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

If you have sold or transferred all your shares in **Binhai Investment Company Limited**, you should at once hand this circular 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 TRANSACTIONS
RECEIPT OF FINANCIAL ASSISTANCE AND PROVISION OF SECURITY
AND
NOTICE OF SPECIAL GENERAL MEETING**

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



金融有限公司

OCTAL Capital Limited

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

A letter from the Board is set out on pages 7 to 17 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 18 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 Loan Agreements, the Share Charge and the transactions contemplated thereunder is set out on pages 19 to 36 of this circular.

A notice convening the SGM to be held on Tuesday, 8 February 2022 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 17M 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.

PRECAUTIONARY MEASURES FOR THE SGM

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

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

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

17 January 2022

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PRECAUTIONARY MEASURES FOR THE SGM

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

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

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

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

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

PRECAUTIONARY MEASURES FOR THE SGM

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

Email: prd@binhaiinv.com

Tel: (852) 2572 9228

Fax: (852) 2572 9283

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

Hong Kong Registrars Limited

17M Floor, Hopewell Centre

183 Queen's Road East, Wanchai, Hong Kong

Website: www.computershare.com/hk/contact

Tel: (852) 2862 8555

Fax: (852) 2865 0990

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
“Guarantees”	the two deeds of guarantee executed by TEDA in favour of Sinopec Finance Tianjin guaranteeing the respective obligations of the Borrowers under each of the Loan Agreements
“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>J.P.</i> , Mr. Lau Siu Ki, Kevin and Professor Japhet Sebastian Law, 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

DEFINITIONS

“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”	12 January 2022, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	the loans in the amount of RMB430 million and RMB200 million made available by Sinopec Finance Tianjin to BHI Tianjin and Tianjin Clean Energy respectively subject to and upon the terms of the Loan Agreements
“Loan Agreements”	the two loan agreements entered into between each of the Borrowers and Sinopec Finance Tianjin both dated 4 November 2020, and “Loan Agreement” means any one of them
“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)
“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 Tuesday, 8 February 2022 for the purpose of considering and, if thought fit, approving, among others, 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

DEFINITIONS

“Share Charge”	the share charge dated 24 December 2021 executed by BHI Tianjin in favour of Sinopec Finance Tianjin by way of a fixed charge over (i) 100% of the equity interest of Tianjin Clean Energy and (ii) 85% of the equity interest of Zhuozhou Binhai, as security for due performance of the obligations of the Borrowers under the Loan Agreements
“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 with limited liability, 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
“TEDA”	Tianjin TEDA Investment Holding Co., Ltd.* (天津泰達投資控股有限公司), a state-owned enterprise established in the PRC, the controlling shareholder of the Company indirectly interested in approximately 39.50% of the total Shares in issue as at the date of the Latest Practicable Date
“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 entering into of the Loan Agreements and the Share Charge and the transactions contemplated thereunder and in connection therewith
“US\$”	US dollars, the lawful currency of the United States
“2020 US\$ Bonds”	US\$300,000,000 in aggregate principal amount of 4.45 per cent. bonds due 2020 issued by the Company to Guotai Junan Securities (Hong Kong) Limited and Standard Chartered Bank, details of which are set out in the announcements of the Company dated 23 November 2017 and 30 November 2017

DEFINITIONS

“Zhuzhou Binhai” Zhuzhou 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. Wang Zhiyong (*Chairman*)
Mr. Zuo Zhi Min (*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, *J.P.*
Mr. Lau Siu Ki, Kevin
Professor Japhet Sebastian Law

17 January 2022

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTIONS
RECEIPT OF FINANCIAL ASSISTANCE AND PROVISION OF SECURITY
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 24 December 2021.

By the Loan Agreements both dated 4 November 2020 entered into between each of the Borrowers (each a wholly-owned subsidiary of the Company) (each as borrower) and Sinopec Finance Tianjin (as lender), Sinopec Finance Tianjin made available to the Borrowers the Loans, being term loans of an aggregate amount of RMB630 million. By the Guarantees both dated 4 November 2020 entered into among TEDA (as guarantor), Sinopec Finance Tianjin and each of the Borrowers, TEDA provided guarantee to secure the due performance of the Borrowers' obligations under the Loan Agreements.

LETTER FROM THE BOARD

The transactions contemplated under the Loan Agreements and under the Guarantees represented financial assistance provided by connected persons of the Company for the benefit of the Group, which were on normal commercial terms or better and were not secured by the assets of the Group, and were therefore fully exempt from the reporting, announcement and Independent Shareholders' approval requirements for connected transactions pursuant to Rule 14A.90 of the Listing Rules.

On 24 December 2021, BHI Tianjin (as chargor) and Sinopec Finance Tianjin (as chargee) entered into the Share Charge pursuant to which BHI Tianjin conditionally grants security in favour of Sinopec Finance Tianjin by way of a fixed charge over (i) 100% of the equity interest of Tianjin Clean Energy and (ii) 85% of the equity interest of Zhuozhou Binhai, as security for due performance of the obligations of the Borrowers under the Loan Agreements.

As the Share Charge constitutes security over the assets of the Group, the receipt of financial assistance under the Loan Agreements by the Group would no longer be exempt from the reporting, announcement and Independent Shareholders' approval requirements for connected transactions under Rule 14A.90 of the Listing Rules, and thus compliance by the Company with requirements under Chapter 14A of the Listing Rules in relation to the Loan Agreements and the Share Charge becomes necessary.

The Transactions constitutes a connected transaction of the Company under the Listing Rules and is subject to announcement, circular 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) letter of advice from the Independent Board Committee in relation to the Transactions; (iii) 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 LOAN AGREEMENTS AND THE GUARANTEES

On 4 November 2020, each of the Borrowers entered into the Loan Agreements with Sinopec Finance Tianjin, pursuant to which Sinopec Finance Tianjin made available to the Borrowers the Loans, being term loans of an aggregate amount of RMB630 million. On the same date, TEDA entered into the Guarantees with Sinopec Finance Tianjin and each of the Borrowers, pursuant to which TEDA provided guarantee to secure the due performance of the Borrowers' obligations under the Loan Agreements. The salient terms of the Loan Agreements and the Guarantees are as follows:

Date	:	4 November 2020
Lender	:	Sinopec Finance Tianjin (as lender)
Borrowers	:	BHI Tianjin and Tianjin Clean Energy

LETTER FROM THE BOARD

Guarantor : TEDA

Amount of Loans : (i) Term loan of RMB430 million to BHI Tianjin
(ii) Term loan of RMB200 million to Tianjin Clean Energy

The aggregate amount of Loans drawn under the Loan Agreements are RMB630 million. As at the Latest Practicable Date, the outstanding principal amount under the Loans was RMB600 million (as the Borrowers early repaid a portion of the principal of the Loans). There will be no further drawdown under the Loans.

