
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Binhai Investment Company Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or to the transferee.

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濱海投資有限公司
BINHA I INVESTMENT COMPANY LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code: 2886)

**(1) CONNECTED TRANSACTION INVOLVING
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(2) DISPOSAL OF SHARES BY CONTROLLING SHAREHOLDER**

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

 **金融有限公司**
OCTAL Capital Limited

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 8 to 24 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 25 of this circular. A letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder is set out on pages 27 to 51 of this circular.

A notice convening the SGM to be held on Friday, 3 July 2020 at 10:00 a.m. at 35/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong is set out on pages 58 to 59 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM 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 SGM or any adjourned meeting thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

Please refer to pages 1 to 2 of this circular for measures being taken to prevent and control the spread of the Novel Coronavirus (COVID-19) at the SGM, including:

- **compulsory temperature checks**
- **recommended wearing of surgical face masks inside the SGM venue at all times**
- **no distribution of corporate gifts and refreshments**

Any person who does not comply with the precautionary measures may be denied entry into the SGM venue. The Company reminds Shareholders that they may appoint the chairman of the meeting as their proxy to vote on the resolution at the SGM as an alternative to attending the SGM in person.

Hong Kong, 12 June 2020

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PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the ongoing Novel Coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following precautionary measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue.
- (ii) The Company encourages attendees to wear surgical face masks inside the SGM venue at all times, and to maintain a safe distance between seats.
- (iii) No refreshments will be served, and there will be no corporate gifts.

To the extent permitted by the laws of Hong Kong, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

In the interest of all stakeholders' health and safety and in line with recent guidelines for prevention and control of COVID-19, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by submitting proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the SGM as their proxy to vote on the resolution at the SGM instead of attending the SGM in person.

The proxy form for the SGM is enclosed with this circular. Alternatively, the proxy form can be downloaded from the "Investor Relations — Information Disclosure" section of the Company's website at www.binhainv.com. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of proxy.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

If Shareholders choosing not to attend the SGM in person have any questions about the resolution, or about the Company or any matters which require communication with the Board, they are welcome to contact the Company as follows:

Email: prd@binhaiinv.com

Tel: (852) 2572 9228

Fax: (852) 2572 9283

If Shareholders have any questions relating to the SGM, please contact Hong Kong Registrars Limited, the Company's branch share registrar in Hong Kong as follows:

Hong Kong Registrars Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

E-mail: hkinfo@computershare.com.hk

Tel: (852) 2862 8555

Fax: (852) 2865 0990

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 23 April 2020 relating to the Subscription and the Disposal;
“associate(s)”	has the meaning ascribed to it by the Listing Rules;
“Board”	the board of Directors;
“Business Day”	a day on which banks of Hong Kong are generally open for ordinary banking business (excluding Saturdays, Sundays and Hong Kong public holidays);
“Bye-laws”	the bye-laws of the Company currently in force;
“Company”	Binhai Investment Company Limited (濱海投資有限公司), a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange (Stock Code: 2886);
“connected person(s)”	has the meaning ascribed to it by the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed to it by the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Disposal”	the sale of the Sale Shares by TEDA HK to Great Wall Gas pursuant to the terms and conditions of the Share Purchase Agreement;
“Great Wall Gas”	Sinopec Great Wall Gas Investment Co., Ltd.* (中石化長城燃氣投資有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Sinopec Corp;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Ip Shing Hing, <i>J.P.</i> , Mr. Lau Siu Ki, Kevin and Professor Japhet Sebastian Law, established to make a recommendation to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder;
“Independent Financial Adviser” or “Octal”	Octal Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder;
“Independent Shareholders”	the Shareholders other than those who are required to abstain under the Listing Rules from voting at the SGM for the resolution(s) approving the Subscription and the transactions contemplated thereunder (including the Specific Mandate);
“Last Trading Day”	23 April 2020, being the last trading day of the Shares on the Stock Exchange immediately prior to the date of the Subscription Agreement;
“Latest Practicable Date”	8 June 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MOFCOM”	the Ministry of Commerce of the PRC;
“NDRC”	the National Development and Reform Commission of the PRC;

DEFINITIONS

“Order No. 36”	the Measures for the Supervision and Administration of State-owned Equities of Listed Companies (Order No. 36 of the State-owned Assets Supervision and Administration Commission of the State Council, the Ministry of Finance and the China Securities Regulatory Commission) of the PRC;
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Sale Price”	HK\$1.33 per Sale Share, which was determined in accordance with the Share Purchase Agreement;
“Sale Shares”	an aggregate of 227,796,154 Shares to be purchased by Great Wall Gas from TEDA HK pursuant to the Share Purchase Agreement;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	a special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the grant of the Specific Mandate, the Subscription Agreement and the transactions contemplated thereunder;
“Shareholder(s)”	holder(s) of the Share(s);
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Share Purchase Agreement”	the agreement for the sale and purchase of the Sale Shares dated 23 April 2020 entered into between TEDA HK and Great Wall Gas in relation to the Disposal;

DEFINITIONS

“Sinopec Corp”	China Petroleum & Chemical Corporation (中國石油化工有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the main board of the Stock Exchange (Stock Code: 386);
“Specific Mandate”	the specific mandate to allot, issue and deal with the Subscription Shares to be approved by the Independent Shareholders at the SGM;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Subscription Shares by Great Wall Gas pursuant to the terms and conditions of the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 23 April 2020 entered into between the Company and Great Wall Gas in relation to the Subscription;
“Subscription Price”	HK\$1.33 per Subscription Share, which was determined in accordance with the Subscription Agreement;
“Subscription Shares”	an aggregate of 177,676,183 Shares to be subscribed by Great Wall Gas pursuant to the Subscription Agreement;
“substantial shareholder(s)”	has the meaning ascribed to it by the Listing Rules;
“TEDA HK”	TEDA Hong Kong Property Company Limited (泰達香港置業有限公司), a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company;
“TEDA Holding”	Tianjin TEDA Investment Holding Co., Ltd.* (天津泰達投資控股有限公司), a state-owned enterprise established in the PRC, the ultimate controlling shareholder of the Company holding approximately 60.19% of the total Shares in issue through TEDA HK as at the Latest Practicable Date;

DEFINITIONS

“Tianjin SASAC” the State-owned Assets Supervision and Administration Commission of the Tianjin Municipal Government of the PRC; and

“%” per cent.

* *The English translation of Chinese name(s) in this circular, where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).*

LETTER FROM THE BOARD



濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 2886)

Executive Directors:

Mr. ZHANG Bing Jun (*Chairman*)

Mr. GAO Liang

Non-Executive Directors:

Mr. WANG Gang

Ms. CAO Hong Mei

Ms. PENG Bo

Mr. YU Ke Xiang

Independent Non-Executive Directors:

Mr. IP Shing Hing, *J.P.*

Mr. LAU Siu Ki, Kevin

Professor Japhet Sebastian LAW

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business in

Hong Kong:

Suites 3205-07

32/F, Tower Two

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

12 June 2020

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION INVOLVING
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(2) DISPOSAL OF SHARES BY CONTROLLING SHAREHOLDER**

INTRODUCTION

Reference is made to the announcement of the Company dated 23 April 2020 in relation to (i) the Subscription; and (ii) the Disposal.

LETTER FROM THE BOARD

The purposes of this circular are to provide you with:

- (i) a letter from the Board containing further details of the Subscription and the transactions contemplated thereunder;
- (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder;
- (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder;
- (iv) notice convening the SGM; and
- (v) other information as required under the Listing Rules.

Completion of the Subscription and of the Disposal is subject to the fulfilment of the conditions precedent under the Subscription Agreement and the Share Purchase Agreement respectively. As the Subscription and the Disposal may or may not be completed, Shareholders and potential investors are reminded to exercise caution when dealing in securities of the Company.

CONNECTED TRANSACTION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

On 23 April 2020 (after trading hours), the Company entered into the Subscription Agreement with Great Wall Gas, pursuant to which the Company conditionally agreed to allot and issue, and Great Wall Gas conditionally agreed to subscribe for, an aggregate of 177,676,183 Subscription Shares at the Subscription Price.

Date

23 April 2020 (after trading hours)

Parties

- (i) the Company, as issuer; and
- (ii) Great Wall Gas, as subscriber.

LETTER FROM THE BOARD

Great Wall Gas is deemed by the Stock Exchange to be a connected person of the Company in respect of the Subscription pursuant to Rule 14A.20 of the Listing Rules as (i) the Subscription is a transaction between Great Wall Gas and the Company described in Rule 14A.20(1)(a), and (ii) the Subscription and the Disposal together are arrangements between Great Wall Gas and TEDA HK, the controlling shareholder of the Company, which falls under the scope of Rule 14A.20(1)(b).

Subscription Shares

Assuming that there will be no change in the total issued share capital of the Company between the Latest Practicable Date and the completion of the Subscription save for the allotment and issue of the Subscription Shares, the 177,676,183 Subscription Shares represent (i) approximately 15.13% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.14% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is HK\$17,767,618.30.

Subscription Price

The Subscription Price is HK\$1.33, which is determined based on the higher of the two pricing mechanisms as per (a) and (b) below:

- (a) the higher of (i) and (ii) below:
 - (i) the arithmetic mean of the daily weighted average of the trading price of the Shares in the 30 trading days preceding the day of the relevant indicative announcement (as defined in Order No. 36) (i.e. the Announcement), which is HK\$1.21; and
 - (ii) the audited net asset value per Share in the most recent audited financial statements of the Company, which is HK\$1.16;

- (b) the higher of (i) and (ii) below:
 - (i) the closing price of the Shares on the date of signing of the Subscription Agreement, which is HK\$1.33; and
 - (ii) the average closing price of the Shares in the 5 trading days immediately prior to the date of the Announcement (including the date of the Announcement), which is HK\$1.26.

