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If you have sold or transferred all your shares in Beijing Enterprises Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)
(website: www.behl.com.hk)
(Stock Code: 392)

**CONNECTED AND DISCLOSEABLE ACQUISITION
AND
AN ISSUE OF NEW SHARES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to Beijing Enterprises Holdings Limited

Morgan Stanley

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



**PLATINUM
Securities**

A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee is set out on pages 20 to 21 of this circular. A letter from the Independent Financial Adviser is set out on pages 22 to 43 of this circular.

The EGM of the Company will be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 8 November 2013 at 3:30 p.m. A notice convening the EGM is set out on pages 49 to 50 of this circular.

A form of proxy for the EGM is enclosed. Whether or not you are able to attend the meeting, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Company's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (or any adjourned meeting thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or at any adjourned meeting thereof) should you so wish.

18 October 2013

CONTENTS

DEFINITIONS	1
LETTER FROM THE BOARD	
1. INTRODUCTION	5
2. SALE AND PURCHASE AGREEMENT	6
3. CONSIDERATION SHARES	8
4. INFORMATION ON CHINA GAS AND THE SELLER	10
5. REASONS FOR AND BENEFITS OF THE ACQUISITION AND IMPACT ON THE COMPANY	11
6. LISTING RULES IMPLICATIONS	17
7. EGM	18
8. RECOMMENDATIONS	18
9. ADDITIONAL INFORMATION	19
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	20
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	22
APPENDIX – GENERAL INFORMATION	44
NOTICE OF EXTRAORDINARY GENERAL MEETING	49

DEFINITIONS

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

“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;
“Cash Consideration”	HK\$2 billion;
“China Gas”	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);
“China Gas Group”	China Gas and its subsidiaries;
“Company”	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);
“Completion”	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;
“Conditions”	the conditions precedent to the Sale and Purchase Agreement, the major terms of which are set out in the section headed “2. The Sale and Purchase Agreement – Conditions Precedent” in the “Letter from the Board” in this circular;
“Consideration”	the consideration for the Sale Shares comprising the Cash Consideration and the Consideration Shares;
“Consideration Shares”	98,100,000 Shares to be issued to the Seller or such person as it may direct to satisfy part of the Consideration;

DEFINITIONS

“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting to be convened to consider and, if thought fit, approve the Acquisition and the issue of the Consideration Shares pursuant to the terms of the Sale and Purchase Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board comprising all 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 to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of Consideration Shares);
“Independent Financial Adviser” or “Platinum Securities”	Platinum Securities Company Limited, a licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of Consideration Shares);
“Independent Shareholders”	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 Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of Consideration Shares);
“Initial Announcement”	the announcement published by the Company dated 29 July 2013;

DEFINITIONS

“Latest Practicable Date”	10 October 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	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 SFO;
“PRC” or “China”	the People’s Republic of China (excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan);
“Previous Disclosures”	the Initial Announcement and the announcements of the Company dated 20 August 2013, 12 September 2013 and 10 October 2013;
“Purchaser”	Hong Mao Developments Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Purchaser and the Seller relating to the Acquisition, as supplemented by the Supplemental Agreement;
“Sale Shares”	1,054,088,132 ordinary 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 Islands and a direct wholly-owned subsidiary of BE Group;
“SFO”	The Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company;
“Shareholders”	holders of Shares in the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Strategic Co-operation Agreement”	the strategic co-operation framework agreement dated 23 August 2013 entered into between BE Group, the Company and China Gas;
“Supplemental Agreement”	the supplemental agreement dated 10 October 2013 entered into between the Seller, the Purchaser and the Company to revise certain terms of the Sale and Purchase Agreement; and
“%”	percentage.

* *for identification purposes only*

LETTER FROM THE BOARD



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

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

(website: www.behl.com.hk)

(Stock Code: 392)

Board:

Executive Directors:

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

Mr. Tam Chun Fai

Registered Office:

66th Floor, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

Non-Executive Director:

Mr. Guo Pujin

Independent Non-executive Directors:

Mr. Wu Jiesi

Mr. Robert A. Theleen

Mr. Lam Hoi Ham

Mr. Fu Tingmei

Mr. Sze Chi Ching

Mr. Shi Hanmin

18 October 2013

To the shareholders

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE ACQUISITION
AND
AN ISSUE OF NEW SHARES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Previous Disclosures in respect of the Acquisition.

On 10 October 2013, the Board announced that the parties to the Sale and Purchase Agreement entered into the Supplemental Agreement to amend certain terms and conditions of the Sale and Purchase Agreement, including a reduction in the number of Shares to be issued by the Company from 113,125,226 to 98,100,000 as Consideration Shares, to satisfy part of the Consideration. Such reduction represents a decrease of approximately 13.3% in the number of Shares to be issued by the Company.

LETTER FROM THE BOARD

The Acquisition, which involves the issue of the Consideration Shares as partial settlement of the Consideration, constitutes a connected and discloseable acquisition of the Company.

The purpose of this circular is to provide you with (i) further information on the Acquisition; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice for convening the EGM (to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares).

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

2. 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, which represent approximately 21.96% of the entire issued share capital of China Gas as at the Latest Practicable Date.

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 are set out in the section headed “4. Information on China Gas and the Seller – China Gas” below.

Consideration and terms of settlement

The consideration per Sale Share is approximately HK\$7.02 per Sale Share, aggregating HK\$7,395,500,000 in total, and will be settled partly by the issue of 98,100,000 Consideration Shares upon Completion 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 “3. Consideration Shares” below.

LETTER FROM THE BOARD

The Consideration per Sale Share represents:

- (1) a discount of approximately 20.5% to the closing price of HK\$8.83 per Sale Share as quoted on the Stock Exchange on the date of the Initial Announcement;
- (2) a discount of approximately 21.8% 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 the Initial Announcement;
- (3) a discount of approximately 21.4% 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 the Initial Announcement;
- (4) a discount of approximately 16.4% to the closing price of HK\$8.40 per Sale Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (5) a discount of approximately 17.0% to the average closing price of HK\$8.46 per Sale Share as quoted on the Stock Exchange for the last five trading days up to and including the Latest Practicable Date;
- (6) a discount of approximately 16.4% to the average closing price of HK\$8.40 per Sale Share as quoted on the Stock Exchange for the last ten trading days up to and including the Latest Practicable Date; and
- (7) a premium of approximately 179.7% 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;

LETTER FROM THE BOARD

- (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 agree.

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.

3. CONSIDERATION SHARES

The Consideration of HK\$7,395,500,000 will be settled partly by the payment of the Cash Consideration in the amount of HK\$2 billion and partly by the issue of 98,100,000 Consideration Shares. 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 Latest Practicable Date, 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 8.4% of the entire issued share capital of the Company as at the Latest Practicable Date; and
- (2) approximately 7.8% 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 “5. Reasons for and Benefits of the Acquisition and Impact on the Company – Impact on the shareholding structure of the Company” below.

LETTER FROM THE BOARD

Issue price

In calculating the consideration per Sale Share of approximately HK\$7.02, aggregating HK\$7,395,500,000 in total (including the Cash Consideration in the amount of HK\$2 billion), the Board deems it appropriate for an issuance price of HK\$55 per Consideration Share to be assumed. In making such determination, the Board made reference to several factors including, inter alia, (i) the greater ease of comparability of maintaining the same assumed issuance price as disclosed in the Initial Announcement, such issuance price of the Consideration Shares having been arrived at after arm's length negotiations with reference to the prevailing market price of the Shares, and (ii) the average closing prices and volume-weighted average closing prices for the period leading up to and including the Latest Practicable Date.

The assumed issue price of HK\$55 represents:

- (1) a discount of approximately 0.6% to the closing price of HK\$55.35 per Share as quoted on the Stock Exchange on the date of the Initial 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 the Initial 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 the Initial Announcement;
- (4) a discount of approximately 7.5% to the closing price of HK\$59.45 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (5) a discount of approximately 7.2% to the average closing price of HK\$59.27 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Latest Practicable Date;
- (6) a discount of approximately 5.2% to the average closing price of HK\$58.04 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Latest Practicable Date;
- (7) a discount of approximately 1.5% to the volume-weighted average closing price of HK\$55.81 per Share as quoted on the Stock Exchange for the last thirty trading days up to and including the Latest Practicable Date;
- (8) a premium of approximately 0.7% to the volume-weighted average closing price of HK\$54.60 per Share as quoted on the Stock Exchange for the last sixty trading days up to and including the Latest Practicable Date;
- (9) a discount of approximately 1.2% to the volume-weighted average closing price of HK\$55.68 per Share as quoted on the Stock Exchange for the last ninety trading days up to and including the Latest Practicable Date; and

LETTER FROM THE BOARD

- (10) 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.

