



13 January 2026

The Independent Board Committee of China Energy Development Holdings Limited

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFERS BY
CINDA INTERNATIONAL CAPITAL LIMITED
FOR AND ON BEHALF OF ALPHA EAGLE LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND
OUTSTANDING CONVERTIBLE BONDS OF
CHINA ENERGY DEVELOPMENT HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED
TO BE ACQUIRED BY ALPHA EAGLE LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee in relation to the Offers, details of which are set out in the composite document dated 13 January 2026 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless otherwise stated.

Reference is made to the Joint Announcement in relation to, among other things, the Offers.

Immediately before the completion of the Rights Issue, the Offeror and its Concert Parties owned 90,750,000 Shares, representing approximately 29.84% of the total issued share capital of the Company prior to the issue of 152,066,800 Rights Shares under the Rights Issue.

The Offeror and its Concert Parties made an application to subscribe for a total of 152,066,763 Rights Shares at the Subscription Price under the Rights Issue, comprising (i) 45,375,000 Rights Shares by provisional allotments; (ii) 106,691,763 Rights Shares by excess application. Pursuant to the results of the Rights Issue, on 24 December 2025, a total of 150,884,939 Rights Shares (after the Final Allocation) were issued to the Offeror and its Concert Parties, comprising (i) 45,375,000 Rights Shares from provisional allotments; and (ii) 105,509,939 Rights Shares (after the Final Allocation) from excess application.

Immediately following the completion of the Rights Issue (after the Final Allocation) and as at the Latest Practicable Date, the Offeror and its Concert Parties are interested in an aggregate of 241,634,939 Shares (comprising 90,750,000 Shares held by the Offeror and 150,884,939 Rights Shares (after the Final Allocation) issued to the Offeror upon completion of the Rights Issue), representing approximately 52.97% of the total issued shares capital of the Company as enlarged by the issue of 152,066,800 Rights Shares.

Accordingly, the Offeror is required to make mandatory unconditional cash offers for all the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company (other than those already owned or to be acquired by the Offeror and its Concert Parties) pursuant to Rule 26.1 and Rule 13 of the Takeovers Code.

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee, comprising all independent non-executive Directors, namely Ms. Chin Ying Ying, Mr. Lee Man Tai and Mr. Zhang Zhenming, has been established to advise the Independent Shareholders and the Convertible Bondholders in relation to the terms and conditions of the Offers, in particular as to whether the Offers are fair and reasonable and as to acceptance of the Offers.

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee should comprise all non-executive and independent non-executive directors. Since (i) Mr. Yan Danhua, being a non-executive Director of the Company, is a director of XTRQ, which indirect wholly owns the Offeror; and (ii) Mr. Chen Jianxin, being a non-executive Director of the Company, is the deputy general manager of XTRQ, such Directors are not independent for the purpose of giving advice or recommendations to the Independent Shareholders and would not be part of the Independent Board Committee.

Our appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company, the Offeror or any of their respective substantial shareholders (as applicable), directors or chief executives (as applicable), or any of their respective associates and we were not in the same group as the financial or other professional adviser (including a stockbroker) to the Offeror and the Group, we do not and did not have, a significant connection, financial or otherwise with either the Offeror or the Group, or the controlling shareholder(s) of either of them (as applicable), of a kind reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Accordingly, we are considered suitable to give independent advice to the Independent Board Committee in respect of the Offer in compliance with Rule 2.6 of the Takeovers Code.

In the last two years, save for this appointment as the Independent Financial Adviser in respect of the Offers, we have not acted as any financial adviser role to the Company and the Offeror.

Apart from the normal professional fees paid to us in relation to the current appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company, the Offeror or other parties that could reasonably be regarded as relevant to our independence. The aggregate professional fees paid to/to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Offers.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained in the Composite Document and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Composite Document, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the Latest Practicable Date.

The Directors jointly and severally accepted full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Offeror) and have confirmed that, having made all reasonable enquiries, to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions, or representations given or made by or on behalf of the Company or the Offeror, nor conducted any independent in-depth investigation into the business and affairs of the Company, the Offeror or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offers. The Company has been separately advised by its own professional advisers with respect to the Offer and the preparation of the Composite Document (other than this letter).