Term of the Loans : 36 months from the date of the Loan Agreements

Interest rate : For the first 12-month period after the drawdown date (being 5 November 2020), 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 60 basis points (i.e. LPR+0.6%); and the LPR shall be updated for every 12-month period thereafter, i.e. on 5 November 2021 and 5 November 2022 respectively. Accrued interest is payable on a quarterly basis.

Repayment terms : All outstanding principal amount and interest of the Loans shall be repaid by 4 November 2023.

Early maturity of the Loans : Under the following circumstances, Sinopec Finance Tianjin has the right to stop making available the undrawn part of the Loans and demand the immediate repayment of all outstanding principal amount and interest of the Loans:

- i. the representations and warranties given by the Borrower under the relevant Loan Agreement are not true;
- ii. the Borrower breaches the relevant Loan Agreement;
- iii. there exist circumstances where the Borrower is required to inform Sinopec Finance Tianjin pursuant to the relevant Loan Agreement and Sinopec Finance Tianjin considers that its rights as a creditor will be adversely affected;

LETTER FROM THE BOARD

- iv. the Borrower breaches and continues to breach despite Sinopec Finance Tianjin's reminder any obligations under other agreements with Sinopec Finance Tianjin;
- v. there is abnormal use of the Loans; or
- vi. there exists circumstances where Sinopec Finance Tianjin in its reasonable opinion believes that the Borrower may not (or may not be able to) perform any of its obligations under the relevant Loan Agreement.

Covenants : The Borrower 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 relevant Loan Agreement have been fully settled or a repayment proposal has been approved by Sinopec Finance Tianjin:

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

The Borrower shall notify Sinopec Finance Tianjin within 7 days after 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 the Borrower, or reaching of decision that have significant impact of the Borrower's finance or personnel;
- ii. the Borrower or the Guarantor or its creditor filing for bankruptcy of the Borrower or the Guarantor;
- iii. major litigation or arbitration, or junctive measures on major assets or underlying assets of security under the relevant Loan Agreement, of the Borrower;
- iv. the Borrower's financial condition or its ability to perform its obligations under the relevant Loan Agreement being materially adversely affected as a result of the Borrower's provision of guarantee to third parties;

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- v. the signing of agreements that have material impact on the Borrower's operation and financial condition;
- vi. ceasing of production or operation, dissolution or revocation of licence of the Borrower or the Guarantor;
- vii. the Borrower or its legal representative or key management personnel involving in illegal activities; or
- viii. the Borrower encountering serious business difficulties or deterioration of financial condition, or other circumstances adversely affecting the Borrower's operation, financial condition or ability to repay.

The terms of the Loan Agreements (including the interest rate) were determined after arm's length negotiations between the parties and with reference to the commercial practice and the terms of loans which the Group had obtained from independent third parties and the costs of funding of the Group.

THE SHARE CHARGE

On 24 December 2021, BHI Tianjin (as chargor) and Sinopec Finance Tianjin (as chargee) entered into the Share Charge pursuant to which BHI Tianjin conditionally grants security in favour of Sinopec Finance Tianjin by way of a fixed charge 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 Loan Agreements.

According to audited financial statements for the year ended 31 December 2020 of BHI Tianjin, the book value of the long term equity investment in respect of the 100% of the total equity interest in Tianjin Clean Energy and the 85% of the total equity interest in Zhuozhou Binhai held by BHI Tianjin amounted to approximately RMB1,204 million and RMB85 million respectively as of 31 December 2020.

Condition Precedent

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

LETTER FROM THE BOARD

Enforcement of Security

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

- i. any of the Borrowers fails to fulfil any payment obligation under the relevant Loan Agreement when due;
- ii. any of the Borrowers fails to provide additional security in accordance with the Share Charge;
- iii. any of the Borrowers 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 assets charged under the Share Charge to the amount of principal and interest due under the Loan Agreements falls to 55% or below, Sinopec Finance Tianjin shall also have the right to realize the assets charged under the Share Charge in order to obtain prior repayment from the proceeds thereof.

Provision of Additional Security

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

1. If the assets charged under the Share Charge 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 jeopardize the interests of Sinopec Finance Tianjin, Sinopec Finance Tianjin may request BHI Tianjin to provide supplementary security.
2. If the ratio of the value of the assets charged under the Share Charge to the amount of principal and interest due under the Loan Agreements falls to 60% or below, BHI Tianjin shall provide additional security to Sinopec Finance Tianjin to make up for the fall in value of the assets charged under the Share Charge.

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

The 2020 US\$ Bonds were due to be redeemed on 30 November 2020. The aggregate amount of the principal and interest payable upon redemption of the 2020 US\$ Bonds was approximately US\$307 million. In view of the turbulent Hong Kong capital market and the weakening of overall economic development as a result of the 2019 Novel Coronavirus pandemic resulting in the limiting of the Company's financing channels and increasing of the Company's financing costs during the relevant period of time, the Company considered the borrowing of the Loans (together with other financing channels) was the most effective way of raising funds for the Group in order to facilitate the repayment of the 2020 US\$ Bonds by the Company in terms of reduction of the Group's financing cost.

