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

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濱海投資有限公司

BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2886)

CONNECTED TRANSACTION
NEW SECURED LOAN FROM SINOPEC FINANCE TIANJING
AND
NOTICE OF SPECIAL GENERAL MEETING

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



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 4 to 13 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on pages 14 to 15 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 Transactions is set out on pages 16 to 33 of this circular.

A notice convening the SGM to be held on Thursday, 28 September 2023 at 10:00 a.m. at 35/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong is set out on pages SGM-1 to SGM-2 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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.

7 September 2023

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it by the Listing Rules
“BHI Tianjin”	Binhai Investment (Tianjin) Company Limited* (濱海投資(天津)有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Borrowers”	collectively, Tianjin Clean Energy and BHI Tianjin, and “Borrower” means any one of them
“Company”	Binhai Investment Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 2886)
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it by the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Ip Shing Hing, <i>B.B.S., J.P.</i> , Mr. Lau Siu Ki, Kevin, Professor Japhet Sebastian Law and Dr. Tang Lai Wah, established to make recommendation to the Independent Shareholders in respect of the Transactions
“Independent Financial Adviser” or “Octal”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	the Shareholders who are not prohibited or required to abstain from voting on the resolution approving the Transactions at the SGM
“Latest Practicable Date”	31 August 2023, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information referred to in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Loan”	the loan in the amount of RMB300 million made available by Sinopec Finance Tianjin to Tianjin Clean Energy subject to and upon the terms of the New Loan Agreement
“New Loan Agreement”	the loan agreement entered into between the Tianjin Clean Energy and Sinopec Finance Tianjin in respect of the New Loan dated 17 August 2023
“New Share Charge”	the share charge dated 17 August 2023 executed by BHI Tianjin in favour of Sinopec Finance Tianjin over (i) 100% of the total equity interest of Tianjin Clean Energy and (ii) 85% of the total equity interest of Zhuozhou Binhai, as security for due performance of the obligations of the Borrowers under the Previous Loan Agreements and of the obligations of Tianjin Clean Energy under the New Loan Agreement
“Original Share Charge”	the share charge dated 24 December 2021 executed by BHI Tianjin in favour of Sinopec Finance Tianjin over (i) 100% of the total equity interest of Tianjin Clean Energy and (ii) 85% of the total equity interest of Zhuozhou Binhai, as security for due performance of the obligations of the Borrowers under the Previous Loan Agreements
“Pledged Assets”	100% of the total equity interest of Tianjin Clean Energy and 85% of the total equity interest of Zhuozhou Binhai pledged under the New Share Charge
“Previous Loans”	the loans in the principal amount of RMB430 million and RMB200 million respectively made available by Sinopec Finance Tianjin to BHI Tianjin and Tianjin Clean Energy respectively subject to and upon the terms of the Previous Loan Agreements
“Previous Loan Agreements”	the two loan agreements entered into between each of the Borrowers and Sinopec Finance Tianjin both dated 4 November 2020
“PRC”	the People’s Republic of China, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be held at 35/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong at 10:00 a.m. on Thursday, 28 September 2023 for the purpose of considering and, if thought fit, approving the Transactions
“SGM Notice”	the notice convening the SGM as set out at pages SGM-1 to SGM-2 of this circular;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sinopec Corp”	China Petroleum & Chemical Corporation (中國石油化工股份有限公司), a joint stock limited company incorporated in the PRC, the H shares of which are listed on the main board of the Stock Exchange (Stock Code: 386)
“Sinopec Finance Tianjin”	Sinopec Finance Company Limited Tianjin Branch Company* (中國石化財務有限責任公司天津分公司), a company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it by the Listing Rules
“Tianjin Clean Energy”	Tianjin TEDA Binhai Clean Energy Group Co., Ltd.* (天津泰達濱海清潔能源集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Transactions”	the New Loan Agreement and the New Share Charge and the transactions contemplated thereunder and in connection therewith
“Zhuozhou Binhai”	Zhuozhou Binhai Gas Company Limited* (涿州濱海燃氣有限公司), a company incorporated in the PRC with limited liability and a non-wholly-owned subsidiary of the Company
“%”	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. Hu Hao (*Chairman*)
Mr. Wang Xin (*Vice Chairman*)
Mr. Gao Liang (*General Manager*)

Registered office:

Clarendon House
2 Church Street
Hamilton HM11 Bermuda

Non-executive Directors:

Mr. Wang Gang
Mr. Shen Hong Liang
Mr. Yu Ke Xiang

*Principal place of business
in Hong Kong:*

Suites 3205-07
32/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Independent non-executive Directors:

Mr. Ip Shing Hing, *B.B.S., J.P.*
Mr. Lau Siu Ki, Kevin
Professor Japhet Sebastian Law
Dr. Tang Lai Wah

7 September 2023

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
NEW SECURED LOAN FROM SINOPEC FINANCE TIANJIN
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 17 August 2023.

As disclosed in the announcement of the Company dated 24 December 2021 and the circular of the Company dated 17 January 2022 on the Previous Loan Agreements dated 4 November 2020 which were entered into between each of the Borrowers (a wholly-owned subsidiary of the Company) (as borrower) and Sinopec Finance Tianjin (as lender), pursuant to which Sinopec Finance Tianjin made available to the Borrowers the Previous Loans, being term loans of an aggregate amount of RMB630 million. BHI Tianjin (as chargor) and Sinopec Finance Tianjin (as chargee) entered into the Original Share Charge, pursuant to

LETTER FROM THE BOARD

which BHI Tianjin conditionally granted security in favour of Sinopec Finance Tianjin over (i) 100% of the equity interests in Tianjin Clean Energy and (ii) 85% of the equity interests in Zhuozhou Binhai, as security for due performance of the obligations of the Borrowers under the Previous Loan Agreement.

On 17 August 2023, Tianjin Clean Energy (as borrower) and Sinopec Finance Tianjin (as lender) entered into the New Loan Agreement, pursuant to which Sinopec Finance Tianjin conditionally agreed to make available to Tianjin Clean Energy the New Loan, being a term loan of an amount of RMB300 million.

On 17 August 2023, BHI Tianjin (as chargor) and Sinopec Finance Tianjin (as chargee) entered into the New Share Charge, under which BHI Tianjin conditionally granted security in favour of Sinopec Finance Tianjin over (i) 100% of the equity interests in Tianjin Clean Energy and (ii) 85% of the equity interests in Zhuozhou Binhai, as security for the due performance of the obligations of the Borrowers under the Previous Loan Agreements and of the obligations of Tianjin Clean Energy under the New Loan Agreement. The Original Share Charge will be automatically terminated upon successful registration of equity pledge in respect of the New Share Charge.

As of the Latest Practicable Date, part of the Previous Loans in the aggregate amount of RMB330 million had been repaid, with the remaining outstanding amount being RMB300 million. Upon full repayment of all amounts under the Previous Loans, the Pledged Assets under the New Share Charge shall be reduced to only comprise 50% of the equity interests in Tianjin Clean Energy as security for the New Loan.

Sinopec Finance Tianjin is an associate of Sinopec Corp, a substantial shareholder of the Company, and is thus a connected person of the Company under the Listing Rules. The Transactions constitute provision of financial assistance by a connected person to a subsidiary of the Group which is secured by assets of the Group. As one of the application percentage ratios of the Transactions is more than 5%, the Transactions as a connected transaction of the Company under the Listing Rules is subject to reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under the Listing Rules. The SGM will be held to seek the Independent Shareholders' approval of the Transactions.

The purpose of this circular is to provide you with, among others, (i) information in relation to the Transactions; (ii) the letter of recommendation from the Independent Board Committee in relation to the Transactions; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions; and (iv) the notice convening the SGM, at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Transactions.

