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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Binhai Investment Company Limited**, you should at once hand this circular, together with the enclosed proxy form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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: 8035)

CONTINUING CONNECTED TRANSACTIONS

MASTER AGREEMENT FOR SUPPLY OF NATURAL GAS TO TIANJIN TEDA INVESTMENT HOLDING CO., LTD. AND ITS ASSOCIATES

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**

Hercules
Hercules Capital Limited

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from Hercules Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 28 of this circular.

A notice convening the SGM to be held at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong at 10:30 a.m. on 2 April 2013 is set out on pages 35 to 36 of this circular. Whether or not you are able to attend the meeting in person, you are recommended to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from subsequently attending and voting in person at the meeting or any adjournment thereof should you so wish.

14 March 2013

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

Unless the context otherwise requires, the following terms in this circular shall have the meanings set out below:

“Annual Caps”	the annual caps for transactions under the Master Gas Supply Agreement for the period from 1 April to 31 December 2013 and each of the two years ending 31 December 2015
“associate”	has the meaning ascribed to it by the GEM Listing Rules
“BITCL”	濱海投資(天津)有限公司 (Binhai Investment (Tianjin) Company Limited*), formerly known as 華燊燃氣(中國)投資有限公司 (Wah Sang Gas (China) Investments Co., Ltd.*), a limited liability company established under the laws of the PRC, an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Binhai Investment Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on GEM
“connected person”	has the meaning ascribed to it by the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hercules Capital”	Hercules Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the board committee of the Company comprising all the independent non-executive Directors, namely Mr. Ip Shing Hing, J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Lau Siu Ki, Kevin, to make recommendations to the Independent Shareholders in respect of the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps
“Independent Shareholders”	the Shareholders who are not prohibited from voting under the GEM Listing Rules on resolution(s) to approve matters in relation to the Master Gas Supply Agreement at a general meeting of the Company
“Latest Practicable Date”	11 March 2013, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information contained herein
“Master Gas Supply Agreement”	the master agreement dated 28 February 2013 entered into between TEDA and the Company in relation to supply of natural gas by the Group to TEDA or its subsidiaries or associates
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sai Rui Gas Supply Agreement”	the agreement dated 24 June 2011 entered into between Tianjin Wah Sang and 天津賽瑞機械設備有限公司 (Tianjin Sai-rui Machinery Company Limited*) for the supply of gas by the Group, particulars of which were disclosed in the announcement of the Company dated 24 June 2011 and the circular of the Company dated 26 August 2011
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be held at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong at 10:30 a.m. on 2 April 2013 to approve, among other things, the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps
“SGM Notice”	the notice convening the SGM as set out at pages 35 to 36 of this circular
“Shareholders”	the holders of the Shares
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement to the TEDA-Gas Gas Supply Agreement”	the supplemental agreement dated 24 June 2011 to an agreement between BITCL and Tianjin TEDA Tsinlien Gas Co., Ltd* (天津泰達津聯燃氣有限公司) in relation to the supply of gas by the Group, particulars of which were disclosed in the announcement of the Company dated 24 June 2011 and the circular of the Company dated 26 August 2011
“TEDA”	天津泰達投資控股有限公司 (Tianjin TEDA Investment Holding Co., Ltd.*), a state-owned enterprise established in the PRC, the ultimate controlling shareholder of the Company holding approximately 50.13% of the total Shares in issue as at the Latest Practicable Date
“TEDA HK”	TEDA Hong Kong Property Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of TEDA

DEFINITIONS

“Tianjin Eco-City Gas Supply Agreement”	the gas supply agreement between Tianjin Wah Sang and 天津生態城能源投資建設有限公司 (Tianjin Eco-City Energy Investment Construction Company Limited*) for the supply of gas by the Group, particulars of which were disclosed in the announcement of the Company dated 30 December 2011
“Tianjin Wah Sang”	天津華燊燃氣實業有限公司 (Tianjin Wah Sang Gas Enterprise Company*), a limited liability company established under the laws of the PRC, an indirect wholly-owned subsidiary of the Company
“Tsinlien”	Tsinlien Group Company Limited, the controlling shareholder of Tianjin Development Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code 882))
“Tsinlien BVI”	Cavalier Asia Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Tsinlien
“%”	per cent.

* *for identification purposes only*

LETTER FROM THE BOARD



濱海投資有限公司 BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 8035)

Executive Directors:

Mr. ZHANG Bing Jun (*Chairman*)

Mr. GAO Liang

Non-executive Directors:

Mr. Shen Xiao Lin

Mr. ZHANG Jun

Mr. DAI Yan

Mr. WANG Gang

Ms. ZHU Wen Fang

Independent non-executive Directors:

Mr. IP Shing Hing, J.P.,

Professor Japhet Sebastian LAW

Mr. TSE Tak Yin

Mr. LAU Siu Ki, Kevin

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal place of business in Hong Kong:

Suites 3205-07, Tower Two

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

14 March 2013

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

MASTER AGREEMENT FOR SUPPLY OF NATURAL GAS TO TEDA AND ITS ASSOCIATES

INTRODUCTION

In an announcement of the Company dated 28 February 2013, the Board announced that the Company entered into the Master Gas Supply Agreement with TEDA in relation to the supply of natural gas by the Group to TEDA and its subsidiaries and associates for a term from 1 April 2013 to 31 December 2015.

LETTER FROM THE BOARD

The Master Gas Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The main purposes of this circular are to provide you with:

- (i) further details of the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps;
- (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps;
- (iii) the advice of Hercules Capital to the Independent Board Committee and the Independent Shareholders in relation to the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps; and
- (iv) the notice convening the SGM, at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps.

