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北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 392)

DISCLOSEABLE TRANSACTION

ACQUISITION OF SHARES IN PUBLIC JOINT-STOCK COMPANY “VERKHNECHONSKNEFTEGAZ”

THE AGREEMENT

The Board is pleased to announce that the Purchaser (being a wholly-owned subsidiary of the Company), entered into the Agreement dated 7 November 2016 pursuant to which the Seller shall sell, and the Purchaser shall purchase, an aggregate of 6,901,160 ordinary shares representing approximately 20% of the share capital of the Target Company at the Headline Price of US\$1,100 million.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION

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The Agreement was signed in the presence of the Premier of the State Council of the PRC Li Keqiang and the Prime Minister of the Russian Government Dmitry Medvedev.

On 25 June 2016, BE Group, being the ultimate controlling shareholder of the Company, signed Heads of Agreement with the Seller in respect of the potential cooperation on the Target Company and broader cooperation in the oil and gas sector. The Heads of Agreement was signed in the presence of the Chinese President Xi Jinping and the Russian President Vladimir Putin.

THE AGREEMENT

Principal terms of the Agreement are set out as follows:

Date

7 November 2016 (after trading hours)

Parties

Seller: Rosneft Oil Company, a public joint stock company incorporated under the laws of the Russian Federation

Purchaser: Beijing Gas Group Company Limited, a company organised and existing under the laws of the PRC, which is a wholly-owned subsidiary of the Company

Target company: Public Joint-stock Company “Verkhnechonskneftegaz”, a joint stock company incorporated in the Russian Federation

(The Seller and the Purchaser shall collectively be referred to as the “**Parties**” and each individually as a “**Party**”.)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Seller and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

Pursuant to the Agreement, the Purchaser agreed to acquire, and the Seller agreed to sell, 6,901,160 ordinary shares representing approximately 20% of the share capital of the Target Company.

Purchase Price

The Headline Price is US\$1,100 million. Pursuant to the Agreement and subject to the terms and conditions contained therein, the final Purchase Price shall be the Headline Price plus a completion adjustment payment which is no more than US\$20 million, and plus applicable interests, if any, on Headline Price accrued from 1 July 2017 until the date of Completion.

The Purchase Price is determined based on arm’s length negotiations between the Purchaser and the Seller with reference to, among other things, approximately 20% of the value of the shares of the Target Company.

The Purchase Price under the Agreement will be satisfied by external financing to be arranged under the transaction and/or internal resources of the Group.

Payment Terms

The Purchase Price shall be settled in cash in the following manner:

- (i) 95% of the final Purchase Price shall be paid by the Purchaser to the Seller upon Completion;
- (ii) an amount equivalent to the remaining balance of the final Purchase Price shall be paid after Completion when the Parties agreed on the Target Company’s financial statements as of the date of the Completion.

Conditions Precedent

Completion is conditional upon the fulfilment of conditions precedent, including but not limited to (1) obtaining customary regulatory approvals; (2) the Purchaser having received approvals of the authorised managing bodies of the Purchaser and its holding company authorising it to acquire the Sale Shares; and (3) the general shareholders' meeting of the Target Company having passed a decision on the declaration of the dividend (including the Seller's Dividend Amount) and the list of persons entitled to receive such dividend (including the Seller's Dividend Amount) having been compiled in accordance with the such decision.

The Seller and the Purchaser (acting jointly) may at any time waive any of the Conditions, other than the condition precedent set out in paragraph (3) above, which shall be waived by the Seller solely.

Completion

Completion shall take place after satisfaction or waiver of the Conditions Precedent pursuant to the Agreement, or at another date as may be agreed in writing by the Parties.

INFORMATION ON THE TARGET COMPANY

The Target Company holds a license to develop the Verkhnechonsk oil, gas and condensate field in the Russian Federation. The Target Company is mainly engaged in exploring, appraising, developing, producing and marketing oil, gas, and condensate within the field. The current C1+C2 recoverable reserves of the field stand at 173 million tons of oil and gas condensate and 115 billion cubic meters of natural gas. The current oil production level is 8.5 million tons per year.