THE NEW LOAN AGREEMENT

The salient terms of the Loan Agreement are as follows:

Date	:	17 August 2023
Lender	:	Sinopec Finance Tianjin
Borrower	:	Tianjin Clean Energy
Amount of the New Loan	:	Term loan of RMB300 million

LETTER FROM THE BOARD

- Purpose of the New Loan : As capital for general operations
- Term of the New Loan : 36 months from the date of the New Loan Agreement
- Interest rate : For the first 12-month period after the drawdown date, the one-year loan prime rate (LPR) as published by the National Interbank Funding Center in the most recent month as of the drawdown date plus 50 basis points (i.e. LPR+0.5%); and the LPR shall be updated for every 12-month period thereafter. Accrued interest is payable on a quarterly basis.
- Punitive interest shall be charged for delay in payment of principal (at the agreed interest rate increased by 50%) on the amount of principal and for the period delayed, and for use of proceeds of the New Loan other than the agreed purpose (at the agreed interest rate increased by 100%) on the amount of principal and for the period used for purpose other than as agreed. Compound interest shall be charged on amount of interest due and unpaid.
- Repayment terms : The outstanding principal amount and interest of the New Loan shall be repaid by 16 August 2026.
- Early repayment by Tianjin Clean Energy of the New Loan shall be subject to consent of Sinopec Finance Tianjin.
- Early maturity of the New Loan : Under the following circumstances, Sinopec Finance Tianjin has the right to stop making available the undrawn part of the New Loan and demand the immediate repayment of all outstanding principal amount and interest of the New Loan:
- i. the representations and warranties given by Tianjin Clean Energy under the relevant Loan Agreement are not true;
 - ii. Tianjin Clean Energy breaches the New Loan Agreement;
 - iii. there occurs circumstances where Tianjin Clean Energy is required to inform Sinopec Finance Tianjin pursuant to the New Loan Agreement and Sinopec Finance Tianjin considers that its rights as a creditor will be adversely affected;
 - iv. Tianjin Clean Energy breaches and continues to breach despite Sinopec Finance Tianjin's warning any obligations under other agreements with Sinopec Finance Tianjin;

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- v. there is abnormal use of the New Loan; or
- vi. there occurs circumstances where Sinopec Finance Tianjin in its reasonable opinion believes that Tianjin Clean Energy may not (or may not be able to) perform any of its obligations under the New Loan Agreement.

Covenants

: Tianjin Clean Energy shall notify Sinopec Finance Tianjin no later than 30 days before the occurrence of the following circumstances, and shall not proceed before the principal amount and interest under the New Loan Agreement have been fully settled or a repayment proposal has been approved by Sinopec Finance Tianjin:

- i. all or most of the major assets of Tianjin Clean Energy being sold, gifted, leased, lent, transferred, mortgaged, pledged or otherwise disposed of; or
- ii. actual or potential significant change in the operating system or ownership structure of Tianjin Clean Energy.

Tianjin Clean Energy shall notify Sinopec Finance Tianjin within 7 days from the occurrence or potential occurrence of the following circumstances:

- i. amendment of articles of association, change of business registration matters including change of company's name, legal representation, address and scope of business, of Tianjin Clean Energy, or reaching of decision that have significant impact of Tianjin Clean Energy's finance or personnel;
- ii. Tianjin Clean Energy or its creditor filing for bankruptcy of Tianjin Clean Energy;
- iii. major litigation or arbitration, or injunctive measures on major assets or underlying assets of security under the New Loan Agreement, of Tianjin Clean Energy;
- iv. Tianjin Clean Energy's financial condition or its ability to perform its obligations under the New Loan Agreement being materially adversely affected as a result of its provision of guarantee to third parties;
- v. the signing of agreements that have material impact on Tianjin Clean Energy's operation and financial condition;
- vi. ceasing of production or operation, dissolution or revocation of licence of Tianjin Clean Energy;

LETTER FROM THE BOARD

- vii. Tianjin Clean Energy or its legal representative or key management personnel involving in illegal activities; or
- viii. Tianjin Clean Energy encountering serious business difficulties or deterioration of financial condition, or other circumstances adversely affecting Tianjin Clean Energy's operation, financial condition or ability to repay.

The carrying out of transactions under the New Loan Agreement is subject to the condition precedent of the Company having complied with the requirements under the Listing Rules. Subject to the obtaining of Independent Shareholders' approval of the Transactions, Tianjin Clean Energy will according to its day-to-day operational needs drawdown the New Loan no later than 3 November 2023.

The terms of the New Loan Agreement (including the interest rate) were determined after arm's length negotiation between the parties and with reference to the commercial practice, the terms of loans the Group has obtained from independent third parties and the costs of funding of the Group.

THE NEW SHARE CHARGE

On 17 August 2023, BHI Tianjin (as chargor) and Sinopec Finance Tianjin (as chargee) entered into the New Share Charge pursuant to which BHI Tianjin conditionally granted security in favour of Sinopec Finance over (i) 100% of the total equity interest in Tianjin Clean Energy and (ii) 85% of the total equity interest in Zhuozhou Binhai (being the entire equity interests held by the Group in Tianjin Clean Energy and Zhuozhou Binhai), as security for due performance of the obligations of the Borrowers under the Previous Loan Agreements and of the obligations of Tianjin Clean Energy under the New Loan Agreement.

The Original Share Charge will be automatically terminated upon successful registration of equity pledge in respect of the New Share Charge, and BHI Tianjin and Sinopec Finance Tianjin shall carry out the relevant registration and filing formalities.

Upon full repayment of all amounts under the Previous Loans, the Pledged Assets under the New Share Charge shall be reduced to only comprise 50% of the equity interests in Tianjin Clean Energy as security for the New Loan. BHI Tianjin and Sinopec Finance Tianjin will execute a supplemental agreement for such reduction in the Pledged Assets and carry out the necessary registration and filing requirements in respect of the change.

According to the audited financial statements for the year ended 31 December 2022 of BHI Tianjin, the book value of the long term equity investment in respect of 100% of the total equity interest in Tianjin Clean Energy and 85% of the total equity interest in Zhuozhou Binhai held by BHI Tianjin amounted to approximately RMB1,204 million and RMB85 million respectively as at 31 December 2022.

LETTER FROM THE BOARD

Condition Precedent

The carrying out of transaction under the New Share Charge is subject to the condition precedent of the Company having complied with the requirements under the Listing Rules.

Enforcement of Security

The security created under the New Share Charge shall become immediately enforceable if:

- i. Tianjin Clean Energy fails to fulfil any payment obligation under the New Loan Agreement when due;
- ii. Tianjin Clean Energy fails to provide additional security in accordance with the New Share Charge;
- iii. Tianjin Clean Energy is filed for bankruptcy or closure of business, dissolved, liquidated, suspended of business, revoked of business licence; or
- iv. such other situations where Sinopec Finance Tianjin considers necessary to enforce the security.

If the ratio of the value of the Pledged Assets to the amount of principal and interest due under loans secured under the New Share Charge falls to 120% or below, Sinopec Finance Tianjin shall also have the right to realize the Pledged Assets in order to obtain prior repayment from the proceeds thereof.

Provision of Additional Security

Under the New Share Charge, BHI Tianjin shall be required to provide additional security to Sinopec Finance Tianjin under each of the following circumstances:-

1. If the Pledged Assets are damaged or there is apparent reduction in the value of such assets not attributable to the reason of Sinopec Finance Tianjin which are sufficient to jeopardized the interest of Sinopec Finance, Sinopec Finance Tianjin may request BHI Tianjin to provide supplementary security.
2. If the ratio of the value of the Pledged Assets to the amount of principal and interest due under loans secured under the New Share Charge falls to 140% or below, BHI Tianjin shall provide additional security to Sinopec Finance Tianjin to make up for the fall in value of the Pledged Assets.

BASIS FOR DETERMINING THE INTEREST RATE OF THE NEW LOAN AGREEMENT AND THE UNDERLYING ASSETS OF THE NEW SHARE CHARGE, AND REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Considering the prevailing one-year LPR as at the date of the New Loan Agreement as published by the National Inter-bank Funding Centre (authorized by the People's Bank of China) of 3.55% per annum (based on which the initial interest rate under the New Loan Agreements would accordingly be 4.05% per annum), the Company considered that the effective interest rate under the New Loan Agreement is comparable to market rates.

LETTER FROM THE BOARD

The assets over which security is to be created under the New Share Charge (namely, the equity interests held by the Group in Tianjin Clean Energy and Zhuozhou Binhai) were determined with reference to the value of such assets and the ratio of the aggregate value of the underlying assets of the New Share Charge to the outstanding aggregate principal of the Previous Loans and the New Loan and the interests payable (the “**Share Charge Ratio**”) being approximately 1.9. Apart from Sinopec Finance Tianjin, the Group had approached a number of other banks in the PRC regarding the possibility and feasibility of granting new secured loan with terms comparable to those of the New Loan. Among those banks, three banks preliminarily agreed to consider non-listed equity interest as collateral pledge on the condition that the Share Charge Ratio shall be not less than 2. Based on such communications, the Company considers that the Share Charge Ratio of approximately 1.9 under the New Loan is in line with and no less favorable to the Group than the general standards for third-party equity collateralized loans in the market.