THE MASTER GAS SUPPLY AGREEMENT

The major terms of the Master Gas Supply Agreement are as follows:

Date:

28 February 2013

Parties:

- (1) TEDA
- (2) the Company

Duration:

1 April 2013 to 31 December 2015

LETTER FROM THE BOARD

Nature of transaction:

Supply of natural gas by the Group to TEDA and its subsidiaries and associates.

The Group will supply natural gas to TEDA and its subsidiaries and associates pursuant to agreements for supply of natural gas to be entered into from time to time.

Consideration:

The payment for gas supply shall be settled on a monthly basis according to the amount of gas supplied by the Group.

Basis of consideration:

The price for the supply of natural gas under the Master Gas Supply Agreement will be determined based on arm's length negotiations between the relevant parties, with reference to the regulations on natural gas sale prices as stipulated by the PRC Government and the Tianjin Municipal Government. In accordance with national regulations on the price of piped gas and natural gas issued by the National Development and Reform Commission of the PRC Government, the Tianjin Price Department publishes notices from time to time on adjustments to the prices for the supply of natural gas applicable to gas supplying enterprises in Tianjin. In case there is an adjustment to the policy of the PRC Government or the Tianjin Municipal Government on natural gas sale prices, the price for the supply of gas will be adjusted correspondingly except otherwise agreed by both parties.

The agreements for supply of natural gas to be entered into by the Group with TEDA or its subsidiaries or associates shall be on normal commercial terms that are fair and reasonable, and shall be on terms no less favourable to the Group than those available to the Group for supply of natural gas to independent third parties.

The terms under the Master Gas Supply Agreement, including the price and the payment terms, are the same as or comparable to the terms for supply of natural gas offered by the Group to independent third parties.

LETTER FROM THE BOARD

Proposed Annual Caps for the Master Gas Supply Agreement

The Directors estimate that the amount of the transactions under the Master Gas Supply Agreement will not exceed the following Annual Caps:

Proposed Annual Cap Amount (in RMB)		
For the period from 1 April 2013 to 31 December 2013	For the period from 1 January 2014 to 31 December 2014	For the period from 1 January 2015 to 31 December 2015
257,300,000	626,700,000	821,500,000

Basis of Annual Caps

The Annual Caps were determined after taking into account the following:

1. the historical volumes of natural gas supplied by the Group to the subsidiaries and associates of TEDA as follows:

	Historical Transaction Volume (in thousand cubic meter)		
	For the year ended 31 March 2011	For the year ended 31 March 2012	For the nine months ended 31 December 2012
Volume of natural gas supplied	About 80,452	About 164,642	About 104,775

(Notes: The above historical transaction volumes are inclusive of transaction volumes under the Tianjin Eco-City Gas Supply Agreement, the Sai Rui Gas Supply Agreement and the Supplemental Agreement to the TEDA-Gas Gas Supply Agreement.)

LETTER FROM THE BOARD

2. estimates on the demand for natural gas by associates of TEDA which are parties to transactions for supply of natural gas by the Group (after discussions with those associates of TEDA being existing customers regarding their development plans), and estimates of volumes of natural gas which may potentially be supplied by the Group to TEDA or its associates as follows:

Volume of natural gas (in thousand cubic meter)		
For the period from 1 April 2013 to 31 December 2013	For the period from 1 January 2014 to 31 December 2014	For the period from 1 January 2015 to 31 December 2015
90,673	228,898	302,884

(Note: The above estimated transaction volumes are exclusive of transaction volumes under the Tianjin Eco-City Gas Supply Agreement, the Sai Rui Gas Supply Agreement and the Supplemental Agreement to the TEDA-Gas Gas Supply Agreement for the years ending 31 December 2013 and 31 December 2014.)

3. a reasonable increase in the demand for natural gas of connected persons;
4. a reasonable increase in the price of natural gas of approximately 20% for the nine months ending 31 December 2013 as compared with existing selling prices, and such prices remaining stable for 2014 and 2015,

Reference is made to the announcement published by the Company on 7 February 2013 regarding the changes to annual caps of continuing connected transactions following change of its financial year end. The Annual Caps do not include the following annual caps under the existing continuing connected transactions of the Company:

- (a) the annual caps for the Tianjin Eco-City Gas Supply Agreement in respect of each of the 12 months ending 31 December 2013 and 31 December 2014 respectively;
- (b) the annual cap for the Sai Rui Gas Supply Agreement in respect of the 12 months ending 31 December 2013; and
- (c) the annual cap for the Supplemental Agreement to the TEDA-Gas Gas Supply Agreement in respect of the 12 months ending 31 December 2013.

The above annual caps for supply of gas to certain associates of TEDA previously disclosed in announcements of the Company will not be affected by the entering into of the Master Gas Supply Agreement, and will continue to be observed in respect of the relevant gas supply agreement entered into by the Group.

LETTER FROM THE BOARD

Condition:

The Master Gas Supply Agreement shall take effect after the approval by the Board, and the obtaining of necessary approvals by the Independent Shareholders according to the GEM Listing Rules.