Set out below are the management accounts of the Target Company for the years ended 31 December 2014 and 2015, respectively:

	For the year ended	
	31 December	
	2015	2014
	<i>RUB million</i>	<i>RUB million</i>
Profit before taxation	56,851	64,005
Profit after taxation	46,772	53,130
Net assets value	225,694	178,972

According to the management account of the Target Company, its net asset value as at 31 March 2016 was RUB236,171 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Agreement was signed in the presence of the Premier of the State Council of the PRC Li Keqiang and the Prime Minister of the Russian Government Dmitry Medvedev.

On 25 June 2016, BE Group, being the ultimate controlling shareholder of the Company, signed Heads of Agreement with the Seller in respect of the potential cooperation on the Target Company and broader cooperation in the oil and gas sector. The Heads of Agreement was signed in the presence of the Chinese President Xi Jinping and the Russian President Vladimir Putin.

The Board believes that the Acquisition represents a strategic opportunity for the Group to expand its business along the value chain into the oil and gas upstream sector.

The Directors believe that through the Acquisition, the Group will obtain a share in one of East Siberia's largest producing fields with a developed infrastructure. The oil business of the Target Company will bring solid and stable profit contribution as well as cash flow to the Group.

The Group is principally engaged in natural gas operations, brewery operations, sewage and water treatment operations, as well as solid waste treatment operations in the PRC. The Company's wholly-owned subsidiary, Beijing Gas Group Company Limited, is one of the leading companies in the market of natural gas distribution to end-users in China, mainly providing natural gas supply, operation, management, infrastructure construction and related services for the Beijing city. The Target Company possesses significant gas reserves in East Siberia, which the Parties are willing to explore in good faith a possibility to supply to the PRC. Therefore, significant synergies could be expected from this cooperation. The Acquisition represents strategic importance for the Group through helping improve security for gas supply to the Beijing city as well as enhancing the Group's industry position in the gas distribution sector.

The Acquisition also lays good foundation for the future comprehensive cooperation with the Seller relating to certain oil, gas and condensate fields located in Irkutsk and Krasnoyarsk regions, Russian Federation, including potentially the supply of gas to the Russian domestic market and export to the PRC to meet the growing natural gas demand, especially in the Beijing area. This would also bring long-term value to the Group.

The Directors consider that the Acquisition is on normal commercial terms, which are fair and reasonable and in the interests of the Company and Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

WARNING

Completion is subject to the fulfillment of the Conditions Precedent under the Agreement. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares
“Agreement”	the share sale agreement dated 7 November 2016 entered into between the Purchaser and the Seller in relation to the Acquisition
“BE Group”	Beijing Enterprises Group Company Limited* (北京控股集團有限公司), the ultimate controlling shareholder of the Company
“Board”	the board of Directors
“Company”	Beijing Enterprises Holdings Limited (北京控股有限公司), 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)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Conditions”	the conditions to Completion as referred to in the paragraph headed “Conditions Precedent” in this announcement
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries
“Headline Price”	US\$1,100,000,000

“Heads of Agreement”	the heads of agreement dated 25 June 2016 entered into between BE Group and the Seller in respect of the potential cooperation on the Target Company and broader cooperation in the oil and gas sector
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Purchaser”	Beijing Gas Group Company Limited, a company organised and existing under the laws of the PRC
“PRC”	the People’s Republic of China
“RUB”	Russian Ruble, the lawful currency of the Russian Federation
“Sale Shares”	6,901,160 ordinary shares of the Target Company representing approximately 20 per cent. of the share capital of the Target Company
“Seller”	Rosneft Oil Company, a public joint stock company incorporated under the laws of the Russian Federation
“Seller’s Dividend Amount”	an amount of the dividend which has been declared for the Seller between 1 January 2017 and the date of the Completion and which relates to the financial results of the 2016 financial year of the Target Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Public Joint-stock Company “Verkhnechonskneftegaz”, a joint stock company incorporated in the Russian Federation
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

By order of the Board
Beijing Enterprises Holdings Limited
Wang Dong
Chairman

Hong Kong, 8 November 2016

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Wang Dong (Chairman), Mr. Hou Zibo, Mr. Zhou Si, Mr. Li Fucheng, Mr. Li Yongcheng, Mr. E Meng, Mr. Jiang Xinhao and Mr. Tam Chun Fai as executive Directors; Mr. Wu Jiesi, Mr. Lam Hoi Ham, Mr. Fu Tingmei, Mr. Sze Chi Ching, Mr. Shi Hanmin and Dr. Yu Sun Say as independent non-executive Directors.

* *For identification purpose only*