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Considering the prevailing LPR for the first and second 12-month periods after the drawdown date as published by the National Inter-bank Funding Centre (authorized by the People's Bank of China) of 3.85% per annum (based on which the interest rate for the first and second 12-month periods after the drawdown date under the Loan Agreements would accordingly both be 4.45% per annum), and taking into account the interest rates of all of the other existing loan financing agreements entered into between the Group and independent third party financial institutions in the PRC (the effective interest rates of which range between 3.70% and 5.60%, with average and median of 4.65% and 4.60% respectively with the majority of these agreements having interest rates equal to or exceeding 4.45%; and the effective interest rates of those secured by guarantees from the Group which range between 4.35% and 5.60%, with average and median of 4.99% and 4.90%, respectively with the majority of these agreements having effective interest rates equal to or exceeding 4.45%), the Company considered that the effective interest rate under the Loan Agreement was comparable to market rates.

The assets over which security is to be created under the 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 Share Charge to the outstanding aggregate principal of the Loans being approximately 2, which was in line with the general market standard of equity pledge ratio of shares in non-listed companies.

Despite the Company's consultations with various third part financial institutions during 2021, the Company failed to obtain loans from any third party financial institutions on terms better than the terms of the Loan Agreements as supplemented by the Share Charge. As stated in the 2020 Annual Report of the Company, the Group would in 2021 continue to follow the PRC's "14th Five Year Plan" (《十四五规划》) of the Central Government of the PRC in terms of energy planning and the guidance of the "2060 carbon neutral target", firmly grasp the transformation direction and pace of the energy industry, and continue to improve the construction of natural gas pipeline network and business development based on the existing geographical advantages of operation. Accordingly, the Group will optimize the layout and structure of energy production, improve the efficiency of oil and gas resources allocation, and fully carry out value-added businesses while maintaining the revenue growth of the existing businesses. Owing to the said business strategy of the Group, in the future, with the support from the ultimate parent companies of the two largest shareholders of the Company, namely TEDA and Sinopec Corp, the Group intends to integrate its own resources and advantages and further expand comprehensive energy businesses. Taking into consideration the long-term relation between the Company and its substantial shareholder, Sinopec Corp, the continuous support provided by the Sinopec Corp which creates essential synergy between the Group and the Sinopec Corp and the continuous financing needs of the Company 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.

LETTER FROM THE BOARD

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, gas passing through service and sales of bottled natural gas.

BHI Tianjin is a wholly-owned subsidiary of the Company, which 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 a wholly-owned subsidiary of the Company, which is principally engaged in the investment, construction and operation of urban gas pipeline network in Tianjin region, provision of natural gas connection services, supply and sale of natural gas.

Zhuozhou Binhai is a non-wholly owned subsidiary of the Company, which is principally engaged in the production and supply of fuel gas encouraged and permitted by the PRC Government, research on the development of environmentally-friendly gas appliances and new combustion technologies, sale of the Company's products, and design and construction of gas-related supporting projects.

TEDA is a state-owned enterprise established in the PRC and a controlling shareholder of the Company. The principal business areas of TEDA are regional development, public utilities, finance and modern services.

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.

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.

LETTER FROM THE BOARD

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 bank and financial services. 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 29.99% 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 connected transactions of the Company under Chapter 14A of the Listing Rules.

As 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 Shareholders who have 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. As of the Latest Practicable Date, Sinopec Corp through its wholly-owned subsidiary was indirectly interested in 405,472,337 Shares (representing approximately 29.99% of the total number of Shares in issue), and TEDA through its subsidiaries was indirectly interested in 534,113,305 Shares (representing approximately 39.50% of the total number of Shares in issue). TEDA and Sinopec Corp and their respective associates holding Shares are required to abstain from voting on the ordinary resolution approving the Transactions at the SGM.

As TEDA and an associate of Sinopec Corp have material interest in the Transactions, for good corporate governance practices, Mr. Wang Zhiyong and Mr. Wang Gang, being Directors who also hold executive positions in TEDA, and Mr. Yu Ke Xiang, being a Director who also holds executive positions in certain subsidiaries of TEDA, as well as Mr. Zuo Zhi Min and Mr. Shen Hong Liang, being Directors who hold executive positions in a subsidiary and/or a branch company of Sinopec Corp, abstained from voting on the resolutions of the Board approving the Transactions.

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, after taking into account the recommendation of the Independent Financial Adviser. In this connection, the Independent Financial Adviser has

LETTER FROM THE BOARD

been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Loan Agreements and the Share Charge and the transactions contemplated thereunder. The text of the letter from the Independent Board Committee is set out on page 18 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is out on pages 19 to 36 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 Tuesday, 8 February 2022 at which, among others, 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 17M 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 Monday, 31 January 2022 to Tuesday, 8 February 2022, 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 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 for registration no later than 4:30 p.m. on Friday, 28 January 2022.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 18 of this circular and the letter from the Independent Financial Adviser on pages 19 to 36 of this circular to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Loan Agreements and the Share Charge.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Loan Agreements as supplemented by the Share Charge is not in the ordinary and usual course of business of the Group, but is 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. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Loan Agreements, the Share Charge and the transactions contemplated thereunder and in connection therewith. 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.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendix 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)

17 January 2022

To the Independent Shareholders,

Dear Sir or Madam,

CONNECTED TRANSACTION RECEIPT OF FINANCIAL ASSISTANCE AND PROVISION OF SECURITY

We refer to the circular of the Company dated 17 January 2022 (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 Loan Agreements, the Share Charge and the transactions contemplated thereunder. Octal Capital Limited has been appointed as the independent financial adviser to advise you and us in the same regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 19 to 36 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 Loan Agreements and the Share Charge and the transactions contemplated thereunder, 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 entering into of the Loan Agreements as supplemented by the Share Charge is not in the ordinary and usual course of business of the Group but is 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. We therefore recommend you to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Loan Agreements and the Share Charge and the transactions contemplated thereunder and in connection therewith.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Mr. Ip Shing Hing, J.P.

Mr. Lau Siu Ki, Kevin

Professor Japhet Sebastian Law

Independent non-executive Directors

LETTER FROM OCTAL CAPITAL

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



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

17 January 2022

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONNECTED TRANSACTION RECEIPT OF FINANCIAL ASSISTANCE AND PROVISION OF SECURITY

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreements and the 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 17 January 2022 (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.