The New Loan will be utilized by the Group as capital for sourcing of natural gas, to replenish the cashflow of capital for daily operations. Taking into consideration the long-term relationship between the Company and its substantial shareholder, Sinopec Corp, the continuous support provided to the Group by Sinopec Corp or its associates which creates essential synergy between the Group and Sinopec Corp, and the continuous financing needs of the Group for its future development, the Company considers that the Transactions are in the interest of the Company and its shareholders as a whole in the long term.

The Directors (including the independent non-executive Directors) are of the view that the New Loan Agreement and the New Share Charge are entered into in the ordinary and usual course of business of the Group and are on normal commercial terms which are fair and reasonable, and the Transactions are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company is an investment holding company. The Group is principally engaged in the sales of piped natural gas, construction and gas pipeline installation service and gas passing through service.

BHI Tianjin is principally engaged in investment and reinvestment in industries such as gas processing and stove production and areas where foreign investment is permitted by the PRC, investment in areas that support the transmission and distribution of urban gas pipeline networks, assisting or acting on behalf of the investee companies for purchase of domestic products and those from abroad, as well as domestic and overseas sale of products produced by the investee companies, and providing after-sales services; investment in consultancy services and technology research and development; operation and sales of liquified natural gas for domestic users.

Tianjin Clean Energy is principally engaged in the investment, construction and operation of urban gas pipeline network in Tianjin region, construction and gas pipeline installation service, gas passing through service, and supply and sale of natural gas.

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 that 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 an import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and

LETTER FROM THE BOARD

research, development and application of technologies and information; hydrogen energy business and related services such as hydrogen production, storage, transportation and sales; battery charging and swapping, solar energy, wind energy and other new energy business and related services.

The ultimate holding company of Sinopec Corp is China Petrochemical Corporation, which is a state-owned enterprise incorporated in the PRC 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.

Sinopec Finance Tianjin is a branch company of Sinopec Finance Company Limited, which is a non-bank financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission and is principally engaged in financial services for members of China Petrochemical Corporation. Sinopec Finance Company Limited is owned as to 51% by China Petrochemical Corporation and 49% by Sinopec Corp.

LISTING RULES IMPLICATIONS

Sinopec Corp is a substantial shareholder of the Company indirectly interested in 405,472,337 Shares (representing approximately 29.97% of the total number of Shares in issue) as at the Latest Practicable Date, and is thus a connected person of the Company under the Listing Rules. Since Sinopec Finance Tianjin is a branch company of Sinopec Finance Company Limited, which is owned as to 49% by Sinopec Corp, Sinopec Finance Tianjin is an associate of Sinopec Corp and thus a connected person of the Company under the Listing Rules. Therefore, the Transactions constitute provision of financial assistance by a connected person to a subsidiary of the Group which is secured by assets of the Group and is a connected transaction under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the Transactions are more than 5%, the Transactions are subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Any Shareholder (or its associate) who has a material interest in the Transactions will be required to abstain from voting on the ordinary resolution in respect of the Transactions at the SGM. Sinopec Finance Tianjin, an associate of Sinopec Corp, has material interests in the Transactions. As of the Latest Practicable Date, Sinopec Corp through its wholly-owned subsidiary was indirectly interested in 405,472,337 Shares (representing approximately 29.97% of the total number of Shares in issue). Sinopec Corp and its associates holding Shares will be required to abstain from voting on the ordinary resolution approving the Transactions at the SGM.

In view of an associate of Sinopec Corp. having material interests in the Transactions, for good corporate governance practices, Mr. Wang Xin and Mr. Shen Hong Liang, being Directors who hold executive positions in branch company or subsidiary of Sinopec Corp, abstained from voting on the resolutions of the Board approving the Transactions.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE

In compliance with the Listing Rules, the Independent Board Committee has been established to consider the terms of the Transactions and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution to be proposed at the SGM for approving the Transactions, after taking into account the recommendation of the Independent Financial Adviser. In this connection, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Transactions. The text of the letter from the Independent Board Committee is set out on pages 14 to 15 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 16 to 33 of this circular.

SGM

Set out on pages SGM-1 to SGM-2 is a notice convening the SGM to be held at 35/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong at 10:00 a.m. on Thursday, 28 September 2023 at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Transactions.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the office of 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, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the SGM or any adjourned SGM should you so wish.

The register of members of the Company will be closed from 25 September 2023 to 28 September 2023, 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 duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Hong Kong Registrars Limited for registration no later than 4:30 p.m. on 22 September 2023.

TYPHOON AND RAINSTORM ARRANGEMENT

In case Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or "extreme conditions caused by a super typhoon" announced by the Government of Hong Kong is/are in force in Hong Kong at or at any time after 7:00 a.m. on the date of the SGM, the SGM will be adjourned. The Company will post an announcement on the corporate website of the Company (www.binhainv.com) and the designated website of the Stock Exchange (www.hkexnews.hk) to notify Shareholders of the date, time and place of the adjourned meeting. The SGM will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situation.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 14 to 15 of this circular and the letter from the Independent Financial Adviser on pages 16 to 33 of this circular to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the New Loan Agreement and the New Share Charge.

The Directors (including the independent non-executive Directors) are of the view that the New Loan Agreement and the New Share Charge have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Transactions. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on such resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
BINHAI INVESTMENT COMPANY LIMITED
Gao Liang
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of incorporation in this circular.



濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2886)

7 September 2023

To the Independent Shareholders,

Dear Sir or Madam,

CONNECTED TRANSACTION NEW SECURED LOAN FROM SINOPEC FINANCE TIANJIN

We refer to the circular of the Company dated 7 September 2023 (the “**Circular**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Transactions. Octal Capital Limited has been appointed as the independent financial adviser to advise you and us in the same regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out on pages 16 to 33 of the Circular. Your attention is also drawn to the “*Letter from the Board*” in the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Transactions, and taking into account the advice of the Independent Financial Adviser, in particular the principal factors, reasons and advice as set out in its letter, we consider that the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the New Loan Agreement and the New Share Charge are fair and reasonable so far as the Independent Shareholders are concerned and the Transactions are in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the ordinary resolution to be

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

proposed at the SGM to approve the Transactions.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Mr. Ip Shing Hing, B.B.S., J.P.

Mr. Lau Siu Ki, Kevin

Professor Japhet Sebastian Law

Dr. Tang Lai Wah

Independent non-executive Directors

LETTER FROM OCTAL CAPITAL

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



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

7 September 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION NEW SECURED LOAN FROM SINOPEC FINANCE TIANJIN

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Loan Agreement and the New Share Charge and the transactions contemplated thereunder, details of which are contained in the letter from the Board (the “**Letter from the Board**”) contained in the circular to the Shareholders dated 7 September 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to the announcement of the Company dated 24 December 2021 and the circular of the Company dated 17 January 2022 on the Previous Loan Agreements dated 4 November 2020 which were entered into between each of the Borrowers (a wholly-owned subsidiary of the Company) (as borrower) and Sinopec Finance Tianjin (as lender), pursuant to which Sinopec Finance Tianjin made available to the Borrowers the Previous Loans, being term loans of an aggregate amount of RMB630 million. BHI Tianjin (as chargor) and Sinopec Finance Tianjin (as chargee) entered into the Original Share Charge, pursuant to which BHI Tianjin conditionally granted security in favour of Sinopec Finance Tianjin over (i) 100% of the equity interests in Tianjin Clean Energy and (ii) 85% of the equity interests in Zhuozhou Binhai, as security for due performance of the obligations of the Borrowers under the Previous Loan Agreement.