4. 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 representing an increase of 54.8% and 78.8% respectively, over the same period in 2012. 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. Both the Seller and BE Group are 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 Latest Practicable Date. 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.

LETTER FROM THE BOARD

5. REASONS FOR AND BENEFITS OF THE ACQUISITION AND IMPACT ON THE COMPANY

Background

The Company is incorporated in Hong Kong as an investment holding company. The principal activities of the Group are 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.

The Board believes the Acquisition, being an acquisition of an interest in one of the largest city gas project conglomerates in the PRC, is attractive.

The Consideration was determined after careful consideration of a number of factors:

The Board believes that the Acquisition represents an opportunity for the Company to acquire the Sale Shares at an attractive price. The Consideration per Sale Share of approximately HK\$7.02 is equivalent to a discount of approximately 21.8% to the average closing price per Sale Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Initial Announcement, and a discount of approximately 21.4% to the average closing price per Sale Share as quoted on the Stock Exchange for the last ten trading days up to and including the date of the Initial Announcement. The Consideration per Sale Share of approximately HK\$7.02 is also equivalent to a discount of approximately 17.0% to the average closing price per Sale Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Supplemental Agreement, and a discount of approximately 16.4% to the average closing price per Sale Share as quoted on the Stock Exchange for the last ten trading days up to and including the date of the Supplemental Agreement.

The Consideration mix between Cash Consideration and Consideration Shares was determined after consideration of a variety of factors. The Board believes the Acquisition to be value accretive for the Shareholders based on the historical financial data of the Company and China Gas for their respective latest financial years.

The historical price-earnings ratio of the Sale Shares taking into account the Consideration per Sale Share of approximately HK\$7.02 divided by the 2012 calendar year diluted earnings per share of China Gas, is approximately 21.1 times, which is higher than the corresponding 2012 calendar year price-earnings ratio of the Company at approximately 19.7 times based on the share price of the Company on 29 July 2013, being the date of the Initial Announcement, higher than the said ratio at approximately 19.6 times based on the assumed issue price of HK\$55 per Consideration Share, and lower than the said ratio at approximately 21.2 times based on the share price of the Company on 10 October 2013, being the date of the Supplemental Agreement. The Board believes that its lower multiple in the first two instances

LETTER FROM THE BOARD

may be explained by reference to the fact that the Company is engaged in businesses other than city gas distribution, including sewage treatment, water supply, solid waste disposal and brewery operations. The Board notes that the median price-earnings ratio of other companies with city gas distribution making up a greater proportion of its overall business of a comparable size to the Company, including China Gas, is also higher than that of the Company at approximately 23.9 times as of 29 July 2013, being the date of the Initial Announcement and at approximately 25.4 times as of 10 October 2013, being the date of the Supplemental Agreement.¹

Now is an opportune time for the Company to execute the Acquisition, enabling the Company to participate in China Gas's growth potential.

The Board believes that now is an appropriate time for the Company to acquire an interest in China Gas. As a result of BE Group's purchases, the Company avoided potential risks associated with an earlier acquisition of shares of China Gas directly from the market. BE Group began to acquire shares in China Gas at or around the time when ENN Energy Holdings Limited and China Petroleum & Chemical Corporation launched an offer to acquire China Gas shares. At that time, BE Group was of the belief that a swift response was required. As such, BE Group used its own internal financial resources to acquire such shares directly and the Company was not exposed to risk from purchasing shares in China Gas. Given many uncertain factors such as the share price performance, financial performance, and legal allegations against certain management team members of China Gas at the time, the acquisition of shares in China Gas was regarded by the Company as a high risk investment. As such, the Company did not acquire the shares of China Gas at that time.

Given China Gas' recent financial performance, the Board believes that now is an opportune time to acquire the Sale Shares in order to participate in the rapid growth potential of China Gas which may in turn increase returns to the Shareholders. According to the annual report of China Gas for the year ended 31 March 2013, China Gas recorded a turnover of HK\$21.25 billion for the financial year ended 31 March 2013, and profit attributable to its owners also increased by 84.9% over the same period. China Gas also stated in its annual report for the financial year ended 31 March 2013 that it plans to actively push ahead on existing gas projects, with the goal of completing construction of 1,000 compressed natural gas/liquefied natural gas ("CNG/LNG") refilling stations for vehicles and vessels by 2015. The Board believes that acquiring the Sale Shares at this point in time allows the Shareholders to begin benefitting from the value being created by the rapid growth of China Gas.

¹ Based solely on the price-earnings ratios of China Gas, ENN Energy Holdings Ltd., China Resources Gas Group Ltd. and Towngas China Co. Ltd. After examining all of the Hong Kong listed companies engaged in the city gas distribution business in the PRC, the above subgroup was identified based on the following criteria: (i) a market capitalisation greater than US\$2 billion as at the Latest Practicable Date and (ii) more than 99% revenue contribution from the city gas distribution business in their respective latest financial year. The price-earnings ratios of these companies are calculated by dividing the share prices of the relevant companies as of the specified dates by the corresponding calendar year 2012 diluted earnings per share.

LETTER FROM THE BOARD

The Acquisition represents an opportunity for the BE Group Companies to consolidate their natural gas businesses into the Company as their single platform for operating their gas businesses and avoids the risks of intra-group competition within the BE Group Companies.

BE Group has been acquiring shares in China Gas since early 2012. BE Group currently holds approximately 57.86% of the equity interest of the Company, and is the controlling shareholder of the Company. BE Group is also the largest shareholder of China Gas, holding approximately 21.96% of the shares of China Gas, and has appointed two executive directors to the board of directors of China Gas, of which Mr. ZHOU Si is the chairman of the board of directors of China Gas. Given that BE Group currently has shareholdings in two companies engaged in the natural gas business, which may lead to intra-group competition, the Board believes that the Acquisition will preclude the potential for future intra-group competition by consolidating the BE Group Companies' natural gas businesses into the Company as its single platform for operating its gas business. The Board believes that this will create value for the Shareholders as a result of BE Group's resources and support being more effectively deployed as opposed to being shared between two companies engaged in the natural gas business.

Finally, the Company has also recently entered into the Strategic Co-operation Agreement with China Gas to jointly undertake certain future development and cooperation opportunities. According to the annual report of China Gas for the financial year ended 31 March 2013, China Gas operates in 22 provinces, municipalities and autonomous regions, supplying natural gas to 128 cities. By entering into the Strategic Co-operation Agreement, the Company has secured future development and cooperation opportunities with China Gas in these regions. The Board believes that such agreement together with the Acquisition will facilitate the rapid transformation of the gas distribution business of the Company from a business that is Beijing-focussed to one with a nationwide scale and allow for further future growth potential.

The Board believes the Acquisition will enable the Company to focus further on the city gas business, which may help the Company realise value as a city gas company.

The existing core businesses of the Company are city gas, water supply, sewage treatment, solid waste disposal and brewery operations. In 2012, city gas distribution operations accounted for approximately 58.0% of the Company's revenue, and approximately 41.4% of the profit from operations. Following the Acquisition, profit from city gas operations will increase as a proportion of total profit.² The price-earnings ratio of the Company for 2012 was approximately 19.7 times based on the share price of the Company on 29 July 2013, which is lower than those of natural gas companies with city gas business making up a greater proportion of its overall business of a comparable size to the Company, of which the median price-earnings ratio was approximately 23.9 times for 2012 based on share prices as of 29 July

² Based on the Company's 2012 annual results and the calendarised 2012 results of China Gas for the same period; the total of: (a) 50% of the profit in the second half of its financial year 2012 (i.e. as at 31 March 2012), (b) 100% of the profit in the first half of its financial year 2013 (i.e. as at 31 March 2013), and (c) 50% of the profit in the second half of its financial year 2013 (i.e. as at 31 March 2013) has been taken to calculate China Gas' profit for the 2012 calendar year.