LETTER FROM THE BOARD

The Directors are of the view that the above two pricing mechanisms are a fair and reasonable basis in determining the Subscription Price because (i) Order No. 36 requires that the Sale Price for the Disposal shall not be lower than the price determined in accordance with the pricing mechanism in (a) above; (ii) in deciding to adopt the pricing mechanism in (b) above, the Company has taken into account the benchmarked price provision set out in Rule 13.36(5) of the Listing Rules, which is applicable to the case of a placing or open offer of securities for cash consideration under the authority of a general mandate granted to the Directors by the Shareholders in accordance with Rule 13.36(2)(b) and not the Subscription, but which is nonetheless viewed by the Company as being a fair pricing mechanism for the Subscription; and (iii) in order to maintain consistency between the Subscription Price and the Sale Price, the Company decided to adopt the same pricing mechanisms for the Subscription as the Disposal.

The Subscription Price of HK\$1.33 per Subscription Share represents:

- (i) a premium of approximately 10.83% to the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) no premium or discount to the closing price of HK\$1.33 per Share as quoted on the Stock Exchange on the 23 April 2020 (being the date of the Subscription Agreement);
- (iii) a premium of approximately 5.56% to the average closing price of approximately HK\$1.26 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 7.26% to the average closing price of approximately HK\$1.24 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and Great Wall Gas. In determining the pricing mechanisms for the Subscription Price, the parties considered, among other factors, (i) the legal requirements applicable to the Subscription and the Disposal in terms of pricing; (ii) whether such pricing mechanisms would reflect a fair market value of the Shares; and (iii) the entering into of the Share Purchase Agreement with an expectation that completion of the Subscription and the Disposal will take place on the same date.

Based on the Subscription Price of HK\$1.33 per Subscription Share and the 177,676,183 Subscription Shares to be allotted and issued, the total consideration payable by Great Wall Gas to the Company pursuant to the Subscription Agreement amounts to HK\$236,309,323.39, which will be settle in cash.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Subscription Agreement is conditional upon fulfilment of the following conditions:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Subscription Shares, and such approval not having been revoked before completion under the Subscription Agreement;
- (ii) the Company and Great Wall Gas having applied for and obtained all approvals, authorisations, permissions, licences, exemptions, orders and waivers from all regulatory authorities (including but not limited to Tianjin SASAC and other PRC approval authorities, any courts or judicial authorities and other relevant third parties in any jurisdiction (including but not limited to Hong Kong, PRC and Bermuda)) or other persons as may be required or necessary for the signing, delivery and performance of the Subscription Agreement and the transactions contemplated thereunder in accordance with all applicable laws and regulations or any agreements binding upon the Company or Great Wall Gas, on term(s) and condition(s) (if any) consistent with the Subscription Agreement, i.e. the Company having applied for and obtained approval from the Tianjin SASAC and Great Wall Gas having made the requisite filings to the NDRC and the MOFCOM;
- (iii) the passing of resolution(s) by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder at the SGM in accordance with the requirements of the Listing Rules;
- (iv) the listing of the Shares not having been revoked and the Shares continuing to be listed on the Stock Exchange before completion of the Subscription (save for any trading halt or suspension pending the release of an announcement or circular issued by the Company in connection with the Subscription Agreement), the Stock Exchange or the SFC not having expressed that it will raise any objection against the listing status of the Shares as a result of the transactions contemplated under the Subscription Agreement; and
- (v) the compliance of any other requirements under the Listing Rules and all applicable laws, rules and regulations by the Company and Great Wall Gas in relation to the Subscription Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

If the aforesaid conditions precedent under the Subscription Agreement cannot be fulfilled (or, subject to compliance with the applicable laws and regulations, waived by the parties in writing) on or before 31 December 2020 (the “**Long Stop Date**”) (or such other date as may be agreed by the Company and Great Wall Gas), the Subscription Agreement and all rights and obligations thereunder shall cease and have no further effect. Any extension of the Long Stop Date will be considered a material change in the terms of the Subscription, and will be subject to the Independent Shareholders’ approval.

The Directors are of the view that the Long Stop Date, being around eight months from the date of the Subscription Agreement, is fair and reasonable and in the interest of the Company and its Shareholders as a whole because the condition precedent of applying for and obtaining approval from the Tianjin SASAC and making the requisite filings to the NDRC and the MOFCOM, being necessary PRC legal requirements, may take some time to be fulfilled. As at the Latest Practicable Date, the Company has (through TEDA Holding) submitted the required application for approval to the Tianjin SASAC, and Great Wall Gas is in the process of preparing the requisite materials for filings to the NDRC and the MOFCOM. To the best of the Directors’ knowledge after making reasonable enquiries, it is estimated that the Company, subject to compliance with the relevant PRC requirements, will obtain the required approval from the Tianjin SASAC by the end of July 2020, and Great Wall Gas will also complete the requisite filings by the end of July 2020. However, such approval and filing processes are subject to the actual process time of the relevant PRC authorities and may be delayed due to the impact of the new coronavirus disease 2019. In any event, should all the conditions precedent above be fulfilled before the Long Stop Date, the Company and Great Wall Gas will be obliged to complete the Subscription promptly on the third Business Day following the date of such fulfilment pursuant to the terms of the Subscription Agreement. Thus, the Directors are of the view that there will not be any undue delay in the completion of the Subscription caused by the Long Stop Date provision which may prejudice the interest of the Company or the Shareholders as a whole.

As at the Latest Practicable Date, all conditions precedent under the Subscription Agreement have been fulfilled with the exception of the following:

- (a) condition precedent (i) above;
- (b) condition precedent (ii) above in terms of obtaining approval from the Tianjin SASAC and making the requisite filings to the NDRC and the MOFCOM; and
- (c) condition precedent (iii) above.

LETTER FROM THE BOARD

According to the terms of the Subscription Agreement, subject to compliance with applicable laws, the Company and Great Wall Gas may by written agreement waive any of the conditions precedent under the Subscription Agreement. However, the Company has no intention of waiving any of such conditions precedent.

The Subscription is not conditional upon the Disposal. However, the Disposal is conditional upon the Subscription. For further details, please refer to the section headed “Share Purchase Agreement – Conditions precedent” in this circular.

Completion

Completion of the Subscription will take place on the third Business Day following the date on which all conditions precedent under the Subscription Agreement have been satisfied (or such other date as may be agreed by the Company and Great Wall Gas in writing).

At Completion, the Company will issue and allot the Subscription Shares to Great Wall Gas or its designated wholly-owned subsidiary.

SHARE PURCHASE AGREEMENT

On 23 April 2020 (after trading hours), TEDA HK, being the controlling shareholder of the Company, and Great Wall Gas entered into the Share Purchase Agreement, pursuant to which TEDA HK conditionally agreed to sell, and Great Wall Gas conditionally agreed to purchase, an aggregate of 227,796,154 Sale Shares at the Sale Price.

The principal terms of the Share Purchase Agreement are set out below.

Date

23 April 2020 (after trading hours)

Parties

- (i) TEDA HK, as vendor; and
- (ii) Great Wall Gas, as purchaser.

LETTER FROM THE BOARD

Sale Shares

Assuming that there will be no change in the total issued share capital of the Company between the Latest Practicable Date and the completion of the Subscription and the Disposal save for the allotment and issue of the Subscription Shares, the 227,796,154 Sale Shares represent (i) approximately 19.40% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 16.85% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the Sale Shares is HK\$22,779,615.40.

Sale Price

The Sale Price is HK\$1.33, which is determined based on the higher of the two pricing mechanisms as per (a) and (b) below:

- (a) the higher of (i) and (ii) below:
 - (i) the arithmetic mean of the daily weighted average of trading price of the Shares in the 30 trading days preceding the day of the relevant indicative announcement (as defined in Order No. 36) (i.e. the Announcement), which is HK\$1.21; and
 - (ii) the audited net asset value per Share for the most recent audited financial statements of the Company, which is HK\$1.16;
- (b) the higher of (i) and (ii) below:
 - (i) the closing price of the Shares on the day of the signing of the Share Purchase Agreement, which is HK\$1.33;
 - (ii) the average closing price of the Shares in the 5 trading days immediately prior to the date of the Announcement (including the date of the Announcement), which is HK\$1.26.

The Sale Price is the same as the Subscription Price.

Based on the Sale Price of HK\$1.33 per Sale Share and the 227,796,154 Sale Shares to be transferred, the total consideration payable by Great Wall Gas to TEDA HK pursuant to the Share Purchase Agreement amounts to HK\$302,968,884.82, which will be settled in cash.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Disposal is conditional upon fulfilment of the following conditions:

- (i) TEDA HK and Great Wall Gas having applied for and obtained all approvals, authorisations, permissions, licences, exemptions, orders and waivers from all regulatory authorities (including but not limited to Tianjin SASAC and other PRC approval authorities, any courts or judicial authorities and other relevant third parties in any jurisdiction (including but not limited to Hong Kong, PRC and Bermuda)) or other persons as may be required or necessary for the signing, delivery and performance of the Share Purchase Agreement and the transactions contemplated thereunder in accordance with all applicable laws and regulations or any agreements binding upon TEDA HK or Great Wall Gas, on term(s) and condition(s) (if any) consistent with the Share Purchase Agreement, i.e. TEDA HK having applied for and obtained approval from the Tianjin SASAC and Great Wall Gas having made the requisite filings to the NDRC and the MOFCOM;
- (ii) the listing of the Shares not having been revoked and the Shares continuing to be listed on the Stock Exchange before completion of the Disposal (save for any trading halt or suspension pending the release of an announcement or circular issued by the Company in connection with the Share Purchase Agreement), the Stock Exchange or the SFC not having expressed that it will raise any objection against the listing status of the Shares as a result of the transactions contemplated under the Share Purchase Agreement;
- (iii) the compliance of any other requirements under the Listing Rules and all applicable laws, rules and regulations by TEDA HK and Great Wall Gas in relation to the Share Purchase Agreement and the transactions contemplated thereunder; and
- (iv) the Subscription Agreement having been executed by the Company and Great Wall Gas, and the Subscription having been completed.

If the aforesaid conditions precedent under the Share Purchase Agreement cannot be fulfilled (or, subject to compliance with the applicable laws and regulations, waived by the parties in writing) on or before 31 December 2020 (or such other date as may be agreed by TEDA HK and Great Wall Gas), the Share Purchase Agreement and all rights and obligations thereunder shall cease and have no further effect and TEDA HK shall return the deposit received to Great Wall Gas without interest.