On 17 August 2023, on top of (i) the Previous Loan Agreements dated 4 November 2020 which were entered into between each of the Borrowers (a wholly owned subsidiary of the Company) (as borrower) and Sinopec Finance Tianjin (as lender) term loans of an aggregate amount of RMB630 million; and (ii) the Original Share Charge, the New Loan Agreement was entered into between Tianjin Clean Energy (as borrower) and Sinopec Finance Tianjin (as lender), pursuant to which Sinopec Finance Tianjin conditionally agrees to make available to Tianjin Clean Energy the New Loan, being a term loan of an amount of RMB300 million. On 17 August 2023, BHI Tianjin (as chargor) and Sinopec Finance Tianjin (as chargee) entered into the New Share Charge, under which BHI Tianjin conditionally grants security in favour of Sinopec Tianjin over (i) 100% of the equity interests in Tianjin Clean Energy and (ii) 85% of the equity interests in Zhuozhou Binhai, as security for the due performance of the obligations of the Borrowers under the Previous Loan Agreements and of the obligations of Tianjin Clean Energy under the New Loan Agreement.

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Sinopec Corp is a substantial shareholder of the Company indirectly interested in 405,472,337 Shares (representing approximately 29.97% of the total number of Shares in issue) as at the Latest Practicable Date, and is thus a connected person of the Company under the Listing Rules. Since Sinopec Finance Tianjin is a branch company of Sinopec Finance Company Limited, which is owned as to 49% by Sinopec Corp, Sinopec Finance Tianjin is an associate of Sinopec Corp and thus a connected person of the Company under the Listing Rules. Therefore, the Transactions constitute provision of financial assistance by a connected person to a subsidiary of the Group which is secured by assets of the Group and is a connected transaction under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Transactions are more than 5%, the Transactions are subject to the reporting, announcement, annual review, circular (including independent financial advice) 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, *B.B.S., J.P.*, Mr. Lau Siu Ki, Kevin, Professor Japhet Sebastian Law and Dr. Tang Lai Wah, has been established to consider the terms of the New Loan Agreement and the New Share Charge and the Transactions and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution to be proposed at the SGM for approving, after taking into account the recommendation of the Independent Financial Adviser.

We, Octal Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the New Loan Agreement and the New Share Charge and the transactions contemplated thereunder. 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. In the two years immediately preceding the date of the New Loan Agreement and the New Share Charge and up to the Latest Practicable Date, we were engaged by the Company as an Independent Financial Adviser to the Company in respect of (i) renewal of continuing connected transactions with TEDA and continuing connected transactions with associates of China Petroleum & Chemical Corporation (details as contained in the circular of the Company dated 6 December 2021); and (ii) the connected transaction in relation to receipt of financial assistance from Sinopec Finance Tianjin and provision of security (details as contained in the circular of the Company dated 17 January 2022) (the "**Previous Engagements**").

Under the Previous Engagements, we were required to express our opinion on and give recommendations to the Independent Board Committee of the Company in respect of the relevant transactions. Apart from normal professional fee payable to us by the Company in connection with this appointment and the Previous Engagements, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive of the Company and substantial Shareholders or Sinopec Corp or Sinopec Finance Tianjin or any of its subsidiaries or their respective associates.

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In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the SGM. We have also relied on our discussions with the management of the Company regarding the Transactions 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, Sinopec Corp or Sinopec Finance Tianjin and their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of the Transactions

Reference is made to the announcement of the Company dated 24 December 2021 and the circular of the Company dated 17 January 2022 on the Previous Loan Agreements and the Original Share Charge. The transactions under the Previous Loan Agreements and the Original Share Charge had been approved by a resolution passed at the special general meeting of the Company held on 8 February 2022.

As of the date of this circular, part of the Previous Loans in the amount of RMB330 million has been repaid, with the outstanding amount being RMB300 million.

On 17 August 2023, the New Loan Agreement was entered into between Tianjin Clean Energy (as borrower) and Sinopec Finance Tianjin (as lender), pursuant to which Sinopec Finance Tianjin conditionally agrees to make available to Tianjin Clean Energy the New Loan, being a term loan of an amount of RMB300 million.

On 17 August 2023, BHI Tianjin (as chargor) and Sinopec Finance Tianjin (as chargee) entered into the New Share Charge pursuant to which BHI Tianjin conditionally grants security in favour of Sinopec Finance over (i) 100% of the total equity interest in Tianjin Clean Energy and (ii) 85% of the total equity interest in Zhuozhou Binhai (being the entire equity interests held by the Group in Tianjin Clean Energy and Zhuozhou Binhai), as security for due performance of the obligations of the Borrowers under the Previous Loan Agreements and of the obligations of Tianjin Clean Energy under the New Loan Agreement.

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The Previous Loans were utilised to facilitate repayment of the US\$ bonds of the Company in terms of reduction of the Group's financing (details as contained in the announcement of the Company dated 24 December 2021 and the circular of the Company dated 17 January 2022). Under the continuous financial support from Sinopec Corp, the Company intends to replenish the Group's working capital through obtaining the New Loan.

1.1 Background of the Group and BHI Tianjin

The Company is an investment holding company. The Group is principally engaged in the sales of piped natural gas, construction and gas pipeline installation service and gas passing through service.

BHI Tianjin is principally engaged in investment and reinvestment in industries such as gas processing and stove production and areas where foreign investment is permitted by the PRC, investment in areas that support the transmission and distribution of urban gas pipeline networks, assisting or acting on behalf of the investee companies for purchase of domestic products and those from abroad, as well as domestic and overseas sale of products produced by the investee companies, and providing after-sales services; investment in consultancy services and technology research and development; operation and sales of liquified natural gas for domestic users.

1.2 Background of Tianjin Clean Energy

Tianjin Clean Energy is principally engaged in the investment, construction and operation of urban gas pipeline network in Tianjin region, construction and gas pipeline installation service, gas passing through service, and supply and sale of natural gas.

1.3 Background of Sinopec Corp or Sinopec Finance Tianjin

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 that 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 an 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; hydrogen energy business and related services such as hydrogen production, storage, transportation and sales; battery charging and swapping, solar energy, wind energy and other new energy business and related services.

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The ultimate holding company of Sinopec Corp is China Petrochemical Corporation, which is a state-owned enterprise incorporated in the PRC 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.

Sinopec Finance Tianjin is a branch company of Sinopec Finance Company Limited, which is a non-bank financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission and is principally engaged in financial services for members of China Petrochemical Corporation. Sinopec Finance Company Limited is owned as to 51% by China Petrochemical Corporation and 49% by Sinopec Corp.

2. Financial information of the Group

Review of financial performance

Set out below is a summary of the consolidated financial information of the Group for each of the three financial years 2020, 2021 and 2022 (“FY2020”, “FY2021” and “FY2022”, respectively), as extracted from the annual reports of the Company for FY2021 and FY2022 (the “Annual Reports”) and for the six months ended 30 June 2022 and 2023 (“1H2022” and “1H2023”, respectively), as extracted from the interim result of the Company for 1H2023 (the “Interim Result”):

	FY2020	FY2021	FY2022	1H2022	1H2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	3,653,866	4,842,926	6,102,638	3,046,876	3,119,303
Cost of sales and services	(3,050,451)	(3,987,485)	(5,375,316)	(2,613,143)	2,734,888
Gross profit	603,415	855,441	727,322	433,733	384,415
Gross profit margin	16.5%	17.7%	11.9%	14.2%	12.3%
Profit for the year/period	360,859	410,025	332,753	263,521	170,481

Source: Annual Reports and Interim Result

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FY2021 versus FY2020

The Group recorded revenue of approximately HK\$3,653.9 million and approximately HK\$4,842.9 million for FY2020 and FY2021, respectively, representing an increase of approximately 32.5%, which was mainly attributable to the increase of the sales of piped natural gas and the construction and gas pipeline installation service for FY2021 as compared to FY2020. During FY2021, the income of the Group from sales of piped natural gas amounted to approximately HK\$4,011.9 million, representing an increase of approximately HK\$1,076.3 million or approximately 36.7% compared to the amount of approximately HK\$2,935.6 million recorded in FY2020 and the income of the Group from construction and gas pipeline installation service amounted to approximately HK\$742.9 million, representing an increase of approximately HK\$116.6 million or approximately 18.6% compared to the amount of approximately HK\$626.3 million recorded in FY2020 which were mainly attributable to the recovery of the domestic economy, the improvement of the external economic environment and the continuous implementation of strict environmental protection policies in the PRC. The gross profit of the Group increased from approximately HK\$603.4 million for FY2020 to approximately HK\$855.4 million for FY2021, which was mainly attributable to the increase in the sales of piped natural gas and the construction and gas pipeline installation service. The gross profit margin remained stable at approximately 16.5% for FY2020 and approximately 17.7% for FY2021.

