Agreement (save for interest of such loan accrued up to the date of its full repayment (the “**Previous Facility Interest**”)) and the share mortgage of approximately 20.92% of the issued shares of BGJTCL provided by Beijing Gas JingTang in favour of Beijing Gas HK as collateral to the Previous Facility (the “**Previous Share Mortgage**”).

The Company will repay the Previous Facility Interest upon full repayment of the loan principal and other amount outstanding under the New Facility in accordance with the terms of the New Finance Documents. No interest (or default interest) will be accrued on the Previous Facility Interest between the date of repayment of the loan principal of the Previous Facility and the maturity date of the Previous Facility (i.e. 31 December 2025).

Please refer to the paragraph headed “3. The Previous Facility” for details of the Previous Facility and the Previous Share Mortgage.

LETTER FROM THE BOARD

3. THE PREVIOUS FACILITY

On 26 September 2022, as part of the Capital and Asset Injection Plan, the Company entered into the Previous Facility Agreement with Beijing Gas HK, pursuant to which Beijing Gas HK agreed to provide the Company with the Previous Facility with selected principal terms set out as follows:

Parties	:	(i) the Company, as the borrower; and (ii) Beijing Gas HK, as the lender.
Amount of loan facility	:	HK\$700 million
Maturity date	:	31 December 2025
Interest rate and payment of interest	:	HIBOR plus 2% per annum All interest accrued shall be payable in arrears in full on the maturity date ^{Note}
Default interest	:	2% per annum higher than the rate which would have been payable on the overdue amount ^{Note}
Repayment	:	The Company shall repay the loan in full on the maturity date, unless in the event that the term loan facility made available to the Company pursuant to the Syndicated Facility Agreement is fully repaid before the maturity date (i.e. 31 December 2025) where the Company can opt to repay the loan in full early
The Previous Share Mortgage	:	The Previous Facility shall be secured by approximately 20.92% of the issued shares of BGJTCL, a wholly-owned subsidiary of the Company, as collateral in favor of Beijing Gas HK

Note: Please refer to the paragraph headed “2. The New Facility – Undertakings” for details of the repayment arrangement of the Previous Facility under the New Finance Documents.

Please refer to the circular of the Company dated 31 October 2022 for further details of the Capital and Asset Injection Plan and the Previous Facility. As disclosed in the interim report for the six months ended 30 June 2023 of the Company, as at 30 June 2023, approximately 93.7% of the total net proceeds from the Capital and Asset Injection Plan (i.e. HK\$1,400 million out of HK\$1,494.5 million), had been applied in accordance with the purposes stated in the circular of the Company dated 31 October 2022.

LETTER FROM THE BOARD

The Previous Facility constituted a non-exempt connected transaction of the Company under the Listing Rules and was approved by the Independent Shareholders of the Company on 15 November 2022.

4. REASONS FOR AND BENEFITS OF THE NEW FACILITY

The Board and the senior management of the Company (collectively the “**Management**”) noted that Hong Kong has entered into an interest rate hike cycle in 2023, with one-month HIBOR increased from approximately 2.61% on 26 September 2022 (being the date of the Previous Facility Agreement) to approximately 5.41% on 13 December 2023 (being the date immediately preceding the date of the New Finance Documents). As disclosed in the press release of the Hong Kong Monetary Authority dated 2 November 2023, the Hong Kong Monetary Authority believed that it is premature to conclude whether the rate hike cycle has been completed, and the high interest- rate environment is likely to last for some time.

In consideration of the high interest-rate environment, the Management entered into discussion with BGGCL and Beijing Gas HK with a view to optimising the financial structure of the Company and replacing the Previous Facility. On 14 December 2023, upon arm’s length negotiations, BGGCL, Beijing Gas HK, Beijing Gas JingTang and the Company entered into the New Finance Documents, pursuant to which, subject to the approval of the Independent Shareholders, to refinance the Previous Facility.

In arriving at the principal terms of the New Finance Documents, the Directors have considered, among others, the following factors.

Rising interest rate environment in Hong Kong: The HIBOR (being the benchmark rate of the Previous Facility) increased significantly from approximately 2.61% on 26 September 2022 to approximately 5.41% on 13 December 2023. As the high interest-rate environment is likely to last for some time, the continuing adoption of the HIBOR as benchmark rate is likely to hinder the financial performance of the Company.

Favorable interest rate offered by BGGCL: Based on the management account of the Company as at 30 June 2023, the average interest rate of the borrowings of the Group from Independent Third Parties was approximately 5.32% (the “**Average Borrowing Rate**”). As at 20 December 2023 (being the date of the most recent Loan Prime Rates published by the National Interbank Funding Center), the Loan Prime Rates for one-year term loan and five-year above term loan were 3.45% and 4.20%, respectively.

LETTER FROM THE BOARD

The entering into the New Finance Documents was primarily driven by the Management's initiative to control the finance cost of the Company and to improve the financial performance of the Company, having taken into account the high interest-rate environment in Hong Kong is likely to last for some time and the interest rate under the New Facility is below (i) the Average Borrowing Rate; (ii) the latest Loan Prime Rates published under by the National Interbank Funding Center; and (iii) the interest rate provided under the Syndicated Facility Agreement (i.e. no less than HIBOR + 1.90%). For illustration purposes, based on a HIBOR of 4.96%, the difference of the interest rates between the Previous Facility and the New Facility is approximately 4.69%, and the New Facility is expected to reduce the finance cost of the Company by approximately HK\$33 million per annum for the remaining term of the New Facility. The Management considered the terms of the New Finance Documents and the transactions contemplated thereunder are on normal commercial terms after arm's length negotiations and in the ordinary and usual course of business of the Group, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reducing currency exposure: As disclosed in the paragraph headed "Exposure to Fluctuations in Exchange Rates" of the Annual Report of the Company for the financial year ended 31 December 2022, the Group's revenue is mainly denominated in Renminbi. The Management considered the utilisation of the RMB-denominated New Facility under the New Finance Documents would better align the operating needs and working capital structure of the Company and reduce the Company's exposure to fluctuations in exchange rates.