LETTER FROM THE BOARD

Completion

Completion of the Disposal will take place on the date on which all conditions precedent under the Share Purchase Agreement have been satisfied (or such other date as may be agreed by TEDA HK and Great Wall Gas in writing).

At Completion, TEDA HK will transfer the Sale Shares to Great Wall Gas or its designated wholly-owned subsidiary.

It is expected that completion of the Subscription and the Disposal will take place on the same date.

RANKING OF THE SUBSCRIPTION SHARES

The Subscription Shares when issued and fully paid, will rank *pari passu* in all respects with all existing Shares presently in issue and at the time of allotment and issue of the Subscription Shares, including the right to rank in full for all distributions declared, made or paid by the Company at any time after the date of the allotment and issue of the Subscription Shares.

USE OF PROCEEDS

The gross proceeds from the Subscription are estimated to be HK\$236,309,323.39 (based on the Subscription Price of HK\$1.33 per Subscription Share). The net proceeds of the Subscription (after deducting related professional fees and related expenses) are expected to be approximately HK\$235.3 million.

The Directors are of the view that the Group has a strong need for new cash in the short term to reduce its debt level and replenish its working capital, and that the Subscription can help the Group to improve its financial condition. As at 31 December 2019, the Group recorded net current liabilities of approximately HK\$3,220.3 million (with cash and cash equivalents of approximately HK\$700.0 million), which indicated that the Group was under pressure to meet its short-term repayment obligations. As at 31 December 2017, 2018 and 2019, the Group's cash and cash equivalents was approximately HK\$3,260.7 million, HK\$669.5 million and HK\$700.0 million, respectively. The significant decrease in cash and cash equivalents during the three years ended 31 December 2019 indicates that the Group is facing a challenging cash flow pressure in view of its net current liabilities position.

LETTER FROM THE BOARD

It is expected that the allocation and the timeline for the use of the net proceeds of approximately HK\$235.3 million are estimated to be as follow:

- (a) 70% of the net proceed (approximately HK\$164.7 million) as general working capital to support the Group's business expansion including efforts in exploring and developing new districts and market projects in Tianjin, such as Tianjin Future Science and Technology City Beijing-Tianjin Cooperation Demonstration Zone* (天津未來科技城京津合作示範區) and Gas Project of Donglihu District* (東麗湖區域燃氣專案), and in ongoing development projects in the eastern part of Deqing as mentioned in the 2019 annual report of the Company, which is estimated to be utilised in six months from the completion of the Subscription; and
- (b) the balance (approximately HK\$70.6 million) as partial repayment for the Group's loan for gas procurement in order to reduce the Group's debt level, which is estimated to be utilised in six months from the completion of the Subscription. The effective interest rate of the underlying borrowings with outstanding balance utilised for gas procurement of approximately RMB407,231,000 as at the Latest Practicable Date is 4.62%. The borrowings was issued as a bond on 22 November 2017 to be matured on 30 November 2020.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

EQUITY FUND RAISING ACTIVITIES DURING THE PAST TWELVE-MONTH PERIOD

The Company had not conducted any equity fund raising activities in the past twelve months immediately before the Latest Practicable Date.

INFORMATION ON THE PARTIES

The Group is principally engaged in the sales of piped natural gas, construction and gas pipeline installation service, gas passing through service and sales of bottled natural gas.

TEDA HK is an investment holding company incorporated under the laws of Hong Kong with limited liability. TEDA HK is a direct wholly-owned subsidiary of TEDA Holding, which is a state-owned enterprise established in the PRC and the controlling shareholder of the Company. The principal business activities of TEDA Holding are regional development, public utilities, finance and modern services.

LETTER FROM THE BOARD

Great Wall Gas is a company incorporated in the PRC with limited liability and is focused on investments relating to downstream natural gas distribution. It is an indirect wholly-owned subsidiary of Sinopec Corp.

Sinopec Corp is a joint-stock company incorporated in the PRC and is one of the largest integrated energy and chemical companies in the PRC, which is mainly engaged in the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fiber and other chemical products; the import and export, including import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information. The ultimate holding company of Sinopec Corp is China Petrochemical Corporation, which is a state-owned enterprise established in the PRC and is principally engaged in the exploration, production, storage and transportation (including pipeline transportation), sales and utilization of crude oil and natural gas; refining; wholesale and retail of gasoline, kerosene and diesel; production, sales, storage and transportation of petrochemical and other chemical products; industrial investment and investment management; exploration, construction, installation and maintenance of petroleum and petrochemical constructions and equipment; manufacturing electrical equipment; research, development, application and consulting services of information technology and alternative energy products; and import and export of goods and technology.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company considers that the Subscription will enable the Group to raise capital to strengthen its financial position, to broaden its shareholder base and to introduce a strong strategic investor namely Great Wall Gas (which is a wholly owned subsidiary of Sinopec Corp), to the Company. Whereas the Group is focused on the sales of piped natural gas, construction and gas pipeline installation services, gas passing through service and sales of bottled natural gas, Sinopec Corp and its subsidiaries have access to petroleum and natural gas resources. China Petrochemical Corporation, the ultimate holding company of Sinopec Corp, enjoys leading positions in the national as well as provincial markets in business sectors of exploration and production, pipeline transportation and sale of petroleum and natural gas. In addition, it is expected that Great Wall Gas will nominate two directors to the Board to participate in the business decision making process of the Group. Through the Subscription and the Disposal, it is expected that the Group will be able to leverage on the professional management, branding, supply chain channel, capital resources and client resources of Great Wall Gas to further develop its business in natural gas field. Furthermore, it is expected that the Group will be able to leverage on the credibility and brand name of China Petrochemical Corporation to enhance its credibility and broaden its

LETTER FROM THE BOARD

shareholder base in order to finance its future development and operation. Therefore, it is expected that by introducing Great Wall Gas as a strategic investor of the Group, the two groups will achieve supply chain synergy.

To solidify further business cooperation, the Group may conduct further negotiations with Sinopec Corp and/or its subsidiaries and enter into further business agreements with them in the future. The Company will closely monitor the progress of any such business transactions with any such companies which are connected persons of the Company, and will make further announcement and comply with the relevant requirements under the Listing Rules as and when appropriate.

The Directors (including all the independent non-executive Directors after reviewing and considering the advice of the Independent Financial Adviser which is set out in the Letter from the Independent Financial Adviser in this circular) consider that the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, no Director has a material interest in the transactions contemplated under the Subscription Agreement. For the purpose of good corporate governance practices, Mr. Zhang Bing Jun, Mr. Wang Gang, Ms. Cao Hong Mei and Ms. Peng Bo, who are the Directors that also hold executive positions in TEDA Holding, being the direct holding company of TEDA HK that has a material interest in the Disposal which is conditional upon the completion of the Subscription, will abstain from voting at the resolutions of the Board approving the Subscription Agreement and the transactions contemplated thereunder so as to avoid any potential conflict of interest.

EFFECT ON THE SHAREHOLDING STRUCTURE

Following completion of the Subscription and the Disposal, assuming that there is no other change in the issued share capital of Company and the shareholding of Great Wall Gas in the Company, Great Wall Gas will become a substantial shareholder of the Company and TEDA HK will remain the controlling shareholder of the Company.

For illustrative purpose only and assuming that there will be no change in the total issued share capital of the Company (other than the issue of the Subscription Shares) from the Latest Practicable Date up to the date of completion of the Subscription and the Disposal,

LETTER FROM THE BOARD

the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Subscription; and (iii) immediately after completion of the Subscription and the Disposal is set out as follows:

Shareholders	As at the		Immediately after completion		Immediately after completion	
	Latest Practicable Date		of the Subscription		of the Subscription and	
	<i>Number of</i>	<i>Approximate</i>	<i>Number of</i>	<i>Approximate</i>	<i>Number of</i>	<i>Approximate</i>
	<i>Shares</i>	<i>percentage</i>	<i>Shares</i>	<i>percentage</i>	<i>Shares</i>	<i>percentage</i>
TEDA Holding (<i>Note 1</i>)	706,818,659	60.19%	706,818,659	52.28%	479,022,505	35.43%
Wah Sang Gas Development Group (Cayman Islands) Limited (<i>Note 2</i>)	61,952,600	5.28%	61,952,600	4.58%	61,952,600	4.58%
Wah Sang Gas Development (Group) Limited (<i>Note 2</i>)	1,000,000	0.08%	1,000,000	0.07%	1,000,000	0.07%
Mr. Shum Ka Sang (<i>Notes 2 and 3</i>)	308,000	0.03%	308,000	0.02%	308,000	0.02%
Ms. Wu Man Lee (<i>Note 3</i>)	127,924	0.01%	127,924	0.01%	127,924	0.01%
Great Wall Gas or its wholly-owned subsidiary	—	—	177,676,183	13.14%	405,472,337	29.99%
Public Shareholders	404,141,767	34.41%	404,141,767	29.89%	404,141,767	29.89%
Total	1,174,348,950	100%	1,352,025,133	100%	1,352,025,133	100%

Notes:

1. TEDA Holding's shareholding interests in the Company are indirectly held by TEDA HK, a direct wholly-owned subsidiary of TEDA Holding.
2. Wah Sang Gas Development Group (Cayman Islands) Limited and Wah Sang Gas Development (Group) Limited are companies wholly-owned by Mr. Shum Ka Sang.
3. Mr. Shum Ka Sang and Ms. Wu Man Lee are a couple.
4. The percentages are subject to rounding differences.

LETTER FROM THE BOARD

COMPOSITION OF THE BOARD

It is expected that after the completion of the Subscription and the Disposal, Great Wall Gas will nominate two directors, being one executive director and one non-executive director, to the Board. The nomination of individuals for directorship will be subject to recommendations to be made by the nomination committee of the Company to the Board on the selection and suitability of individuals nominated for directorship. Subject to the appointment of the said nominees as Directors, it is expected that two current Directors will resign.

The Company will make the requisite announcement for the appointment or resignation of the Director(s) in accordance with the Listing Rules as and when appropriate.