By the Loan Agreements both dated 4 November 2020 entered into between each of the Borrowers (each a wholly-owned subsidiary of the Company) (each as borrower) and Sinopec Finance Tianjin (as lender), Sinopec Finance Tianjin made available to the Borrowers the Loans, being term loans of an aggregate amount of RMB630 million. By the Guarantees both dated 4 November 2020 entered into among TEDA (as guarantor), Sinopec Finance Tianjin and each of the Borrowers, TEDA provided guarantee to secure the due performance of the Borrowers’ obligations under the Loan Agreements.

On 24 December 2021, BHI Tianjin (as chargor) and Sinopec Finance Tianjin (as chargee) entered into the Share Charge pursuant to which BHI Tianjin conditionally grants security in favour of Sinopec Finance Tianjin by way of a fixed charge over (i) 100% of the equity interest of Tianjin Clean Energy and (ii) 85% of the equity interest of Zhuozhou Binhai, as security for due performance of the obligations of the Borrowers under the Loan Agreements.

LETTER FROM OCTAL CAPITAL

Sinopec Corp is a substantial shareholder of the Company indirectly interested in 405,472,337 Shares (representing approximately 29.99% 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 connected transactions of the Company under Chapter 14A of the Listing Rules.

As 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, *J.P.*, Mr. Lau Siu Ki, Kevin and Professor Japhet Sebastian Law, 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, 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 Loan Agreements and the 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 Share Charge and up to the Latest Practicable Date, we were only engaged by the Company as an Independent Financial Adviser to the Company in respect of (i) the connected transaction in relation to the issue of new Shares under specific mandate and disposal of Shares by controlling Shareholders (details as contained in the circular of the Company dated 12 June 2020); (ii) the continuing connected transaction in relation to the master gas supply agreement with China Petroleum & Chemical Corporation Natural Gas Branch Company (details as contained in the circular of the Company dated 12 June 2020); and (iii) 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) (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.

LETTER FROM OCTAL CAPITAL

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

By the Loan Agreements both dated 4 November 2020 entered into between each of the Borrowers (each a wholly-owned subsidiary of the Company) (each as borrower) and Sinopec Finance Tianjin (as lender), Sinopec Finance Tianjin made available to the Borrowers the Loans, being term loans of an aggregate amount of RMB630 million. By the Guarantees both dated 4 November 2020 entered into among TEDA (as guarantor), Sinopec Finance Tianjin and each of the Borrowers, TEDA provided guarantee to secure the due performance of the Borrowers' obligations under the Loan Agreements.

On 24 December 2021, BHI Tianjin (as chargor) and Sinopec Finance Tianjin (as chargee) entered into the Share Charge pursuant to which BHI Tianjin conditionally grants security in favour of Sinopec Finance Tianjin by way of a fixed charge over (i) 100% of the equity interest of Tianjin Clean Energy and (ii) 85% of the equity interest of Zhuozhou Binhai, as security for due performance of the obligations of the Borrowers under the Loan Agreements.

LETTER FROM OCTAL CAPITAL

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 services, gas passing through service and sales of bottled natural gas.

BHI Tianjin is a wholly-owned subsidiary of the Company, which 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 liquefied natural gas for domestic users.

1.2 Background of Tianjin Clean Energy and Zhuozhou Binhai

Tianjin Clean Energy is a wholly-owned subsidiary of the Company, which is principally engaged in the investment, construction and operation of urban gas pipeline network in Tianjin region, provision of natural gas connection services, supply and sale of natural gas.

Zhuozhou Binhai is a non-wholly-owned subsidiary of the Company, which is principally engaged in the production and supply of fuel gas encouraged and permitted by the PRC Government, research on the development of environmentally-friendly gas appliances and new combustion technologies, sale of the Company's products, and design and construction of gas-related supporting projects.

1.3 Background of TEDA

TEDA is a state-owned enterprise established in the PRC and a controlling shareholder of the Company. The principal business areas of TEDA are regional development, public utilities, finance and modern services.

1.4 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.

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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 bank and financial services. 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 2018, 2019 and 2020 (“FY2018”, “FY2019” and “FY2020”, respectively), as extracted from the annual reports of the Company for FY2019 and FY2020 (the “Annual Reports”) and for the six months ended 31 June 2020 and 2021 (“1H2020” and “1H2021”, respectively), as extracted from the interim reports of the Company for 1H2021 (the “Interim Report”):

	FY2018	FY2019	FY2020	1H2020	1H2021
	<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	3,308,032	3,557,529	3,653,866	1,833,801	2,316,905
Cost of sales and services	(2,695,970)	(3,032,910)	(3,050,451)	(1,474,338)	(1,863,838)
Gross profit	612,062	524,619	603,415	359,463	453,067
Gross profit margin	18.5%	14.7%	16.5%	19.6%	19.6%
Profit for the year/period	106,809	119,624	360,859	151,184	238,114

Source: Annual Reports and Interim Report

LETTER FROM OCTAL CAPITAL

FY2019 versus FY2018

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

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

FY2020 versus FY2019

In the first half of 2020, by introducing Great Wall Energy Investment (Hong Kong) Limited (“**Great Wall Energy**”) of Sinopec Corp as the second largest Shareholder of the Company, the Group achieved the synergy of resources with Sinopec Corp (an upstream supplier), enhanced the Group’s competitive position in the industry and continued to optimize the gas supply of the Group, further reducing gas procurement costs and increasing gas profitability while ensuring sufficient gas supply during the peak shaving in winter.

The Group recorded revenue of approximately HK\$3,557.5 million and approximately HK\$3,653.9 million for FY2019 and FY2020, respectively, representing an increase of approximately 2.7%, which was mainly attributable to the increase in revenue from (i) sales of piped natural gas; and (ii) the construction and gas pipeline installation service for FY2020 as compared to FY2019. During FY2020, the income of the Group from sales of piped natural gas amounted to approximately HK\$2,935.6 million, representing an increase of approximately HK\$42.4 million or approximately 1.5% compared to the amount of approximately HK\$2,893.2 million recorded in FY2019 which was mainly attributable to the net effect of increase in demand of piped natural gas by domestic users offset by decrease in demand of piped natural gas by industrial users. Simultaneously, the increase in length of gas pipeline network of the Group during FY2020 has contributed to increase in construction and gas pipeline installation service fees received by the Group, which amounted to approximately HK\$626.3 million, representing an increase of approximately HK\$65.5 million or approximately 12% compared to approximately HK\$560.8 million service fees recorded

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for FY2019. The aforesaid increase in revenue is partially offset by the decline in revenue generated from gas passing through service, which recorded a decrease of approximately HK\$10.4 million for FY2020. At the same time, the gross profit of the Group increased from approximately HK\$524.6 million for FY2019 to approximately HK\$603.4 million for FY2020, representing improvement in gross profit margin from approximately 14.7% for FY2019 to approximately 16.5% for FY2020, which was mainly attributable to the decrease in gas procurement costs.