The profit for the year increased from approximately HK\$360.9 million for FY2020 to approximately HK\$410.0 million for FY2021 which is mainly attributable to the net effect of (i) the above-mentioned increase of revenue as the result of the increase of the sales of piped natural gas and the construction and gas pipeline installation service for FY2021 as compared to FY2020; and (ii) the absence of the net exchange gain of HK\$128.2 million arisen from the full settlement of the US\$ bond for FY2020.

FY2022 versus FY2021

The Group recorded revenue of approximately HK\$4,842.9 million and approximately HK\$6,102.6 million for FY2021 and FY2022, respectively, representing an increase of approximately 26.0%, which was mainly attributable to the increase in revenue from sales of piped natural gas for FY2022 as compared to FY2021. During FY2022, the income of the Group from sales of piped natural gas amounted to approximately HK\$5,380.4 million, representing an increase of approximately HK\$1,368.5 million or approximately 34.1% compared to the amount of approximately HK\$4,011.9 million recorded in FY2021 which was mainly attributable to the continuous increase in demand of piped natural gas by domestic user and industry user and the increase in sales price of piped natural gas. At the same time, the gross profit of the Group decreased from approximately HK\$855.4 million for FY2021 to approximately HK\$727.3 million for FY2022 and the gross profit margin decreased from approximately 17.7% for FY2021 to approximately 11.9% for FY2022, which was mainly attributable to the increase in purchase cost of natural gas as a result of the sharp rise in gas price due to the intensified geopolitical conflicts and the tighter gas supply in some parts of Europe.

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The profit for the year decreased from approximately HK\$410.0 million for FY2021 to approximately HK\$332.8 million for FY2022 mainly due to (i) the above-mentioned sharp decrease of gross profit margin of the Group during FY2022; and (ii) the net exchange loss of approximately HK\$86.1 million as arisen from the retranslation of the US\$-denominated syndicated borrowing and HK\$-denominated bank borrowing in FY2022 in comparison to the net foreign exchange gain of approximately HK\$23.5 million as arisen from the full settlement of a HK\$-denominated borrowing in FY2021.

1H2022 versus 1H2023

The Group recorded revenue of approximately HK\$3,046.9 million and approximately HK\$3,119.3 million for 1H2022 and 1H2023, respectively, representing an increase of approximately 2.4%, which was mainly attributable to the increase of the sales of piped natural gas. During 1H2023, the income of the Group from sales of piped natural gas amounted to approximately HK\$2,793.8 million, representing an increase of approximately HK\$129.9 million or approximately 4.9% compared to the amount of approximately HK\$2,663.8 million recorded in 1H2022. Meanwhile, the gross profit of the Group decreased from approximately HK\$433.7 million for 1H2022 to approximately HK\$384.4 million for 1H2023. The gross profit margin decreased from approximately 14.2% for 1H2022 to approximately 12.3% for 1H2023, which was mainly attributable to the increase of cost of sales and services in terms of expense for safety production fund. Pursuant to “Regulations for Withdrawal and Use of Expenses for Safety Production Funds of Enterprises”, the Company is required to provide safety production funds as specialised reserve based on revenue from sales of piped natural gas and gas passing through service.

The profit for the period decreased from approximately HK\$263.5 million for 1H2022 to approximately HK\$170.5 million for 1H2023 mainly due to the decrease of gross profit and the increase of finance costs.

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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 2021 and 2022 as extracted from the Annual Reports and the unaudited consolidated statement of financial position of the Group as at 30 June 2023 as extracted from the Interim Result:

	31 December 2021	As at 31 December 2022	30 June 2023
	(Audited)	(Audited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	6,478,961	6,634,867	6,401,484
Current assets	1,700,664	1,935,797	1,583,355
Total assets	8,179,625	8,570,664	7,984,839
Non-current liabilities	2,456,544	2,495,709	1,663,144
Current liabilities	3,400,294	3,788,969	4,118,409
Total liabilities	5,856,838	6,284,678	5,781,553
Net current liabilities	(1,699,630)	(1,853,172)	(2,535,054)
Net assets	2,322,787	2,285,986	2,203,286
Equity attributable to owners of the Company	2,252,351	2,220,970	2,121,573
Cash and bank balances	742,181	845,250	737,808
Borrowings:			
Current portion	885,765	1,575,868	2,368,302
Non-current portion	2,238,984	2,328,391	1,519,477
Total borrowings	3,124,749	3,904,259	3,887,779
Current ratio ^{Note 1}	0.50	0.51	0.38
Gearing ratio ^{Note 2}	135%	171%	177%

Source: Annual reports

Note 1: Current ratio represents total current assets divided by total the 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 2022, the Group had current assets of approximately HK\$1,935.8 million, and current liabilities of approximately HK\$3,789.0 million, representing net current liabilities of approximately HK\$1,853.2 million. The net current liabilities of the Group has increased by approximately 9.0% or HK\$153.6 million from approximately HK\$1,699.6 million as at 31 December 2021 to approximately HK\$1,853.2 million as at 31 December 2022. This is mainly attributable to an increase in the current portion of borrowings from approximately HK\$885.8 million as at 31 December 2021 to approximately HK\$1,575.9 million as at 31 December 2022. On the other hand, the non-current portion of borrowings has increased from approximately HK\$2,239.0 million as at 31 December 2021 to approximately HK\$2,328.4 million as at 31 December 2022.

The current ratio of approximately 0.51 time as at 31 December 2022, which remained at a similar level as compared to that as at 31 December 2021, indicated that the Group's ability to meet its short-term repayment obligations continued to be under pressure. The Group's total borrowings amounted to approximately HK\$3,904.3 million as at 31 December 2022, representing an increase of approximately 24.9% or approximately HK\$779.5 million. The net asset of the Company amounted to approximately HK\$2,322.8 million as at 31 December 2021 and HK\$2,286.0 million as at 31 December 2022. Therefore, the Group's gearing ratios rose from approximately 135% as at 31 December 2021 to approximately 171% as at 31 December 2022 which was mainly due to the increase in current portion of borrowings. The high gearing ratio and the increase in short term borrowings indicated that the Group relied highly on short-term debt to support its continuing operations.

As at 31 December 2022, the Group had cash and bank balances of approximately HK\$845.3 million, representing a rise of approximately 13.89% or HK\$103.1 million as compared to that as at 31 December 2021. Such increase was mainly due to additional fundings from debt financing during FY2022. The cash and bank balances of approximately HK\$845.3 million as at 31 December 2022 in comparison to the current portion of borrowings amounted to HK\$1,575.9 million indicated that the Company is facing a challenging cash flow pressure in view of the current liabilities.

As at 30 June 2023, the Group had current assets of approximately HK\$1,583.4 million, and current liabilities of approximately HK\$4,118.4 million, representing net current liabilities of approximately HK\$2,535.1 million. The net current liabilities of the Group has increased by approximately 36.8% or HK\$681.9 million from approximately HK\$1,853.2 million as at 31 December 2022 to approximately HK\$2,535.1 million as at 30 June 2023. This is mainly attributable to the increase of current portion of borrowings from approximately HK\$1,575.9 million as at 31 December 2022 to HK\$2,368.3 million as at 30 June 2023, representing a rise of approximately 50.3%. On the other hand, the non-current portion of borrowings has decreased from approximately HK\$2,328.4 million as at 31 December 2022 to approximately HK\$1,519.5 million as at 30 June 2023.

The current ratio of approximately 0.38 time as at 30 June 2023, which has been decreased as compared to that as at 31 December 2022, indicating that Group's ability to meet its short-term repayment obligations has been worsen. The Group's total borrowings remained at same level at approximately HK\$3,904.3 million as at 31 December 2022 and HK\$3,887.8 million as at 30 June 2023. The net asset of the Company amounted to approximately HK\$2,286.0 million as at 31 December 2022 and HK\$2,203.3 million as at 30 June 2023. Therefore, the Group's gearing ratios remained at the similar level at approximately 171% as at 31 December 2022 and approximately 177% as at 30 June 2023.

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As at 30 June 2023, the Group had cash and bank balances of approximately HK\$737.8 million, representing a drop of approximately 12.7% or HK\$107.4 million as compared to that as at 31 December 2022. Such drop was mainly due to utilisation of working capital for the Group's ordinary course of business in the natural gas business.