Reasons for and Benefits of entering into the Master Gas Supply Agreement

The Tianjin Binhai New Area is an important strategic region for the development of the Group's business. 天津鋼管集團股份有限公司 (Tianjin Pipe (Group) Corporation*), 天津泰達津聯燃氣有限公司 (Tianjin TEDA Tsinlien Gas Co., Ltd*), 天津大無縫銅材有限公司 (TPCO Copper Industry Co., Ltd*), being associates of TEDA to which the Group supplies natural gas, are the largest customers of the Group which are based in the Tianjin Binhai New Area. The Tianjin Binhai New Area is a national strategic development region with a gross domestic product of RMB720.5 billion in 2012 at a growth rate of 20.1%. The natural gas consumption volume in the "Twelfth Five-Year Energy Plan" of the Tianjin Binhai New Area is 8.2 billion m³, which has increased by 6.64 billion m³ compared with 2010. The Tianjin Binhai New Area thus has considerable development prospects. TEDA is a large scale state-owned conglomerate and is one of the most significant enterprises in the establishment of the Tianjin Binhai New Area. TEDA is also the main developer of various functional zones within the Tianjin Binhai New Area. Moreover, TEDA has a large number of subsidiaries engaged in various industries in the Tianjin Binhai New Area, such as regional development, steel making, property development etc. Therefore, the entering into of the Master Gas Supply Agreement is beneficial to the Group for its business development and market expansion in the strategic region of Tianjin Binhai New Area, and will increase the Group's sales revenue and profits. Further, it will facilitate the Group's collaboration with its controlling shareholder, TEDA, which will be conducive to promoting their complementary strengths in industries and the joint development of TEDA and the Group.

The Directors consider that the Master Gas Supply Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Shareholders as a whole.

None of the Directors has a material interest in the transactions contemplated under the Master Gas Supply Agreement.

GENERAL INFORMATION

The Group is principally engaged in the sale of liquefied petroleum gas and piped gas, construction of gas pipeline networks, and provision of connection services.

LETTER FROM THE BOARD

TEDA is principally engaged in the real estate development, utilities, production, finance and service industry.

GEM LISTING RULES REQUIREMENTS

TEDA is the ultimate controlling shareholder of the Company interested in 3,003,987,207 Shares (representing approximately 50.13% of the total Shares in issue) through its wholly owned subsidiary as at the Latest Practicable Date, and is thus a connected person of the Company under the GEM Listing Rules. Subsidiaries and associates of TEDA are also regarded as connected persons of the Company under the GEM Listing Rules. Therefore, transactions under the Master Gas Supply Agreement will constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Since one or more of the applicable percentage ratios for the Annual Caps calculated under Rule 19.07 of the GEM Listing Rules exceed 5%, the transactions contemplated under the Master Gas Supply Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

An Independent Board Committee, comprising Mr. Ip Shing Hing, J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Lau Siu Ki, Kevin, has been established to advise the Independent Shareholders in relation to the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps. Your attention is drawn to the recommendation of the Independent Board Committee set out in its letter dated 14 March 2013 on pages 14 to 15 of this circular.

Hercules Capital has been appointed as the independent financial adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps. Your attention is also drawn to the letter from Hercules Capital to the Independent Board Committee and the Independent Shareholders dated 14 March 2013 on pages 16 to 28 of this circular.

THE SGM

The SGM will be held for the purpose of considering and, if thought fit, approving the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps. Only the Independent Shareholders will be entitled to vote on the ordinary resolution to approve the Master Gas Supply Agreement, the transactions contemplated thereunder and the Annual Caps to be proposed at the SGM. Any connected person of the

LETTER FROM THE BOARD

Company with a material interest in the Master Gas Supply Agreement and the transactions contemplated thereunder, and any Shareholder with a material interest in such transactions and its associates shall not vote at the SGM on the resolution(s) to approve these matters.

As TEDA is materially interested in the Master Gas Supply Agreement, TEDA HK being its subsidiary holding approximately 50.13% of the total issued Shares as at the Latest Practicable Date shall be required to abstain from voting on the resolution to be proposed at the SGM.

A notice convening the SGM to be held at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on 2 April 2013 at 10:30 a.m. is set out on pages 35 to 36 of this circular. A form of proxy for use at the SGM is also enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, having taken into account the advice of Hercules Capital, considers that the terms of the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps are fair and reasonable, and that the entering into of the Master Gas Supply Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that all Independent Shareholders should vote in favour of the ordinary resolution to be proposed at the SGM to approve the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps.

RECOMMENDATION OF THE BOARD

Taking into account the letter from the Independent Board Committee and all other factors as stated above as a whole, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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



濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 8035)

14 March 2013

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

**MASTER AGREEMENT FOR SUPPLY OF NATURAL GAS TO
TEDA AND ITS ASSOCIATES**

We refer to the circular of the Company date 14 March 2013 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Master Gas Supply Agreement and the proposed Annual Caps are fair and reasonable and whether such arrangements are in the interest of the Company and its shareholders as a whole.

Hercules Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps.

Your attention is drawn to the “Letter from the Board” set out on pages 5 to 13 of the Circular which contains, inter alia, information about the terms of the Master Gas Supply Agreement and the proposed annual caps thereunder, and the “Letter from Hercules Capital” set out on pages 16 to 28 of the Circular which contains its advice in respect of the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps together with the principal factors taken into consideration in arriving at such.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Master Gas Supply Agreement and having taken into account the factors and reasons considered by and the advice of Hercules Capital, we consider that the terms of the Master Gas Supply Agreement and the proposed Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. We also consider that the Master Gas Supply Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps.

Yours faithfully,

For and on behalf of the

Independent Board Committee

IP Shing Hing Japhet Sebastian LAW TSE Tak Yin LAU Siu Ki, Kevin
Independent Non Executive Directors

LETTER FROM HERCULES CAPITAL

The following is the text of a letter of advice from Hercules Capital to the Independent Board Committee and the Independent Shareholders in relation to the Master Gas Supply Agreement and the Annual Caps, which has been prepared for the purpose of inclusion in this circular.