LETTER FROM THE BOARD

2013, being the date of the Initial Announcement. The price-earnings ratios of these natural gas companies, namely: China Gas, ENN Energy Holdings Limited, China Resources Gas Group Ltd. and Towngas Co. Ltd., for 2012 were approximately 26.6, approximately 24.3, approximately 23.5 and approximately 22.0 times, respectively, based on the share prices of the relevant companies as of 29 July 2013, being the date of the Initial Announcement. Similarly, the price-earnings ratio of the Company for 2012 was approximately 21.2 times based on the share price of the Company on 10 October 2013, which is lower than the median price-earnings ratio of those natural gas companies for 2012 at approximately 25.4 times based on share prices as of 10 October 2013, being the date of the Supplemental Agreement. The price-earnings ratios of China Gas, ENN Energy Holdings Limited, China Resources Gas Group Ltd. and Towngas Co. Ltd., for 2012 were approximately 25.3, approximately 26.5, approximately 25.6 and approximately 23.0 times, respectively, based on the share prices of the relevant companies as of 10 October 2013, being the date of the Supplemental Agreement.³ The Board believes that this is attributable to the fact that, apart from piped gas distribution, the Company also engages in sewage treatment, water supply, solid waste disposal and brewery operations.

The progress of urbanisation in the PRC has been accelerating and increased from approximately 37.7% in 2001 to approximately 51.3% in 2011. The Board believes that the rapid growth in urbanisation may help bring about the rapid development of the utilities sector and infrastructure facilities, and as such, there is strong growth potential in the gas industry. Due to the establishment by the PRC Government of a licensing system and the lowering of industry barriers, the gas industry is gradually moving away from government monopolies. The City Gas Management Regulations passed and announced by the State Council of the PRC in 2010 encourages investment from private sectors in the construction of gas facilities. In addition, environmental protection has become the main focus of the PRC Government and its importance is ever increasing, which the Board believes creates opportunities for the rapid development of gas as a cleaner energy. Due to the pressing need to ensure stable natural gas supply and for environmental protection, under the Twelfth Five-Year Plan for Natural Gas Development and the Twelfth Five-Year Plan for Energy Development, the PRC Government issued a series of policy measures to support industry development. For example, the PRC 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 metres in 2011 to 230.0 billion cubic metres by 2015.

³ Based solely on the price-earnings ratios of China Gas, ENN Energy Holdings Ltd., China Resources Gas Group Ltd. and Towngas China Co. Ltd. After examining all of the Hong Kong listed companies engaged in the city gas distribution business in the PRC, the above subgroup was identified based on the following criteria: (i) a market capitalisation greater than US\$2 billion as at the Latest Practicable Date and (ii) more than 99% revenue contribution from the city gas distribution business in their respective latest financial year. The price-earnings ratios of these companies are calculated by dividing the share prices of the relevant companies as of the specified dates by the corresponding calendar year 2012 diluted earnings per share.

LETTER FROM THE BOARD

The Board believes that the Acquisition allows the Company to capture growth opportunities as it allows the Company to focus further on its natural gas business, and better benefit from the support of the PRC Government, which has provided opportunities for the development of natural gas, which may enhance Shareholder value.

The Board believes that the Acquisition will facilitate synergies and allow the Company to expand its foothold from Beijing and its surrounding areas to the rest of the nation.

Upon completion of the Acquisition, the two directors appointed by BE Group to the board of directors of China Gas will instead be appointed by the Company. The Board believes that the expertise of the directors appointed by the Company may help create synergies between the China Gas Group and the Group in the future.

Currently, the focus of the gas business of the Company is primarily on the Beijing market. The Board believes that the natural gas business landscape in medium and large cities in China has already developed, and that mergers and acquisitions should be considered if the Company is to expand its gas business nationwide. As such, the Board believes that the Acquisition would create room for expansion of its core businesses. According to the annual report of China Gas for the financial year ended 31 March 2013, China Gas currently operates in 22 provinces, municipalities and autonomous regions, supplying natural gas to 128 cities, with a total of 184 city gas projects. The Board believes that such extensive coverage of regional businesses of China Gas may provide strategic opportunities for the Company to expand its business nationwide and, in turn, increase revenue growth and generate more attractive returns to Shareholders.

Through the implementation of the Strategic Co-operation Agreement with China Gas, China Gas and the Group intend to jointly develop and invest in the gas sector through various means including joint ventures, while also developing gas value-added services in existing markets and providing a range of services relating to the investment and development of urban infrastructure facilities. The Board believes both parties may leverage and capitalise on their respective strengths in upstream pipeline, downstream supply, gas filling stations and combined cooling, heating and power services of natural gas (“CCHP”) to achieve joint development and a win-win outcome for both the Group and the China Gas Group.

Both parties intend to develop gas value-added services such as coal to gas conversion and CCHP distribution services in the markets where China Gas has city gas projects. With its vast experience in gas value-added business, including coal to gas conversion and CCHP distribution services, the Board believes the Company can utilise China Gas Group’s extensive city piped gas network nationwide to promote the Company’s gas value-added businesses nationwide, which the Board believes may result in growth, and in turn, create value for the Shareholders.

LETTER FROM THE BOARD

Both parties are willing to jointly develop city gas projects nationwide, particularly CNG/LNG refilling station projects, by means of cooperation or joint venture. The Company has extensive experience in upstream pipelines as well as city gas projects, particularly in CNG/LNG, and at the same time maintains a good relationship with upstream suppliers. In addition, Beijing Gas Group Co., Ltd., a wholly owned subsidiary of the Company, owns 40% of PetroChina Beijing Natural Gas Pipeline Company Limited, which the Board believes may help to ensure a stable gas supply in the long run. According to the annual report of China Gas for the financial year ended 31 March 2013, China Gas supplies natural gas to 128 cities, owning wide pipeline coverage, and plans to build 1,000 CNG/LNG refilling stations for vehicles and vessels by 2015. As such, the Board believes that, through the implementation of the Strategic Co-operation Agreement with China Gas, both parties can leverage and capitalise on their respective strengths, which may enhance growth and create value for the Shareholders.

Both parties intend to help the Group develop and invest in urban infrastructure facilities and services such as sewage treatment, water supply and solid waste treatment in the markets where China Gas has city gas projects. The Company performs strongly in the area of urban integrated utility services and has successfully provided a variety of urban infrastructure facilities services in Beijing including gas, sewage treatment, water supply and solid waste treatment. Meanwhile, according to the annual report of China Gas for the financial year ended 31 March 2013, China Gas supplies natural gas to 128 cities. Its wide pipeline coverage, good relationships with local governments and accumulated local business operational experience provide very favorable conditions for the Company to expand its urban infrastructure investment construction services. The Board believes that, through entering into the Strategic Co-operation Agreement with China Gas, it will be able to further expand its potential in the market to provide a wide range of urban infrastructure services.

The Company is also considering the potential of its interest in China Gas and related plans for its investment in China Gas, including the possibility of acquiring additional shares in China Gas. The Company will comply with the Listing Rules as required if such plans are to materialise.

The Directors 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.

LETTER FROM THE BOARD

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 Latest Practicable Date. The table below illustrates the shareholding structure of the Company (1) as at the Latest Practicable Date; 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 Latest Practicable Date		On Completion	
	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 ⁽¹⁾	675,030,288	57.86%	773,130,288	61.13%
Directors ⁽²⁾	272,500	0.02%	272,500	0.02%
Sub-Total:	675,302,788	57.88%	773,402,788	61.15%
Total Shares held by public				
Shareholders:	491,330,957	42.12%	491,330,957	38.85%
Total Shares in issue:	<u>1,166,633,745</u>	<u>100%</u>	<u>1,264,733,745</u>	<u>100%</u>

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.

6. 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. 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 Latest Practicable Date, BE Group is interested in 675,030,288 Shares, representing approximately 57.86% of the issued share capital of the Company.

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.

LETTER FROM THE BOARD

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.

7. EGM

Set out on pages 49 and 50 is a notice convening the EGM to be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 8 November 2013 at 3:30 p.m. at which relevant resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares).

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Company's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjourned meeting (as the case may be) should you so wish.

8. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 20 to 21 of this circular which contains its recommendation to the Independent Shareholders in relation to the Acquisition.

Your attention is also drawn to the letter from the Independent Financial Adviser, for incorporation into this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders as regards the Acquisition and the principal factors and reasons considered by it.

The Directors (including the independent non-executive Directors whose views have been set out in the Letter from the Independent Board Committee on pages 20 to 21 of this Circular after taking into account the advice of the Independent Financial Adviser) consider that the Sale and Purchase Agreement is on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to support and vote in favour of, any resolution for approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares) at the EGM.