LISTING RULES IMPLICATION

Great Wall Gas is deemed by the Stock Exchange to be a connected person of the Company in respect of the Subscription pursuant to Rule 14A.20 of the Listing Rules as (i) the Subscription is a transaction between Great Wall Gas and the Company described in Rule 14A.20(1)(a), and (ii) the Subscription and the Disposal together are arrangements between Great Wall Gas and TEDA HK, the controlling shareholder of the Company, which falls under the scope of Rule 14A.20(1)(b). Therefore, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Subscription and the Specific Mandate are subject to ordinary resolution to be proposed for approval by the Independent Shareholders at the SGM. Given that TEDA HK has a material interest in the Disposal which is conditional upon the completion of the Subscription, TEDA HK and its associates holding approximately 60.19% of the total issued share capital of the Company as at the Latest Practicable Date will abstain from voting on the resolution(s) to approve the Subscription Agreement (including the grant of the Specific Mandate) and the transactions contemplated thereunder.

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, save for TEDA HK and its associates, no Shareholder has a material interest in the Subscription. As such, no Shareholder other than TEDA HK and its associates will abstain from voting on the resolution for approving the Subscription and the transactions contemplated thereunder to be proposed at the SGM.

LETTER FROM THE BOARD

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement (including the grant of the Specific Mandate) and the transactions contemplated thereunder. Octal has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

A notice convening the SGM to be held on Friday, 3 July 2020 at 10:00 a.m. at 35/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong is set out on pages 58 to 59 of this circular for the purpose of considering and, if thought fit, passing the resolution as set out therein.

A form of proxy for use at the SGM is enclosed herewith. Whether or not you are able to attend the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any 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 SGM or any adjourned meeting thereof (as the case may be) should you so wish.

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 29 June 2020 to Friday, 3 July 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 26 June 2020.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the meeting will therefore demand a poll for the ordinary resolution put to the vote at the SGM pursuant to the Bye-law 66 of the Bye-laws and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 25 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder and the letter from the Independent Financial Advisor set out on pages 27 to 51 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder.

The Directors (including all the independent non-executive Directors after reviewing and considering the advice of the Independent Financial Adviser which is set out in the Letter from the Independent Financial Adviser in this circular) consider that the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix to this circular.

By Order of the Board

BINHAI INVESTMENT COMPANY LIMITED

GAO Liang

Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



濱海投資有限公司 BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 2886)

12 June 2020

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

We refer to the circular of the Company to the Shareholders dated 12 June 2020 (the “**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the Subscription Agreement was entered into in the ordinary and usual course of business of the Group and whether the terms of the Subscription Agreement and the transactions contemplated thereunder involving the issue of the Subscription Shares under the Specific Mandate, are fair and reasonable so far as the Independent Shareholders are concerned.

We wish to draw your attention to the letter of recommendation from Octal Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the transactions contemplated thereunder, as set out on pages 27 to 51 of the Circular and the letter from the Board set out on pages 8 to 24 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the advice of the Independent Financial Adviser as stated in its letter of recommendation, notwithstanding that the connected transaction involving the Subscription is not conducted in the ordinary and usual course of business of the Group on the basis that it introduces a strategic investor to the Company, and is not of the type of natural gas transactions conducted by the Group on a daily basis, we consider that the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Subscription and the transactions contemplated thereunder (including the grant of the Specific Mandate) to be proposed at the SGM.

Yours faithfully,

For and on behalf of

Independent Board Committee

IP Shing Hing, J.P.

LAU Siu Ki, Kevin

Japhet Sebastian LAW

Independent Non-Executive Directors

LETTER FROM OCTAL CAPITAL

The following is the full text of the letter from Octal Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and Independent Shareholders regarding the Subscription Agreement and the transaction contemplated under the Subscription Agreement.



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

12 June 2020

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONNECTED TRANSACTION ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, details of which are contained in the circular to the Shareholders dated 12 June 2020 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 23 April 2020 (after trading hours), the Company entered into the Subscription Agreement with Great Wall Gas (as subscriber), pursuant to which the Company conditionally agreed to allot and issue, and Great Wall Gas conditionally agreed to subscribe for, an aggregate of 177,676,183 Subscription Shares at the Subscription Price of HK\$1.33 per Subscription Share. At Completion, the Company will issue and allot the Subscription Shares to Great Wall Gas or its designated wholly-owned subsidiary.

On 23 April 2020 (after trading hours), TEDA HK (as vendor), being the controlling shareholder of the Company, and Great Wall Gas (as purchaser) entered into the Share Purchase Agreement, pursuant to which TEDA HK conditionally agreed to sell, and Great Wall Gas conditionally agreed to purchase, an aggregate of 227,796,154 Sale Shares at the Sale Price, which is the same as the Subscription Price. At Completion, TEDA HK will transfer the Sale Shares to Great Wall Gas or its designated wholly-owned subsidiary.

LETTER FROM OCTAL CAPITAL

Assuming that there will be no change in the total issued share capital of the Company between the Latest Practicable Date and the completion of the Subscription, save for the allotment and issue of the Subscription Shares, the Subscription Shares represent (i) approximately 15.13% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.14% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares will be issued and allotted under the Specific Mandate, and, when issued and fully paid, will rank *pari passu* in all respects with all existing Shares presently in issue and at the time of allotment and issue of the Subscription Shares, including the right to rank in full for all distributions declared, made or paid by the Company at any time after the date of the allotment and issue of the Subscription Shares.

The Company will seek the approval from the Independent Shareholders at the SGM for the Specific Mandate and for approval of the Subscription Agreement and the transactions contemplated thereunder. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

Great Wall Gas is deemed by the Stock Exchange to be a connected person of the Company in respect of the Subscription pursuant to Rule 14A.20 of the Listing Rules as (i) the Subscription is a transaction between Great Wall Gas and the Company described in Rule 14A.20(1)(a), and (ii) the Subscription and the Disposal together are arrangements between Great Wall Gas and TEDA HK, a controlling shareholder of the Company, which falls under the scope of Rule 14A.20(1)(b). Therefore, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Ip Shing Hing, J.P., Mr. Lau Siu Ki, Kevin and Professor Japhet Sebastian Law, has been formed to advise the Independent Shareholders as to whether the terms of the Subscription Agreement (including the grant of Specific Mandate), and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the forthcoming SGM taking into account the advice of the Independent Financial Adviser.

LETTER FROM OCTAL CAPITAL

We, Octal Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder, and to make recommendations as to, among others, whether the terms of the Subscription Agreement and the transactions contemplated thereunder are fair and reasonable and as to voting in respect of the resolution(s) at the SGM. Our appointment has been approved by the Independent Board Committee. We are not connected with the Directors, chief executive of the Company and substantial Shareholders or any of their respective subsidiaries or associates and are therefore considered independent and suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interests between the Group and us during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to our independence to act as the Independent Financial Adviser to the Independent Board Committee. Apart from normal professional fee payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive of the Company and substantial Shareholders or Great Wall Gas or any of its subsidiaries or their respective associates.

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

LETTER FROM OCTAL CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

Background of and reasons for the Subscription and use of proceeds

(a) Background of the Group

The Group is principally engaged in the sales of piped natural gas, construction and gas pipeline installation services, gas passing through service and sales of bottled natural gas.

(b) Background of Great Wall Gas, Sinopec Corp and China Petrochemical Corporation

Great Wall Gas is a company incorporated in the PRC with limited liability and is focused on investments relating to downstream natural gas distribution. It is an indirect wholly-owned subsidiary of Sinopec Corp.

Sinopec Corp is a joint-stock company incorporated in the PRC and is one of the largest integrated energy and chemical companies in the PRC, which is mainly engaged in the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre and other chemical products; the import and export, including import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information. The ultimate holding company of Sinopec Corp is China Petrochemical Corporation, which is a state-owned enterprise incorporated in the PRC and principally engaged in the exploration, production, storage and transportation (including pipeline transportation), sales and utilisation of crude oil and natural gas; refining; wholesale and retail of gasoline, kerosene and diesel; production, sales, storage and transportation of petrochemical and other chemical products; industrial investment and investment management; exploration, construction, installation and maintenance of petroleum and petrochemical constructions and equipment; manufacturing electrical equipment; research, development, application and consulting services of information technology and alternative energy products; and import and export of goods and technology.

LETTER FROM OCTAL CAPITAL

According to the official website (<http://www.sinopecgroup.com>) of China Petrochemical Corporation, China Petrochemical Corporation is a large petroleum and petrochemical enterprise group with the registered capital of RMB 274.9 billion. It is the largest oil and petrochemical products supplier, the second largest oil and gas producer in China, the largest refining company and the third largest chemical company in the world. Its total number of gas stations ranks the second place in the world. Sinopec Group ranked the third on Fortune's Global 500 List in 2018.

(c) Financial information of the Group

Review of financial performance

Set out below is a summary of the consolidated financial information of the Group for each of the three financial years (the "FY") 2017, 2018 and 2019 as extracted from the annual reports of the Company for FY2017, FY2018 and FY2019 (the "Annual Reports"):

	For the year ended		
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)
Revenue	2,745,687	3,308,032	3,557,529
Cost of sales and services	(2,173,358)	(2,695,970)	(3,032,910)
Gross profit	572,329	612,062	524,619
Gross profit margin	20.8%	18.5%	14.7%
Profit for the year	223,886	106,809	119,624

Source: Annual Reports

FY2018 versus FY2017

The Group recorded revenue of approximately HK\$2,745.7 million and approximately HK\$3,308.0 million for FY2017 and FY2018, respectively, representing an increase of approximately 20.5%, which was mainly due to improvement in the performance of the Group's piped natural gas sales business segment. During FY2018, the income of the Group from sales of piped natural gas amounted to approximately HK\$2,582.9 million, representing an increase of approximately HK\$578.3 million or approximately 28.8% compared to the amount of approximately HK\$2,004.6 million recorded in FY2017 which was mainly

LETTER FROM OCTAL CAPITAL

attributable to the increase in the demand of piped natural gas from domestic and industrial customers of the Group. Meanwhile, the gross profit of the Group increased from approximately HK\$572.3 million for FY2017 to approximately HK\$612.1 million for FY2018, representing a decrease of gross profit margin from approximately 20.8% for FY2017 to approximately 18.5% for FY2018, which was mainly attributable to the increase in gas procurement cost for the Group's piped natural gas sales business due to the shortage in natural gas.