Hercules **Hercules Capital Limited**

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

14 March 2013

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the continuing connected transactions contemplated under the Master Gas Supply Agreement in relation to the supply of natural gas to TEDA and its subsidiaries and associates (the “TEDA Group”) by the Group (the “Continuing Connected Transactions”) and the Annual Caps thereof, details of which are set out in the letter from the Board contained in the circular dated 14 March 2013 to the Shareholders (the “Circular”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined elsewhere in the Circular unless the context requires otherwise.

On 28 February 2013, the Company entered into the Master Gas Supply Agreement with TEDA in relation to the supply of natural gas by the Group to the TEDA Group for a term from 1 April 2013 to 31 December 2015.

TEDA is the ultimate controlling Shareholder holding 3,003,987,207 Shares, representing approximately 50.13% of the total number of Shares in issue, through its wholly-owned subsidiary and is thus a connected person of the Company under the GEM Listing

LETTER FROM HERCULES CAPITAL

Rules. Subsidiaries and associates of TEDA are also regarded as connected persons of the Company. Therefore, the transactions contemplated under the Master Gas Supply Agreement constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. As one or more of the applicable percentage ratios for the Annual Caps calculated under Rule 19.07 of the GEM Listing Rules exceed(s) 5%, the transactions contemplated under the Master Gas Supply Agreement are subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As TEDA is materially interested in the Master Gas Supply Agreement, TEDA HK, being its subsidiary holding approximately 50.13% of the total issued Shares as at the Latest Practicable Date, shall abstain from voting in relation to the approval of the Master Gas Supply Agreement, the transactions thereunder and the Annual Caps at the SGM.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Ip Shing Hing, J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Lau Siu Ki Kevin, has been established to advise the Independent Shareholders in respect of the fairness and reasonableness of the Continuing Connected Transactions and the Annual Caps. We, Hercules Capital Limited, have been appointed to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the Continuing Connected Transactions are conducted in the ordinary and usual course of business and the terms of which and the Annual Caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and whether the Independent Shareholders should vote in favor of the Continuing Connected Transactions and the Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the SGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, the information contained in the 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 in the Circular misleading.

LETTER FROM HERCULES CAPITAL

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or the management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the agreements of the Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion and that we do not have any obligation to update, revise or reaffirm this opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Continuing Connected Transactions, we have considered the following principal factors and reasons:

1. Background and reasons for the Continuing Connected Transactions

The Group is principally engaged in the sale of liquefied petroleum gas and piped gas, construction of gas pipeline networks and provision of connection services. We understand from the management of the Company that the Group considers the Tianjin Binhai New Area as an important strategic region for the development of the Group's business and has established a high pressure pipeline network covering the Tianjin Binhai New Area. As disclosed in the letter from the Board, the Tianjin Binhai New Area is a national strategic development region with a gross domestic product of RMB720.5 billion in 2012, representing a growth rate of approximately 20.1% as compared with the previous year. According to the "Twelfth Five-Year Energy Plan for the Tianjin Binhai New Area", the natural gas consumption volume of the Tianjin Binhai New Area is expected to reach 8.2 billion cubic meters in 2015, representing an increase of 6.84 billion cubic meters as compared with 2010.

TEDA, the ultimate controlling Shareholder, is principally engaged in the real estate development, utilities, production, finance and service industries. It is a large-scale state-owned conglomerate and is the main developer for the establishment of the

LETTER FROM HERCULES CAPITAL

Tianjin Binhai New Area. Certain subsidiaries and/or associates of TEDA are located in the Tianjin Binhai New Area. They are engaged in various industries such as regional development, steel making and property development, etc. and have strong demand of natural gas.

We were advised by the management of the Company that the Group has been supplying natural gas to associates of TEDA from time to time and agreements were entered into between subsidiaries of the Company and associates of TEDA respectively in respect of such transactions. It is expected that the Group will continue to carry out transactions with the TEDA Group of a similar nature. As such, the Company entered into the Master Gas Supply Agreement with TEDA on 28 February 2013.

Having considered that (i) the Tianjin Binhai New Area is an important strategic region for the development of the business of the Group and a number of subsidiaries and/or associates of TEDA are located in the Tianjin Binhai New Area; (ii) the Group can develop and expand its market share and enhance its competitiveness in the Tianjin Binhai New Area through the Continuing Connected Transactions; (iii) the Continuing Connected Transactions can secure and broaden the sale channel of the Group; (iv) the supply of natural gas is carried out in the ordinary and usual course of business of the Group and provides additional revenue and profit to the Group; and (v) the Group can strengthen its collaboration with TEDA in order to promote the complementary strengths in the industries and joint development of the Group and TEDA, we consider that the Continuing Connected Transactions are commercial transactions conducted in the ordinary and usual course of business of the Group and it is in the interests of the Company and the Shareholders as a whole to conduct such transactions.

2. Terms of the Continuing Connected Transactions

Pursuant to the Master Gas Supply Agreement, the Group agreed to supply natural gas to the TEDA Group for a term from 1 April 2013 to 31 December 2015 in terms according to the agreements for the supply of natural gas to be entered into between the parties from time to time.