Security requirement of the New Finance Documents: Each of Beijing Gas HK and BGGCL is a wholly-owned subsidiary of Beijing Enterprises Holdings Limited. There is neither change to the nature, form nor the beneficiary of the security. In addition, the legal rights/entitlements of BGGCL remain substantially the same as Beijing Gas HK under the deed of share mortgage dated 26 September 2022 executed by the Company in favor of Beijing Gas HK in connection with the Previous Facility Agreement. The Management considered the security requirement of the New Finance Documents commensurates with that of the Previous Facility Agreement.

As the Previous Facility was part of the Capital and Asset Injection Plan, each of BGGCL and Beijing Gas HK has confirmed to the Company that the entering into the New Finance Documents by the Company would not constitute a breach of any representation, warranty, express or implied term, or other obligations under any and all of the transactions under the Capital and Asset Injection Plan.

LETTER FROM THE BOARD

5. INFORMATION ON THE COMPANY, THE GROUP, BGGCL AND BEIJING GAS HK

The Company and the Group

The Company is a company incorporated in Bermuda with limited liability and 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. The Group's operations are based in the PRC and Hong Kong. The ultimate controlling Shareholder is BE Group.

Beijing Gas JingTang is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, which through BGJTCL indirectly owns 29% equity interest in PetroChina Jingtang LNG Co., Limited* (中石油京唐液化天然氣有限公司). PetroChina Jingtang LNG Co., Limited* is an associate of the Company and is principally engaged in provision of port facilities for vessels, receiving, storage and re-gasification of liquefied natural gas.

Beijing Gas HK

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

BGGCL

BGGCL was the controlling Shareholder and was indirectly interested in approximately 66.37% of the issued share capital of the Company as at the Latest Practicable Date. It is established in the PRC with limited liability whose principal activities include natural gas production and distribution services. BGGCL is an indirect wholly owned subsidiary of Beijing Enterprises Holdings Limited, an integrated public utilities operator with principal activities focusing on gas, water and environment, solid waste treatment and beer business. Beijing Enterprises Holdings Limited is a company incorporated in Hong Kong and listed on the Main Board of the Stock Exchange (Stock Code: 392) and controlled as to 62.41% by BE Group. The remaining issued shares of Beijing Enterprises Holdings Limited are held by public shareholders.

LETTER FROM THE BOARD

6. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, BGGCL was the controlling Shareholder indirectly holding approximately 66.37% of the issued share capital of the Company and thus was a connected person of the Company under the Listing Rules. The New Finance Documents constitute a non-exempt connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

No Director has material interest in the New Facility, the New Finance Documents and the transactions contemplated thereunder, but as Mr. Shao Dan holds directorship or supervisor position in certain members of the Beijing Gas Group, Mr. Shao Dan has abstained from voting on the relevant Board resolution(s) in approving the New Facility, the New Finance Documents and the transactions contemplated thereunder.

7. GENERAL

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 New Facility, the New Finance Documents and the transactions contemplated thereunder are on normal commercial terms or better after arm's length negotiations and in the ordinary and usual course of business of the Group, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) on how to vote at the SGM.

Octal 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 New Facility, the New Finance Documents and the transactions contemplated thereunder.

8. SGM

A notice convening the SGM to be held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Wednesday, 24 January 2024 at 11:00 a.m., is set out on pages 41 to 42 of this circular. The SGM will be held for the Independent Shareholders to consider and, if thought fit, pass the resolution to approve, among other things, the New Facility, the New Finance Documents and the transactions contemplated thereunder.

LETTER FROM THE BOARD

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 Friday, 19 January 2024 to Wednesday, 24 January 2024 (both dates inclusive) during which period no transfer of the 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 Thursday, 18 January 2024.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, 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 Monday, 22 January 2024) 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 BGGCL and Beijing Gas HK are considered to have a material interest in the New Facility, the New Finance Documents and the transactions contemplated thereunder, BGGCL and Beijing Gas HK (together with their respective associates) shall abstain from voting at the SGM on the proposed resolution(s) to approve, among other things, the New Facility, the New Finance Documents and the transactions contemplated thereunder. As at the Latest Practicable Date, Beijing Gas HK and BGGCL (including their respective associates) controlled or were 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.

9. 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 New Facility, the New Finance Documents 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 resolution(s) to be proposed at the SGM.

LETTER FROM THE BOARD

10. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of this circular, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 17 to 35 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

Li Weiqi

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

8 January 2024

To the Independent Shareholders,

Dear Sir/Madam,

(1) CONNECTED TRANSACTION
THE NEW FINANCE DOCUMENTS
AND
(2) NOTICE OF THE SGM

We refer to the circular (the “**Circular**”) dated 8 January 2024 issued by the Company of which this letter forms part. Capitalised terms used in this letter shall have the same meaning 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 New Facility, the New Finance Documents and the transactions contemplated thereunder are on normal commercial terms or better after arm’s length negotiations and in the ordinary and usual course of business of the Group, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote at the SGM.

Octal 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 Octal Capital Limited are contained in its letter set out on pages 17 to 35 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 New Facility, the New Finance Documents and the advice from the Independent Financial Adviser, we consider that the terms of the New Facility, the New Finance Documents 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 resolution(s) to be proposed at the SGM to approve the New Facility, the New Finance Documents and the transactions contemplated thereunder.

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

Mr. Cui Yulei

Ms. Hsu Wai Man Helen

Mr. Xu Jianwen

Independent non-executive Directors

LETTER FROM OCTAL CAPITAL

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



801-805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

8 January 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION THE NEW FINANCE DOCUMENTS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Facility, the New Finance Documents and the transactions contemplated thereunder, details of which are contained in the letter from the Board (the “**Letter from the Board**”) contained in the circular to the Shareholders dated 8 January 2024 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to (i) the circular of the Company dated 31 October 2022 in relation to the Capital and Asset Injection Plan comprising the Previous Facility Agreement, the share subscription agreement dated 26 September 2022, the convertible bond subscription agreement dated 26 September 2022 and the acquisition agreement dated 26 September 2022 which (a) the respective completions were inter-conditional and (b) the respective completions occurred on or about 30 December 2022; and (ii) the Announcement in relation to the New Facility, the New Finance Documents and the transactions contemplated thereunder. On 26 September 2022, as part of the Capital and Asset Injection Plan, the Company entered into the Previous Facility Agreement with Beijing Gas HK, pursuant to which Beijing Gas HK agreed to provide the Company with the Previous Facility.