3. Reason for and benefits of the Transactions

In assessing whether the New Loan Agreement as supplemented by the New Share Charge and transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole, we have discussed with the management in relation to the aforesaid Company's reasons for entering into the New Loan Agreement and the New Share Charge:

(a) *Intended use of proceeds from the New Loan*

As mentioned in annual report of the Company for FY2022, stepping into 2023, the world has entered into the postepidemic era, the Joint Prevention and Control Mechanism of the State Council of the Central People's Government issued the "Overall Plan for Implementing Class B Management for Category B Infectious Diseases against COVID-19", upon which, the epidemic prevention and control in the PRC would aim to protect health and prevent severe cases and to minimize the impact of the epidemic on economic and social development. The recovery of social activities has brought about economic rebound. Against the backdrop of the gradually improving market environment, the factors affecting the development of the energy industry in the past have also successively turned for the better. The Group believes that, as the supply and demand of natural gas had improved in late 2022, the energy industries such as natural gas are expected to hit a new high in 2023. With the support from the ultimate parent companies of the two largest shareholders of the Company, namely Tianjin TEDA Investment Holding Co., Ltd.* (天津泰達投資控股有限公司) ("TEDA") and Sinopec Corp, the Group will strive to increase its market share and improve its performance, and enhance its influence and competitiveness in the natural gas sector. As mentioned in the Letter from the Board, the New Loan will be utilized by the Group as capital for sourcing of natural gas, to replenish the cashflow of capital for daily operations which is in line with the above development strategy of the Group.

As at 30 June 2023, total liabilities of the Group amounted to approximately HK\$5,781.6 million, of which borrowings amounted to approximately HK\$3,887.8 million, consisting of (i) the current portion of HK\$2,368.3 million; and (ii) the non-current portion of HK\$1,519.5 million. The gearing ratio of the Group (as calculated by total borrowings over net assets) as at 30 June 2023 was approximately 177%. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 0.38 as at 30 June 2023 and the Group recorded net current liabilities amounted to approximately HK\$2,535.1 million as at 30 June 2023. As at 30 June 2023, the Group had cash and bank balances of approximately HK\$737.8 million, representing a drop of approximately 12.7% or HK\$107.4 million as compared to that as at 31 December 2022. The cash and bank balances of approximately HK\$737.8 million as at 30 June 2023 in comparison to the current portion of borrowings amounted to HK\$2,368.3 million indicated that the Company is facing a challenging cash flow pressure in view of the current liabilities. In review of the current financial position of the

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Group, we concur with the management that the Group is of strong need for new cash to replenish its working capital for sourcing of natural gas in order to meet its above-mentioned business development strategy in natural gas sector.

(b) *Other financing alternatives to the New Loan Agreement and the New Share Charge*

Upon enquiry, the management advised that the Group had considered alternative methods, including but not limited to borrowings from banks or other financial institutions, placing, rights issue, open offer and direct subscription of new Shares, for raising sufficient funds before entering into the New Loan Agreement.

In respect of the borrowings from banks or other financial institutions, we are given to understand that the management had approached 12 banks in the PRC apart from Sinopec Finance Tianjin regarding the possibility and feasibility of granting new credit line or loan with loan amount, interest rate, and collaterals comparable to those of the New Loan to the Group. However, certain banks, which preliminary accepted non-listed equity as possible credit enhancements measures, still declined to provide financial assistance of comparable loan amount and interest rate to the Group by October 2023 in view of the current market sentiments and the Share Charge over non-listed equity as the credit enhancement measures which is of relatively higher risk.

As regards the equity fund-raising exercise, such as placing, subscription of new Shares, rights issue and/or open offer, the Company would be required to undergo a relatively lengthy process to (i) identify suitable placing agent(s) and/or underwriter(s) and negotiate terms agreeable to the Company; and (ii) prepare the requisite compliance and legal documentation (including but not limited to underwriting agreement(s), announcement(s), circulars(s) and prospectus(es)), and the Group may not be able to complete the whole process of fund-raising exercise in short term, and therefore, such alternatives may fail to meet the development plan of the Group in the natural gas sector.

Furthermore, the ultimate fund-raising size of equity financing substantially depends on the market sentiment. Having considered the above-mentioned high gearing financial position of the Group and the current market sentiments, the management expected that it would be difficult to attract investors and/or Shareholders to participate in the equity fund-raising exercises in short term. In fact, in exploring other equity and debt alternative financing methods, the management have preliminarily approached financial institutions and investors including listed and private licensed securities firms and banks in Hong Kong and the PRC. Due to the reasons as mentioned above, all other alternative financing plans are not feasible to raise funding amount comparable to that of the New Loan by October 2023.

On the contrary, the entering into of the Transactions will (i) offer a good opportunity for the Group to relieve its short-term liquidity pressure; (ii) not incur a dilution effect on the shareholding of the existing Shareholders; and (iii) demonstrate the continuous financial support to the Group from Sinopec Corp or its associates, a substantial shareholder of the Company. In view of the above, the Directors consider, and we agree with them, that the entering into of the New Loan Agreement and the New Share Charge was the most feasible and suitable fundraising method to the Company.

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In light of the above, we concur with the Directors' view that the entering into of the New Loan Agreement and the New Share Charge is in the ordinary and usual course of business of the Group which is also in the interests of the Company and the Shareholders as a whole.

4. Major terms of the New Loan Agreement

The major terms of the New Loan Agreement and the Guarantees are set out as below:

Date:	17 August 2023
Lender:	Sinopec Finance (Tianjin)
Borrowers:	Tianjin Clean Energy
Amount of the New Loan:	Term loan of RMB300 million
Purpose of the New Loan:	As capital for general operations
Term of the New Loan:	36 months from the date of the New Loan Agreement
Interest rate:	<p>For the first 12-month period after the drawdown date, the one-year loan prime rate (LPR) as published by the National Interbank Funding Center in the most recent month as of the drawdown date plus 50 basis points (i.e. LPR+0.5%); and the LPR shall be updated for every 12-month period thereafter. Accrued interest is payable on a quarterly basis.</p> <p>Punitive interest shall be charged for delay in payment of principal (at the agreed interest rate increased by 50%) on the amount of principal and for the period delayed, and for use of proceeds of the New Loan other than the agreed purpose (at the agreed interest rate increased by 100%) on the amount of principal and for the period used for purpose other than as agreed. Compound interest shall be charged on amount of interest due and unpaid.</p>
Repayment terms:	<p>The outstanding principal amount and interest of the New Loan shall be repaid by 16 August 2026.</p> <p>Early repayment by Tianjin Clean Energy of the New Loan shall be subject to consent of Sinopec Finance Tianjin.</p>

For further details of the terms of the New Loan Agreement, please refer to the Letter from the Board.

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Interest rate

Pursuant to the terms of the New Loan Agreement, interest will accrue on the principal under the New Loan Agreement with reference to the one-year LPR as published by the National Interbank Funding Centre in the most recent month of the date of drawdown plus 50 basis points. As set out in the New Loan Agreement, the interest rate under the New Loan Agreement is with reference to the LPR. Based on our independent research, we understand that the LPR, which was introduced in August 2019, is the most preferential lending rate published by the People's Bank of China (the "PBOC") and offered by commercial banks to clients. The LPR is based on a weighted average of lending rates from 18 commercial banks, which will submit their LPR quotations, based on what they bid for the PBOC liquidity in open market operations, to the national interbank funding centre. Since then, the PBOC has been publishing the loan prime rate for the one-year and five-year RMB loan on a monthly basis. The terms of the New Loan Agreement (including the interest rate) were determined after arm's length negotiation between the parties and with reference to the commercial practice, the terms of loan the Group has obtained from independent third parties and the costs of funding of the Group. We have conducted desktop research on the LPR and considered the prevailing one-year LPR as published by the National Inter-bank Funding Centre (authorized by the People's Bank of China) of 3.55% per annum as at the date of the New Loan Agreement. We noted that the effective interest rate under the New Loan Agreement is 4.05% as at the date of the New Loan Agreement.