We have assumed that the Offers will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that no delay, limitation, condition or restriction will be imposed in connection with the Offers that would have a material adverse effect on the contemplated benefits expected to be derived from the Offers. Our opinion is based on the financial, economic, market, and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes (including changes to our opinions, advices and recommendations) as soon as possible in accordance with Rule 9.1 of the Takeovers Code up to the ending date of the Offer Period.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the Offers, we have taken into account the following principal factor and reasons.

A. Information of the Group

The Group is principally engaged in exploration, production and distribution of natural gas in the PRC.

The table below sets forth a summary of the consolidated financial information of the Group for the two years ended 31 December 2023 and 2024 (“FY2023” and “FY2024”, respectively), the six months ended 30 June 2024 (“1H2024”) and the six months ended 30 June 2025 (“1H2025”):

	FY2023	FY2024	1H2024	1H2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	332,034	300,101	165,807	118,833
Direct cost	(48,367)	(51,631)	(29,766)	(25,503)
Profit for the year/period	68,880	26,710	32,911	9,792

	31 December	As at 31 December	30 June
	2023	2024	2025
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)
Cash and cash equivalents	45,203	34,346	57,272
Total assets	2,366,420	2,270,535	2,345,585
Total liabilities	634,564	480,512	493,871
Net assets	1,731,856	1,790,383	1,851,714

Revenue

The revenue of the Group decreased from approximately HK\$332.0 million for FY2023 to approximately HK\$300.1 million for FY2024, as the Group produced approximately 431.0 million cubic meters of natural gas, representing a decrease of approximately 9.8% compared with FY2023, due to technical problems incurred in certain gas fields such as water and slurry blockage during FY2024.

The revenue of the Group decreased from approximately HK\$165.8 million for 1H2024 to approximately HK\$118.8 million for 1H2025, which was mainly due to problems incurred in certain gas fields such as flooding for one of the projects of the Group in Xinjiang during 1H2025.

Profit for the year/period

Profit for the year of the Group decreased from approximately HK\$68.9 million for FY2023 to approximately HK\$26.7 million for FY2024, which was mainly due to (i) the decrease in revenue of the Group from approximately HK\$332.0 million for FY2023 to approximately HK\$300.1 million for FY2024; (ii) increase in provision for impairment of property, plant and equipment from approximately HK\$1.8 million for FY2023 to approximately HK\$9.1 million for FY2024; and (iii) increase in direct cost from approximately HK\$48.4 million for FY2023 to approximately HK\$51.6 million for FY2024.

Profit for the period of the Group decreased from approximately HK\$32.9 million in 1H2024 to approximately HK\$9.8 million for 1H2025, which was mainly due to the decrease in revenue of the Group from approximately HK\$165.8 million for 1H2024 to approximately HK\$118.8 million for 1H2025, netting off (i) decrease in direct cost from approximately HK\$29.8 million for 1H2024 to approximately HK\$25.5 million for 1H2025; and (ii) decrease in finance cost from approximately HK\$20.1 million for 1H2024 to approximately HK\$11.4 million for 1H2025.

Total assets

The total assets of the Group decreased from approximately HK\$2,366.4 million as at 31 December 2023 to approximately HK\$2,270.5 million as at 31 December 2024, which was mainly due to the increase in impairment of property, plant and equipment and intangible assets as a result of the decrease in the recoverable amount of one of the Group's projects in Xinjiang.

The total assets of the Group increased from approximately HK\$2,270.5 million as at 31 December 2024 to approximately HK\$2,345.6 million as at 30 June 2025, which was mainly due to (i) increase in cash and bank balances from approximately HK\$34.3 million as at 31 December 2024 to approximately HK\$57.3 million as at 30 June 2025; and (ii) increase in account receivables from approximately HK\$116.2 million as at 31 December 2024 to approximately HK\$146.5 million as at 30 June 2025.

Total liabilities

The total liabilities of the Group decreased from approximately HK\$634.6 million as at 31 December 2023 to approximately HK\$480.5 million as at 31 December 2024, which was mainly due to the decrease in other borrowings and conversion of convertible notes during FY2024.