On 14 December 2023, the Company entered into the New Finance Documents with BGGCL, Beijing Gas HK and Beijing Gas JingTang, pursuant to which BGGCL agreed to provide the Company with the New Facility to refinance the Previous Facility.

LETTER FROM OCTAL CAPITAL

As at the Latest Practicable Date, BGGCL was the controlling Shareholder indirectly holding approximately 66.37% of the issued share capital of the Company and thus was a connected person of the Company under the Listing Rules. The New Finance Documents constitute a non-exempt connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen, has been established to consider the terms of the New Facility, the New Finance Documents and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether they are on normal commercial terms or better and in the ordinary and usual course of business of the Group, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to give its recommendation as to the voting in respect of the resolution to be proposed at the SGM for approving, after taking into account the recommendation of the Independent Financial Adviser.

We, Octal Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the New Facility, the New Finance Documents and the transactions contemplated thereunder. We are not connected with the Directors, chief executive of the Company and substantial Shareholders or Beijing Gas HK or BGGCL or Beijing Enterprises Holdings Limited or Beijing Gas Group or BE Group or Beijing Gas JingTang or BGJTCL or any of their respective subsidiaries or associates and are therefore considered independent and suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. In the two years immediately preceding the date of the New Finance Documents and up to the Latest Practicable Date, we were engaged by the Company as an Independent Financial Adviser to the Company in respect of the Capital and Asset Injection Plan comprising the Previous Facility Agreement, the share subscription agreement dated 26 September 2022, the convertible bond subscription agreement dated 26 September 2022 and the acquisition agreement dated 26 September 2022, details of which can be referred to the circular of the Company dated 31 October 2022 (the "**Previous Engagement**"). Apart from normal professional fee payable to us by the Company in connection with this appointment and the Previous Engagements, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive of the Company and substantial Shareholders or Beijing Gas HK or BGGCL or Beijing Enterprises Holdings Limited or Beijing Gas Group or BE Group or Beijing Gas JingTang or BGJTCL or any of its subsidiaries or their respective associates.

LETTER FROM OCTAL CAPITAL

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the SGM. We have also relied on our discussions with the Management regarding the New Facility, the New Finance Documents and the transactions contemplated thereunder including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Beijing Gas HK or BGGCL or Beijing Enterprises Holdings Limited or Beijing Gas Group or BE Group or Beijing Gas JingTang or BGJTCL or any of its subsidiaries or their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the New Facility, the New Finance Documents and the transactions contemplated thereunder, we have taken into account the following principal factors and reasons:

1. Background of the New Finance Documents

Reference is made to (i) the circular of the Company dated 31 October 2022 in relation to the Capital and Asset Injection Plan comprising the Previous Facility Agreement, the share subscription agreement dated 26 September 2022, the convertible bond subscription agreement dated 26 September 2022 and the acquisition agreement dated 26 September 2022 which (a) the respective completions were inter-conditional and (b) the respective completions occurred on or about 30 December 2022; and (ii) the Announcement in relation to the New Facility, the New Finance Documents and the transactions contemplated thereunder. The total net proceeds of the Previous Facility, the Convertible Bond Subscription and the Share Subscription of HK\$1,494.5 million were intended to be utilised for (i) repaying some of the existing bank borrowings; (ii) repaying the outstanding amount and interest associated with the corporate bonds issued by the Company and other borrowings of the Group; (iii) business development; and (iv) general working capital purposes. The Directors considered the Share Subscription and the Previous Facility and the convertible bond subscription under the Capital and Asset Injection Plan would (i) offer a good opportunity for the Group to relieve its short-term liquidity pressure; (ii) demonstrate the continuous financial support from Beijing Gas Group and BE Group; and (iii) fulfil the prerequisites of the proposed syndicated facility for additional financing. It was the most feasible and suitable fund-raising method to the Company.

LETTER FROM OCTAL CAPITAL

As part of the Capital and Asset Injection Plan, the Company entered into the Previous Facility Agreement with Beijing Gas HK on 26 September 2022, pursuant to which Beijing Gas HK agreed to provide the Company with the Previous Facility. On 14 December 2023, driven by the Management's initiative to control the finance cost of the Company and to improve the financial performance of the Company, the Company as the borrower and BGGCL as the lender entered into the New Finance Documents to provide the Company with the New Facility to refinance the Previous Facility.

1.1 Background of the Group

The Company is a company incorporated in Bermuda with limited liability and 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. The Group's operations are based in the PRC and Hong Kong. The ultimate controlling Shareholder is BE Group.

Beijing Gas JingTang is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company, which through BGJTCL indirectly owns 29% equity interest in PetroChina Jingtang LNG Co., Limited* (中石油京唐液化天然氣有限公司). PetroChina Jingtang LNG Co., Limited* is an associate of the Company and is principally engaged in provision of port facilities for vessels, receiving, storage and re-gasification of liquefied natural gas.

1.2 Background of Beijing Gas HK

Beijing Gas HK is a company incorporated in Hong Kong with limited liability, the controlling Shareholder and is indirectly wholly-owned by Beijing Gas Group, being BGGCL and its subsidiaries. Its principal business is investment holding.

LETTER FROM OCTAL CAPITAL

1.3 Background of BGGCL

BGGCL was the controlling Shareholder and was indirectly interested in approximately 66.37% of the issued share capital of the Company as at the Latest Practicable Date. It is established in the PRC with limited liability whose principal activities include natural gas production and distribution services. BGGCL is an indirect wholly owned subsidiary of Beijing Enterprises Holdings Limited, an integrated public utilities operator with principal activities focusing on gas, water and environment, solid waste treatment and beer business. Beijing Enterprises Holdings Limited is a company incorporated in Hong Kong and listed on the Main Board of the Stock Exchange (Stock Code: 392) and controlled as to 62.41% by BE Group. The remaining issued shares of Beijing Enterprises Holdings Limited are held by the public shareholders.