In determining the fairness and reasonableness of the interest rate under the New Loan Agreement, we have obtained and reviewed the existing financing agreements entered into between the Group and independent third party financial institutions in the PRC for conducting comparison on the interest rate pricing mechanism in order to ensure that the interest rate under the New Loan Agreement is on normal commercial terms and in the interest of the Company and Shareholders as a whole. Based on the aforesaid documents provided by the Company, which represented an exhaustive list of the existing financing agreements in force entered into between the Group and independent third party financial institutions in the PRC, we noted that the Group currently has 24 existing loan financing agreements (the "Existing Loan Comparables") of which the effective interest rate of each loan agreement as at the date of the New Loan Agreement is within the range between 3.00% and 5.00%, with average and median of 4.11% and 4.13%, respectively. (15 out of 24: equal to or exceeding 4.05%, being the effective interest rate under the New Loan Agreement). The interest rate under the New Loan Agreement is within the range of the same under the Existing Loan Comparables.

In addition, the management has approached 12 banks in the PRC apart from the Sinopec Finance (Tianjin) regarding the possibility and feasibility of granting new credit line or loan of comparable loan amount, term, interest rate and collaterals to the Group. However, such banks declined to provide financial assistance of loan amount and interest rate comparable to those of the New Loan to the Group by October 2023 in view of the current market sentiments and the Share Charge over non-listed equity as the credit enhancement measures which is of relatively higher risk.

Given the above, we are of view that (i) it is a market norm to apply LPR set by PBOC as reference rate for loan interest; and (ii) the interest rate under the New Loan Agreement is no less favourable than those offered by the independent third party financial institutions in accordance with the Existing Loan Comparables. Therefore, we concur with the Company that the interest rate under the New Loan Agreement is fair and reasonable and in the interest of the Company and Shareholder as a whole.

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5. Major terms of the New Share Charge

On 17 August 2023, BHI Tianjin (as chargor) and Sinopec Finance Tianjin (as chargee) entered into the New Share Charge pursuant to which BHI Tianjin conditionally grants security in favour of Sinopec Finance over (i) 100% of the total equity interest in Tianjin Clean Energy and (ii) 85% of the total equity interest in Zhuozhou Binhai (being the entire equity interests held by the Group in Tianjin Clean Energy and Zhuozhou Binhai), as security for due performance of the obligations of the Borrowers under the Previous Loan Agreements and of the obligations of Tianjin Clean Energy under the New Loan Agreement.

The Original Share Charge will be automatically terminated upon successful registration of equity pledge in respect of the New Share Charge, and BHI Tianjin and Sinopec Finance Tianjin shall carry out the relevant registration and filing formalities.

Upon full repayment of all amounts under the Previous Loans, the Pledged Assets under the New Share Charge shall be reduced to only comprise 50% of the equity interests in Tianjin Clean Energy as security for the New Loan. BHI Tianjin and Sinopec Finance Tianjin will execute a supplemental agreement for such reduction in the Pledged Assets and carry out the necessary registration and filing requirements in respect of the change.

According to the audited financial statements for the year ended 31 December 2022 of BHI Tianjin, the book value of the long term equity investment in respect of 100% of the total equity interest in Tianjin Clean Energy and 85% of the total equity interest in Zhuozhou Binhai held by BHI Tianjin amounted to approximately RMB1,204 million and RMB85 million respectively as at 31 December 2022.

The New Share Charge is an extension of the Original Share Charge for the Previous Loans and the New Loan financed by Sinopec Finance (Tianjin) to support the operations of the Group. As at the Latest Practicable Date, the remaining outstanding amount of the Previous Loans was RMB300 million and the New Loan to be provided under the New Loan Agreement will be in the principal amount of RMB300 million.

The assets over which security is to be created under the New Share Charge (namely, the equity interests held by the Group in Tianjin Clean Energy and Zhuozhou Binhai) was determined with reference to the value of such assets and the ratio of the aggregate value of the underlying assets of the Share Charge to the outstanding aggregate principal of the Previous Loans, the New Loan and the interest payable under the Previous Loan and the New Loan Agreement (the “**Share Charge Ratio**”) being approximately 1.9.

Upon full repayment of all amounts under the Previous Loans, the Pledged Assets under the New Share Charge shall be reduced to only comprise 50% of the equity interests in Tianjin Clean Energy as security for the New Loan. The Share Charge Ratio shall be reduced to approximately 1.8.

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Enforcement of Security

The security created under the New Share Charge shall become immediately enforceable if:

- i. Tianjin Clean Energy fails to fulfil any payment obligation under the New Loan Agreement when due;
- ii. Tianjin Clean Energy fails to provide additional security in accordance with the New Share Charge;
- iii. Tianjin Clean Energy is filed for bankruptcy or closure of business, dissolved, liquidated, suspended of business, revoked of business license; or
- iv. such other situations where Sinopec Finance Tianjin considers necessary to enforce the security.

If the ratio of the value of the Pledged Assets to the amount of principal and interest due under loans secured under the New Share Charge falls to 120% (the “**Enforcement Ratio**”) or below, Sinopec Finance Tianjin shall also have the right to realize the Pledged Assets in order to obtain prior repayment from the proceeds thereof.

Provision of Additional Security

Under the New Share Charge, BHI Tianjin shall be required to provide additional security to Sinopec Finance Tianjin under each of the following circumstances:

1. If the Pledged Assets are damaged or there is apparent reduction in the value of such assets not attributable to the reason of Sinopec Finance Tianjin which are sufficient to jeopardized the interest of Sinopec Finance, Sinopec Finance Tianjin may request BHI Tianjin to provide supplementary security.
2. If the ratio of the value of the Pledged Assets to the amount of principal and interest due under loans secured under the New Share Charge falls to 140% (the “**Additional Security Ratio**”) or below, BHI Tianjin shall provide additional security to Sinopec Finance Tianjin to make up for the fall in value of the Pledged Assets.

Condition Precedent

The carrying out of transactions under the New Share Charge is subject to the condition precedent of the Company having complied with the requirements under the Listing Rules.

For further details of the terms of the New Share Charge, please refer to the Letter from the Board.

We noted that the aggregate value of the New Share Charge (i.e. approximately RMB1,289 million) as at 31 December 2022 is higher than the aggregate amount of the loan amounts under the Previous Loan Agreements and the New Loan Agreement (i.e. RMB600 million) and the interest payable.

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As advised by the management after approaching 12 banks in the PRC regarding the possibility and feasibility of granting secured loan with comparable loan amount, term, interest rate to the Group, it is noted that the provision of collateral pledge with additional security ratio and enforcement ratio for the financing arrangement is a normal commercial practice and the credit risk borne by the lender and the interest rate chargeable will generally decrease as the value of the collateral increases. Moreover, we understand that the Pledged Assets may also be subject to a substantial marketability discount to compensate for their low liquidity. The Additional Security Ratio of 140% under the New Share Charge is below the range of additional security ratios from 145% to 155% as advised by banks in the PRC under normal commercial practices for the pledge of non-listed equity interest. The Enforcement Ratio of 120% under the New Share Charge is below the range of enforcement ratios from 135% and 145% as advised by banks in the PRC under normal commercial practices for the pledge of non-listed equity interest. In addition, we have reviewed the loan agreements and the relevant pledge and guarantee agreements (if any) of 24 Existing Loan Comparables entered into between the Group and independent third party financial institutions in the PRC. We noted that amongst 8 out of 24 Existing Loan Comparables which represents an exhaustive list of existing loan agreements entered between the Group and independent third party financial institutions with collateral pledge (the “**Existing Loan Comparables with Collateral Pledge**”), the Group facilitated its financing arrangement with independent third party financial institutions through provision of income rights, fixed deposit or account receivables as collateral pledge. The average and median of the interest rates of the Existing Loan Comparables with Collateral Pledge are more favourable than those of Existing Loan Comparables with same loan period which do not require collateral pledge. We concur with the management that it is a normal commercial practice to provide collateral pledge under the terms of additional security ratio and enforcement ratio for facilitating the financing arrangement with financial institutions. In light of the above, we consider the provision of the New Share Charge is on normal commercial terms which is in line with normal commercial practices.

