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**北京控股有限公司**  
**BEIJING ENTERPRISES HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*

*(Chapter 32 of the Laws of Hong Kong))*

*(website: [www.behl.com.hk](http://www.behl.com.hk))*

*(Stock Code: 392)*

**CONNECTED AND DISCLOSEABLE ACQUISITION  
AND  
AN ISSUE OF NEW SHARES**

**Financial Adviser to Beijing Enterprises Holdings Limited**

**Morgan Stanley**

**THE ACQUISITION**

The Board is pleased to announce that on 29 July 2013, the Purchaser, a direct wholly-owned subsidiary of the Company entered into the Sale and Purchase Agreement pursuant to which the Purchaser agreed to acquire and the Seller, a direct wholly-owned subsidiary of BE Group, the ultimate controlling shareholder of the Company, agreed to sell the Sale Shares, representing approximately 22.01% of the issued share capital in China Gas at a consideration of HK\$7.80 per Sale Share, aggregating a total Consideration of HK\$8,221,887,430, to be settled by the payment of the Cash Consideration in the amount of HK\$2 billion and the issue of 113,125,226 Shares in the capital of the Company as Consideration Shares.

As the highest of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a connected and discloseable acquisition of the Company, and as part of the Consideration will be settled in Consideration Shares, the Acquisition also constitutes a share transaction. Given the foregoing, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules. BE Group, the ultimate controlling shareholder of the Company, and its associates will abstain from voting at the EGM to be convened to, among other things, consider the Acquisition. As at the date of this announcement, BE Group is interested in 675,030,288 Shares, representing approximately 57.86% of the issued share capital of the Company.

An Independent Board Committee comprising all the independent non-executive Directors will be established to advise the Independent Shareholders on the Acquisition. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders on the Acquisition. No member of the Independent Board Committee has any material interest in the Acquisition.

A circular containing, among other things, details of the Acquisition, a letter of advice from the Independent Board Committee, a letter of advice from the independent financial advisers to the Independent Board Committee and the Independent Shareholders, and a notice of the EGM will be despatched to the Shareholders, on or before 20 August 2013 in accordance with the Listing Rules.

Morgan Stanley has been appointed as the financial adviser to the Company in respect of the Acquisition.

**Completion is conditional upon, among other things, the satisfaction of the Conditions of the Sale and Purchase Agreement, and the Acquisition may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing in the Shares.**

The Board is pleased to announce that on 29 July 2013, the Purchaser, a direct wholly-owned subsidiary of the Company entered into the Sale and Purchase Agreement pursuant to which the Purchaser agreed to acquire and the Seller, a direct wholly-owned subsidiary of BE Group, the ultimate controlling shareholder of the Company, agreed to sell the Sale Shares, representing approximately 22.01% of the issued share capital in China Gas at a consideration of HK\$7.80 per Sale Share, aggregating a total Consideration of HK\$8,221,887,430 to be settled by the payment of the Cash Consideration in the amount of HK\$2 billion and the issue of 113,125,226 Shares in the capital of the Company as Consideration Shares.

Morgan Stanley has been appointed as the financial adviser to the Company in respect of the Acquisition.

## **THE SALE AND PURCHASE AGREEMENT**

### **Date**

29 July 2013

### **Parties to the Sale and Purchase Agreement**

- (1) the Purchaser, a direct wholly-owned subsidiary of the Company, as the purchaser in the Acquisition;
- (2) the Seller, holder of the Sale Shares, as the seller in the Acquisition; and
- (3) the Company, as issuer of the Consideration Shares.

The Seller is a direct wholly-owned subsidiary of BE Group, the ultimate controlling shareholder of the Company and accordingly is a connected person of the Company.

### **Assets to be acquired**

The Sale Shares, representing approximately 22.01% of the entire issued share capital of China Gas as at the date of this announcement.

China Gas is a company incorporated in Bermuda whose shares are listed on the main board of the Stock Exchange. Further details of China Gas is set out in the section headed "Information on China Gas and the Seller – China Gas" in this announcement below.

## **Consideration and terms of settlement**

The Consideration is HK\$7.80 per Sale Share, aggregating HK\$8,221,887,430 in total, and will be settled partly by the issue of 113,125,226 Consideration Shares upon Completion at an issue price of HK\$55 and partly by the payment of the Cash Consideration in the amount of HK\$2 billion on or before 31 December 2013. Details of the Consideration Shares are set out in the section headed "Consideration Shares" in this announcement below.