LETTER FROM THE BOARD

9. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the additional general information set out in the appendix to this circular.

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



18 October 2013

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE ACQUISITION
AND
AN ISSUE OF NEW SHARES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 18 October 2013 (the “**Circular**”) issued by the Company to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider and to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares) as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares) as set out in the Circular. Platinum Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 19 of this Circular and the text of a letter from the Independent Financial Adviser, as set out on pages 22 to 43 of this Circular, both of which provide details of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares). Your attention is also drawn to the additional information set out in the appendix to the Circular.

Having considered the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares), the advice of Platinum Securities and the relevant information contained in the letter from the Board, we are of the opinion that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares) are on normal commercial terms and are fair and reasonable and it is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution for approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares) to be proposed at the EGM.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of
Beijing Enterprises Holdings Limited**

Wu Jiesi

Independent Non-executive Director

Lam Hoi Ham

Independent Non-executive Director

Sze Chi Ching

Independent Non-executive Director

Robert A. Theleen

Independent Non-executive Director

Fu Tingmei

Independent Non-executive Director

Shi Hanmin

Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares), prepared for the purpose of inclusion in this Circular.



PLATINUM Securities Company Limited

21/F LHT Tower
31 Queen's Road Central
Hong Kong

Telephone (852) 2841 7000

Facsimile (852) 2522 2700

Website www.platinum-asia.com

18 October 2013

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE ACQUISITION AND AN ISSUE OF NEW SHARES

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares). Details of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of Consideration Shares) are contained in the circular of the Company dated 18 October 2013 (the “Circular”). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee and the Independent Shareholders.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things: (I) the Sale and Purchase Agreement; (II) the announcements of the Company dated 29 July 2013 and 10 October 2013; (III) the annual report of the Company for the year ended 31 December 2012 (the “2012 Annual Report”); (IV) the interim report of the Company for the six months ended 30 June 2013 (the “2013 Interim Report”); and (V) the annual report of China Gas for the two years ended 31 March 2013.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete and accurate in all material respects and we have relied on the same. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of Consideration Shares).

We are independent from, and are not associated with the Company or any other party to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of Consideration Shares), or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of Consideration Shares). We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of Consideration Shares). Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of Consideration Shares) or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Mr. Wu Jiesi, Mr. Robert A. Theleen, Mr. Lam Hoi Ham, Mr. Fu Tingmei, Mr. Sze Chi Ching and Mr. Shi Hanmin, has been established to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of Consideration Shares) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

I. Principal factors and reasons considered

1. Background of the Acquisition

Reference is made to the Previous Disclosures in respect of the Acquisition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 10 October 2013, the Board announced that the parties to the Sale and Purchase Agreement entered into the Supplemental Agreement to amend certain terms and conditions of the Sale and Purchase Agreement, including a reduction in the number of Shares to be issued by the Company from 113,125,226 to 98,100,000 as Consideration Shares, to satisfy part of the Consideration. Such reduction represents a decrease of approximately 13.3% in the number of Shares to be issued by the Company. Following the above amendments, the consideration for each Sale Share will be reduced from HK\$7.80 to approximately HK\$7.02 per Sale Share, representing a discount of approximately 10.0% of the original Consideration per Sale Share after taking into account of the prevailing market price of the shares of China Gas.

1.1 Information on the Company

The Company is an investment holding company. The Company and the subsidiaries of the Company (collectively the “Group”) are involved in several business activities. Amongst the others, the Group is involved in the distribution and sale of piped natural gas, the provision of natural gas transmission, gas technology consultation and development services, surveying and plotting of underground construction projects, the construction and installation of gas pipelines and related equipment and the provision of repair and maintenance services in Beijing, the PRC. In addition, the Group is also involved in the production, distribution and sale of beer in Beijing and other provinces in the PRC, the construction of sewage and water treatment plants and other infrastructural facilities and investment in transportation infrastructure.

1.2 Information on China Gas

As stated in the letter from the Board in the Circular, 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.

1.3 Information on the Seller

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

1.4 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 Latest Practicable Date. 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.

2. *Reasons for and benefits of the Acquisition*

We note that the reasons for and benefits of the Acquisition, as explained by the management of the Company, are mainly as follows:

2.1 Now is an opportune time for the Company to execute the Acquisition, enabling the Company to participate in China Gas's growth potential.

The Board believes that now is an appropriate time for the Company to acquire an interest in China Gas. As a result of BE Group's purchases, the Company avoided potential risks associated with an earlier acquisition of shares of China Gas directly from the market. BE Group began to acquire shares in China Gas at or around the time when ENN Energy Holdings Limited and China Petroleum & Chemical Corporation launched an offer to acquire China Gas shares. BE Group has been acquiring shares in China Gas since early 2012. At that time, BE Group was of the belief that a swift response was required. As such, BE Group used its own internal financial resources to acquire such shares directly and the Company was not exposed to risk from purchasing shares in China Gas. Given many uncertain factors such as the share price performance, financial performance, and legal allegations against certain management team members of China Gas at the time, the acquisition of shares in China Gas was regarded by the Company as a high risk investment. As such, the Company did not acquire the shares of China Gas at that time.

Given China Gas' recent financial performance, the lower risk of China Gas Shares and better expansion opportunities of China Gas, the Board believes that now is an opportune time to acquire the Sale Shares in order to participate in the rapid growth potential of China Gas, which may in turn increase returns to the Shareholders. According to the annual report of China Gas for the financial year ended 31 March 2013, China Gas recorded a turnover of HK\$21.25 billion for the financial year ended 31 March 2013, and profit attributable to its owners also increased by 84.9% over the same period. China Gas also stated in its annual report for the financial year ended 31 March 2013 that it plans to actively push ahead on existing gas projects, with the goal of completing construction of 1,000 compressed natural gas/liquefied natural gas ("CNG/LNG") refilling stations for vehicles and vessels by 2015. The Board believes that acquiring the Sale Shares at this point in time allows the Shareholders to begin benefitting from the value being created by the rapid growth of China Gas.

2.2 The Acquisition represents an opportunity for the BE Group Companies to consolidate their natural gas businesses into the Company as their single platform for operating their gas businesses, and avoids the risks of intra-group competition within the BE Group Companies.

BE Group currently holds approximately 57.86% of the equity interest of the Company, and is the controlling shareholder of the Company. BE Group is also the largest shareholder of China Gas, holding approximately 21.96% of the shares of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

China Gas, and has appointed two executive directors to the board of directors of China Gas, of which Mr. ZHOU Si is the chairman of the board of directors of China Gas. Given that BE Group currently has shareholdings in two companies engaged in the natural gas business, which may lead to intra-group competition, the Board believes that the Acquisition will preclude the potential for future intra-group competition by consolidating the BE Group Companies' natural gas businesses into the Company as its single platform for operating its gas business. The Board believes that this will create value for the Shareholders as a result of BE Group's resources and support being more effectively deployed as opposed to being shared between two companies engaged in the natural gas business.

Finally, the Company has also recently entered into the Strategic Co-operation Agreement with China Gas to jointly undertake certain future development and cooperation opportunities. According to the annual report of China Gas for the financial year ended 31 March 2013, China Gas operates in 22 provinces, municipalities and autonomous regions, supplying natural gas to 128 cities. By entering into the Strategic Co-operation Agreement, the Company has secured future development and cooperation opportunities with China Gas in these regions. The Board believes that such agreement together with the Acquisition will facilitate the rapid transformation of the gas distribution business of the Company from a business that is Beijing-focused to one with a nationwide scale and allow for further future growth potential.

2.3 The Board believes the Acquisition will enable the Company to focus further on the city gas business, which may help the Company realise value as a city gas company.

The existing core businesses of the Company are city gas, water supply, sewage treatment, solid waste disposal and brewery operation. In 2012, city gas distribution operations accounted for approximately 58.0% of the Company's revenue, and approximately 41.4% of the profit from operations. Following the Acquisition, profit from city gas operations will increase as a proportion of total profit.