The profit for the year decreased from approximately HK\$223.9 million for FY2017 to approximately HK\$106.8 million for FY2018 due to a net exchange loss of approximately HK\$103.4 million caused by fluctuations in RMB exchange rate was recognized in FY2018 in comparison to a net foreign exchange gain of approximately HK\$113.5 million in FY2017.

FY2019 versus FY2018

The Group recorded revenue of approximately HK\$3,308.0 million and approximately HK\$3,557.5 million for FY2018 and FY2019, respectively, representing an increase of approximately 7.5%, which was mainly attributable to the increase of the sales of piped natural gas for FY2019 as compared to FY2018. During FY2019, the income of the Group from sales of piped natural gas amounted to approximately HK\$2,893.2 million, representing an increase of approximately HK\$310.3 million or approximately 12% compared to the amount of approximately HK\$2,582.9 million recorded in FY2018 which was mainly attributable to the increase in demand of piped natural gas by domestic and industrial users. Meanwhile, the gross profit of the Group decreased from approximately HK\$612.1 million for FY2018 to approximately HK\$524.6 million for FY2019, representing a decrease of gross profit margin from approximately 18.5% for FY2018 to approximately 14.7% for FY2019, which was mainly attributable to the increase in purchase cost of the piped natural gas.

The profit for the year increased from approximately HK\$106.8 million for FY2018 to approximately HK\$119.6 million for FY2019 mainly due to (i) the decrease of net finance costs by approximately HK\$24.6 million; and (ii) decrease of income tax expense by approximately HK\$11.9 million.

LETTER FROM OCTAL CAPITAL

Review of financial positions

Set out below is the summary of the audited consolidated statement of financial position of the Group as at 31 December 2017, 2018 and 2019 as extracted from the Annual Reports:

	As at 31 December		
	2017	2018	2019
	(Audited) <i>HK\$ '000</i>	(Audited) <i>HK\$ '000</i>	(Audited) <i>HK\$ '000</i>
Non-current assets	3,725,035	4,192,936	4,685,274
Current assets	4,150,963	1,825,205	1,417,948
Total assets	7,875,998	6,018,141	6,103,222
Non-current liabilities	2,739,391	2,497,117	104,945
Current liabilities	3,674,767	2,156,160	4,638,251
Total liabilities	6,414,158	4,653,277	4,743,196
Net current assets (liabilities)	476,196	(330,955)	(3,220,303)
Net assets	1,461,840	1,364,864	1,360,026
Equity attributable to owners of the Company	1,428,606	1,334,988	1,313,060
Cash and bank balances	3,260,656	699,518	699,998
Borrowings			
— Current portion	2,120,314	273,118	2,512,222
— Non-current portion	2,704,765	2,443,690	28,004
Total borrowings	4,825,079	2,716,808	2,540,226
Current ratio ^{Note 1}	1.13	0.85	0.31
Gearing ratio ^{Note 2}	330%	199%	187%

Source: Annual reports

Note 1: Current ratio represents total current assets divided by total current liabilities

Note 2: Gearing ratio represents total debts (i.e. total consolidated borrowings) to the equity

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As at 31 December 2019, the Group had current assets of approximately HK\$1,417.9 million (2018: 1,825.2 million; 2017: HK\$4,151.0 million), and current liabilities of approximately HK\$4,638.3 million (2018: HK\$2,156.2 million; 2017: HK\$3,674.8 million), representing net current liabilities of approximately HK\$3,220.3 million (2018: net current liabilities of HK\$331.0 million; 2017: net current assets of approximately HK\$476.2 million) and current ratio of approximately 0.31 times (2018: 0.85 times; 2017: 1.13 times). The Group's current ratio was under 1.0 times as at 31 December 2018 and 2019, indicating that the Group's was under pressure on meeting its short-term repayment obligations. As at 31 December 2019, the Group had cash and bank balances of approximately HK\$700.0 million (2018: HK\$699.5 million; 2017: HK\$3,260.7 million) indicating that the Company is facing a challenging cash flow pressure in view of the current liabilities.

The Group's total borrowings amounted to approximately HK\$2,540.2 million (2018: HK\$2,716.8 million; 2017: HK\$4,825.1 million). The Group's gearing ratios as at 31 December 2017, 2018 and 2019 were approximately 330%, 199% and 187%, respectively. Such decrease in the gearing ratio of the Group from 31 December 2017 to 31 December 2019 was mainly due to the repayment of borrowings of the Group. The gearing ratio of the Group is regarded as high from 31 December 2017 to 31 December 2019, which represents the Group highly relied on debt to support its continuing operations.

(d) Reasons for the issue of Subscription Shares and use of proceeds

The Company considers that the Subscription will enable the Group to raise capital to strengthen its financial position, to broaden its shareholder base and to introduce a strong strategic investor, namely Great Wall Gas (which is a wholly owned subsidiary of Sinopec Corp), to the Company. Whereas the Group is focused on the sales of piped natural gas, construction and gas pipeline installation services, gas passing through service and sales of bottled natural gas, Sinopec Corp and its subsidiaries have access to petroleum and natural gas resources. China Petrochemical Corporation, the ultimate holding company of Sinopec Corp, enjoys leading positions in the national as well as provincial markets in business sectors of exploration and production, pipeline transportation and sale of petroleum and natural gas. In addition, it is expected that Great Wall Gas will nominate two directors to the Board to participate in the business decision making process of the Group. Through the Subscription and the Disposal, it is expected that the Group will be able to leverage on the professional management, branding, supply chain channel, capital resources and client resources of Great Wall Gas to further develop its business in natural gas field. Furthermore, it is expected that the Group will be able to

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leverage on the credibility and brand name of China Petrochemical Corporation to enhance its credibility and broaden its shareholder base in order to finance its future development and operation.

Reform of State-owned Enterprises

Pursuant to the Guiding Opinions of the Communist Party of China Central Committee and the State Council on Deepening the Reform of State-owned Enterprises (《中共中央、國務院關於深化國有企業改革的指導意見(中發[2015]22號)》) and municipal policies such as the Implementation Opinions of the Tianjin Communist Party of China Municipal Committee and the Tianjin Municipal People's Government on Deepening the Reform of State-owned Assets and Enterprises (《中共天津市委、天津市人民政府關於進一步深化國資國企改革的實施意見》), the state-owned enterprises are encouraged to, among other things, (i) actively promote cross-shareholding and mutual integration of state-owned capital, (ii) direct capitals of various ownership types to complement each other so as to achieve mutual progress and common development, and (iii) combine efforts to enhance vitality and reinforce regulation (the “**SOE Reform**”).

Reason for and benefits of the Subscription

Upon completion of the Subscription and the Disposal, the shareholding of the Great Wall Gas will increase from nil to approximately 29.99% and become a substantial shareholder of the Group. The Directors considered the entering into the Subscription Agreement by the Company will introduce Great Wall Gas (a wholly owned subsidiary of Sinopec Corp) as a strategic investor of the Company.

The Group is focused on the sales of piped natural gas, construction and gas pipeline installation services, gas passing through service and sales of bottled natural gas. As mentioned in the sub-section of this letter headed “Background of Great Wall Gas, Sinopec Corp and China Petrochemical Corporation”, China Petrochemical Corporation, the ultimate holding company of Sinopec Corp, is the largest oil and petrochemical products supplier, the second largest oil and gas producer in China, the largest refining company and the third largest chemical company in the world. Its total number of gas stations ranks the second place in the world. Sinopec Group ranked the third on Fortune's Global 500 List in 2018. In addition, it is expected that Great Wall Gas will nominate two directors to the Board to participate in the business decision making process of the Group. Through the Subscription and the Disposal, it is expected that the Group will be able to leverage on professional management, branding, supply chain channel and capital resources of the strategic

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investor to further develop its business in natural gas field. The parent company of the strategic investor, the China Petrochemical Corporation, enjoys leading positions in the national as well as provincial markets in business sectors of exploration and production, pipeline transportation and sale of petroleum and natural gas which will facilitate the growth of the Group as a whole in terms of branding, financing channels, capital resources, supply chain channels and client resources.

As mentioned in the annual result announcement for FY2019, the Group recorded net current liabilities amounted to approximately HK\$3,220.3 million as at 31 December 2019 (with bank balances and cash of approximately HK\$700.0 million). As mentioned in the sub-section of this letter headed “Review of financial positions”, the Group’s gearing ratios as at 31 December 2017, 2018 and 2019 were approximately 330%, 199% and 187%, respectively. High gearing ratio during the above-mentioned period indicated that the Group was highly relied on debt to support its continuing operations. The Group may experience difficulties in obtaining bank financing with favorable terms and tenures due to its net current liabilities position. China Petrochemical Corporation is a large petroleum and petrochemical state-owned enterprise group with the registered capital of RMB274.9 billion. Under the SOE Reform through the Subscription, the Group can leverage on the credibility and brand name of its strategic investor, being the indirect wholly-owned subsidiary of China Petrochemical Corporation, to enhance its credibility and broaden its shareholder base in order to finance its future development and operation.

Therefore, we concurred with the Directors that the two groups will achieve supply chain synergy by introducing Great Wall Gas as strategic investor of the Group.

Use of proceeds

The gross proceeds from the Subscription are estimated to be approximately HK\$236.3 million (based on the Subscription Price of HK\$1.33 per Subscription Share). The net proceeds of the Subscription (after deducting related professional fees and related expenses) are expected to be approximately HK\$235.3 million. The Company intends to use 70% of the net proceeds from the Subscription as general working capital of the Group and the balance as repayment of the Group’s loan for the gas procurement costs.