The Master Gas Supply Agreement is a framework agreement which sets out the principles upon which detailed terms of the transactions are to be determined between the parties. Under the Master Gas Supply Agreement, the parties shall enter into definitive agreements from time to time for detailed terms regarding the supply of natural gas. The Group and the TEDA Group agreed that the actual price for the supply of natural gas would be determined based on arm's length

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negotiations between the relevant parties with reference to the regulations on natural gas sale prices as stipulated by the PRC Government and the Tianjin Municipal Government. In accordance with national regulations on the price of piped gas and natural gas issued by the National Development and Reform Commission of the PRC Government, the Tianjin Price Department publishes notices from time to time on adjustments to the prices for the supply of natural gas applicable to gas supplying enterprises in Tianjin. In case there is an adjustment to the policy of the PRC Government or the Tianjin Municipal Government on natural gas sale prices, the price of gas will be adjusted accordingly except otherwise agreed by both parties. Furthermore, the supply of natural gas to the TEDA Group shall be on normal commercial terms that are fair and reasonable and shall be on terms no less favorable to the Group than terms that are offered to independent third parties. The payment for gas supply shall be settled on a monthly basis according to the amount of gas supplied by the Group.

During the discussion with the management of the Company, we understand that the selling price of natural gas is regulated by the PRC Government and the Tianjin Municipal Government with a ceiling price. The selling prices of natural gas for all previous transactions between the Group and the TEDA Group were determined with reference to the prevailing market price, taking into account a number of other factors such as location of customers, quantity of natural gas ordered and such prices were in compliance with the regulations on the pricing of natural gas as stipulated by the PRC Government and the Tianjin Municipal Government. The management of the Company confirmed us that the same pricing policy shall be applied for all future transactions between the Group and the TEDA Group.

The management of the Company advised us that the market prices of natural gas vary in different locations within the Tianjin Binhai New Area. As such, the selling prices of natural gas will not be the same for customers situated in different areas of the Tianjin Binhai New Area. Moreover, under the current pricing policy of the Group, special offer will be provided to customers with bulk purchases.

In order to assess the terms of the Master Gas Supply Agreement, we have selected ten transactions randomly from the summary of sales to the TEDA Group and reviewed the invoices of such transactions issued by the Group to the TEDA Group. We have also reviewed invoices for ten transactions between the Group and independent third parties conducted at the time similar to the selected transactions related to the TEDA Group and noted that the terms offered by the Group to the TEDA Group were comparable to those offered to the independent third parties. Moreover, we have reviewed the relevant pricing guideline on natural gas issued by the Tianjin Price Department and noted that the prices charged by the Company were in compliance with the relevant pricing guideline.

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Having considered that (i) the terms of gas supply offered by the Group to the TEDA Group in the previous transactions were comparable and no less favorable than terms offered to independent third parties; (ii) the pricing policy for gas supply that has been adopted by the Group would be consistently applied for future transactions contemplated under the Master Gas Supply Agreement; and (iii) both the Group and the TEDA Group have agreed that the terms of the Master Gas Supply Agreement, including the selling price of natural gas, would be on normal commercial terms that are fair and reasonable and no less favorable to the Group than terms available to independent third parties, we consider that the terms of the Master Gas Supply Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

3. Bases of the Annual Caps

The historical transaction amounts of the Continuing Connected Transactions are summarized as follows:

	Historical Transaction Amounts		
	For the		For the
	year ended		nine months
	31 March		ended
	2011	2012	2012
	RMB'000	RMB'000	RMB'000
Supply of natural gas ^{Note}	183,036	375,285	236,245

Note: The historical transaction amounts included all the transactions in relation to the supply of natural gas by the Group to the TEDA Group during the relevant periods.

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The proposed Annual Caps for the Continuing Connected Transactions are summarized as follows:

	Annual Caps		
	For the		
	nine months	For the	
	ending	year ending	
	31 December	31 December	
	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Supply of natural gas ^{<i>Note</i>}	<u>257,300</u>	<u>626,700</u>	<u>821,500</u>

Note: The annual caps for the transactions to be carried out between the Group and (i) Tianjin Eco-City Energy Investment Construction Company Limited; (ii) Tianjin Sai-ruì Machinery Company Limited; and (iii) Tianjin TEDA Tsinlien Gas Co., Ltd. for the year ending 31 December 2013 and 31 December 2014 are RMB209.56 million and RMB36.00 million respectively, which are not included in the proposed Annual Caps as set out in the above table. Such annual caps have been complied with all applicable requirements of Chapter 20 of the GEM Listing Rules.

We understand that the Annual Caps were determined after taking into account (i) the historical volumes of natural gas supplied by the Group to the TEDA Group; (ii) estimates on the demand for natural gas by the TEDA Group which are parties to transactions for supply of natural gas by the Group and estimates of volumes of natural gas which may potentially be supplied by the Group to the TEDA Group; (iii) a reasonable increase in the demand for natural gas of the TEDA Group; and (iv) a reasonable increase in the prices of natural gas of approximately 20% for the nine months ending 31 December 2013 as compared with existing selling prices, and such prices remaining stable for 2014 and 2015.

(a) Historical transaction amounts

We noted that the historical transaction amounts of the supply of natural gas increased substantially for the year ended 31 March 2012 but decreased for the nine months ended 31 December 2012 as compared with the respective previous corresponding periods. The management of the Company explained that the substantial increase in transaction amount for the year ended 31 March 2012 was mainly due to a relatively small base amount in 2011 as the Group only started to supply natural gas to Tianjin Pipe (Group) Corporation and its subsidiaries or affiliated companies, members of the TEDA Group, in September 2010 and sales for such customers accounted for approximately

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67.5% and 72.3% of the total transaction amounts between the Group and the TEDA Group for the year ended 31 March 2011 and 2012 respectively. Furthermore, there was also an increase in demand of natural gas from other members of the TEDA Group during the year ended 31 March 2012. On the other hand, owing to the more favorable prices offered by other market participants in the region, the TEDA Group reduced its purchases from the Group during the nine months ended 31 December 2012. Therefore, the transaction amount for the nine months ended 31 December 2012 decreased.