The profit for the year increased from approximately HK\$119.6 million for FY2019 to approximately HK\$360.9 million for FY2020 mainly due to (i) exchange gains arising from the US\$300 million bonds due in November 2020 issued by the Company; (ii) recovery of receivables by the Group which successfully reverted the bad debt provisions; and (iii) decrease in gas procurement costs leveraging on the increasing proportion of primary source of gas in gas procurement from Sinopec Corp.

1H2020 versus 1H2021

The Group recorded revenue of approximately HK\$1,833.8 million and approximately HK\$2,316.9 million for 1H2020 and 1H2021, respectively, representing an increase of approximately 26.3%, which was mainly attributable to the increase of the sales of piped natural gas for 1H2021 as compared to 1H2020. During 1H2021, the income of the Group from sales of piped natural gas amounted to approximately HK\$1,872.8 million, representing an increase of approximately HK\$403.4 million or approximately 27.4% compared to the amount of approximately HK\$1,469.4 million recorded in 1H2020 which was mainly attributable to the increase in sales volume of piped natural gas. Meanwhile, the gross profit of the Group increased from approximately HK\$453.1 million for 1H2021 to approximately HK\$359.5 million for 1H2020. The gross profit margin remained stable at approximately 19.6% for 1H2020 and 1H2021.

The profit for the period increased from approximately HK\$151.2 million for 1H2020 to approximately HK\$238.1 million for 1H2021 mainly due to the significant increase of revenue recorded from the sales of piped natural gas, construction and gas pipeline installation by the Group as a result of the vigorous promotion of the “carbon peak” and “carbon neutral” by the PRC government and environmental protection and ecological policies.

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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 2019 and 2020 as extracted from the Annual Reports and the unaudited consolidated statement of financial position of the Group as at 30 June 2021 as extracted from the Interim Report:

	31 December 2019	As at 31 December 2020	30 June 2021
	(Audited)	(Audited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	4,685,274	5,740,764	5,834,979
Current assets	1,417,948	1,354,100	1,906,025
Total assets	6,103,222	7,094,864	7,741,004
Non-current liabilities	104,945	1,261,536	2,294,472
Current liabilities	4,638,251	3,833,553	3,337,118
Total liabilities	4,743,196	5,095,089	5,631,590
Net current liabilities	(3,220,303)	(2,479,453)	(1,431,093)
Net assets	1,360,026	1,999,775	2,109,414
Equity attributable to owners of the Company	1,313,060	1,941,824	2,043,766
Cash and bank balances	699,998	407,743	888,617
Borrowings:			
Current portion	2,512,222	1,308,508	1,097,482
Non-current portion	28,004	1,055,498	2,080,494
Total borrowings	2,540,226	2,364,006	3,177,976
Current ratio ^{Note 1}	0.31	0.35	0.57
Gearing ratio ^{Note 2}	187%	118%	151%

Source: Annual reports and Interim Report

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 2020, the Group had current assets of approximately HK\$1,354.1 million, and current liabilities of approximately HK\$3,833.5 million, representing net current liabilities of approximately HK\$2,479.5 million. The net current liabilities of the Group has decreased by approximately 23.0% or HK\$740.9 million from approximately HK\$3,220.3 million as at 31 December 2019 to approximately HK\$2,479.5 million as at 31 December 2020. This is mainly attributable to refinancing of short-term borrowings. The current portion of borrowings has decreased from approximately HK\$2,512.2 million as at 31 December 2019 to approximately HK\$1,308.5 million as at 31 December 2020. On the other hand, the non-current portion of borrowings has increased from approximately HK\$28.0 million as at 31 December 2019 to approximately HK\$1,055.5 million as at 31 December 2020.

The current ratio of approximately 0.35 time, which remained at a similar level as compared to that as at 31 December 2019, indicating that Group's ability to meet its short-term repayment obligations was under pressure. The Group's total borrowings amounted to approximately HK\$2,364.0 million as at 31 December 2020, representing a decrease of approximately 6.9% or HK\$176.2 million. The net asset of the Company amounted to approximately HK\$1,999.8 million as at 31 December 2020, representing an increase of approximately 47.0% or HK\$639.7 million. Therefore, the Group's gearing ratios declined from approximately 187% as at 31 December 2019 to approximately 118% as at 31 December 2020 which was mainly due to increase in net assets as a result of (i) the new Share subscription by Great Wall Energy Investment (Hong Kong) Limited of Sinopec Corp amounted to approximately HK\$236.3 million as its strategic investment to the Company; and (ii) the increase of the profit for the year for FY2020 amounted to HK\$360.9 million as mentioned above. The high gearing ratio indicated that the Group relied highly on debt to support its continuing operations.

As at 31 December 2020, the Group had cash and bank balances of approximately HK\$407.7 million, representing a decline of approximately 41.8% or HK\$292.3 million as compared to that as at 31 December 2019. Such decline indicated that the Company is facing a challenging cash flow pressure in view of the current liabilities.

As at 30 June 2021, the Group had current assets of approximately HK\$1,906.0 million, and current liabilities of approximately HK\$3,337.1 million, representing net current liabilities of approximately HK\$1,431.1 million. The net current liabilities of the Group has decreased by approximately 42.3% or HK\$1,048.4 million from approximately HK\$2,479.5 million as at 31 December 2020 to approximately HK\$1,431.1 million as at 30 June 2021. This is mainly attributable to refinancing of long-term borrowings which increased the current asset of the Group. The current portion of borrowings has decreased from approximately HK\$1,308.5 million as at 31 December 2020 to approximately HK\$1,097.5 million as at 30 June 2021. On the other hand, the non-current portion of borrowings has increased from approximately HK\$1,055.5 million as at 31 December 2020 to approximately HK\$2,080.5 million as at 30 June 2021.