As mentioned in annual report of the Company for FY2019, according to the “13th Five-Year Plan for Energy Development (《能源發展十三五規劃》)”, in 2020, the total natural gas pipeline mileage in China has reached 100,000 kilometers, with an annual gas transmission capacity of above 400 billion cubic meters. Also, the

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urban gasification rate has reached 57% and the population with access to natural gas has reached 470 million. The Group will closely follow the national policies and the market trend, leverage on the existing geographical advantages of operations, increase the popularization rate of natural gas supply, fully release the industrial and household demands for natural gas and develop scientific planning. In addition, the Group made aggressive efforts in exploring new districts and market projects and signed development cooperation agreements with a number of new markets, such as Tianjin Future Science and Technology City Beijing-Tianjin Cooperation Demonstration Zone* (天津未來科技城京津合作示範區) and Gas Project of Donglihu District* (東麗湖區域燃氣專案). Meanwhile, the Group also implemented the preliminary process of development projects such as unifying the natural gas pipelines operated by three towns in the eastern part of Deqing. All these efforts have laid a solid foundation for the future growth and development of the Group's core business. the Group will also fully capitalize on the financing platform of capital market to actively expand the scale of operation so as to achieve a multi-win situation for the interests of investors, governments, users and other parties, continuously maximize shareholder returns, and promote the sustainable development of the Group's business in the future.

As at 31 December 2019, total liabilities of the Group amounted to approximately HK\$4,743.2 million, of which borrowings amounted to approximately HK\$2,540.2 million, consisting of (i) the current portion of HK\$2,512.2 million; and (ii) the non-current portion of HK\$28.0 million. The Gearing ratio of the Group (as calculated by total borrowings over net asset) as at 31 December 2019 was approximately 187%. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 0.31 as at 31 December 2019 and the Group recorded net current liabilities amounted to approximately HK\$3,220.3 million as at 31 December 2019 (with bank balances and cash of approximately HK\$700.0 million) which indicated that the Group's was under pressure on meeting its short-term repayment obligations. As at 31 December 2018, the Group had cash and bank balances of approximately HK\$669.5 million (31 December 2017: approximately HK\$3,260.7 million). The cash and bank balance decreased significantly during the three years ended 31 December 2019 to approximately HK\$700.0 million as at 31 December 2019, indicating that the Company is facing a challenging cash flow pressure in view of its net current liabilities position. In review of the current financial position of the Group, we concur with the management that there is a strong need of the Group for new cash to reduce its debt level and replenish its working capital in short term, and that the Subscription can help the Group to improve its financial condition.

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As stated in the Letter from the Board, it is expected that the allocation and the timeline for the use of the net proceeds of approximately HK\$235.3 million are estimated to be as follow:

- a. 70% of the net proceed (approximately HK\$164.7 million) as general working capital to support the Group's business expansion including efforts in exploring and developing new districts and market projects in Tianjin, such as Tianjin Future Science and Technology City Beijing-Tianjin Cooperation Demonstration Zone* (天津未來科技城京津合作示範區) and Gas Project of Donglihu District* (東麗湖區域燃氣專案), and in ongoing development projects in the eastern part of Deqing as mentioned in the 2019 annual report of the Company, which is estimated to be utilised in six months from the completion of the Subscription; and
- b. the balance (approximately HK\$70.6 million) as partial repayment for the Group's loan for gas procurement in order to reduce the Group's debt level, which is estimated to be utilised in six months from the completion of the Subscription. The effective interest rate of the underlying borrowings with outstanding balance utilised for gas procurement of approximately RMB407.2 million as at the Latest Practicable Date is 4.62%. The borrowings was issued as a bond on 22 November 2017 to be matured on 30 November 2020.

In light of the above, we concurred with the Directors that the Subscription will enable the Group to raise capital to strengthen its financial position, to broaden its shareholders base and to introduce a strong strategic investor to the Company.

(e) Alternative modes of fund raising

Other than the Subscription, the Company has also considered the feasibility of other fund-raising methods such as debt financing and other forms of equity financing. For debt financing, the Directors considered that it will incur further additional interest burden on the Group. Due to the weak sentiments in the debt market, it may not be favourable for the Group to obtain additional debt financing in a cost effective manner and would usually incur heavier interest burden on the Group, in particular view of the Group's gearing position as at 31 December 2019. Accordingly, any additional debt financing would burden the financial performance and further deteriorate the financial position of the Group. Therefore, we consider that the issuance of additional debt is not a preferable choice.

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The Directors have also considered other ways of equity financing, including preemptive equity issue. The Directors are of the view that although both open offer and rights issue would allow the Shareholders to maintain their respective pro-rata shareholding in the Company and at the same time strengthening the capital base of the Company, such fund-raising exercises would be relatively more time-consuming, administratively burdensome and cost-ineffective as compared with any placing and/or subscription of new Shares. It is because the related fund-raising processes would generally take two to three months to complete whilst the ultimate fund-raising amounts and/or subscription level by existing Shareholders may be uncertain due to the prevailing sluggish market atmosphere. In addition, given the Group's current financial position and the benefits of introduction of Great Wall Gas (a wholly owned subsidiary of Sinopec Corp) as a strategic investor of the Company as mentioned in the sub-section of this letter headed "Reason for and benefits of the Subscription", the Directors regarded that the Subscription, as a relatively more timely sources of funding to the Group, is a more preferable method of fund-raising for the Group. We concur with the Directors' view that equity financing is a more prudent way when considering fund-raising. Based on the above, together with the benefits of the Subscriber becoming the second largest Shareholder and strategic partner to the Group, we concur with the view of the management that the issue of the Subscription Shares is appropriate and beneficial to the Company.

Principal terms of the Subscription Agreement

The principal terms of the Subscription Agreement are summarised as below:

Parties:	(a) the Company (as issuer); and (b) Great Wall Gas (as subscriber).
Number of Subscription Share:	177,676,183 new Shares, approximately 13.14% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares only
Subscription Price:	HK\$1.33 per Subscription Share
Subscription Completion:	Completion of the Subscription will take place on the third Business Day following the date on which all conditions precedent under the Subscription Agreement have been satisfied (or such other date as may be agreed by the Company and Great Wall Gas in writing).

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Subscription Price

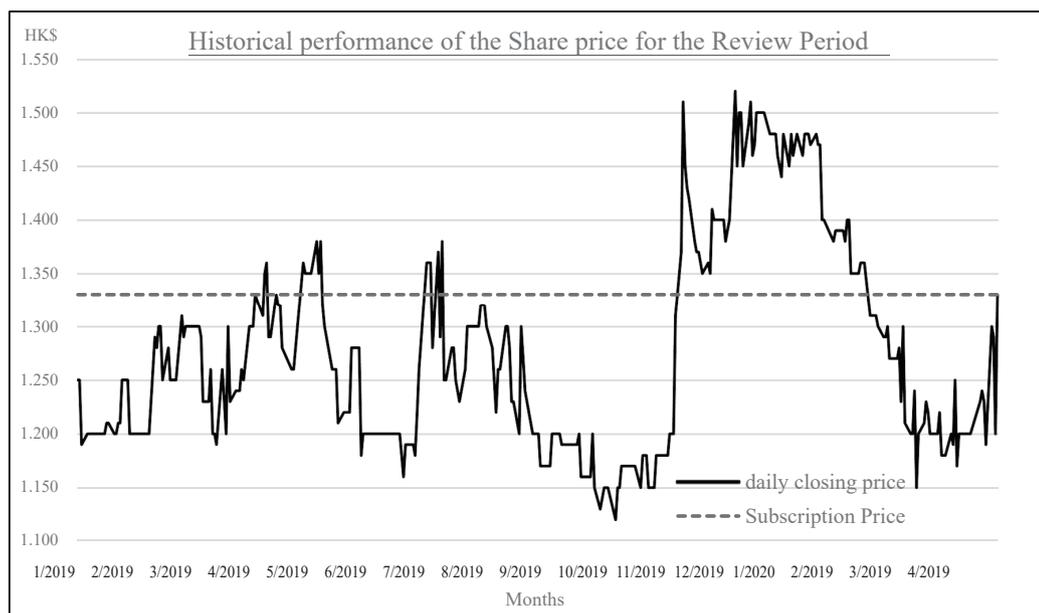
To assess the fairness and reasonableness of the Subscription Price at HK\$1.33 per Subscription Share, we set out the following analysis:

	Price/value per Share approximately <i>HK\$</i>	Premium/ (discount) over/to at approximately %
(i) The closing price as quoted on the Stock Exchange on the Last Trading Date	1.33	0.00
(ii) The average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date	1.26	5.56
(iii) The average closing price of the Shares as quoted on the Stock Exchange for the last ten consecutive trading day up to and including the Last Trading Date	1.24	7.26
(iv) The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date	1.20	10.83

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Historical price performance of the Shares

We consider that it is relevant to compare the closing price level of the Shares traded on the Stock Exchange during the period from 1 January 2019 to the Last Trading Date (the “**Review Period**”) against the Subscription Price. We reviewed the daily closing price of the Shares during the Review Period, which is a reasonably long period covering the annual operating cycle of the Company for analysis purpose, to illustrate the general trend and level of movement of the daily closing price of the Shares. The comparison of the historical performance of the Share price with the Subscription Price for the Review Period is illustrated below:



Source: the website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the lowest and highest closing price of the Shares were HK\$1.12 per Share recorded on 8 October 2019 and HK\$1.52 per Share recorded on 9 December 2019, respectively. The average daily closing price of the Shares during the Review Period was HK\$1.28 per Share. The Subscription Price of HK\$1.33 per Subscription Share represents (i) a premium of approximately 18.75% over the lowest closing price; (ii) a discount of approximately 12.50% to the highest closing price; and (iii) a premium of approximately 4.91% over the average daily closing price during the Review Period. As the Subscription Price is above the daily closing prices of most of the Review Period, we consider that the Subscription Price is favorable to the Independent Shareholders, and is in the interests of the Company and the Shareholders as a whole.