The total liabilities of the Group increased from approximately HK\$480.5 million as at 31 December 2024 to approximately HK\$493.9 million as at 30 June 2025, which was mainly due to the increase in other payables and accruals.

Net assets

In view of the above factors and in particular the net profit recorded by the Group, the net assets of the Group increased from approximately HK\$1,731.9 million as at 31 December 2023 to approximately HK\$1,790.4 million as at 31 December 2024, and further increased to approximately HK\$1,851.7 million as at 30 June 2025.

Net proceeds from the Rights Issue

As disclosed in the prospectus of the Company dated 2 December 2025 in relation to the Rights Issue, the net proceeds of the Rights Issue of approximately HK\$236.7 million is intended to be applied as to (i) approximately HK\$100.6 million for production costs, pipeline transport fees at the gas fields located in the Kashi project at Akemomu, North Kashi Block, Tarim Basin, China (the “**Akemomu Gas Field**”) in 2026; (ii) approximately HK\$48.2 million for the operating expenses of certain existing stimulation wells and surface engineering in 2026 for the Akemomu Gas Field; and (iii) approximately HK\$87.9 million for partially funding the construction of 3 new production wells in or around May 2026 at the Akemomu Gas Field.

In the event the use of proceeds are applied as intended, the production capacity of natural gas from the Akemomu Gas Field may improve in the future after the relevant constructions are completed.

Future prospects of the Group

Based on the report titled “Gas 2025” published in October 2025 by the International Energy Agency, an intergovernmental organisation in the global energy sector, the demand of natural gas declined in the first half of 2025 by about 1% on an annual basis in the PRC. Nevertheless, it is expected that the demand for natural gas will experience a rebound in 2026 in the PRC.

As disclosed above, the revenue of the Group decreased from approximately HK\$165.8 million for 1H2024 to approximately HK\$118.8 million for 1H2025, which was mainly due to problems incurred in certain gas fields such as flooding for one of the projects of the Group in Xinjiang during 1H2025.

As further disclosed in the prospectus of the Company dated 2 December 2025 in relation to the Rights Issue, in response to the challenging and volatile market conditions in natural gas pipeline transportation and sales, it was the intention of the Group to raise additional capital reserve through the Rights Issue to apply for the development of Akemomu Gas Field as detailed above.

Accordingly, despite the demand for natural gas may experience a rebound in 2026 in the PRC, we are of the view that the future business prospect of the Group is uncertain, as it will very much depend on the Group’s ability to successfully develop its gas fields such as the Akemomu Gas Field and resolve the flooding in certain gas field of the Group in Xinjiang in a timely manner to improve its production capacity and revenue stream.

B. Information of the Offeror

1. Background information of the Offeror

The Offeror is a company incorporated in Cayman Islands with limited liability and is legally and beneficially wholly-owned by XJMX, which in turn is held by (i) XTRQ as to 65.0%; and (ii) Karamay Fucheng as to 35% of its total issued share capital.

Cypress Dragons Limited is a company incorporated in the British Virgin Islands with limited liability and is legally and beneficially wholly-owned by the Offeror and is principally engaged in investment holding.

Karamay Fucheng is legally and beneficially wholly-owned by Karamay City Construction Investment Development Co., Ltd.* (克拉瑪依市城市建設投資發展有限責任公司), which is legally and beneficially wholly-owned by Karamay Xitan Relocation Project Management Co., Ltd.* (克拉瑪依市投資控股有限責任公司), which is legally and beneficially wholly-owned by Karamay State-owned Assets Supervision and Administration Commission* (克拉瑪依市國有資產監督管理委員會).

As at the Latest Practicable Date, as the Offeror holds 205,259,939 Shares and Cypress Dragons Limited holds 36,375,000 Shares, Mr. Ming is interested in 241,634,939 Shares of the Company through his holding of 41.07% of the total issued share capital of XTRQ.

The Offeror is principally engaged in investment holding. XTRQ is principally engaged in the distribution and sales of natural gas. XTRQ provides natural gas sales services, including natural gas sales for civilian use and commercial use, natural gas installation services, as well as compressed natural gas transportation services. XTRQ is a company incorporated under the laws of the PRC and its shares are listed on the Shanghai Stock Exchange (stock code: 603393). The controlling shareholder of XTRQ is Mr. Ming, holding approximately 41.07% of the total issued shares of XTRQ as at the Latest Practicable Date.