2. Financial information of the Group

Review of financial performance

Set out below is a summary of the consolidated financial information of the Group for three financial years ended 31 December 2020, 2021 and 2022 (“FY2020”, “FY2021” and “FY2022”, respectively), as extracted from the annual reports of the Company for FY2021 and FY2022 (the “Annual Reports”), and for six months periods ended 30 June 2022 and 30 June 2023 (“HY2022” and “HY2023”, respectively) as extracted from the interim report for HY2023 (the “2023 Interim Report”).

	FY2020	FY2021	FY2022	HY2022	HY2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
<i>Revenue</i>					
City gas operation	639,474	602,066	590,268	332,044	517,213
Direct supply to industrial users	361,663	494,708	45,388	17,972	16,668
Trading and distribution of natural gas	402,311	583,415	927,354	549,329	634,452
Natural gas refueling stations	<u>59,654</u>	<u>47,830</u>	<u>44,141</u>	<u>19,916</u>	<u>23,117</u>
	1,463,102	1,728,019	1,607,151	919,261	1,191,450
Cost of sales and services	(1,307,855)	(1,608,675)	(1,518,890)	(878,622)	(1,146,846)
Gross profit	155,247	119,344	88,261	40,639	44,604
Gross profit margin	<u>10.6%</u>	<u>6.9%</u>	<u>5.5%</u>	<u>4.4%</u>	<u>3.7%</u>
(Loss)/profit for the year/ period	<u>(3,806,402)</u>	<u>(278,557)</u>	<u>11,584</u>	<u>18,308</u>	<u>43,084</u>

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Comparison between FY2020 and FY2021

The Group recorded revenue of approximately HK\$1,463.1 million and approximately HK\$1,728.0 million for FY2020 and FY2021 respectively, representing an increase of approximately 18.1%, which was mainly attributable to (i) the increase in the trading and distribution of natural gas by approximately HK\$181.1 million; (ii) the recovery of the global economy and commodity market from the historic collapse in demand caused by the impact of COVID-19; and (iii) increase in realised sales price and total sales volume. The gross profit of the Group for FY2021 decreased by 23.1% from approximately HK\$155.2 million for FY2020 to approximately HK\$119.3 million for FY2021. The gross profit margin also decreased from approximately 10.6% to approximately 6.9%, which was mainly due to (i) decrease in connection projects; and (ii) the continuing high natural gas price for FY2021, resulting in a squeeze of profit.

The loss for the year reduced from approximately HK\$3,806.4 million for FY2020 to approximately HK\$278.6 million for FY2021 which was mainly due to comparatively less significant one-off impairment charges of approximately HK\$297 million on financial assets and other assets during FY2021 as a result of a number of suspicious transaction and the respective forensic investigation as mentioned in the circular of the Company dated 31 October 2022.

Comparison between FY2021 and FY2022

The Group recorded revenue of approximately HK\$1,728.0 million and approximately HK\$1,607.2 million for FY2021 and FY2022 respectively, representing a decrease of approximately 7.0%, which was mainly attributable to the net effects of (i) the increase in revenue from trading and distribution of LNG and CNG business; and (ii) the decline in revenue from direct supply to industrial users business. The gross profit of the Group for FY2022 decreased by 26.0% from approximately HK\$119.3 million for FY2021 to approximately HK\$88.3 million for FY2022. The gross profit margin also decreased from approximately 6.9% for FY2021 to approximately 5.5% for FY2022, which was mainly due to the decrease in connection construction services projects in FY2022.

The Group turned the loss for the year of approximately HK\$278.6 million for FY2021 into profit for the year of approximately HK\$11.6 million for FY2022, which was mainly attributable to the absence of two non-recurring items in FY2022: (i) provision for impairment on financial assets; and (ii) impairment on non-financial assets.

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Comparison between HY2022 and HY2023

The Group recorded revenue of approximately HK\$919.3 million and approximately HK\$1,191.5 million for HY2022 and HY2023 respectively, representing an increase of approximately 29.6%, which was mainly attributable to (i) the increase in revenue from the natural gas trading and distribution business; and (ii) the contribution of the revenue from the city gas business in Teng County, Guangxi that was acquired by the Company at the end of 2022. The gross profit of the Group increased from approximately HK\$40.6 million for HY2022 to approximately HK\$44.6 million for HY2023, representing an increase of approximately 9.8%. The gross profit margin decreased from approximately 4.4% for HY2022 to approximately 3.7% for HY2023.

The profit for the period increased from approximately HK\$18.3 million for HY2022 to approximately HK\$43.1 million for HY2023, representing an increase of approximately 135.3%, which was mainly attributable to (i) the increase in revenue in HY2023 as compared to HY2022; (ii) the decrease in the legal and professional fees during HY2023 as compared to HY2022, which were incurred for the relevant professional services for the resumption of trading in the shares of the Company in HY2022 and such expenses were non-recurring items; and (iii) the decrease in administrative expenses as a result of the continuous implementation of cost reduction and efficiency enhancement during HY2023.

LETTER FROM OCTAL CAPITAL

Review of financial positions

Set out below is the summary of the assets and liabilities of the Group as at 31 December 2021, 31 December 2022 and 30 June 2023, as extracted from the Annual Reports and the 2023 Interim Report respectively.

	As at 31 December 2021 <i>(audited)</i> HK\$'000	As at 31 December 2022 <i>(audited)</i> HK\$'000	As at 30 June 2023 <i>(unaudited)</i> HK\$'000
Non-current assets	3,688,218	3,856,001	3,843,058
Current assets	<u>1,547,919</u>	<u>1,364,711</u>	<u>1,166,943</u>
Total assets	5,236,137	5,220,712	5,010,001
Non-current liabilities	121,750	1,123,981	1,111,456
Current liabilities	<u>4,413,404</u>	<u>2,467,556</u>	<u>2,332,421</u>
Total liabilities	4,535,154	3,591,537	3,443,877
Net current liabilities	2,865,485	1,102,845	1,165,478
Net assets	700,983	1,629,175	1,566,124
Equity attributable to owners of the Company	604,844	1,356,654	1,286,531
Cash and bank balances	230,945	554,062	354,982
Borrowings:			
Current portion	3,486,413	1,700,276	1,575,357
Non-current portion	<u>93,324</u>	<u>1,006,775</u>	<u>987,085</u>
Total borrowings	3,579,737	2,707,051	2,562,442
Current ratio ^{Note 1}	0.35	0.55	0.50
Gearing ratio ^{Note 2}	510.7%	166.2%	163.6%