The progress of urbanisation in the PRC has been accelerating and increased from approximately 37.7% in 2001 to approximately 51.3% in 2011. The Board believes that the rapid growth in urbanisation may help bring about the rapid development of the utilities sector and infrastructure facilities, and as such, there is strong growth potential in the gas industry. Due to the establishment by the PRC Government of a licensing system and the lowering of industry barriers, the gas industry is gradually moving away from government monopolies. The City Gas Management Regulations passed and announced by the State Council of the PRC in 2010 encourages investment from private sectors in the construction of gas facilities. In addition, environmental protection has become the main focus of the PRC Government and its importance is ever increasing, which the Board believes

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

creates opportunities for the rapid development of gas as a cleaner energy. Due to the pressing need to ensure stable natural gas supply and for environmental protection, under the Twelfth Five-Year Plan for Natural Gas Development and the Twelfth Five-Year Plan for Energy Development, the PRC Government issued a series of policy measures to support industry development. For example, the PRC 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 metres in 2011 to 230.0 billion cubic metres by 2015.

The Board believes that the Acquisition allows the Company to capture growth opportunities as it allows the Company to focus further on its natural gas business, and better benefit from the support of the PRC Government, which has provided opportunities for the development of natural gas, which may enhance Shareholder value.

2.4 The Board believes that the Acquisition will facilitate synergies and allow the Company to expand its foothold from Beijing and its surrounding areas to the rest of nation.

Upon completion of the Acquisition, the two directors appointed by BE Group to the board of directors of China Gas will instead be appointed by the Company. The Board believes that the expertise of the directors appointed by the Company may help create synergies between the China Gas Group and the Group in the future.

Currently, the focus of the gas business of the Company is primarily on the Beijing market. The Board believes that the natural gas business landscape in medium and large cities in China has already developed, and that mergers and acquisitions should be considered if the Company is to expand its gas business nationwide. As such, the Board believes that the Acquisition would create room for expansion of its core businesses. According to the annual report of China Gas for the financial year ended 31 March 2013, China Gas currently operates in 22 provinces, municipalities and autonomous regions, supplying natural gas to 128 cities, with a total of 184 city gas projects. The Board believes that such extensive coverage of regional businesses of China Gas may provide strategic opportunities for the Company to expand its business nationwide and, in turn, increase revenue growth and generate more attractive returns to Shareholders.

Through the implementation of the Strategic Co-operation Agreement with China Gas, China Gas and the Group intend to jointly develop and invest in the gas sector through various means including joint venture while also developing gas value-added services in existing markets and providing a range of services relating to the investment and development of urban infrastructure facilities. The Board believes both parties may leverage and capitalise on their respective strengths in upstream pipeline, downstream supply, gas filling stations and combined cooling, heating and power services of natural gas (“CCHP”) to achieve joint development and a win-win outcome for both the Group and the China Gas Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.5 *Both parties intend to develop gas value-added services such as coal to gas conversion and CCHP distribution services in the markets where China Gas has city gas projects.*

With its vast experience in gas value-added business, including coal to gas conversion and CCHP distribution services, the Board believes the Company can utilise China Gas Group's extensive city piped gas network nationwide to promote the Company's gas value-added businesses nationwide, which the Board believes may result in growth, and in turn, create value for Shareholders.

2.6 *Both parties are willing to jointly develop city gas projects nationwide, particularly CNG/LNG refilling station projects, by means of cooperation or joint venture.*

The Company has extensive experience in upstream pipelines as well as city gas projects, particularly CNG/LNG, and at the same time maintains a good relationship with upstream suppliers. In addition, Beijing Gas Co., Ltd., a wholly owned subsidiary of the Company, owns 40% of PetroChina Beijing Natural Gas Pipeline Company Limited, which the Board believes may help to ensure a stable gas supply in the long run. According to the annual report of China Gas for the financial year ended 31 March 2013, China Gas supplies natural gas to 128 cities, owning wide pipeline coverage, and plans to build 1,000 CNG/LNG refilling stations for vehicles and vessels by 2015. As such, the Board believes that, through the implementation of the Strategic Co-operation Agreement with China Gas, both parties can leverage and capitalise on their respective strength, which may enhance growth and create value for the Shareholders.

2.7 *Both parties intend to help the Group develop and invest in urban infrastructure facilities and services such as sewage treatment, water supply and solid waste treatment in the markets where China Gas has city gas projects.*

The Company performs strongly in the area of urban integrated utility services and has successfully provided a variety of urban infrastructure facilities services in Beijing including gas, sewage treatment, water supply and solid waste treatment. Meanwhile, according to the annual report of China Gas for the financial year ended 31 March 2013, China Gas supplies natural gas to 128 cities. Its wide pipeline coverage, good relationship with local governments and accumulated local business operational experience provide very favorable conditions for the Company to expand its urban infrastructure investment construction services. The Board believes that, through entering into the Strategic Co-operation Agreement with China Gas, it will be able to further expand its potential in the market to provide a wide range of urban infrastructure services.

3. *Principal terms of 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, which represent approximately 21.96% of the entire issued share capital of China Gas as at the Latest Practicable Date.

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 are set out in the section headed “4. Information on China Gas and the Seller – China Gas” in the Circular.

Consideration and terms of settlement

The consideration per Sale Share is approximately HK\$7.02 per Sale Share, aggregating HK\$7,395,500,000 in total, and will be settled partly by the issue of 98,100,000 Consideration Shares upon Completion 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 “3. Consideration Shares” in the Circular.

The Consideration per Sale Share represents:

- (1) a discount of approximately 20.5% to the closing price of HK\$8.83 per Sale Share as quoted on the Stock Exchange on the date of the Initial Announcement;
- (2) a discount of approximately 21.8% 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 the Initial Announcement;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (3) a discount of approximately 21.4% 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 the Initial Announcement;
- (4) a discount of approximately 16.4% to the closing price of HK\$8.40 per Sale Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (5) a discount of approximately 17.0% to the average closing price of HK\$8.46 per Sale Share as quoted on the Stock Exchange for the last five trading days up to and including the Latest Practicable Date;
- (6) a discount of approximately 16.4% to the average closing price of HK\$8.40 per Sale Share as quoted on the Stock Exchange for the last ten trading days up to and including the Latest Practicable Date; and
- (7) a premium of approximately 179.7% 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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (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, authorisations, 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 agree.

Completion

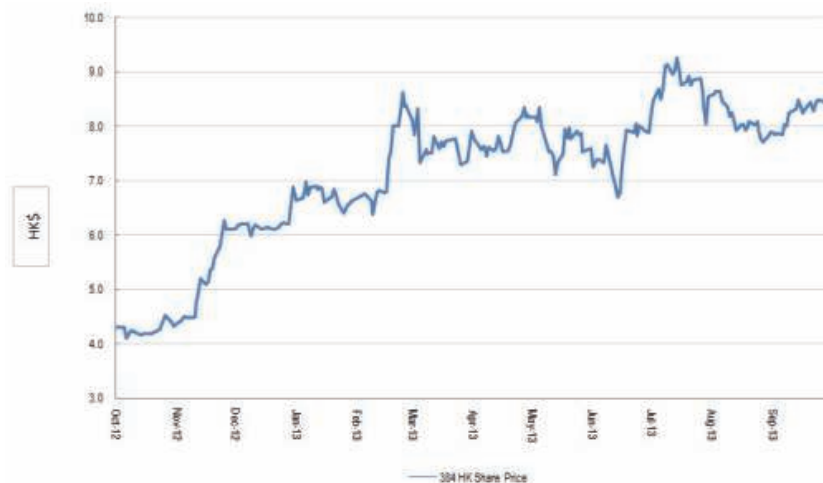
Completion will take place within 3 business days after the Conditions have been fulfilled and is expected to take place on or before 31 December 2013.

4. Consideration

4.1 Historical share price movement of China Gas

Set out below is the share price performance of China Gas for the twelve months preceding and including the Latest Practicable Date (the “Review Period”), which, in line with normal market practice, we consider to be a reasonable period of time in assessing the share price performance of a particular company listed on the Stock Exchange:

Exhibit 1 – Share price movement of China Gas



Source: Bloomberg

As illustrated in Exhibit 1, during the Review Period, the share price of China Gas was trading on an upward trend and had reached its one-year high of approximately HK\$9.25 on 24 July 2013.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also note that the share price of China Gas started to rebound after the joint announcement of ENN Energy Holdings Limited and China Petroleum & Chemical Corporation in relation to not to proceed with a pre-conditioned voluntary general offer for all the outstanding shares of China Gas on 15 October 2012.