The management of the Company considers that the price elasticity of demand of natural gas is relatively high and expects that the volume of natural gas to be purchased by the TEDA Group from the Group shall increase during the three years ending 31 December 2015 if competitive prices are offered to the TEDA Group.

(b) *Demand of natural gas from the TEDA Group*

In determination of the Annual Caps, the Group has discussed with the members of the TEDA Group which are existing customers of the Group regarding their development plan and expected demand of natural gas for the nine months ending 31 December 2013. Having taken into account the possible expansion in production lines of such entities in 2013 and the general market condition of natural gas in the PRC, particularly the Tianjin Binhai New Area, the Group expected that the volume of natural gas to be supplied to the TEDA Group would generally increase with an annual growth rate of approximately 20% during the two years ending 31 December 2015.

We have reviewed the email correspondences between the Group and the energy department of TPCO Copper Industry Co., Ltd., a member of the TEDA Group, and the letter issued by the management department and operating services department of Tianjin Eco-City Energy Investment Construction Company Limited, a member of the TEDA Group, which indicated the expected demand on natural gas from such entities and noted that the estimated volumes of natural gas under the Annual Cap for the nine months ending 31 December 2013 were generally in line with such expected demands.

We noted that the demand of natural gas from the TEDA Group for the years ending 31 December 2014 and 31 December 2015 are substantially higher than that for the years ending 31 December 2013 and 31 December 2014 respectively. The trend of demand of natural gas from the TEDA Group was

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distorted because the demand of natural gas under the transactions to be carried out between the Group and (i) Tianjin Eco-City Energy Investment Construction Company Limited; (ii) Tianjin Sai-rui Machinery Company Limited; and (iii) Tianjin TEDA Tsinlien Gas Co., Ltd. for the years ending 31 December 2013 and 31 December 2014, which amounted to 87.3 million cubic meters and 15.4 million cubic meters respectively, were excluded from the demand of natural gas for the years ending 31 December 2013 and 31 December 2014. Had the aforesaid demand of natural gas for the transactions to be carried out between the Group and (i) Tianjin Eco-City Energy Investment Construction Company Limited; (ii) Tianjin Sai-rui Machinery Company Limited; and (iii) Tianjin TEDA Tsinlien Gas Co., Ltd. been included, the aggregate volume of natural gas for the year ending 31 December 2013 and 31 December 2014 would have been approximately 178.0 million cubic meters and 244.3 million cubic meters respectively. The adjusted volume of natural gas for the year ending 31 December 2014 would then be approximately 17.3% higher than that of the annualized adjusted volume of natural gas for the year ending 31 December 2013 and the volume of natural gas for the year ending 31 December 2015 of approximately 302.9 million cubic meters would be approximately 24.0% higher than that of the adjusted volume of natural gas for the year ending 31 December 2014.

We noted from the “Twelfth Five-Year Natural Gas Development Plan” published by the National Development and Reform Commission of the PRC, with the consent of the State Council, in October 2012, that the production volume of natural gas in the PRC increased at a compound annual growth rate of approximately 13.3% from 27.2 billion cubic meters in 2000 to 94.8 billion cubic meters in 2010. Meanwhile, the consumption volume of natural gas in the PRC was 24.5 billion cubic meters in 2000 and reached 107.5 billion cubic meters in 2010, representing a compound annual increase of approximately 15.9%. In 2000, natural gas accounted for approximately 2.2% of the total primary energy consumption in the PRC while such percentage doubled to approximately 4.4% in 2010. However, the ratio of 4.4% was still far below the average international ratio of 23.8%. It is expected that during the period of 2011-2015, the average annual increase in natural gas consumption in the PRC will exceed 20.0 billion cubic meters and the consumption volume of natural gas in the PRC will reach 230.0 billion cubic meters in 2015, representing a compound annual growth rate of 16.4%.

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According to the “Twelfth Five-Year Energy Plan for the Tianjin Binhai New Area” issued by the People’s Government of the Tianjin Binhai New Area in June 2012, the gross domestic product of the Tianjin Binhai New Area was RMB503.0 billion in 2010, representing a compound annual growth rate of approximately 22.5% as compared with the period of the “Eleventh Five-Year”. In 2010, the production volume of natural gas in the Tianjin Binhai New Area was 3.44 billion cubic meters, representing a compound annual increase of 31.3% as compared with 0.88 billion cubic meters in 2005. The consumption volume of natural gas in Tianjin Binhai New Area also increased at a compound annual growth rate of 20.7% from 0.53 billion cubic meters in 2005 to 1.36 billion cubic meters in 2010. It is anticipated that the gross domestic product of the Tianjin Binhai New Area in 2015 will exceed RMB1,000 billion. Furthermore, the consumption volume of natural gas in the Tianjin Binhai New Area is expected to increase at a compound annual growth rate of 43.2% from 1.36 billion cubic meters in 2010 to 8.2 billion cubic meters in 2015.

Having considered (i) the historical growth in natural gas consumption and anticipated growth in natural gas consumption for the “Twelfth Five-Year” period in the PRC and the Tianjin Binhai New Area; (ii) the anticipated demand of natural gas indicated by the TEDA Group; and (iii) the expected competition in the natural gas market in the Tianjin Binhai New Area, we are of the opinion that the volumes of natural gas to be supplied to the TEDA Group are reasonably estimated.