Sources: The Annual Reports and the 2023 Interim Report

Note:

- Being current assets divided by current liabilities
- Being the total borrowings (which include bank and other borrowings, and convertible bond) divided by net assets

LETTER FROM OCTAL CAPITAL

As at 31 December 2022

The Group had current assets of approximately HK\$1,364.7 million, and current liabilities of approximately HK\$2,467.6 million, resulting in net current liabilities of approximately HK\$1,102.8 million, which represented a decrease of approximately 61.5% from approximately HK\$2,865.5 million as at 31 December 2021. This was mainly attributable to that the current portion of borrowings decreased from approximately HK\$3,486.4 million as at 31 December 2021 to approximately HK\$1,700.3 million as at 31 December 2022. On the other hand, the non-current portion of borrowings increased from approximately HK\$93.3 million as at 31 December 2021 to approximately HK\$1,006.8 million as at 31 December 2022.

The current ratio of approximately 0.55 times as at 31 December 2022 represented an increase of approximately 57.1% from that of approximately 0.35 times as at 31 December 2021. This was mainly attributable to the decrease in the total borrowings during FY2022 as compared to FY2021. The Group's total borrowings amounted to HK\$2,707.1 million as at 31 December 2022, which represented a decrease of approximately 24.4% from approximately HK\$3,579.7 million as at 31 December 2021. The net assets of the Company amounted to approximately HK\$1,629.2 million as at 31 December 2022, representing an increase of approximately 132.4% as compared to that as at 31 December 2021. Therefore, the Group's gearing ratio decreased from approximately 510.7% as at 31 December 2021 to 166.2% as at 31 December 2022. The high gearing ratio led to going concern issue for the Group due to heavy reliance on debt to support its operation.

As at 31 December 2022, the Group had cash and bank balances of approximately HK\$554.1 million, representing an increase of approximately 139.9% as compared to that as at 31 December 2021. In this regard, we consider the Company has been facing a tight liquidity position to meet its current portion of borrowings amounting to approximately HK\$3,486.4 million and HK\$1,700.3 million as at 31 December 2021 and 31 December 2022, respectively.

As at 30 June 2023

The Group had current assets of approximately HK\$1,166.9 million and current liabilities of approximately HK\$2,332.4 million, resulting in net current liabilities of approximately HK\$1,165.5 million, which represented an increase of approximately 5.7% from approximately HK\$1,102.8 million as at 31 December 2021. The current portion of borrowings decreased from approximately HK\$1,700.3 million as at 31 December 2022 to approximately HK\$1,575.4 million as at 30 June 2023. On the other hand, the non-current portion of borrowings decreased from approximately HK\$1,006.8 million as at 31 December 2022 to approximately HK\$987.1 million as at 30 June 2023.

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As at 30 June 2023, the Group had cash and bank balances of approximately HK\$355.0 million, representing a decrease of approximately 35.9% as compared to that as at 31 December 2022. The Group's gearing ratio remained high at approximately 163.6% as at 30 June 2023. The current ratio of approximately 0.50 times as at 30 June 2023, which remained at a similar level as compared to the current ratio of 0.55 times as at 31 December 2022, indicated that the Company was still in a tight liquidity position for meeting its short-term liabilities.

3. Reason for and benefits of the New Facility

As set out in the Letter from the Board, the Management noted that Hong Kong has entered into an interest rate hike cycle in 2023, with one-month HIBOR increased from approximately 2.61% on 26 September 2022 (being the date of the Previous Facility Agreement) to approximately 5.41% on 13 December 2023 (being the date immediately preceding the date of the New Finance Documents). As disclosed in the press release of the Hong Kong Monetary Authority dated 2 November 2023, the Hong Kong Monetary Authority believed that it is premature to conclude whether the rate hike cycle has been completed, and the high interest-rate environment is likely to last for some time.

In consideration of the high interest-rate environment, the Management entered into discussion with BGGCL and Beijing Gas HK with a view to optimising the financial structure of the Company and replacing the Previous Facility. On 14 December 2023, upon arm's length negotiations, BGGCL, Beijing Gas HK, Beijing Gas JingTang and the Company entered into the New Finance Documents, pursuant to which, subject to the approval of the Independent Shareholders, to refinance the Previous Facility.

As mentioned in the Letter from the Board, the HIBOR (being the benchmark rate of the Previous Facility) increased significantly from approximately 2.61% on 26 September 2022 to approximately 5.41% on 13 December 2023. As the high interest rate environment is likely to last for some time, the continuing adoption of the HIBOR as benchmark rate is likely to hinder the financial performance of the Company. Based on the management account of the Company as at 30 June 2023, the Average Borrowing Rate of the Group from Independent Third Parties was approximately 5.32%. As at 20 December 2023 (being the date of the most recent Loan Prime Rates published by the National Interbank Funding Center), the Loan Prime Rates for one-year term loan and five-year above term loan were 3.45% and 4.20%, respectively.

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The entering into the New Finance Documents was primarily driven by the Management's initiative to control the finance cost of the Company and to improve the financial performance of the Company, having taken into account the high interest-rate environment in Hong Kong is likely to last for some time and the interest rate under the New Facility is below (i) the Average Borrowing Rate; (ii) the latest Loan Prime Rates published under by the National Interbank Funding Center; and (iii) the interest rate provided under the Syndicated Facility Agreement (i.e. no less than HIBOR+1.90%). For illustration purposes, based on a HIBOR of 4.96%, the difference of the interest rates between the Previous Facility and the New Facility is approximately 4.69%, and the New Facility is expected to reduce the finance cost of the Company by approximately HK\$33 million per annum for the remaining term of the New Facility.

As mentioned in the Letter from the Board and as disclosed in the paragraph headed "Exposure to Fluctuations in Exchange Rates" of the Annual Report of the Company for FY2022, the Group's revenue is mainly denominated in RMB. The Management considered the utilisation of the RMB-denominated New Facility under the New Finance Documents would better align the operating needs and working capital structure of the Company and reduce the Company's exposure to fluctuations in exchange rates.