The Consideration per Sale Share of approximately HK\$7.02 is at a discount of approximately 20.5%, 21.8%, 21.4%, 16.4%, 17.0% and 16.4% to the closing price/average closing price, where appropriate, of HK\$8.83, HK\$8.98, HK\$8.93, HK\$8.40, HK\$8.46 and HK\$8.40 per Sale Share as quoted on the Stock Exchange, on the date of the Initial Announcement, for the last five trading days up to and including the date of the Initial Announcement, for the last ten trading days up to and including the date of the Initial Announcement, on the Latest Practicable Date, for the last five trading days up to and including the Latest Practicable Date, and for the last ten trading days up to and including the Latest Practicable Date, respectively.

Since the date of the Initial Announcement and up to and including 10 October 2013, being the Latest Practicable Date, we note that although the share price of China Gas was trading on a downward trend and had reached its lowest level of approximately HK\$7.72 on 6 September 2013, the Consideration per Sale Share of HK\$7.02 is still at a discount of 9.07% to the closing price of HK\$7.72 on 6 September 2013. After that, the share price of China Gas started to rebound and was trading on an upward trend up to the Latest Practicable Date.

4.2 Comparable companies

In order to assess the fairness and reasonableness of the Consideration, we have attempted to identify comparable companies of China Gas (the “Comparable Companies”) that (i) are currently listed on the Main Board of the Stock Exchange; (ii) are primarily engaged in downstream city gas distribution business in the PRC, including sale and distribution of gas fuel and related products and gas connection operation; and (iii) have market capitalisation of not less than HK\$10 billion as at the Latest Practicable Date.

The Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In our assessment, we have considered price-to-earnings ratio (the “P/E Ratio”) and price-to-book value ratio (the “P/B Ratio”), which are commonly used to assess the financial valuation of a company principally engaged in downstream city gas business. Set out below in Exhibit 2 is the Comparable Companies analysis:

Exhibit 2: Comparable Companies analysis

Company Name	Stock code	Market capitalisation <i>HK\$'mil</i> <i>(Note 1)</i>	P/E Ratio <i>(x)</i> <i>(Note 2)</i>	P/B Ratio <i>(x)</i> <i>(Note 3)</i>
Kunlun Energy Company Limited	135	96,105	14.74	2.16
Beijing Enterprises Holdings Limited	392	69,356	21.21	1.75
ENN Energy Holdings Limited	2688	50,245	26.80	4.59
China Resources Gas Group Limited	1193	46,704	28.29	3.99
Towngas China Company Limited	1083	20,485	24.36	1.95
Maximum			28.29	4.59
Minimum			14.74	1.75
Simple average			23.08	2.89
China Gas	384	40,329	22.86	3.51
The Consideration <i>(Note 4)</i>			19.10	2.93

Source: HKExnews, Bloomberg and annual reports of respective companies

Notes:

1. Market capitalisation of the Comparable Companies and China Gas are based on the closing share prices as of the Latest Practicable Date (i.e. 10 October 2013) extracted from Bloomberg.
2. P/E Ratio is calculated by dividing the market capitalisation by the net profit attributable to the shareholders of the company for the most recent financial year, based on exchange rate of HK\$1/RMB0.791.
3. P/B Ratio is calculated by dividing the market capitalisation by the equity attributable to shareholders of the company as at the most recent year-ended, based on exchange rate of HK\$1/RMB0.791.
4. The P/E Ratio is calculated by dividing the Consideration per Sale Share by the net profit attributable to the shareholders of the Company per share of China Gas for the year ended 31 March 2013. And the P/B Ratio is calculated by dividing the Consideration per Sale Share by the equity attributable to shareholders of the Company per share of China Gas as at 31 March 2013, based on the latest outstanding shares of 4,801,095,098 as at 2 October 2013 extracted from next day disclosure return of China Gas.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have analysed both the P/E Ratio and P/B Ratio of China Gas at market price as of the Latest Practicable Date (HK\$8.40) and the Consideration (HK\$7.02) against the P/E Ratio and P/B Ratio of the Comparable Companies as follow.

As illustrated in Exhibit 2, the P/E Ratio of the Comparable Companies ranged from approximately 14.74 times to approximately 28.29 times (the “P/E Range”), with an average of approximately 23.08 times (the “Average P/E Ratio”). We note that the P/E Ratio of China Gas as of the Latest Practicable Date and the Consideration are both within the P/E Range and lower than the Average P/E Ratio.

In addition, the P/B Ratio of the Comparable Companies ranged from approximately 1.75 times to approximately 4.59 times (the “P/B Range”), with an average of approximately 2.89 times (the “Average P/B Ratio”). We note that although the P/B Ratio of China Gas as of the Latest Practicable Date and the Consideration are both higher than the Average P/B Ratio, yet within the P/B Range.

Given that the P/E Ratio of China Gas as of the Latest Practicable Date is within the P/E Range and lower than the Average P/E Ratio; and the P/B Ratio of China Gas as of the Latest Practicable Date is higher than the Average P/B Ratio, yet within the P/B Range, we consider that the Consideration, being at a discount to the market price of China Gas as of the Latest Practicable Date, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

5. Consideration Shares

As stated in the letter from the Board in the Circular, the Consideration of HK\$7,395,500,000 will be settled partly by the payment of the Cash Consideration in the amount of HK\$2 billion and partly by the issue of 98,100,000 Consideration Shares. 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 Latest Practicable Date, 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 8.4% of the entire issued share capital of the Company as at the Latest Practicable Date; and
- (2) approximately 7.8% 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 “5. Reasons for and Benefits of the Acquisition and Impact on the Company – Impact on the shareholding structure of the Company” in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Issue price

In calculating the consideration per Sale Share of approximately HK\$7.02, aggregating HK\$7,395,500,000 in total (including the Cash Consideration in the amount of HK\$2 billion), the Board deems it appropriate for an issuance price of HK\$55 per Consideration Share to be assumed. In making such determination, the Board made reference to several factors including, inter alia, (i) the greater ease of comparability of maintaining the same assumed issuance price as disclosed in the Initial Announcement, such issuance price of the Consideration Shares having been arrived at after arm's length negotiations with reference to the prevailing market price of the Shares, and (ii) the average closing prices and volume-weighted average closing prices for the period leading up to and including the Latest Practicable Date.

The assumed issue price of HK\$55 represents:

- (1) a discount of approximately 0.6% to the closing price of HK\$55.35 per Share as quoted on the Stock Exchange on the date of the Initial 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 the Initial 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 the Initial Announcement;
- (4) a discount of approximately 7.5% to the closing price of HK\$59.45 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (5) a discount of approximately 7.2% to the average closing price of HK\$59.27 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Latest Practicable Date;
- (6) a discount of approximately 5.2% to the average closing price of HK\$58.04 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Latest Practicable Date;
- (7) a discount of approximately 1.5% to the volume-weighted average closing price of HK\$55.81 per Share as quoted on the Stock Exchange for the last thirty trading days up to and including the Latest Practicable Date;

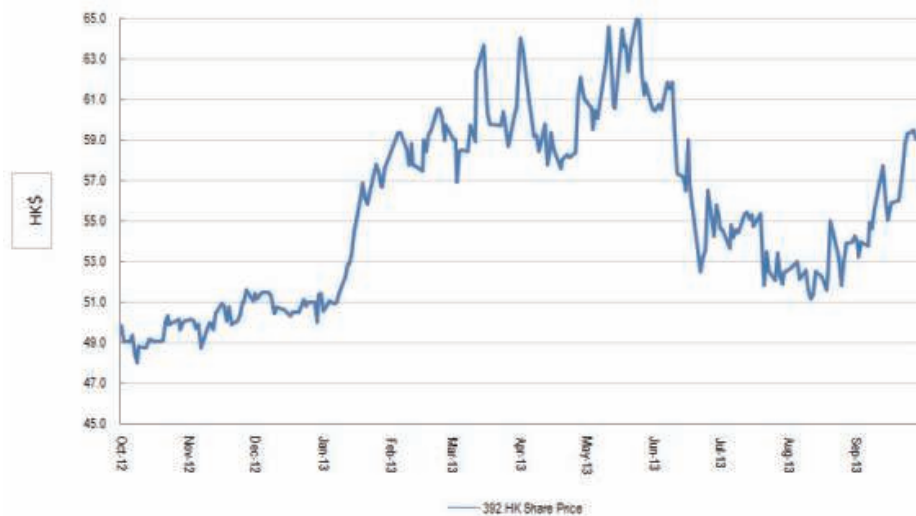
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (8) a premium of approximately 0.7% to the volume-weighted average closing price of HK\$54.60 per Share as quoted on the Stock Exchange for the last sixty trading days up to and including the Latest Practicable Date;
- (9) a discount of approximately 1.2% to the volume-weighted average closing price of HK\$55.68 per Share as quoted on the Stock Exchange for the last ninety trading days up to and including the Latest Practicable Date; and
- (10) 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.