(c) *Selling price of natural gas*

The Company expected that the selling prices of natural gas for the nine months ending 31 December 2013 will increase by approximately 20% as compared with the existing selling prices and remain stable at such level during the two years ending 31 December 2015 after taking into account the prevailing market prices of natural gas, price indications from major suppliers of the Group and the anticipated adjustment on the pricing guidelines stipulated by the PRC Government and/or the Tianjin Municipal Government.

The “Twelfth Five-Year Natural Gas Development Plan” commented that the current selling prices of domestic natural gas in the PRC were relatively low and were unable to reflect the demand and supply situation of natural gas in the PRC. Securities Times (證券時報), a financial media designated by China Securities Regulatory Commission, China Insurance Regulatory Commission and China Banking Regulatory Commission as official channel for disclosure

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of information of listed companies, insurance companies and trust companies in the PRC, also published an article in February 2013 stating that the National Development and Reform Commission of the PRC would accelerate the reform on natural gas prices in this year to adjust the prices of natural gas upwards. We have reviewed the website of National Energy Administration of the PRC and noted, to the best of our knowledge and information, that three cities in the PRC had adjusted the pricing guidelines in respect of the natural gas sale prices during the period from December 2012 to the Latest Practicable Date. The prices of piped natural gas for residential use in Beijing, Haikou and Changchun were adjusted upwards by approximately 11.2%, 21.2% and 40.0% respectively, representing an average increment of approximately 24.1%.

We were advised by the management of the Company that apart from the recent natural gas sale price adjustment stipulated by the PRC Government in other cities as a reference, the Company has also considered other factors in determination of the Group's selling prices of natural gas such as price indications from major suppliers of the Group and the keen market competition in the Tianjin Binhai New Area. Therefore, the expected increment rate of the Group's selling prices of natural gas is lower than the average growth rate of natural gas sale price stipulated by the PRC Government of 24.1%. Having considered the above factors, we concur with the view of the management of the Company that a growth rate of approximately 20% on the Group's selling prices of natural gas is fair and reasonable.

Meanwhile, we noted that the selling prices of natural gas offered by the Group to the TEDA Group have remained stable after the price adjustment made in 2010 in response to the adjustments on natural gas sale prices stipulated by the Tianjin Municipal Government.

Based on the above, we are of the view that the selling prices of natural gas to the TEDA Group for the nine months ending 31 December 2013 and two years ending 31 December 2015 are reasonably projected.

In conclusion, having taken into account the above analysis on the projected volumes and prices of natural gas to be supplied to the TEDA Group during the term of the Master Gas Supply Agreement, we consider that the Annual Caps proposed by the Directors are fair and reasonable.

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4. Annual review of the Continuing Connected Transactions

The Company confirms us that it will comply with Rule 20.37 to Rule 20.41 of the GEM Listing Rules during the term of the Master Gas Supply Agreement, in particular:

- (a) the Annual Caps shall not be exceeded;
- (b) each year the independent non-executive Directors will review the Continuing Connected Transactions and confirm in the annual report of the Company that such transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Company;
 - (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to independent third parties; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (c) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the Continuing Connected Transactions:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policies of the Group;
 - (iii) have been entered into in accordance with the terms of the Master Gas Supply Agreement; and
 - (iv) have not exceeded the caps as disclosed;
- (d) the Board must state in the annual report of the Company whether its auditors have confirmed the matters as referred to in paragraph (c) above; and

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- (e) upon any variation or renewal of the Master Gas Supply Agreement, the Company will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

Given the above, we are of the view that the interests of the Company and the Independent Shareholders under the Continuing Connected Transactions will be properly safeguarded.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Continuing Connected Transactions (and the Annual Caps thereunder) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favor of the resolution to approve the Continuing Connected Transactions (and the Annual Caps thereunder) at the upcoming SGM.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo
Managing Director

Amilia Tsang
Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, 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. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive 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 required standard of dealings by directors referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

(i) Long position in Shares

Name of Director	Capacity	No. of Shares held	Approximate percentage of total issued share capital of the Company
Professor Japhet Sebastian Law	Beneficial owner	1,000,000	0.02%

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

Name of Director	No. of share options held	Approximate percentage of total issued
Mr. GAO Liang	10,000,000	0.17%
Mr. ZHANG Jun	7,000,000	0.12%
Mr. DAI Yan	7,000,000	0.12%
Mr. WANG Gang	7,000,000	0.12%
Ms. ZHU Wen Fang	7,000,000	0.12%
Mr. IP Shing Hing, J.P.	2,000,000	0.03%
Professor Japhet Sebastian LAW	2,000,000	0.03%
Mr. TSE Tak Yin	2,000,000	0.03%
Mr. LAU Siu Ki, Kevin	2,000,000	0.03%

Note: Pursuant to the share option scheme of the Company adopted on 20 August 2010, all the share options stated above were granted on 27 September 2010 and are exercisable at HK\$0.56 per Share at any time between 27 September 2010 and 26 September 2020.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any 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 rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, so far as is known to the Directors and chief executives of the Company, the persons (other than Directors or chief executives of the Company) or companies who have interests or short positions 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 were as follows:

Long and short positions in the shares, underlying shares and debentures of the Company