As mentioned in the Letter from the Board, each of Beijing Gas HK and BGGCL is a wholly-owned subsidiary of Beijing Enterprises Holdings Limited. There is neither change to the nature, form nor the beneficiary of the security. In addition, the legal rights/entitlements of BGGCL remain substantially the same as Beijing Gas HK under the deed of share mortgage dated 26 September 2022 executed by the Company in favor of Beijing Gas HK in connection with the Previous Facility Agreement. The Management considered the security requirement of the New Finance Documents commensurates with that of the Previous Facility Agreement. In addition, as the Previous Facility was part of the Capital and Asset Injection Plan, each of BGGCL and Beijing Gas HK has confirmed to the Company that the entering into the New Finance Documents by the Company would not constitute a breach of any representation, warranty, express or implied term, or other obligations under any and all of the transactions under the Capital and Asset Injection Plan.

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In assessing whether the New Finance Documents and transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole, we have discussed with the Management in relation to the Company's reasons for entering into the New Finance Documents:

(a) *the Management's initiative to control the finance cost*

As mentioned in the 2023 Interim Report, as at 30 June 2023, total liabilities of the Group amounted to approximately HK\$3,443.9 million, of which the total borrowings amounted to approximately HK\$2,562.4 million, consisting of (i) the current portion of HK\$1,575.4 million; and (ii) the non-current portion of HK\$987.1 million. The gearing ratio of the Group (as calculated by the total borrowings over net assets) as at 30 June 2023 was approximately 163.6%. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 0.50 as at 30 June 2023 and the Group recorded net current liabilities amounted to approximately HK\$1,165.5 million as at 30 June 2023. As at 30 June 2023, the Group had cash and bank balances of approximately HK\$355.0 million, representing a drop of approximately 35.9% or HK\$199.1 million as compared to that as at 31 December 2022. In review of the current financial position of the Group, we consider the Management's initiative to control the finance cost of the Company and to improve the financial performance of the Company by the entering into of the New Finance Documents is in the interests of the Company and the Shareholders as a whole.

(b) *the Management's initiative to reducing currency exposure*

As mentioned in the annual report of the Company for FY2022, it was a crucial year for the Company to realise the resumption of trading on the Stock Exchange, complete the Capital and Asset Injection Plan, successfully started a new journey of development, and comprehensively promoted the improvement of the Group's governance level. The Group's foreign currency risk mainly related to exchange rate of Hong Kong Dollars against RMB. The Group's revenue is mainly denominated in RMB; however, its major debts and borrowings and the reporting currencies are denominated in Hong Kong Dollars. The Group will continue to pay close attention to the currency fluctuations of RMB, and adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs. It will consider to utilise more RMB-denominated borrowings in the future. In light of the above, we consider the utilisation of the RMB-denominated New Facility under the New Finance Documents in replacement of the Previous Facility under the Previous Facility Agreement is in line with the endeavors of the Group to reduce the currency risk exposures.

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(c) *the continuation of the Previous Facility Agreement*

Given that (i) the Company undertakes to Beijing Gas HK and BGGCL that once it draws the loan under the New Facility, it will repay the loan principal of HK\$700 million under the Previous Facility in full with funds in Hong Kong dollars to be converted from the proceeds of the New Facility; (ii) no change in ultimate beneficial ownership of the lender entity and the beneficiary of the security provided under the New Finance Documents in replacement of the Previous Facility Agreement; and (iii) each of BGGCL and Beijing Gas HK has provided the aforementioned confirmation in regard to the entering into the New Finance Documents, we consider the New Finance Documents is the continuation of the Previous Facility Agreement. It will (i) offer a good opportunity for the Group to control the finance cost and to improve the financial performance of the Company; (ii) reduce its foreign currency risk exposure related to exchange rate of Hong Kong Dollars against RMB; and (iii) demonstrate the continuous financial support to the Group from Beijing Gas Group and BE Group, a controlling Shareholder. In view of the above, we consider that the entering into of the New Finance Documents was a feasible and suitable refinancing alternative offered to the Company.

In light of the above, we are of the view that the entering into of the New Finance Documents serves the purposes of reducing finance cost and lowering the Group's foreign currency risk related to exchange rate of Hong Kong Dollars against RMB which is in the interests of the Company and the Shareholders as a whole.

4. Major terms of the New Finance Documents

The major terms of the New Finance Documents are set out as below:

Date:	14 December 2023
Lender:	BGGCL
Borrower:	the Company
Mortgagor:	Beijing Gas JingTang
Other party:	Beijing Gas HK
Amount of the loan facility:	RMB637,448,000 (equivalent to HK\$700,000,000)
Maturity date:	31 December 2025
Interest rate and payment of interest:	2.27% per annum
	All interest accrued shall be payable in arrears in full on the maturity date

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Default interest:	2% per annum higher than the rate which would have been payable on the overdue amount
Repayment:	The Company shall repay the loan in full on the maturity date, unless in the event that the term loan facility made available to the Company pursuant to the Syndicated Facility Agreement is fully repaid before the maturity date (i.e. 31 December 2025) where the Company can opt to repay the loan in full early ^{Note}
Security:	The New Facility shall be secured by approximately 20.92% of the issued shares of BGJTCL, a wholly-owned subsidiary of the Company, as collateral in favor of BGGCL

Note: As at the Latest Practicable Date, the Company planned to fully repay the term loan facility made available pursuant to the Syndicated Facility Agreement (and the interest accrued thereon) on or before the drawing down of the New Facility.

The principal term differences between the New Finance Documents and the Previous Facility Agreement are presented in bold for comparison as below:

	The Previous Facility Agreement	The New Finance Documents
Parties	: (i) the Company, as the borrower; and (ii) Beijing Gas HK, as the lender	(i) Company, as the borrower; (ii) BGGCL, as the lender; (iii) Beijing Gas HK; and (iv) Beijing Gas JingTang, as the mortgagor
Principal Amount of Loan Facility	: HK\$700 million	RMB637,448,000 (equivalent to HK\$700,000,000)
Interest rate	: HIBOR plus 2% per annum	Fixed rate of 2.27% per annum
Security	: The Previous Facility shall be secured by approximately 20.92% of issued shares of BGJTCL, a wholly-owned subsidiary of the Company, as collateral in favor of Beijing Gas HK.	The New Facility shall be secured by approximately 20.92% of issued shares of BGJTCL, a wholly-owned subsidiary of the Company, as collateral in favor of BGGCL .