The Consideration per Sale Share represents:

- (1) a discount of approximately 11.7% to the average closing price of HK\$8.83 per Sale Share as quoted on the Stock Exchange on the date of this announcement;
- (2) a discount of approximately 13.1% to the average closing price of HK\$8.98 per Sale Share as quoted on the Stock Exchange for the last five trading days up to and including the date of this announcement;
- (3) a discount of approximately 12.7% to the average closing price of HK\$8.93 per Sale Share as quoted on the Stock Exchange for the last ten trading days up to and including the date of this announcement; and
- (4) a premium of approximately 210.8% to the net asset value attributable to shareholders of China Gas per Sale Share of approximately HK\$2.51 as at 31 March 2013 based on the latest audited financial statements of China Gas.

The Consideration and the terms for settling the Consideration have been arrived at after arm's length negotiations between the parties with reference to the prevailing market price of the Sale Shares and are on normal commercial terms.

The Cash Consideration will be funded by the internal resources of the Group, either in cash or by way of settlement of intra-group balances.

## **Conditions precedent**

Completion is conditional upon, among other things:

- (1) the approval by the Independent Shareholders in general meeting of the Acquisition; and the issue of the Consideration Shares by the Company;
- (2) the listing committee of the Stock Exchange granting approval for the listing of, and permission to deal in the Consideration Shares;
- (3) there being no prolonged suspension of trading in the securities of the Company on the Stock Exchange for a period of more than 7 consecutive trading days;
- (4) there being no material adverse change in the business, operations, assets, profits or prospects of the China Gas Group taken as a whole;
- (5) the warranties as set out in the Sale and Purchase Agreement in relation to the China Gas Group remaining true and accurate in all respects; and
- (6) all necessary legal and government approvals, authorizations, filings and registrations (excluding the approvals mentioned in paragraphs (1) and (2)) and third party consents

required of the Seller and/or the China Gas Group having been obtained to effect the Acquisition

The Purchaser may waive the Conditions other than (1) and (2) above. If the Conditions are not fulfilled or waived (as the case may be) on or before 30 April 2014, the Sale and Purchase Agreement will be terminated unless the parties otherwise agreed.

### **Completion**

Completion will take place within 3 business days after the Conditions have been fulfilled and is expected to take place on or before 31 December 2013.

### **CONSIDERATION SHARES**

The Consideration of HK\$8,221,887,430 will be settled partly by the payment of the Cash Consideration of HK\$2 billion and partly by the issue of 113,125,226 Consideration Shares at an issue price of HK\$55 per Share. The Consideration Shares will be issued to the Seller or such nominee as they may direct. Based on the issued share capital of the Company as at the date of this announcement, and assuming there are no further changes to the share capital of the Company prior to Completion, the total number of Consideration Shares represents:

- (1) approximately 9.7% of the entire issued share capital of the Company as at the date of this announcement; and
- (2) approximately 8.8% of the entire issued share capital as enlarged by the issue of the Consideration Shares.

Application will be made to the listing committee of the Stock Exchange for the listing of, and permission to deal in the Consideration Shares. Details of the impact of the Consideration Shares on the shareholding structure of the Company are set out in the section headed "Reasons and Benefits and Impact on the Company - Impact on the shareholding structure of the Company" in this announcement below.

### **Issue price**

The issue price of the Consideration Shares represents:

- (1) a discount of approximately 0.6% to the average closing price of HK\$55.35 per Share as quoted on the Stock Exchange on the date of this announcement;
- (2) a discount of approximately 0.3% to the average closing price of HK\$55.19 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of this announcement;
- (3) a premium of approximately 0.1% to the average closing price of HK\$54.94 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the date of this announcement; and
- (4) a premium of approximately 58.0% to the net asset value attributable to shareholders of the Company per Share of approximately HK\$34.82 as at 31 December 2012 based on the latest audited financial statements of the Company.

The issue price of the Consideration Shares were arrived at after arm's length negotiations with reference to the prevailing market price of the Shares.

## **INFORMATION ON CHINA GAS AND THE SELLER**

### **China Gas**

China Gas is incorporated in Bermuda and is an investment holding company. The principal activity of the subsidiaries of China Gas is the construction and operation of city gas pipelines, and the transmission of natural gas and sale of liquefied petroleum gas to residential, industrial and commercial users in the PRC. Based on the 2013 annual report of China Gas, the China Gas Group owns 184 city gas projects, representing one of the largest portfolio in the PRC and invests also in associated infrastructure such as gas terminals, storage and transportation facilities, gas logistics systems and vehicle refilling station and engages in the development and application of technologies relating to petroleum, natural gas and liquefied petroleum gas.