5.1 Historical share price movement of the Company

Set out below is the share price performance of the Company for the twelve months preceding and including the Latest Practicable Date (the “Review Period”), which, in line with normal market practice, we consider to be a reasonable period of time in assessing the share price performance of a particular company listed on the Stock Exchange:

Exhibit 3 – Share price movement of the Company



Source: Bloomberg

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in Exhibit 3, the share price of the Company was trading within the range of approximately HK\$48.05 and approximately HK\$65.05 during the Review Period, with an average of approximately HK\$55.43 (the “Average Price”). We note that the issue price of the Consideration Shares (the “Issue Price”) of HK\$55 is very close to the Average Price.

Given that the Issue Price falls within the Review Period and the Issue Price is very close to the Average Price, we consider that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

5.2 Comparable transactions

In order to assess the fairness and reasonableness of the Issue Price, to the best of our endeavours, we have reviewed transactions announced by companies listed on the Main Board of the Stock Exchange which involved the issuance of consideration shares (the “Issuance Comparables”) during the six months immediately prior to the date of the Sale and Purchase Agreement. We note that the companies involved in the Issuance Comparables do not engage in similar businesses as those of the Company. However, since the Issuance Comparables were transacted at the time close to the signing of the Sale and Purchase Agreement under similar market conditions and investment sentiments, we are of the view that the Issuance Comparables, although not to be used in isolation in determining the fairness and reasonableness of the Issue Price, nevertheless can provide a general reference to the Independent Shareholders as they can reflect recent market trends of the terms involved in issuing shares as full or partial settlement of consideration for acquisitions.

The Comparable Transactions have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below in Exhibit 4 comparing the respective premium/(discount) of the respective issue prices represented by the Issuance Comparables:

Exhibit 4: Comparable transactions analysis

Date of announcement	Company name	Stock code	Last Price	Premium/(Discount) of the issue price over/(to) the average closing price				
				5-day	10-day	30-day	60-day	90-day
19-Mar-13	Vantage International (Holdings) Limited	15	3.2%	2.0%	0.0%	(4.6)%	(4.1)%	1.1%
21-Mar-13	Freeman Financial Corporation Limited	279	(1.9)%	(2.8)%	(4.5)%	(5.4)%	(6.3)%	(18.0)%
23-Apr-13	China Haidian Holdings Limited	256	(3.6)%	(1.2)%	0.0%	1.3%	0.0%	(1.2)%
25-Apr-13	Far East Hotels and Entertainment Limited	37	26.1%	23.4%	24.1%	24.1%	19.6%	17.8%
10-May-13	New Times Energy Corporation Limited	166	9.6%	8.7%	10.0%	15.4%	1.3%	(5.3)%
13-May-13	China Investment Development Limited	204	108.3%	104.9%	107.0%	113.7%	113.7%	114.6%
23-May-13	Winteam Pharmaceutical Group Limited	570	(26.9)%	(26.3)%	(20.9)%	(18.1)%	(1.4)%	14.8%
27-May-13	China Taiping Insurance Holdings Company Limited	966	24.5%	22.5%	21.9%	20.0%	14.6%	7.8%
24-Jun-13	Vodone Limited	82	13.2%	5.3%	3.4%	(1.6)%	1.7%	(1.6)%
	Maximum		108.3%	104.9%	107.0%	113.7%	113.7%	114.6%
	Minimum		(26.9)%	(26.3)%	(20.9)%	(18.1)%	(6.3)%	(18.0)%
	The Issue Price		(0.6)%	(0.3)%	0.1%	(1.6)%	(5.9)%	(6.5)%

Source: HKExnews and Bloomberg

As illustrated in Exhibit 4, the issue prices of the Issuance Comparables ranged from a discount of approximately 26.9%, 26.3%, 20.9%, 18.1%, 6.3% and 18.0% to a premium of approximately 108.3%, 104.9%, 107.0%, 113.7%, 113.7%, and 114.6%, to/over the closing price/average closing price, where appropriate, on last trading day, last five consecutive trading days, last ten consecutive trading days, last thirty consecutive trading days, last sixty consecutive trading days and last ninety consecutive trading days, respectively, prior to/on the date of the relevant announcements (the “Market Range”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that the Issue Price of a discount of approximately 0.6%, a discount of approximately 0.3%, a premium of approximately 0.1%, a discount of approximately 1.6%, a discount of approximately 5.9% and a discount of approximately 6.5%, to/over the closing price/average closing price, where appropriate, on last trading day, last five consecutive trading days, last ten consecutive trading days, last thirty consecutive trading days, last sixty consecutive trading days and last ninety consecutive trading days, respectively, up to and including the date of the Initial Announcement.

Although we noted that the Market Range, in terms of the respective minimums to the respective maximums, covers quite a broad range, and the Issue Price, in terms of discount/premium to the respective closing price/average closing prices, where appropriate, is close to the low end of the Market Range; nevertheless the Issue Price is within the Market Range.

In addition, we noted that the Issue Price is trading at a slight discount of approximately 0.6%, 0.3%, 7.5%, 7.2%, 5.2%, 1.5% and 1.2% to the closing price/average closing price/volume-weighted average closing price, where appropriate, of HK\$55.35, HK\$55.19, HK\$59.45, HK\$59.27, HK\$58.04, HK\$55.81 and HK\$55.68 per Share as quoted on the Stock Exchange, on the date of the Initial Announcement, for the last five trading days up to and including the date of the Initial Announcement, on the Latest Practicable Date, for the last five trading days up to and including the Latest Practicable Date, for the last ten trading days up to and including the Latest Practicable Date, for the last thirty trading days up to and including the Latest Practicable Date and for the last ninety trading days up to and including the Latest Practicable Date, respectively, nevertheless, the transaction involves acquiring a considerable equity interest (i.e. 21.96%) of a listed company with market capitalisation of HK\$40,329 million at the Latest Practicable Date at a considerable discount ranging from 16.4% to 21.8% to the closing price/average closing price, where appropriate, of China Gas as mentioned in section 4 above and majority of the consideration, representing approximately 73.0% of the total consideration of HK\$7,395,500,000 is settled by the issue of consideration shares.

Based on the above, we consider that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as whole.

6. Possible financial effects of the Acquisition

6.1 Effect on the NAV

As disclosed in the 2013 Interim Report, the unaudited NAV attributable to shareholders of the Company was approximately HK\$43.80 billion as at 30 June 2013, upon Completion, the NAV attributable to shareholders of the Company will increase as a result of share of net assets of China Gas.

As such, we consider that the Acquisition will have a positive impact on the NAV of the Group.

6.2 Effect on earnings

As disclosed in the 2012 Annual Report, the profit attributable to the shareholders of the Company for the year ended 31 December 2012 was approximately HK\$3.27 billion.

As stated in the letter from the Board in the Circular, based on the 2013 and 2012 annual report of the China Gas Group, the China Gas Group were profit-making with net profits after taxation of approximately HK\$1.14 billion and approximately HK\$2.04 billion for the two years ended 31 March 2013. Upon Completion, the Group will be able to share the positive earnings of China Gas Group.

As such, we consider that the Acquisition will have a positive impact on earnings of the Group.

6.3 Effect on cash and working capital

As disclosed in the 2013 Interim Report, the Group had unaudited total cash of approximately HK\$13.0 billion as at 30 June 2013. Since the Acquisition will be settled partly by payment of cash of HK\$2 billion, the cash and working capital will decrease accordingly. Nevertheless, we consider that the cash position of the Group will remain strong of approximately HK\$11.0 billion upon Completion.

As such, we consider that the Acquisition will not have a material negative impact on cash and working capital of the Group.

6.4 Effect on net gearing

As disclosed in the 2013 Interim Report, the unaudited net debt was approximately HK\$12.05 billion as at 30 June 2013. Upon Completion, since the Consideration will be settled partially by cash, the net debt of the Group will increase.

On the other hand, the unaudited NAV attributable to shareholders of the Company was approximately HK\$43.80 billion as at 30 June 2013. Upon Completion, the NAV attributable to Shareholders will increase as a result of share of net assets of China Gas.