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Conditions Precedent

The New Finance Documents will be effective conditional upon the fulfillment or satisfaction of the following key conditions:

- (A) that in relation to the Syndicated Facility Agreement, the Company has obtained from the agent acting on the instructions of the majority lenders as defined in the Syndicated Facility Agreement, all the consent and/or waiver required under the Syndicated Facility Agreement for the Company, Beijing Gas JingTang, Beijing Gas HK and BGGCL to enter into the New Finance Documents (if applicable); and
- (B) that the Company and all related parties have obtained all internal, corporate and other relevant government regulatory approvals (including, without limitation, approvals from the SAFE, the Stock Exchange and (where applicable) the SFC and from the Independent Shareholders at the SGM in respect of the New Finance Documents.

None of the conditions precedent above can be waived. As at the Latest Practicable Date, the Company planned to fully repay the term loan facility made available pursuant to the Syndicated Facility Agreement (and the interest accrued thereon) on or before the drawing down of the New Facility. The condition precedent in respect of the Syndicated Facility Agreement will not be applicable following the repayment of the Syndicated Facility Agreement and none of the remaining conditions as set forth above had been satisfied.

Undertakings

In connection with the provision of the New Facility by BGGCL to the Company, the Company undertakes to Beijing Gas HK and BGGCL that once it draws the loan under the New Facility, it will repay the loan principal of HK\$700 million under the Previous Facility in full with funds in Hong Kong Dollars to be converted from the proceeds of the New Facility.

Once the Company repays the loan principal of HK\$700 million under the Previous Facility in full, the Company, Beijing Gas JingTang and Beijing Gas HK undertake to release and discharge each other from all of their respective liabilities and obligations under the Previous Facility Agreement (save for the Previous Facility Interest) and the Previous Share Mortgage.

LETTER FROM OCTAL CAPITAL

The Company will repay the Previous Facility Interest upon full repayment of the loan principal and other amount outstanding under the New Facility in accordance with the terms of the New Finance Documents. No interest (or default interest) will be accrued on the Previous Facility Interest between the date of repayment of the loan principal of the Previous Facility and the maturity date of the Previous Facility (i.e. 31 December 2025).

For further details of the terms of the Previous Facility Agreement and the New Finance Documents, please refer to the Letter from the Board.

Signing Parties

We noted that under the New Finance Documents, BGGCL will become the lender of the New Facility in replacement of Beijing Gas HK. After our review on the corporate documents of the Company, BGGCL and Beijing Gas HK, we confirmed that each of Beijing Gas HK and BGGCL is a wholly-owned subsidiary of Beijing Enterprises Holdings Limited, and Beijing Gas HK is indirectly wholly-owned by BGGCL. In light of the above, we consider the signing parties do not have material change between the Previous Facility Agreement and the New Finance Documents.

Re-denomination of the principal amount of loan facility from Hong Kong Dollars to RMB

Further to the replacement of the Previous Facility Agreement by the New Finance Documents, the principal amount of loan facility amounted to HK\$700 million will be re-denominated from Hong Kong dollars under the Previous Facility to RMB under the New Facility. As mentioned in the 2023 Interim Report, the Group's major debts and borrowings and the reporting currencies are denominated in Hong Kong Dollars and the Group's revenue is mainly denominated in RMB. The Group will consider to utilise more RMB-denominated borrowings in the future, continue to pay close attention to the currency fluctuations of RMB and adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs. In this regard, we consider the utilisation of the RMB-denominated New Facility under the New Finance Documents in replacement of the Previous Facility under the Previous Facility Agreement can reduce the currency risk exposures of the Group based on its operating needs which is also in the interest of the Company and the Shareholders as a whole.

LETTER FROM OCTAL CAPITAL

Interest rate

We have conducted desktop research on the HIBOR. Based on the prevailing one-month HIBOR as published by The Hong Kong Association of Banks, we noted that the effective interest rate under the Previous Facility Agreement is approximately 7.41% as at the date of the New Finance Documents. Pursuant to the terms of the New Finance Documents, the interest rate will reduce from approximately 7.41% (i.e. HIBOR plus 2% per annum) to a fixed rate of 2.27% per annum. The terms of the New Finance Documents (including the interest rate) were determined after arm's length negotiation between the parties and with a view to optimising the financial structure of the Company and replacing the Previous Facility.

In determining the fairness and reasonableness of the interest rate under the New Finance Documents, we have obtained and reviewed the existing financing agreements entered into between the Group and independent third party financial institutions in the PRC for conducting comparison on the interest rate pricing mechanism in order to ensure that the interest rate under the New Finance Documents is on normal commercial terms or better and in the interest of the Company and Shareholders as a whole. Based on the aforesaid documents provided by the Company, which represented an exhaustive list of the existing financing agreements in force entered into between the Group and independent third party financial institutions in the PRC, we noted that the Group currently has 28 existing loan financing agreements (the “**Existing Loan Comparables**”) of which the effective interest rate of each loan agreement as at the date of the New Finance Documents is within the range between approximately 0.35% and 8.00%, with average and median of approximately 5.20% and 5.75%, respectively (21 out of 28: equal to or exceeding 2.27%, being the fixed interest rate under the New Finance Documents).

Given the above, we are of view that the interest rate under the New Finance Documents is no less favourable than those offered by the independent third party financial institutions in accordance with the Existing Loan Comparables. Therefore, we consider that the interest rate under the New Facility Agreement is fair and reasonable and in the interest of the Company and Shareholder as a whole.

