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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 the transferee or to the bank, stockbroker 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: 8035)

## PROPOSED REDUCTION OF SHARE PREMIUM ACCOUNT REDUCTION OF CONTRIBUTED SURPLUS ACCOUNT AND REDUCTION OF OTHER RESERVES ACCOUNT

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A notice convening the special general meeting of Binhai Investment Company Limited to be held at Suites 3205-07, 32/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on 8 November 2013 at 3:30 p.m. is set out on pages 7 to 8 of this circular. Whether or not you intend to attend the meeting, you are requested to complete the proxy form 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, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude Shareholders from attending and voting at the meeting, or any adjourned meeting, should they so wish.

This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the day of its posting.

15 October 2013

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## CHARACTERISTICS OF GEM

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**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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:*

“Accumulated Losses”	the accumulated losses of the Company as shown in the audited financial statements of the Company for the nine months ended 31 December 2012
“Application”	the proposed application of the credit arising from the Share Premium Reduction, the Contributed Surplus Reduction and the Other Reserves Reduction, to set-off and eliminate the Accumulated Losses
“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
“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“Contributed Surplus Account”	the contributed surplus account of the Company
“Contributed Surplus Reduction”	the proposed reduction of the amount HK\$43,456,235 standing to the credit of the Contributed Surplus Account as at 31 December 2012 from HK\$47,547,866 to HK\$4,091,631
“Director”	the directors of the Company from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Other Reserves Account”	the other reserves account of the Company
“Other Reserves Reduction”	the proposed reduction of the amount of HK\$160,000,000 under the item “Others” standing to the credit of the Other Reserves Account as at 31 December 2012 from HK\$160,000,000 to nil

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened and held on 8 November 2013 at 3:30 p.m. to consider and, if thought fit, approve the Share Premium Reduction, the Contributed Surplus Reduction, the Other Reserves Reduction and the Application
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Share Premium Account”	the share premium account of the Company
“Share Premium Reduction”	the proposed reduction of the amount of HK\$424,737,296 standing to the credit of the Share Premium Account as at 31 December 2012 from HK\$424,737,296 to nil
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*This circular is issued in English and Chinese languages. In case of inconsistencies, the English version shall prevail.*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Zhang Bing Jun

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, 32/F.

Tower Two

Times Square

1 Matheson Street

Causeway Bay

Hong Kong

15 October 2013

*To the Shareholders,*

Dear Sir or Madam,

**PROPOSED REDUCTION OF  
SHARE PREMIUM ACCOUNT  
REDUCTION OF CONTRIBUTED SURPLUS ACCOUNT  
AND  
REDUCTION OF OTHER RESERVES ACCOUNT**

**INTRODUCTION**

The Board announced on 9 October 2013 that the Company proposes to (a) reduce an amount of HK\$424,737,296 standing to the credit of the Share Premium Account as at 31 December 2012 from HK\$424,737,296 to nil; (b) reduce an amount of HK\$43,456,235

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## LETTER FROM THE BOARD

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standing to the credit of the Contributed Surplus Account as at 31 December 2012 from HK\$47,547,866 to HK\$4,091,631; and (c) reduce an amount of HK\$160,000,000 from the item “Others” standing to the credit of the Other Reserves Account as at 31 December 2012 from HK\$160,000,000 to nil; and (d) apply the credit arising from the Share Premium Reduction, the Contributed Surplus Reduction and the Other Reserves Reduction to set-off and eliminate the Accumulated Losses of the Company in the amount of HK\$628,193,531 as at 31 December 2012.

The purpose of this circular is to provide you with information on (i) the Share Premium Reduction, (ii) the Contributed Surplus Reduction; (iii) the Other Reserves Reduction; and (iv) the Application and to seek the approval of the Shareholders by way of a special resolution relating to such matters at the SGM.

### CONDITIONS

The Share Premium Reduction, the Contributed Surplus Reduction, the Other Reserves Reduction and the Application are conditional on:

- (a) the passing of a special resolution by the Shareholders at the SGM to approve the Share Premium Reduction, the Contributed Surplus Reduction, the Other Reserves Reduction and the Application; and
- (b) the due compliance by the Company with the relevant procedures and requirement under the Companies Act to effect the Share Premium Reduction, including but not limited to the publication of a notice in an appointed newspaper in Bermuda in respect of the Share Premium Reduction.

Subject to the fulfillment of the above conditions, the Share Premium Reduction, the Contributed Surplus Reduction, the Other Reserves Reduction and the Application will become effective on the date of passing of the abovementioned special resolution by the Shareholders at the SGM.