Name of shareholder	Position	Capacity and nature of interest	Beneficial interests	Family interests	Corporate interests	Others	Total	Approximate percentage of the issued ordinary share capital
Tsinlien	Long	Interest of controlled corporation	—	—	496,188,000 <i>(Note 1)</i>	1,333,333,333 <i>(Note 2)</i>	1,829,521,333	30.53%
	Short	Nominee for another person	—	—	1,333,333,333 <i>(Note 3)</i>	—	1,333,333,333	22.25%
TEDA	Long	Interest of controlled corporation	—	—	8,670,653,873 <i>(Note 3)</i>	—	8,670,653,873	144.68%
Tianjin Development Holdings Limited	Long	Interest of controlled corporation	—	—	496,188,000 <i>(Note 1)</i>	—	496,188,000	8.28%
Tianjin Investment Holdings Limited	Long	Interest of controlled corporation	—	—	496,188,000 <i>(Note 1)</i>	—	496,188,000	8.28%
Santa Resources Limited	Long	Beneficial owner	496,188,000 <i>(Note 1)</i>	—	—	—	496,188,000	8.28%
Mr. Shum Ka Sang ("Mr. Shum")	Long	Beneficial owner/Interest of controlled corporation	15,650,000	—	749,350,000 <i>(Note 4)</i>	—	795,000,000	12.77%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	749,350,000 <i>(Note 4)</i>	—	—	—	749,350,000	12.50%
Ms. Wu Man Lee	Long	Interest of spouse	—	765,000,000 <i>(Note 5)</i>	—	—	765,000,000	12.77%

Notes:

1. The interest disclosed represents the interest in the Company held by Santa Resources Limited, a company which is directly wholly-owned by Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. Tsinlien, through Tianjin Investment Holdings Limited which it wholly-owns, is a controlling shareholder of Tianjin Development Holdings Limited.
2. Such interest represents 1,333,333,333 potential Shares which are issuable assuming full conversion of the 40,000,000 Convertible Preference Shares issued to the syndicated banks under the Settlement Agreement, pursuant to which Tsinlien BVI has agreed to buy back such Convertible Preference Shares from the syndicated banks on the 5th anniversary of the date of issue of such Convertible Preference Shares. Tsinlien BVI has agreed to transfer such Convertible Preference Shares to TEDA HK after completion of acquisition from the syndicated banks.
3. These 8,670,653,873 Shares represent (i) 3,003,987,207 Shares held by TEDA HK, a wholly-owned subsidiary of TEDA; (ii) 4,333,333,333 potential Shares which are issuable to TEDA HK assuming full conversion of 130,000,000 Convertible Preference Shares held of TEDA HK; (iii) 1,333,333,333 potential Shares which are issuable assuming full conversion of the 40,000,000 Convertible Preference Shares that TEDA HK will acquire from Tsinlien BVI as referred to Note 2 above.
4. Wah Sang Gas Development Group (Cayman Islands) Limited is wholly-owned by Mr. Shum. The corporate interests held by Mr. Shum represent his deemed interests in the Shares by virtue of his interests in Wah Sang Gas Development Group (Cayman Islands) Limited.
5. Ms. Wu Man Lee is deemed to be interested in the Shares by virtue of the interests in such shares owned by her spouse, Mr. Shum.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executives of the Company were not aware of any other person (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of WAG Worldsec Corporate Finance Limited, the compliance adviser of the Company, or its directors, employees and associates nor, in so far as the Directors are aware, the Directors or any of their respective associates had an interest in a business that competes or may compete with the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

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

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2012, being the date to which the latest published audited financial statements of the Group were made up.

7. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTEREST

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 March 2012, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

8. EXPERT

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

Name	Qualifications
Hercules Capital	A corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO

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

As at the Latest Practicable Date, Hercules Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Hercules Capital did not have any direct or indirect interest in any assets which have been, since 31 March 2012 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

In case of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Master Gas Supply Agreement;
- (b) the Sai Rui Gas Supply Agreement;
- (c) the Supplemental Agreement to the TEDA-Gas Gas Supply Agreement; and
- (d) the Tianjin Eco-City Gas Supply Agreement

NOTICE OF SPECIAL GENERAL MEETING



濱海投資有限公司 BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 8035)

NOTICE IS HEREBY GIVEN that a special general meeting of Binhai Investment Company Limited (the “**Company**”) will be held on 2 April 2013, at 10:30 a.m. at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong to consider, and, if thought fit, pass the following resolution (with or without modifications) as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Master Gas Supply Agreement as defined and described in the circular of the Company dated 14 March 2013 of which this resolution forms part (the “**Circular**”) (a copy of each of the Master Gas Supply Agreement and the Circular having been produced at the meeting and marked “**A**” and “**B**” respectively and each initialed by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder and in connection therewith and any other documents ancillary to it, be and are hereby approved, ratified and/or confirmed;
- (b) the proposed Annual Caps (as defined and described in the Circular) under the Master Gas Supply Agreement be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorized for and on behalf of the Company to sign, seal, execute, perfect, perform and deliver all such documents, agreements, instruments and deeds, and do all such acts, matters or things and take all such steps as they may in their discretion consider to be necessary, desirable or expedient to implement and/or give effect to the Master Gas Supply Agreement, the transactions contemplated thereunder and the proposed Annual Caps.”

By Order of the Board

BINHAI INVESTMENT COMPANY LIMITED

GAO Liang

Executive Director

Hong Kong, 14 March 2013

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and vote instead of him. A proxy needs not be a member of the Company.
- (2) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be deposited at the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting.
- (3) As at the date hereof, the Board comprises two executive Directors, namely, Mr. Zhang Bing Jun and Mr. Gao Liang, five non-executive Directors, namely, Mr. Shen Xiao Lin, Mr. Zhang Jun, Mr. Dai Yan, Mr. Wang Gang and Ms. Zhu Wen Fang, and four independent non-executive Directors, namely, Mr. Ip Shing Hing, J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Lau Siu Ki, Kevin.