Because the exact amount of the potential increases in the net debt of the Group and the NAV attributable to Shareholders of the Company as a result of the Acquisition cannot be ascertained at this stage, the net gearing ratio of the Group, upon completion, also cannot be determined at this stage.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of:

- (i) the positive impact on the NAV of the Group;
- (ii) the positive impact on earnings of the Group;
- (iii) no material negative impact on cash and working capital of the Group;
and
- (iv) the net gearing of the Group cannot be determined at this stage,

we are of the view that the Acquisition, on an overall basis, will have a positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole.

7. *Potential dilution*

Exhibit 5 below set out the shareholding structure of the Company as at the Latest Practicable Date and, for illustration purposes, the potential dilution effect upon Completion.

Exhibit 5: Potential shareholding dilution effect of the Acquisition

Shareholders	As at the		On Completion	
	Latest Practicable Date			
	Number of	%	Number of	%
	Shares		Shares	
BE Group and its				
associates ⁽¹⁾	675,030,288	57.86	773,130,288	61.13
Directors ⁽²⁾	272,500	0.02	272,500	0.02
Other public Shareholders	491,330,957	42.12	491,330,957	38.85
Total	1,166,633,745	100.00	1,264,733,745	100.00

Source: The Circular

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As indicated in Exhibit 5 above, the shareholdings of other public Shareholders will decrease from approximately 42.12% to approximately 38.85% immediately after Completion. Such potential dilution to the shareholdings of other public Shareholders represents a dilution of approximately 3.27%.

Taking into account that:

- (i) BE Group and its associates has majority of the Company and will remain to be the majority Shareholder of the Company;
- (ii) the partial settlement of the Consideration by way of issuing Consideration Shares will provide the Group with flexibility in financial and enhancement of financial position of the Group as discussed in the above section headed “Consideration Shares”; and
- (iii) the potential dilution is modest,

we consider that the potential dilution of shareholding to other public Shareholders immediately after Completion is acceptable.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, taken into account the following in arriving at our opinion:

- (i) the reasons and benefits of the Acquisition are in the interests of the Company and the Shareholders as a whole;
- (ii) in respect of the Comparable companies analysis, the Consideration, being at a discount to the market price of China Gas as of the Latest Practicable Date, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole;
- (iii) in respect of the historical share price movement of the Company, the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole;
- (iv) in respect of the Comparable transactions analysis, the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole;
- (v) the Acquisition, on an overall basis, will have a positive financial effect on the Group and is in the interests of the Company and the Shareholders as a whole; and
- (vi) the potential dilution of shareholding to other public Shareholders immediately after Completion is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above, we are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares).

Yours faithfully,

For and on behalf of

Platinum Securities Company Limited

Lenny Li

Director

Karen Chan

Assistant Director

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. DISCLOSURE OF INTERESTS

(i) Directors and the chief executive of the Company

As at the Latest Practicable Date, the interests or short positions of each Director and chief executive of the Company in the shares, underlying shares or 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in ordinary shares of the Company

Name of Director	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Zhou Si	210,500 [#]	0.018%
Mr. Li Fucheng	12,000 [#]	0.001%
Mr. E Meng	30,000 [#]	0.003%
Mr. Jiang Xinhao	20,000 [#]	0.002%

[#] All interests are directly beneficially owned by the directors.

(b) Long position in ordinary shares of associated corporations

Name of Director	Name of associated corporation	Number of ordinary shares held	Percentage of the associated corporation's issued share capital
Mr. Zhang Honghai	Beijing Development (Hong Kong) Limited [@] ("Beijing Development")	4,000,000 [#]	0.468%
Mr. Li Fucheng	Beijing Yanjing Brewery Company Limited [@]	82,506 [#]	0.003%
Mr. E Meng	Beijing Development [@]	601,000 [#]	0.070%

[#] All interests are directly beneficially owned by the directors.

[@] All interests in these associated corporations are indirectly held by the Company.

(c) Long position in underlying shares of associated corporations

Name of Director	Name of associated corporation	Number of share options
Mr. Zhou Si	Beijing Properties (Holdings) Limited ("Beijing Properties")	7,000,000 ^{#(1)}
	Beijing Properties	5,000,000 ^{#(2)}
	Beijing Properties	12,000,000 ^{#(3)}
Mr. Zhang Honghai	Beijing Properties	6,000,000 ^{#(1)}
	Beijing Properties	5,000,000 ^{#(2)}
	Beijing Development [@]	6,770,000 ^{#(4)}
Mr. Liu Kai	Beijing Properties	5,000,000 ^{#(1)}
	Beijing Properties	5,000,000 ^{#(2)}
Mr. Lei Zhengang	Beijing Properties	5,000,000 ^{#(1)}
	Beijing Properties	7,000,000 ^{#(2)}
Mr. E Meng	Beijing Properties	5,000,000 ^{#(1)}
	Beijing Properties	3,600,000 ^{#(2)}
	Beijing Development [@]	6,770,000 ^{#(4)}
Mr. Jiang Xinhao	Beijing Properties	5,000,000 ^{#(1)}
	Beijing Properties	3,300,000 ^{#(2)}
	Beijing Properties	6,000,000 ^{#(3)}

Notes:

- (1) These share options were granted on 28 October 2011 at an exercise price of HK\$0.465 per ordinary share of Beijing Properties. The share options may be exercised at any time commencing on 28 October 2011, and if not otherwise exercised, will lapse on 27 October 2021.
 - (2) These share options were granted on 1 June 2012 at an exercise price of HK\$0.410 per ordinary share of Beijing Properties. The share options may be exercised at any time commencing on 1 June 2012, and if not otherwise exercised, will lapse on 31 May 2022.
 - (3) These share options were granted on 24 May 2013 at an exercise price of HK\$0.574 per ordinary share of Beijing Properties. The share options may be exercised at any time commencing on 24 May 2013, and if not otherwise exercised, will lapse on 23 May 2023.
 - (4) These share options were granted on 21 June 2011 at an exercise price of HK\$1.25 per ordinary share of Beijing Development. The closing price of Beijing Development's ordinary shares on the Stock Exchange on the trading day immediately prior to the date of grant of the share options was HK\$1.19. The share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.
- @ All interests in these associated corporations are indirectly held by the Company.
- # All interests are directly beneficially owned by the directors.

Save as disclosed above, as at the Latest Practicable Date, none of the directors or chief executives of the Company had or was deemed to have 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, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or proposed Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' OTHER INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group and would require disclosure under Rule 8.10 of the Listing Rules.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had since 31 December 2012 (being the date to which the latest published audited financial statements of the Company were made up) been 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.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

4. SERVICE CONTRACT

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

5. EXPERT AND CONSENTS

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

Name	Qualifications
Platinum Securities Company Limited	A licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Platinum Securities has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

Platinum Securities has confirmed that, as at the Latest Practicable Date:

- (a) it did not have any 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
- (b) it did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to, or which are proposed to be acquired, or disposed of by, or leased to, any member of the Group since 31 December 2012 being the date to which the latest published audited financial statements of the Company were made up.

6. 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 2012 (being the date to which the latest published audited financial statements of the Company were made up).

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company, which is located at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, from the date of this circular up to and including the date of the EGM (except Saturdays and Sundays and public holidays):

- (a) the Sale and Purchase Agreement;
- (b) the Supplemental Agreement; and
- (c) the service contract referred to in the paragraph headed “4. Service Contract” in this appendix (if any).

8. GENERAL

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in case of any inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

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

(website: www.behl.com.hk)

(Stock Code: 392)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Beijing Enterprises Holdings Limited (the “**Company**”) will be held at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 8 November 2013 at 3:30 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (A) the entering into of the Sale and Purchase Agreement and the Supplemental Agreement (both as defined in the circular of the Company dated 18 October 2013), copies of which have been produced to the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder (including the issuance of the Consideration Shares) and the implementation thereof be and are hereby confirmed, approved, authorised and ratified; and
- (B) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company) any such documents, instruments and agreements and to do any such acts or things as may be deemed by him in his absolute discretion to be incidental to, ancillary to or in connection with the matters contemplated in the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Consideration Shares) and the implementation thereof.”

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

Hong Kong, 18 October 2013

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A form of proxy for use at the meeting is enclosed herewith.
- (2) Any member entitled to attend and vote at the meeting 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 member of the Company. 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) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- (4) In order to be valid, a form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the office of the Company's share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be).
- (5) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
- (6) The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the meeting, from Thursday, 7 November 2013 to Friday, 8 November 2013 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend the meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 6 November 2013.

As at the date of this notice, 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.