### **Financial information on the China Gas Group**

Based on the 2013 and 2012 annual report of the China Gas Group, the net profit of the China Gas Group before and after taxation for the year ended 31 March 2013 were approximately HK\$2,507,949,000 and HK\$2,041,318,000 respectively, and the consolidated net assets value attributable to the shareholders of China Gas Group was approximately HK\$11,484,640,000. The net profit of the China Gas Group before and after taxation for the year ended 31 March 2012 were approximately HK\$1,620,418,000 and HK\$1,141,916,000 respectively, and the consolidated net assets value attributable to the shareholders of China Gas was approximately HK\$9,742,213,000.

### **The Seller**

The Seller is a direct wholly-owned subsidiary of BE Group, and is engaged in investment holding.

### **Relationship between the Seller and China Gas**

The Seller started to acquire its interest in China Gas since 13 February 2012 and has acquired an aggregate of 1,054,088,132 shares in China Gas as at the date of this announcement. The total cost of investment of the Seller in the Sale Shares is HK\$4,784,773,000, representing an average price of HK\$4.54 per Sale Share.

## **REASONS AND BENEFITS AND IMPACT ON THE COMPANY**

### **Background**

The Company is incorporated in Hong Kong as an investment holding company. The principal activity of the Group's subsidiaries is in natural gas operations, brewery operations, sewage and water treatment operations in the PRC.

The Purchaser is a company incorporated in the British Virgin Islands and is principally engaged in investment holding.

## Reasons for and benefits of the Acquisition

The Company's most core business is natural gas utility. The Directors of the Company believe that is in line with the Company's interest to increase its exposure to the natural gas business. With the investment in China Gas, the Company expects to strengthen its market position in the China natural gas industry. The Directors of the Company also believe that China Gas provides a platform, which enables the Company to further develop its natural gas business. The Company and China Gas can mutually benefit from the synergies created by their collaboration. The Chinese Government, in the twelfth five-year plan, has implemented a series of policy measures to support this industry. For example, the Chinese government targets to increase the percentage of natural gas contribution to primary energy consumption from 4.6% in 2011 to 7.5% by 2015 and to increase natural gas sales from 130.5 billion cubic meters in 2011 to 230.0 billion cubic meters by 2015. Support from the Chinese government provides opportunities for the further development of natural gas. According to its 2013 annual report, China Gas owns 184 city gas projects, representing one of the largest portfolios in China. The Directors of the Company believe that this transaction can expand the Company's natural gas business and geographic coverage, assist the Company in expanding its natural gas business more quickly, and further grow its Compressed Natural Gas/Liquefied Natural Gas refilling stations business. This is in line with the Company's long term strategic plan. In addition, this transaction represents an attractive opportunity to acquire the Sale Shares at a discount to the public market price (as at the date of the announcement).

The Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the independent financial adviser to be appointed by the Company) consider that the Sale and Purchase Agreement is on normal commercial terms and the terms of the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## Impact on the shareholding structure of the Company

BE Group is interested in 675,030,288 Shares, representing approximately 57.86% of the issued share capital of the Company as at the date of this announcement. The table below illustrates the shareholding structure of the Company (1) as at the date of this announcement; and (2) on issue of the Consideration Shares, assuming in all cases that there are no other changes to the share capital or any issue of Shares pursuant to the share option scheme adopted by the Company on 17 October 2005:

Shareholders	As at the date of this announcement		On Completion Number of Shares %	
	Number of Shares	% of the Company's issued share capital	Number of Shares	% of the Company's issued share capital
BE Group and its associates <sup>(1)</sup>	675,030,288	57.86%	788,155,514	61.59%
Directors <sup>(2)</sup>	272,500	0.02%	272,500	0.02%
<b>Sub-Total:</b>	<b>675,302,788</b>	<b>57.88%</b>	<b>788,428,014</b>	<b>61.61%</b>
<b>Total Shares held by public Shareholders:</b>	<b>491,330,957</b>	<b>42.12%</b>	<b>491,330,957</b>	<b>38.39%</b>
<b>Total Shares in issue:</b>	<b><u>1,166,633,745</u></b>	<b><u>100%</u></b>	<b><u>1,279,758,971</u></b>	<b><u>100%</u></b>

Notes:

- (1) *The interest disclosed include 100,050,000 Shares held by Modern Orient Limited, 163,730,288 Shares held by Beijing Enterprises Investments Limited (“BEIL”) and 411,250,000 Shares held by the Seller. Modern Orient Limited is a wholly-owned subsidiary of BEIL, which is directly held as to 72.72% by the Seller. The Seller is a wholly-owned subsidiary of BE Group. Therefore, BE Group is deemed to be interested in the Shares held by Modern Orient Limited, BEIL and the Seller.*
- (2) *Directors Mr. Zhou Si, Mr. Li Fucheng, Mr. E Meng and Mr. Jiang Xinhao are interested in 210,500, 12,000, 30,000 and 20,000 Shares respectively.*

## LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a connected and discloseable acquisition of the Company, and as part of the Consideration will be settled in Consideration Shares, the Acquisition also constitutes a share transaction. Given the foregoing, the Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules. BE Group, the controlling shareholder of the Company, will together with its associates, abstain from voting at the EGM to be convened to, among other things, consider the Acquisition. As at the date of this announcement, BE Group is interested in 675,030,288 Shares, representing approximately 57.86% of the issued share capital of the Company.