### REASONS FOR THE SHARE PREMIUM REDUCTION, THE CONTRIBUTED SURPLUS REDUCTION, THE OTHER RESERVES REDUCTION AND THE APPLICATION

The Company has been unable to declare and pay dividends on its Shares while there are Accumulated Losses. The Share Premium Reduction, the Contributed Surplus Reduction, the Other Reserves Reduction and the Application will allow the Company to eliminate all such accumulated losses, and as a result will put the Company in a better position to declare dividends to Shareholders at an earlier opportunity.

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## LETTER FROM THE BOARD

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**The Shareholders should, however, note that there can be no assurance that a dividend will be declared or paid in the future even in circumstances where the Share Premium Reduction, the Contributed Surplus Reduction, the Other Reserves Reduction and the Application become effective.**

### **EFFECTS OF THE SHARE PREMIUM REDUCTION, THE CONTRIBUTED SURPLUS REDUCTION, THE OTHER RESERVES REDUCTION AND THE APPLICATION**

Section 46 of the Companies Act provides that on the date from which a reduction of share premium of the Company comes into effect, there must be no reasonable grounds for believing that the Company is, or would after the reduction be, unable to pay its liabilities as they become due. Section 54 of the Companies Act provides that no distribution out of the Company's contributed surplus shall be made if there are reasonable grounds for believing that the Company is, or would after the distribution be, unable to pay its liabilities as they become due or the realizable value of its assets would thereby become less than its liabilities. The Company confirms that no such grounds exist as at 9 October 2013 (the latest practicable date for ascertaining information in this circular).

In view of the above, the Directors consider the Share Premium Reduction, the Contributed Surplus Reduction, the Other Reserves Reduction and the Application will be in the interests of the Company and the Shareholders as a whole and will not adversely affect the underlying assets, business operations or financial position of the Company and its subsidiaries. The Directors are also of the view that the proportionate interest of the Shareholders in the underlying assets of the Company and its subsidiaries will not change as a result of the Share Premium Reduction, the Contributed Surplus Reduction, the Other Reserves Reduction and the Application.

### **SPECIAL GENERAL MEETING**

The notice convening the SGM, at which the necessary resolution for the approval of the Share Premium Reduction, the Contributed Surplus Reduction, the Other Reserves Reduction and the Application will be proposed, is set out on pages 7 and 8 of this circular. A form of proxy for use at the SGM is also enclosed with the 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.



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## LETTER FROM THE BOARD

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Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the SGM pursuant to Bye-law 66 and the Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

### **RESPONSIBILITY STATEMENT**

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

### **RECOMMENDATION**

The Board considers that the Share Premium Reduction, the Contributed Surplus Reduction, the Other Reserves Reduction and the Application are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all the Shareholders to vote in favour of the resolution to be proposed at the SGM.

Yours faithfully,

For and on behalf of the Board

**BINHAI INVESTMENT COMPANY LIMITED**

**Gao Liang**

*Executive Director*

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## NOTICE OF SGM

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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)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Binhai Investment Company Limited (the “**Company**”) will be held on 8 November 2013, at 3:30 p.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 a special resolution of the Company:

### **SPECIAL RESOLUTION**

“**THAT** subject to compliance by the Company with the relevant procedures and requirement under the Companies Act and with effect from the date of passing of this resolution:

- (i) the amount of HK\$424,737,296 standing to the credit of the share premium account of the Company as at 31 December 2012 be reduced from HK\$424,737,296 to nil (“**Share Premium Reduction**”);
- (ii) the amount of HK\$43,456,235 standing to the credit of the contributed surplus account of the Company as at 31 December 2012 be reduced from HK\$47,547,866 to HK\$4,091,631 (“**Contributed Surplus Reduction**”);
- (iii) the amount of HK\$160,000,000 from the item “Others” standing to the credit of the other reserves account of the Company as at 31 December 2012 be reduced from HK\$160,000,000 to nil (“**Other Reserves Reduction**”);
- (iv) the credit in the aggregate amount of HK\$628,193,531 arising from the Share Premium Reduction, the Contributed Surplus Reduction and the Other Reserves Reduction be applied to set-off and eliminate the accumulated losses of the Company in the amount of HK\$628,193,531 as at 31 December 2012 (the “**Application**”); and

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## NOTICE OF SGM

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- (v) the directors of the Company be and are hereby authorised to do all things and acts and sign all documents which they consider necessary, desirable, or expedient in connection with the implementation of the Share Premium Reduction, the Contributed Surplus Reduction, the Other Reserves Reduction and the Application.”

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

Hong Kong, 15 October 2013

*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.