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Historical trading volume of the Shares

The average daily number of Shares traded per month, the respective percentages of the Shares' monthly trading volume during the Review Period as compared to (i) the total number of issued Shares; and (ii) the total number of issued Shares held by the public for each month during the Review Period, are tabulated as follows:

			% of average daily trading volume of the Shares to the total issued Shares <i>(Note 1)</i>	% of average daily trading volume of the Shares to the public float Shares <i>(Note 2)</i>	Number of trading days in each month with no turnover (in days)	Number of trading days in each month
	Total monthly trading volume of the Shares	Average trading volume of the Shares per trading day during the month				
2019						
January	796,600	36,209	0.003%	0.009%	9	22
February	665,350	39,138	0.003%	0.010%	4	17
March	1,491,550	71,026	0.006%	0.018%	5	21
April	1,962,008	103,264	0.009%	0.026%	2	19
May	879,797	41,895	0.004%	0.010%	4	21
June	414,000	21,789	0.002%	0.005%	9	19
July	1,747,856	79,448	0.007%	0.020%	2	22
August	1,047,751	47,625	0.004%	0.012%	6	22
September	376,191	17,914	0.002%	0.004%	9	21
October	288,000	13,714	0.001%	0.003%	8	21
November	9,906,243	471,726	0.040%	0.117%	6	21
December	10,716,121	535,806	0.046%	0.133%	2	20
2020						
January	6,112,400	305,620	0.026%	0.076%	4	20
February	1,478,521	73,926	0.006%	0.018%	10	20
March	3,085,717	140,260	0.012%	0.035%	2	22
April (up to and including the Announcement Date)	9,380,000	625,333	0.053%	0.155%	—	15

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Notes:

1. Based on 1,174,348,950 Shares throughout the Review Period.
2. Based on 404,141,767 Shares throughout the Review Period.

Source: the website of the Stock Exchange (www.hkex.com.hk)

The percentage of average daily trading volume of the Shares per month to the average total issued Shares during the Review Period was ranging from approximately 0.002% to 0.053%. If only those Shares held by public Shareholders, i.e. the public float, are considered in calculating the percentage of average daily trading volume of the Shares per month during the Review Period, the percentage was ranging from approximately 0.003% to 0.155%. We considered that the average daily trading volume of the Shares per month were relatively thin during most of the Review Period.

Comparison of the Subscription Price with peer companies

As the Group is principally engaged in the sales of piped natural gas, construction and gas pipeline installation services, gas passing through service and sales of bottled natural gas in the PRC, reference to the price-to-earnings ratio (the “**P/E ratio**”) and the price-to-book ratio (the “**P/B ratio**”) are common valuation methodologies adopted by the investment community for the business of the Group. To assess the fairness and reasonableness of the Subscription Price, we have also endeavoured to identify all listed companies listed on the Stock Exchange which are (i) principally engaged in the management and operation of natural gas and energy-related businesses in the PRC; (ii) recorded a net profit in the recent financial year and (iii) with the market capitalisation under HK\$10 billion as at the Last Trading Date, in order to examine the P/E ratio and the P/B ratio by comparing with the closing prices of such companies as quoted on the Subscription Agreement Date. We have identified seven companies (the “**Industry Comparables**”) and summarised in the below list of Industry Comparables. We consider the list of Industry Comparables is an exhaustive list which is sufficient and representative based on the selection criteria explained above for us to make a meaningful comparison and analysis.

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Set out below are the details of the historical P/E ratio and the P/B ratio of the Industry Comparables, computed based on the closing share prices of the Industry Comparables as at the date of the Subscription Agreement and their published audited financial information for the most recent financial year as disclosed in their respective latest annual reports:

Company name	Stock code	Principal business <i>(Note 1)</i>	Closing share price as at the date of the Subscription Agreement	P/E Ratio <i>(times)</i>	P/B Ratio <i>(times)</i>
China Oil and Gas Group Limited	603	The company is primarily engaged in (i) sales and distribution of natural gas, (ii) construction and connection of gas pipelines and (iii) exploitation and production of crude oil and natural gas.	0.248	4.32	0.41
Chinese People Holdings Company Limited	681	The company mainly engaged in (i) provision of piped gas, (ii) transportation, distribution and retail of liquefied petroleum gas, (iii) production and sales of barreled drinking water and (iv) agency of operation and sales of welfare lottery tickets.	0.037	1.73	0.13
China Suntien Green Energy Corporation Limited	956	The company mainly engaged in (i) sales of natural gas and gas appliances and the provision of construction and connection services of natural gas pipelines, (ii) development, management and operation of wind power plants and solar energy plants and (iii) finance leasing of leased and purchased properties through its subsidiaries.	1.71	4.11	0.49
Tianjin Jinran Public Utilities Company Limited	1265	The company is principally engaged in (i) sales of piped gas, (ii) gas connection, (iii) gas transportation and (iv) sales of gas appliances.	0.57	218.77	0.54

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Company name	Stock code	Principal business <i>(Note 1)</i>	Closing share price as at the date of the Subscription Agreement	P/E Ratio <i>(times)</i>	P/B Ratio <i>(times)</i>
Suchuang Gas Corporation Limited	1430	The company is primarily engaged in (i) the distribution and sales of piped natural gas, (ii) the transmission of natural gas and the acting as the main contractor of gas pipelines construction and installation business in the PRC, and (iii) involved in the construction and operation of natural gas filling stations through its subsidiaries.	1.90	22.37	1.10
China Tian Lun Gas Holdings Limited	1600	The company is primarily engaged in (i) city gas sales, (ii) long-haul pipeline gas transmission and sales, (iii) engineering design and construction, and (iv) gas pipeline connection.	5.59	6.48	1.31
Shanghai Dazhong Public Utilities (Group) Co., Ltd.	1635	The company is primarily engaged in (i) piped gas supply, (ii) wastewater treatment, (iii) public infrastructure projects, (iv) investments, (v) transportation services, and (vi) financial services.	2.45	12.57	0.83
			Minimum	1.73	0.13
			Maximum	218.77	1.31
			Average	38.62	0.69
			Median	6.48	0.54
The Company	2886	Principally engaged in the sales of piped natural gas, construction and gas pipeline installation services, gas passing through service and sales of bottled natural gas	1.33 <i>(Note 2)</i>	19.26	1.19 <i>(Note 3)</i>

Notes:

1. Sources: Official website of the Stock Exchange
2. Being the Subscription Price
3. Being the P/B Ratio as implied by dividing the Subscription Price by the NAV as at 31 December 2019

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The P/E Ratio of the Industry Comparables ranged from approximately 1.73 times to approximately 218.77 times, with a median of approximately 6.48 times. The P/E Ratio implied by the Subscription Price of approximately 19.26 times is within the range and above the median of those of the Industry Comparables.

The P/B Ratio of the Industry Comparables ranged from approximately 0.13 times to approximately 1.31 times, with a median of approximately 0.54 times. The P/B Ratio implied by the Subscription Price of approximately 1.19 times is within the range and above the median of those of the Industry Comparables.

Having considered (i) the implied P/E Ratio of the Subscription Price is within the range and above the median of those of the Industry Comparables; and (ii) the implied P/B Ratio of the Subscription Price is within the range and above the median of those of the Industry Comparables, we are of the view that the Subscription, in terms of Industry Comparables analysis, is favorable so far as the Independent Shareholders are concerned.

Subscription of shares by other listed issuers with connected persons under specific mandates

In addition to the above analysis of the P/E Ratio and P/B Ratio of the Shares, we consider it is worthwhile to compare the Subscription Price against the prevailing market trend. We have identified (to the best of our knowledge) a list of shares subscriptions/placements (the “**Comparable Transactions**”) for issuing shares to connected person(s) using specific mandate as announced by companies listed on the Main Board of the Stock Exchange with announcement during the period between 1 July 2019 and the Last Trading Date (both dates inclusive). We considered that the period for Comparable Transactions being a reasonable period of time which are reflective of the latest market conditions and sentiments. To the best of our knowledge and belief, such 10 Comparable Transactions are eligible, representable to the market sentiment and sufficient for us to make a meaningful comparison and analysis. Base on the aforesaid selection criteria, we consider that the list of the Comparable Transactions is an exhaustive list and the analysis of which is summarised in the following table:

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Date of announcement	Company name	Stock code	Subscription price (HK\$)	Gross proceeds (HK\$000)	last trading date (%)	Premium/ (discount)	Premium/ (discount)
						over/ to the average closing price of the shares as at the respective last five consecutive trading days	over/ to the average closing price of the shares during the respective last ten consecutive trading days
10/7/2019	Glory Sun Financial Group Limited	1282	0.25	1,000,000	-19.35	-21.88	-28.57
16/7/2019	DTXS Silk Road Investment Holdings Company Limited	620	5.3873	599,000	-17.88	-15.00	-10.23
19/7/2019	Colour Life Services Group Co., Limited	1778	5.22	119,830	-3.51	-6.95	-5.67
21/7/2019	Zhenro Properties Group Limited	6158	4.95	1,211,542	-1.98	-3.51	-2.60%
27/9/2019	Global Bio-chem Technology Group Company Limited	809	0.108	132,690	-20.00	-23.70	-25.80
29/11/2019	Shougang Concord International Enterprises Company Limited	697	0.3	28,000	-13.04	-15.25	-16.20
8/1/2020	Sunway International Holdings Limited	58	0.1	14,900	25.00	24.07	14.02
19/1/2020	CT Vision (International) Holdings Limited	994	0.8	61,600	-21.57	-21.41	-24.10
6/2/2020	China Finance Investment Holdings Limited	875	0.65	130,000	-31.60	-33.90	-34.50

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Date of announcement	Company name	Stock code	Subscription price (HK\$)	Gross proceeds (HK\$000)	last trading date (%)	Premium/ (discount)	Premium/ (discount)
						over/ to the average closing price of the shares during the respective last five consecutive trading days (%)	over/ to the average closing price of the shares during the respective last ten consecutive trading days (%)
3/4/2020	Gemini Investments (Holdings) Limited	174	1.00	99,300	81.80	93.05	99.60
				Maximum	81.80	93.05	99.60
				Minimum	-31.60	-33.90	-34.50
				Average	-2.21	-2.45	-3.15
				Median	-15.46	-15.13	-13.22
	The Company	2886	1.33	236,309	0.00	5.56	7.26

Source: www.hkex.com.hk

As indicated in the above table setting out the issue statistics of the Comparable Transactions, the Subscription Price of HK\$1.33 per Subscription Share represents:

- (i) no premium or discount to the closing of HK\$1.33 per Share as quoted on the Stock Exchange on the Last Trading Day which lie above the median and within the range and of the premiums/discounts represented by the Comparable Transactions on the relevant last trading day immediately before the date on which the subscription or placing agreement was signed which ranges from discount of approximately 31.60% to premium of approximately 81.80%;

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- (ii) a premium of approximately 5.56% to the average closing price of HK\$1.26 per Share as quoted on the Stock Exchange for the last five (5) trading days up to and including the Last Trading Day which lie above the median and within the range of premiums/discounts represented by 5-day average closing prices of the Comparable Transactions on the relevant last five consecutive trading days immediately before the date on which the subscription or placing agreement was signed which ranges from discount of approximately 33.90% to a premium of approximately 93.05%; and
- (iii) a premium of approximately 7.26% to the average closing price of approximately HK\$1.24 per Share as quoted on the Stock Exchange for the last ten (10) trading days up to and including the Last Trading Day which lie above the median and within the range of premiums/discounts represented by 10-day average closing prices of the Comparable Transactions on the relevant last ten consecutive trading days immediately before the date on which the subscription or placing agreement was signed which ranges from discount of approximately 34.5% to a premium of approximately 99.60%

Having considered that the price level represented by the Subscription Price is laid above the median and within the range of the premiums/discount of subscription or issue price of the Comparable Transactions with other subscription or placing exercises, we are of the view that the level of Subscription Price is in line with the market practice and is considered as fair and reasonable.