Further, despite the Company’s consultations with various third party financial institutions during 2023, the Company failed to obtain loans from any third party financial institutions on terms better than the terms of the New Loan Agreement and of the New Share Charge. As informed by the management, the New Share Charge is in line with market practice and is required by Sinopec Finance Tianjin in order to reduce its risk exposure and to provide an adequate level of protection against the BHI Tianjin’s default. We have reviewed the audited financial statement for the year ended 31 December 2022 of BHI Tianjin in comparison to the borrowing amount provided under the facilities of the New Loan and understand that in the light of the Group’s high gearing financial position and the significant amount of existing financing agreements, the Group has not been able to obtain bank borrowings with an amount comparable to the valuation amount of the security available under the New Loan Agreement as supplemented by the New Share Charge from commercial banks or financial institutions on terms acceptable to the Group.

The management has approached 12 banks in the PRC apart from the Sinopec Finance Tianjin regarding the possibility and feasibility of granting new secured loan with comparable terms on Share Charge Ratio, Enforcement Ratio and Additional Security Ratio. However, 9 of such banks declined to provide financial assistance with comparable terms in view of the relatively higher market risk and legal risk of the share charge over the non-listed equity interest in comparison to those pledges over listed equity interest or other physical assets. On the other hand, the other 3 of such banks after discussion preliminarily agreed to consider non-listed equity interest as collateral pledge on the condition that the Share Charge Ratio should be not less than 2. The Share Charge Ratio under the

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New Loan Agreement as secured by the New Share Charge is approximately 1.9 as at the Latest Practicable Date. As such, we consider that such arrangement under the New Share Charge is fair and reasonable and in the interest of the Shareholder as a whole.

6. Potential financial effects of the Transactions

Net asset value

According to the Interim Results of the Company for the six months ended 30 June 2023, the audited net asset value of the Group as at 30 June 2023 was approximately HK\$2,203.3 million. The Transactions are not expected to have any material effect on the net asset value of the Group save for the interest expenses incurred thereof.

Earnings

Apart from the interest expenses arising from the New Loan Agreement, the Transactions are not expected to have any impact on the Group's financial results.

Working Capital and gearing

According to the Letter from the Board, it is the intention of the Company to replenish the Group's working capital through the Transactions. As mentioned in the section headed "2. Financial information of the Group" of this letter, the Group's gearing ratio (being total debts (i.e. total consolidated borrowings) to the equity) was approximately 177% as at 30 June 2023 and the Group's current ratio (being total current assets divided by total the current liabilities) was approximately 0.38 as at 30 June 2023. It is expected that the gearing ratio of the Group would increase following the drawdown of the New Loan. The current ratio of the Group would increase as the drawdown of the New Loan with a term of three years would improve the short-term liquidity of the Group.

Apart from the interest expenses arising from the New Loan Agreement, the Transactions are not expected to have any impact on the Group's financial results.

LETTER FROM OCTAL CAPITAL

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the entering into of the New Loan Agreement and the New Share Charge is in the ordinary and usual course of business of the Group and the Transactions are on normal commercial terms, the terms of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned and the Transactions are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the SGM for approving the New Loan Agreement, the New Share Charge and the transactions contemplated thereunder.

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 30 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

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

1. RESPONSIBILITY STATEMENT

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

(A) Interests and short positions of Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or 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 are as follows:

(i) Long positions in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of total issued share capital of the Company
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 share options held	Approximate percentage of total issued share capital of the Company
Mr. GAO Liang	3,086,444	0.23%

Notes:

1. The percentage was calculated based on 1,352,942,917 Shares in issue as at the Latest Practicable Date.
2. These share options were granted pursuant to the share option scheme of the Company adopted on 13 January 2021. 1,174,143 of these share options are exercisable at HK\$1.32 per Share, and 1,912,301 of these share options are exercisable at HK\$1.69 per Share.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (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.

As at the Latest Practicable Date, so far as is known to any Director, 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
Mr. Hu Hao	TEDA	General Manager
Mr. Wang Xin	China Petroleum & Chemical Corporation Natural Gas Branch Company* (中國石油化工股份有限公司天然氣分公司)	Deputy General Manager
	Sinopec Great Wall Energy Investment Company Limited	Deputy General Manager
Mr. Wang Gang	Tianjin TEDA Industrial Group Co., Ltd.* (天津泰達實業集團有限公司)	Chairman and General Manager
	TEDA	Assistant to General Manager
Mr. Shen Hong Liang	China Petroleum & Chemical Corporation Natural Gas Branch Company* (中國石油化工股份有限公司天然氣分公司)	Manager of the terminal market development centre
Mr. Yu Ke Xiang	Tianjin TEDA Industrial Group Co., Ltd.* (天津泰達實業集團有限公司)	Assistant to General Manager and the Head of Capital Operation Department
	TEDA Hong Kong Property Company Limited	Director

* For identification purpose only

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date,

- (a) none of the Directors were materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his close associates were appointed to represent the interests of the Company and/or the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group which is not expiring or may not be terminated by the relevant member of the Group within one year without payment of any compensation (other than statutory compensation).

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose advice and/or report are contained in this circular:

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

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

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

As at the Latest Practicable Date, (1) Octal did not have any shareholding directly or indirectly in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and (2) Octal did not have any interest, directly or indirectly, in any asset 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 2022, being the date to which the latest published audited financial statements of the Company were made up.

8. DOCUMENTS ON DISPLAY

Copies of the Previous Loan Agreements, the New Loan Agreement and the New Share Charge are available for inspection on the HKEXnews website (www.hkexnews.hk) and the Company's website (www.binhaiinv.com) for a period of 14 days from the date of this circular (both days inclusive).

9. MISCELLANEOUS

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF SGM



濱海投資有限公司

BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2886)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“**Meeting**”) of Binhai Investment Company Limited (the “**Company**”) will be held at 35/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong at 10:00 a.m. on Thursday, 28 September 2023 for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the entering into of the New Loan Agreement (as defined in the circular to the shareholders of the Company dated 7 September 2023 (the “**Circular**”), of which this notice forms part), a copy of which has been produced to this meeting marked “A” and signed by the chairman of this meeting for identification purpose, and the transactions contemplated thereunder and in connection therewith be and are hereby confirmed, approved, authorised and/or ratified in all respects;
- (b) the entering into of the New Share Charge (as defined in the Circular, of which this notice forms part, a copy of which has been produced to this meeting marked “B” and signed by the chairman of this meeting for identification purpose, and the transactions contemplated thereunder and in connection therewith be and are hereby confirmed, approved, authorised and/or ratified in all respects; and
- (c) any director(s) of the Company be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company in accordance with the bye-laws of the Company to) any documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be necessary or incidental to, ancillary to or in connection with the Transactions and (to the extent permitted by the applicable laws, regulations and rules) to approve and/or make amendments and modifications (including extension or relaxation of time period or constraints) to the terms and conditions thereof as such director(s) may deem necessary and in the interests of the Company and its shareholders to do so.”

By order of the Board of
BINHAI INVESTMENT COMPANY LIMITED
Gao Liang
Executive Director

Hong Kong, 7 September 2023

NOTICE OF SGM

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one proxy or more proxies (if a member who is the holder of two or more ordinary shares of the Company) to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where there are joint holders of any ordinary share of the Company any one of such joint holder may vote, either in person or by proxy, in respect of such ordinary share of the Company as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
3. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited with the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 25 September to 28 September 2023 both days inclusive, during which period no transfer of ordinary shares of the Company will be registered. In order to be eligible to attend and vote at the meeting, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 22 September 2023.
5. All resolutions set out in this notice will be decided by poll at the meeting.
6. In case Typhoon Signal No. 8 or above is hoisted, or a Black Rainstorm Warning Signal or "extreme conditions caused by a super typhoon" announced by the Government of Hong Kong is/are in force in Hong Kong at or at any time after 7:00 a.m. on the date of the meeting, the meeting will be adjourned. The Company will post an announcement on the corporate website of the Company (www.binhaiinv.com) and the designated website of the Stock Exchange (www.hkexnews.hk) to notify holders of ordinary shares of the Company of the date, time and place of the adjourned meeting. The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Holders of ordinary shares of the Company should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situation.
7. As at the date of this notice, the Board comprises three executive Directors, namely, Mr. Hu Hao, Mr. Wang Xin and Mr. Gao Liang, three non-executive Directors, namely, Mr. Wang Gang, Mr. Shen Hong Liang and Mr. Yu Ke Xiang and four independent non-executive Directors, namely, Mr. Ip Shing Hing, *B.B.S., J.P.*, Mr. Lau Siu Ki, Kevin, Professor Japhet Sebastian Law and Dr. Tang Lai Wah.