Security

Under the New Finance Documents, we consider the New Share Mortgage is an extension of the Previous Share Mortgage for the Previous Facility. Given that (i) the 20.92% of issued shares of BGJTCL, a wholly-owned subsidiary of the Company remains as the collateral for the equivalent amount of loan principal; and (ii) no change in ultimate beneficial ownership of the lender entity and the beneficiary of the security provided given that each of Beijing Gas HK as the chargee under the Previous Share Mortgage and BGGCL as the chargee under the New Share Mortgage is a wholly-owned subsidiary of Beijing Enterprises Holdings Limited, we consider the security requirement of the New Finance Documents is a continuation of the previous loan and does not have material changes in comparison to that of the Previous Facility Agreement.

LETTER FROM OCTAL CAPITAL

Under the New Finance Documents, the New Facility shall be secured, in aggregate, by 20.92% of issued shares of BGJTCL, a wholly-owned subsidiary of the Company, as collateral in favour of BGGCL for the New Facility. Beijing Gas JingTang, the wholly owned subsidiary of the Company, through BGJTCL, indirectly owns 29% equity interest in PetroChina Jingtang LNG Co., Limited* (中石油京唐液化天然氣有限公司). PetroChina Jingtang LNG Co., Limited* is an associate of the Company and is principally engaged in provision of port facilities for vessels, receiving, storage and re-gasification of liquefied natural gas.

As advised by the Management, it is a normal commercial practice to provide security for the financing arrangement and the credit risk borne by the lender and the interest rate chargeable will generally decrease when the value of the collateral are sufficient. In light of this, we have reviewed the 28 Existing Loan Comparables entered into between the Group and independent third parties and noted that 11 out of 28 Existing Loan Comparables are secured with collaterals (the “**Existing Loan Comparables with Security**”). The Group facilitated its financing arrangement with independent third party financial institutions through provision of fixed deposit or asset or equity interest as collateral pledge. The median and average of the interest rates of the Existing Loan Comparables with Security are more favourable than those of the other Existing Loan Comparables without collaterals as security. We concur with the Management that it is a normal commercial practice to provide security for facilitating the financing arrangement with BGGCL, and the New Share Mortgage in replacement of the Previous Share Mortgage is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

5. Potential financial effects of the Transactions

Net asset value

According to 2023 Interim Report, the net asset value of the Group as at 30 June 2023 was approximately HK\$1,566.1 million. The New Facility, the New Finance Documents and the transactions contemplated thereunder are not expected to have any material effect on the net asset value of the Group save for the reduction of finance costs thereof.

Earnings

Apart from the reduction of finance costs arising from the New Finance Documents, the New Facility, the New Finance Documents and the transactions contemplated thereunder are not expected to have any impact on the Group’s financial results.

LETTER FROM OCTAL CAPITAL

Working capital and gearing

According to the Letter from the Board, it is the intention of the Management to reduce the Group's finance costs through the New Facility, the New Finance Documents and the transactions contemplated thereunder. As mentioned in the section headed "2. Financial information of the Group" of this letter, the Group's gearing ratio (being the total borrowings (which include bank and other borrowings, and convertible bond) divided by net assets) was approximately 163.6% as at 30 June 2023 and the Group's current ratio (being total current assets divided by total current liabilities) was approximately 0.50 times as at 30 June 2023. The New Facility, the New Finance Documents and the transactions contemplated thereunder are not expected to have any material effect on the current ratio and the gearing ratio of the Group, save for the reduction of finance costs thereof.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the New Facility, the New Finance Documents and the transactions contemplated thereunder are (i) fair and reasonable so far as the Independent Shareholders are concerned; (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 Board Committee to advise the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the SGM for approving the New Facility, the New Finance Documents and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Louis Chan
Director

Note:

Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 30 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

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. SUBSTANTIAL 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:

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding as at the Latest Practicable Date (Note 2)
Beijing Gas HK	Beneficial owner	15,091,042,131 (L)	66.37%
BGGCL (Note 3)	Interest of controlled corporation	15,091,042,131 (L)	66.37%
BE Group (Note 3)	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 HK	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 HK through BGGCL and was deemed to be interested in 15,091,042,131 Shares and 2,542,372,881 convertible shares.

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, Mr. Shao Dan, a non-executive Director, held directorship or supervisor positions in certain members of Beijing Gas Group, 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 or associated companies that 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 (the "**Tianjin Court**") in regard of the aforementioned dispute raised by the Lessor, claiming a total amount of RMB222,131,700.78 (the "**Tianjin Litigation**"). 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. On 16 August 2022, Tianjin 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. On 5 December 2023, Benxi Liaoyou received a notice of civil ruling issued by the Tianjin Court that the lessor filed a withdrawal of its claims under the Tianjin Litigation on 27 November 2023 and it was approved by the Tianjin Court on 4 December 2023.

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

As at the Latest Practicable Date, Octal 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.

Octal 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 not less than 14 days from the date of this circular (both days inclusive):

- (a) the New Finance Documents;
- (b) the Previous Facility Agreement;
- (c) the deed of share mortgage dated 26 September 2022 entered into between Beijing Gas JingTang and Beijing Gas HK;
- (d) 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
- (e) 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 Octal Capital" 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 Wednesday, 24 January 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company as an ordinary resolution. Capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 8 January 2024, unless otherwise specified.

ORDINARY RESOLUTION

1. “**THAT**

- (i) the New Finance Documents dated 14 December 2023, copies of which are produced to the SGM and for the purpose of identification initialed by the chairman of the SGM, and the transactions contemplated thereunder, be and are hereby confirmed, ratified and approved;
- (ii) the Directors 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 New Facility, the New Finance Documents and the transactions contemplated thereunder.”

By Order of the Board
Beijing Gas Blue Sky Holdings Limited
Li Weiqi
Chairman

Hong Kong, 8 January 2024

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 Friday, 19 January 2024 to Wednesday, 24 January 2024 (both dates inclusive) during which period no transfer of the 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 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 for registration no later than 4:30 p.m. on Thursday, 18 January 2024.
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/her 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 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 not less than 48 hours before the time fixed for holding the SGM (i.e. no later than 11:00 a.m. on Monday, 22 January 2024). 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 are Mr. Li Weiqi, Mr. Wu Haipeng, Mr. Li Xianning and Mr. Yeung Shek Hin; the non-executive Director is Mr. Shao Dan; and the independent non-executive Directors are Mr. Cui Yulei, Ms. Hsu Wai Man Helen and Mr. Xu Jianwen.