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The current ratio of approximately 0.57 time as at 30 June 2021, which has been increased as compared to that as at 31 December 2020, indicating that Group's ability to meet its short-term repayment obligations has been improved. The Group's total borrowings amounted to approximately HK\$3,178.0 million as at 30 June 2021, representing an increase of approximately 34.4% or HK\$814.0 million. The net assets of the Company amounted to approximately HK\$2,109.4 million as at 30 June 2021, representing an increase of approximately 5.5% or HK\$109.6 million. Therefore, the Group's gearing ratios increased from approximately 118% as at 31 December 2020 to approximately 151% as at 30 June 2021. The high gearing ratio indicated that the Group relied highly on debt to support its continuing operations.

As at 30 June 2021, the Group had cash and bank balances of approximately HK\$888.6 million, representing an increase of approximately 117.9% or HK\$480.9 million as compared to that as at 31 December 2020. Such increase was mainly due to the increase in revenue.

3. Major terms of the Loan Agreements and the Guarantees

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

Date: 4 November 2020

Lender: Sinopec Finance (Tianjin)

Borrowers: BHI Tianjin and Tianjin Clean Energy

Guarantor: TEDA

Amount of the Loans: (i) Term loan of RMB430 million to BHI Tianjin
(ii) Term loan of RMB200 million to Tianjin Clean Energy

The aggregate amount of Loans drawn under the Loan Agreements are RMB630 million. As at the Latest Practicable Date, the outstanding principal amount under the Loans was RMB600 million. There will be no further drawdown under the Loans.

Term of the Loans: 36 months from the date of the Loan Agreements

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Interest rate: For the first 12-month period after the drawdown date (being 5 November 2020), the one-year loan prime rate (the “**LPR**”) announced by the National Interbank Funding Center within one month after the drawdown date plus 0.6% (i.e. $\text{LPR}+0.6\%$); and the LPR shall be updated for every 12-month period thereafter, i.e. on 5 November 2021 and 5 November 2022 respectively. Accrued interest is payable on a quarterly basis.

Repayment terms: The outstanding principal amount and interest of the Loans shall be repaid by 4 November 2023.

Details of the terms of the Loan Agreements and the Guarantee, please refer to the Letter from the Board.

Interest rate

Pursuant to the terms of the Loan Agreements, interest will accrue on the loan under the Loan Agreements 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 60 basis points. Accrued interest is payable on a quarterly basis. As set out in the Loan Agreements, the interest rate under the Loan Agreements 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 a commercial bank to its prime 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 Loan Agreements were negotiated between the parties on an arm’s length basis. Furthermore, we have conducted desktop research on the LPR and considered the prevailing LPR for the first and second 12-month periods after the drawdown dates as published by the National Inter-bank Funding Centre (authorized by the People’s Bank of China) of 3.85% per annum. We noted that the current effective interest rate under the Loan Agreements is 4.45%.

In determining the fairness and reasonableness of the interest rate, 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 with the interest rate pricing mechanism in order to ensure that such interest rate under the Loan Agreements 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 entered into between the Group and independent third party financial institutions in the PRC, we noted that the Group currently has 13 existing loan financing agreements (the “**Existing Loan Comparables**”) of which the effective interest rate of each loan agreement is within the range between 3.70% and 5.60%, with average and median of 4.65% and 4.60%, respectively. (8 out of 13: equal to or exceeding 4.45%, being

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the current effective interest rate under the Loan Agreements). The interest rate under the Loan Agreements is within the range of the same under the Existing Loan Comparables. Since the Loan Agreements were entered into on 4 November 2020 under the Guarantees by TEDA, we have further assessed the Existing Loan Comparables and noted that the effective interest rate of each of 6 Existing Loan Comparables under the guarantees from the Group is within the range between 4.35% and 5.60%, with average and median of 4.99% and 4.90%, respectively. (5 out of 6: equal to or exceeding 4.45%, being the current effective interest rate under the Loan Agreements).

In addition, the management has approached several 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 and interest rate to the Group. However, such banks declined to provide financial assistance of comparable loan amount and interest rate to the Group by December 2021 in view of the current market sentiments.

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 Loan Agreements 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 Loan Agreements is fair and reasonable and in the interest of the Company and Shareholder as a whole.

4. Major terms of the Share Pledge

According to audited financial statements for the year ended 31 December 2020 of BHI Tianjin, the book value of the long term equity investment in respect of the 100% of the total equity interest in Tianjin Clean Energy and the 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 2020. The assets over which security is to be created under the 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 Loans (the “**Share Charge Ratio**”) being approximately 2.

Enforcement of Security

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

- i. any of the Borrowers fails to fulfil any payment obligation under the relevant Loan Agreement when due;
- ii. any of the Borrowers fails to provide additional security in accordance with the Share Charge;
- iii. any of the Borrowers is filed for bankruptcy or closure of business, dissolved, liquidated, suspended of business, revoked of business licence; or

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- iv. such other situations where Sinopec Finance Tianjin considers necessary to enforce the security.

If the ratio of the value of the assets charged under the Share Charge to the amount of principal and interest due under the Loan Agreements falls to 55% (the “**Enforcement Ratio**”) or below, Sinopec Finance Tianjin shall also have the right to realize the assets charged under the Share Charge in order to obtain prior repayment from the proceeds thereof.

Provision of Additional Security

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

1. If the assets charged under the Share Charge 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 jeopardize the interests of Sinopec Finance Tianjin, Sinopec Finance Tianjin may request BHI Tianjin to provide supplementary security.
2. If the ratio of the value of the assets charged under the Share Charge to the amount of principal and interest due under the Loan Agreements falls to 60% (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 assets charged under the Share Charge.

Condition Precedent

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

Details of the terms of the Share Charge, please refer to the Letter from the Board.