A circular containing, among other things, details of the Acquisition, a letter of advice from the Independent Board Committee, a letter of advice from the independent financial advisers to the Independent Board Committee and the Independent Shareholders, and a notice of the EGM will be despatched to the Shareholders on or before 20 August 2013 in accordance with the Listing Rules.

**Completion is conditional upon, among other things, the satisfaction of the conditions of the Sale and Purchase Agreement, and the Acquisition may or may not materialise. Shareholders and investors are reminded to exercise caution when dealing in the Shares.**

None of the directors of the BE Group Companies (including the Company) has a material interest in the transactions in relation to the Acquisition, and therefore none of them has abstained from voting on the resolutions approving the Acquisition in accordance with the Listing Rules.

## DEFINITIONS

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

“Acquisition”	the sale and purchase of the Sale Shares;
“BE Group”	Beijing Enterprises Group Company Limited* (北京控股集團有限公司), a company incorporated in the PRC;
“BE Group Companies”	BE Group and its subsidiaries;
“Board”	the board of Directors of the Company;

<b>“Cash Consideration”</b>	HK\$2 billion;
<b>“China Gas”</b>	China Gas Holdings Limited a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 384);
<b>“China Gas Group”</b>	China Gas and its subsidiaries
<b>“Company”</b>	Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 392);
<b>“Completion”</b>	the completion of the sale and purchase of the Sale Shares and the issue of the Consideration Shares in accordance with the terms of the Sale and Purchase Agreement;
<b>“Conditions”</b>	the conditions precedent to the Sale and Purchase Agreement, the major terms of which are set out in the section headed "Conditions Precedent" in this announcement;
<b>“Consideration”</b>	the consideration for the Sale Shares comprising the Cash Consideration and the Consideration Shares;
<b>“Consideration Shares”</b>	113,125,226 Shares to be issued at the issue price of HK\$55 per Share to the Seller or such person as they may direct to satisfy part of the Consideration;
<b>“Directors”</b>	the directors of the Company;
<b>“EGM”</b>	the extraordinary general meeting to be convened to consider, and if thought fit, approve the, the Acquisition and the issue of the Consideration Shares pursuant to the terms of the Sale and Purchase Agreement;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC;
<b>“Independent Board Committee”</b>	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Wu Jiesi, Mr. Robert A. Theleen, Mr. Lam Hoi Ham, Mr. Fu Tingmei, Mr. Sze Chi Ching and Mr. Shi Hanmin, to advise the Independent Shareholders in relation of the Acquisition and the issue of the Consideration Shares;
<b>“Independent Shareholders”</b>	Shareholders, other than BE Group and its associates, who are not required to abstain from voting on the resolutions to be proposed at the EGM to approve the Acquisition and the issue of the Consideration Shares;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock



	Exchange;
“Morgan Stanley”	Morgan Stanley Asia Limited, a licensed corporation licensed to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance;
“PRC” or “China”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan);
“Purchaser”	Hong Mao Developments Limited(泓茂發展有限公司), a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company;
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Purchaser and the Seller relating to the Acquisition;
“Sale Shares”	1,054,088,132 shares of HK\$0.01 each in the issued share capital of China Gas;
“Seller”	Beijing Enterprises Group (BVI) Company Limited, a company incorporated in the British Virgin Island and a direct wholly-owned subsidiary of BE Group;
“Shareholders”	holders of Shares in the issued share capital of the Company;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	percentage.

By order of the Board  
**Beijing Enterprises Holdings Limited**  
**Zhou Si**  
*Vice Chairman*

Hong Kong, 29 July 2013

*As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Dong (Chairman), Mr. Zhou Si, Mr. Zhang Honghai, Mr. Li Fucheng, Mr. Hou Zibo, Mr. Liu Kai, Mr. Lei Zhengang, Mr. E Meng, Mr. Jiang Xinhao and Mr. Tam Chun Fai as executive directors; Mr. Guo Pujin as non-executive director; Mr. Wu Jiesi, Mr. Robert A. Theleen, Mr. Lam Hoi Ham, Mr. Fu Tingmei, Mr. Sze Chi Ching and Mr. Shi Hanmin as independent non-executive directors.*

*\* For identification purposes only*