POTENTIAL DILUTION EFFECT ON THE SHAREHOLDING OF THE COMPANY

Immediately prior to the Previous Subscription, the shareholding of the existing public Shareholders was approximately 34.41% and the Shares subscribed by Great Wall Gas under the Previous Subscription represented 15.13% of the existing issued share capital of the Company. After the completion of the Subscription and the Disposal, the shareholding of the existing public Shareholders was diluted from approximately 34.41% to 29.89%.

As set out in the table showing the shareholding structure and changes of the Company in the “Letter from the Board” of the Circular, the shareholding of the existing public Shareholders as at the Latest Practicable Date was approximately 34.41%. The Subscription Shares to be subscribed by Great Wall Gas represented 15.13% of the total issued share capital of the Company as at the Latest Practicable Date, and approximately 13.14% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Independent Shareholders should note that the Directors considered

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the entering into the Subscription Agreement by the Company will introduce Great Wall Gas (a wholly owned subsidiary of Sinopec Corp) as a strategic investor of the Company. The net proceeds from the Subscription of approximately HK\$235.3 million would provide immediate financial assistance to the Group to reduce its debt level and replenish its working capital without adding additional interest burden to the Group. On such basis, the shareholding of the existing public Shareholders will be diluted from approximately 34.41% to 29.89% upon the Completion. In light of the above, we consider such dilution impact is considered fair and reasonable, and in the interest of the existing Shareholders and the Company.

FINANCIAL EFFECT OF THE SUBSCRIPTION ON THE GROUP

Earnings

Save for the legal and professional fees/expenses of approximately HK\$1.0 million to be incurred in relation to the Subscription, there will not be any immediate material impact on the earnings of the Group in this regard. However, due to the synergy effects as mentioned in the sub section of this letter headed “Reason for and benefits of the Subscription”, the earnings of the Group is expected to increase in the future.

Working capital

According to the annual report for FY2019, the Group had cash and bank balances of approximately HK\$700.0 million as at 31 December 2019. Upon the completion of the Subscription, the Group’s working capital and liquidity positions will be improved as the cash and bank balances will be increased by the net proceeds of approximately HK\$235.3 million. Accordingly, the cash positions, net current liabilities and current ratio of the Group are expected to be improved upon the completion of the Subscription.

Net liabilities value

According to the annual report for FY2019, the Group had consolidated net current liabilities value of approximately HK\$3,220.3 million as at 30 June 2019. Upon the Subscription Completion, the net current liabilities value of the Group will be improved by the net proceeds of approximately HK\$235.3 million.

LETTER FROM OCTAL CAPITAL

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that, although the Subscription is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement are on normal commercial terms, 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 Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve (i) the Subscription pursuant to the Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Yours faithfully,

For and on behalf of

Octal Capital Limited

Alan Fung

Louis Chan

Managing Director

Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 25 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 16 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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. SHARE CAPITAL

The number of issued Shares (i) as at the Latest Practicable Date; and (ii) upon completion of the Subscription (assuming that there will be no change in the total issued share capital of the Company between the Latest Practicable Date and the completion of the Subscription) are set out below:

(i) As at the Latest Practicable Date:

Issued and fully paid up: 1,174,348,950 Shares

(ii) Upon completion of the Subscription:

Issued and fully paid up: 1,352,025,133 Shares

All existing issued Shares rank *pari passu* in all respects, including the rights as to dividend, voting rights and capital.

There are no arrangements under which future dividends will be waived or agreed to be waived. As at the Latest Practicable Date, save as disclosed in this circular, no capital of any member of the Group was under option or agreed conditionally or unconditionally to be put under option.

The share option scheme of the Company was adopted on 20 August 2010 with options to be granted to any directors and employees at the discretion of the Board. As at the Latest Practicable Date, 2,800,000 share options remained outstanding and are exercisable at HK\$5.60 per Share at any time between 27 September 2010 and 26 September 2020.

Save as disclosed above, the Company did not have any outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares or any agreement or arrangement to issue Shares.

Save for the Subscription, as at the Latest Practicable Date, no Shares have been allotted and issued by the Company.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executive

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) 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 (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

(i) Long positions in Shares

Name of Director	Capacity in which interests were held	Number of Shares	Total interests as a % of the total number of Shares in issue as at the Latest Practicable Date
Professor Japhet Sebastian Law	Beneficial owner	100,000	0.01%

(ii) Directors' interest in share options granted by the Company

Name of Director	Number of shares options held	Total interests as a % of the total number of Shares in issue as at the Latest Practicable Date
Mr. Gao Liang	1,000,000	0.09%
Mr. Wang Gang	700,000	0.06%
Mr. Ip Shing Hing, <i>J.P.</i>	200,000	0.02%
Mr. Lau Siu Ki, Kevin	200,000	0.02%
Professor Japhet Sebastian Law	200,000	0.02%

Note: Pursuant to the share option scheme of the Company adopted on 20 August 2010 and upon the share consolidation taking effect on 14 May 2015, all the share options stated above were granted on 27 September 2010 and are exercisable at HK\$5.6 per Share at any time between 27 September 2010 and 26 September 2020.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position 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 (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

As at the Latest Practicable Date, so far as was known to the Directors, the following Directors were also directors or employees of a company which has an interest or short position in the Shares or 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:

Name of Director	Name of Company	Position
Zhang Bing Jun	TEDA Holding	Party Secretary and Chairman
Wang Gang	TEDA Holding	Assistant General Manager
Cao Hong Mei	TEDA Holding	Manager in the environmental department
Peng Bo	TEDA Holding	Manager in the asset management department

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors nor any of their spouse or minor children was granted or held options to subscribe for shares in the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which did not expire or was not determinable by the relevant member of the Group within one year without payment of any compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or any of their respective close associates had an interest in a business that competes or is likely to compete, either directly or indirectly with the business of the Group.

6. MATERIAL ADVERSE CHANGE

Save as disclosed in the 2019 annual report of the Company regarding the outbreak of coronavirus 2019 pandemic in early 2020 that may have possible impacts on the Group, 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 2019, being the date to which the latest published audited accounts of the Group were made up.

7. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinions or advices which are contained in this circular:

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

As at the Latest Practicable Date, Octal Capital Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2019, being the date to which the latest published audited accounts of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Octal Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they respectively appear.

The letter and recommendation given by Octal Capital Limited is given as of the date of this circular for incorporation herein.

8. GENERAL

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract save for service contracts, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.
- (c) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, during normal business hours up to and including the date of the SGM (and any adjournment thereof):

- (a) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (c) the consent letter as referred to in the section headed “Qualification and Consent of Expert” in this Appendix;
- (d) the Subscription Agreement; and
- (e) this circular.

NOTICE OF THE SPECIAL GENERAL MEETING



濱海投資有限公司 BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 2886)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of Binhai Investment Company Limited (the “**Company**”) will be held on Friday, 3 July 2020 at 10:00 a.m. at 35/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. THE SUBSCRIPTION

“THAT:

- (a) the subscription agreement dated 23 April 2020 (the “**Subscription Agreement**”) entered into between the Company and Sinopec Great Wall Gas Investment Co., Ltd.* (中石化長城燃氣投資有限公司) (“**Great Wall Gas**”) (a copy of the Subscription Agreement has been produced to the meeting and marked “A” and initialed by the Chairman of the meeting for identification purpose) in relation to the subscription of 177,676,183 new ordinary shares of the Company (the “**Subscription Shares**”) by Great Wall Gas at the subscription price of HK\$1.33 per Subscription Share (the “**Subscription Price**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of and permission to deal in the Subscription Shares on the Stock Exchange, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to allot and issue the Subscription Shares (the “**Specific Mandate**”) to Great Wall Gas or its designated wholly-owned subsidiary in accordance with the terms of the Subscription Agreement, provided that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

NOTICE OF THE SPECIAL GENERAL MEETING

- (c) any one of the Directors be and is hereby authorised for and on behalf of the Company to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Subscription Agreement and the transactions contemplated thereunder, including, without limitation, the allotment and issue of the Subscription Shares.”

By Order of the Board
BINHAI INVESTMENT COMPANY LIMITED
GAO Liang
Executive Director

Hong Kong, 12 June 2020

- * The English translation of Chinese name(s) in this notice, where indicated, is included for information only, and should not be regarded as the official English name(s) of such Chinese name(s).

Notes:

1. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer or attorney duly authorised.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as practicable but in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the SGM 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.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the SGM, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall alone be entitled to vote in respect thereof.
6. For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Monday, 29 June 2020 to Friday, 3 July 2020, both days inclusive, during which period no transfer of ordinary shares will be registered. In order to qualify for the entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 26 June 2020 for registration.