We noted that the aggregate value of the Share Charge (i.e. RMB1,289 million) as at 31 December 2020 is higher than the aggregate amount of the Loans (i.e. RMB630 million). As advised by the management, it is a normal commercial practices to provide collateral pledge with Enforcement Ratio and Additional Security Ratio for the financing arrangement 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 pledged assets may also be subject to a substantial marketability discount to compensate for their low liquidity. In light of this, we have reviewed the loan agreements and the relevant pledge and guarantee agreements (if any) of 13 Existing Loan Comparables entered into between the Group and independent third party financial institutions in the PRC. We noted that amongst 7 out of 13 Existing Loan Comparables which represents an exhaustive list of 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

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with independent third party financial institutions through provision of income rights, fixed deposit or account receivables as collateral pledge. The median and average of the interest rates of the Existing Loan Comparables with Collateral Pledge are more favourable than those of the other 6 Existing Loan Comparables which are without collateral pledge. We concur with the management that it is a normal commercial practices to provide collateral pledge for facilitating the financing arrangement with financial institutions. In addition, the management has approached 10 banks in the PRC apart from Sinopec Finance (Tianjin) regarding the possibility and feasibility of granting new credit line or loan with terms comparable to those of the Share Charge. 3 of those banks after discussion preliminarily agreed to consider non-listed equity interest as collateral pledge for the financing arrangement.

Since the other 6 Existing Loan Comparable were arranged between the Group and independent third party financial institutions without collateral pledge, we have further conducted a collateral pledge analysis of the loan facilities provided by connected person(s) to companies listed on the Stock Exchange or their subsidiaries (the “**Listcos**”). We have reviewed connected transactions involving provision of loans by connected person(s) to Listcos during the 6 months prior to the date of the Share Charge and up to the Latest Practicable Date (the “**Listco Comparable Loans**”). To the best of our knowledge and based on the key selection criteria of (i) the selected Listcos’ information is publicly available; (ii) the dates of publication of the initial announcements of the Listco Comparable Loans are within 6 months prior to the date of the Share Charge and up to the Latest Practicable Date; (iii) such announcements are under the headline category “connected transactions” on the website of the Stock Exchange, a total of 6 Listco Comparable Loans were identified which represents an exhaustive list. We noted that 5 out of those 6 Listco Loan Comparables have collateral pledge and the collateral pledge of 2 of those Listco Loan Comparables involved non-listed equity interests of the relevant Listcos’ subsidiaries. In light of the above, we consider the provision of the 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 2021, the Company failed to obtain loans from any third party financial institutions on terms better than the terms of the Loan Agreements as supplemented by the Share Charge. As stated in the Annual Report, in 2021, the Group will continue to follow the “14th Five Year Plan” (《十四五規劃》) of the Central Government of the PRC in terms of energy planning and the guidance of the “2060 carbon neutral target”, firmly grasp the transformation direction and pace of the energy industry, and continue to improve the construction of natural gas pipeline network and business development based on the existing geographical advantages of operation. Accordingly, the Group will optimize the layout and structure of energy production, improve the efficiency of oil and gas resources allocation, and fully carry out value-added businesses while maintaining the revenue growth of the existing businesses. Owing to the said business strategy of the Group, in the future, with the support from the ultimate parent companies of the two largest shareholders of the Company, namely TEDA and Sinopec Corp, the Group intended to integrate its own resources and advantages and further expand comprehensive

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energy businesses. Taking into consideration the long-term relation between the Company and its substantial shareholder, Sinopec Corp, the continuous support provided by the Sinopec Corp which creates essential synergy between the Group and the Sinopec Corp and the continuous financing needs of the Company for its future development, the Company considers that the provision of security under the Share Charge is in the interest of the Company and its shareholders as a whole in the long term.

As informed by the management, the 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 2020 of BHI Tianjin in comparison to the borrowing amount provided under the facilities of the Loans and understand that in the light of the Group's net current liabilities 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 Loan Agreements as supplemented by the Share Charge from commercial banks or financial institutions on terms acceptable to the Group. The management has approached 10 banks in the PRC apart from the Sinopec Finance (Tianjin) regarding the possibility and feasibility of granting new credit line or loan with comparable terms of Share Charge Ratio, Enforcement Ratio and Additional Security Ratio. However, 7 of such banks declined to provide financial assistance with comparable terms in view of the relatively higher market risk and legal risk of the fixed charge over the non-listed equity interest in comparison to those of listed equity interest or other physical assets. In addition, 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. As such, we consider that such arrangement under the Share Charge is fair and reasonable and in the interest of the Shareholder as a whole.

5. Reason for and benefits of the Transactions

As disclosed in the Letter from the Board, the 2020 US\$ Bonds were due to be redeemed on 30 November 2020. The aggregate amount of principal and interest payable upon redemption of the 2020 US\$ Bonds was approximately US\$307 million. In view of the turbulent Hong Kong capital market and the weakening of overall economic development as a result of the 2019 Novel Coronavirus pandemic resulting in the limiting of the Company's financing channels and increasing of the Company's financing costs during the relevant period of time, the Company considered the borrowing of the Loans (together with other financing channels) was the most effective way of raising funds for the Group in order to facilitate the repayment of the 2020 US\$ Bonds by the Company in terms of reduction of the Group's financing cost.

The assets over which security is to be created under the 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 Loans being approximately 2, which was in line with the general market standard of equity pledge ratio of shares in non-listed companies.

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In assessing whether the Loan Agreements as supplemented by the 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 Loan Agreements and the Share Charge:

(a) *Intended use of proceeds from the Loans*

As disclosed in the FY2020 Annual Report, the Group has been committed to increasing its market share and expanding its operation regions for the piped natural gas and energy related business. In the second half of FY2020, the Group successfully won a bidding for the “concession for operation of piped gas in Yangxu District in Gaoan City, Jiangxi Province”, which expanded the Group's scope of business development in Southern China. The local government planned to carry out the optimization and upgrading of the energy structure of “coal-to-gas” conversion, which also brought potential room for volume growth of the Group. In addition, following the successful implementation of the mixed-ownership reform by introducing Great Wall Energy of Sinopec Corp as the second largest Shareholder of the Company, the Company has been short-listed in the “Double Hundred Action” campaign led by the Leading Group for State-owned Enterprises Reform of the State Council. In 2021, the Group will continue to follow the PRC's “14th Five Year Plan” in terms of energy planning and the guidance of the “2060 carbon neutral target”, firmly grasp the transformation direction and pace of the energy industry, and continue to improve the construction of natural gas pipeline network and business development.

As mentioned in the FY2020 Annual Report, the Group recorded net current liabilities amounted to approximately HK\$2,479.5 million as at 31 December 2020 (with bank balances and cash of approximately HK\$407.7 million). The net current liabilities of the Group had decreased by approximately 23.0% or HK\$740.9 million from approximately HK\$3,220.3 million as at 31 December 2019 to approximately HK\$2,479.5 million as at 31 December 2020. This is mainly attributable to refinancing of short-term borrowings. The current portion of borrowings had decreased from approximately HK\$2,512.2 million as at 31 December 2019 to approximately HK\$1,308.5 million as at 31 December 2020. On the other hand, the non-current portion of borrowings has increased from approximately HK\$28.0 million as at 31 December 2019 to approximately HK\$1,055.5 million as at 31 December 2020. The above indicated that the Group is in the process of refinancing its short-term loans to long-term loans in order to reduce its pressure to meet the short-term loan repayment obligations. The Loan, as long term loans with the term of 36 months, are line with the Group's above financing arrangement. In addition, as at 31 December 2020, the Group had cash and bank balances of approximately HK\$407.7 million, representing a decline of approximately 41.8% or HK\$292.3 million as compared to that as at 31 December 2019. Such decline indicated that the Group was facing a challenging cash flow pressure in view of the current liabilities.

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Based on the review of the current financial position of the Group, we concur with the management that the borrowing of the Loans could facilitate the repayment of the 2020 US\$ Bonds by the Company in terms of reduction of the Group's financing cost. The Loan Agreements reduced the Group's pressure to meet the short-term loan repayment obligations by refinancing its short-term loans to long-term loans.

(b) *Other financing alternatives to the Loan Agreements and the 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 Loan Agreements.

In respect of the borrowings from banks or other financial institutions, we are given to understand that the management had approached several banks in the PRC apart from Sinopec Finance Tianjin regarding the possibility and feasibility of granting new credit line or loan with comparable loan amount and interest rate to the Group. However, such banks declined to provide financial assistance of comparable loan amount and interest rate to the Group by December 2021 in view of the current market sentiments.

As regards the equity fund-raising exercise, such as placing, subscription of new Shares, rights issue and/or open offer, the Company is 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 thus the Group may not be able to complete the whole process of fund-raising exercise in short term, and therefore, may fail to meet the expansion plan of the Group.

Furthermore, the ultimate fund-raising size of equity financing substantially depends on the market sentiment. Having considered (i) the net current liabilities position of the Group since the financial year ended 31 December 2018; and (ii) the unsatisfactory price performance of Shares which demonstrated a diminishing trend since July 2021 and up to the date of the Share Charge, the management expected that it is difficult to attract investors and/or Shareholders to participate in the equity fund-raising exercises without adopting a substantial discount of the subscription price as compared to the then prevailing market price of the Shares. As to direct subscription of new Shares, the management believes that it is hard for the Company to identify a subscriber to subscribe a large number of Shares without adopting a substantial discount on the subscription price in view of the Group's unsatisfactory net current liabilities position of the Group since the financial year ended 31 December 2018.

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On the contrary, the current Loan Agreements and the Share Charge 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 from Sinopec Corp, a substantial Shareholder of the Group. In view of the above, the Directors consider, and we agree with them, that entering into the Loan Agreements was the most feasible and suitable fundraising method to the Company.

In light of the above, we concur with the Directors' view that the Loan Agreements as supplemented by the Share Charge are on normal commercial terms which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the entering into of the Loan Agreements as supplemented by the Share Charge is not in the ordinary and usual course of business of the Group but is on normal commercial terms, the terms of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned and the Transaction 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 resolutions to be proposed at the SGM for approving the Loan Agreements, the Share Charge and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Louis Chan
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 28 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 or 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	1,174,143	0.09%

Note:

- The percentage was calculated based on 1,352,025,133 Shares in issue as at the Latest Practicable Date.
- Pursuant to the share option scheme of the Company adopted on 13 January 2021, all the share options stated above are exercisable at HK\$1.32 per Share.

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

As at the Latest Practicable Date, so far as 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. Wang Zhiyong	TEDA	Chairman
Mr. Zuo Zhi Min	Sinopec Great Wall Energy Investment Co., Ltd.* (中石化長城燃氣投資有限公司)	Executive director and general manager
	China Petroleum & Chemical Corporation Natural Gas Branch Company* (中國石油化工有限公司天然氣分公司)	Deputy general manager
Mr. Wang Gang	TEDA	Assistant general manager
Mr. Shen Hong Liang	China Petroleum & Chemical Corporation Natural Gas Branch Company* (中國石油化工有限公司天然氣分公司)	Manager of the terminal market development centre

** 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 2020, 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 2020, 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 statement 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 2020, being the date to which the latest published audited financial statements of the Company were made up.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against either the Company or any other member of the Group, which shall be brought to the Shareholders' attention.

9. DOCUMENTS ON DISPLAY

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

10. 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 Tuesday, 8 February 2022 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 Loan Agreements (as defined in the circular to the shareholders of the Company dated 17 January 2022 (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 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 articles of association of the Company to) any documents, instruments and agreements and to do any such acts or things as may be deemed by him/them in his/their absolute discretion to be necessary or incidental to, ancillary to or in connection with the Loan Agreements, the Share Charge and the transactions contemplated thereunder and in connection therewith and (to the extent permitted by the applicable law, regulations and rules, including the Listing Rules (as defined in the Circular)) to approve and/or make immaterial 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, 17 January 2022

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 Monday, 31 January 2022 to Tuesday, 8 February 2022, 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 Friday, 28 January 2022.
5. All resolutions set out in this notice will be decided by poll at the meeting.
6. As at the date of this notice, the Board comprises three executive Directors, namely, Mr. Wang Zhiyong, Mr. Zuo Zhi Min and Mr. Gao Liang, three non-executive Directors, namely, Mr. Wang Gang, Mr. Shen Hong Liang and Mr. Yu Ke Xiang and three independent non-executive Directors, namely, Mr. Ip Shing Hing, *J.P.*, Mr. Lau Siu Ki, Kevin and Professor Japhet Sebastian Law.