Mr. Ming has been the chairman of the board of XTRQ since January 2013. Mr. Ming graduated from the correspondence college of Party College of Sichuan Province Committee of the Communist Party of China (中共四川省委黨校函授學院) in 1987, majoring in law.

2. The Offeror's intention on the Group

It is the intention of the Offeror to continue the existing business of the Company and has no intention to put forward any major changes to the business of the Company after the close of the Offers.

The Offeror has no intention to discontinue any employment of the employees of the Company or to dispose of or re-allocate the Company's assets which are not in the ordinary and usual course of business of the Company.

3. Our view

Having considered that (i) the Offeror and its Concert Parties were the single largest Shareholders prior to the Rights Issue; (ii) it is the intention of the Offeror to continue the existing business of the Company and has no intention to put forward any major changes to the business of the Company after the close of the Offers; and (iii) the Offeror has no intention to discontinue any employment of the employees of the Company or to dispose of or re-allocate the Company's assets which are not in the ordinary and usual course of business of the Company, we expect that there would not be substantial change in the principal business activities of the Group as a direct result of the Offers.

C. Principal terms of the Offers

As disclosed in the “Letter from Cinda” in the Composite Document, Cinda is, for and on behalf of the Offeror, making the Offers on the basis set out below:

The Share Offer

For every Offer Share HK\$1.57 in cash

The Share Offer Price of HK\$1.57 per Offer Share is equivalent to Subscription Price of HK\$1.57 per Rights Shares paid by the Offeror under the Rights Issue.

The Convertible Bonds Offer

**For every HK\$1,000,000 face value of
the Convertible Bonds HK\$233,630.95 in cash**

The Convertible Bonds Offer will not apply to any Convertible Bonds which are or have been converted into Shares prior to the close of the Convertible Bonds Offer.

As at the Latest Practicable Date, there are outstanding Convertible Bonds in the principal amount of HK\$232,790,000 which carry rights to convert into 34,641,369 new Shares in full based on the conversion price of HK\$6.72 per Share, and none of the Offeror and its Concert Parties has any interest in the Convertible Bonds.

The proposed offer price for the Convertible Bonds is HK\$233,630.95 for every HK\$1,000,000 face value of the Convertible Bonds, determined in accordance with Rule 13 of and Practice Note 6 to the Takeovers Code as the “see-through” consideration for the Convertible Bonds, being the number of new Shares which the Convertible Bonds could be convertible into (i.e. approximately 34,641,369 new Shares) multiplied by the Share Offer Price of HK\$1.57 per Offer Share, valuing the total Convertible Bonds Offer at approximately HK\$54,386,949.40.

As at the Latest Practicable Date, the Company (i) has no dividend or other distributions declared but not paid; and (ii) will not declare and pay any dividend or other distributions before the close or lapse of the Offers.

D. Analysis on the Share Offer

Comparison of the Share Offer Price

The Share Offer Price of HK\$1.57 represents:

- (a) a premium of approximately 1.29% over the closing price of HK\$1.55 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 9.03% to the closing price of HK\$1.44 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 9.03% to the average closing price of HK\$1.44 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a premium of approximately 9.03% to the average closing price of HK\$1.44 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a premium of approximately 13.69% to the average closing price of HK\$1.38 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days immediately prior to and including the Last Trading Day;
- (f) a premium of approximately 14.81% to the average closing price of HK\$1.37 per Share as quoted on the Stock Exchange for the last sixty consecutive trading days immediately prior to and including the Last Trading Day;
- (g) a discount of approximately 73.34% to the audited consolidated net asset value per Share as at 31 December 2024 of approximately HK\$5.89 (based on the audited consolidated net asset value as at 31 December 2024 of approximately HK\$1,790.4 million and the total number of Share); and
- (h) a discount of approximately 74.22% to the unaudited consolidated net asset value per Share as at 30 June 2025 of approximately HK\$6.09 (based on the unaudited consolidated net asset value as at 30 June 2025 of approximately HK\$1,851.7 million and the total number of Shares).

Value of the Offers

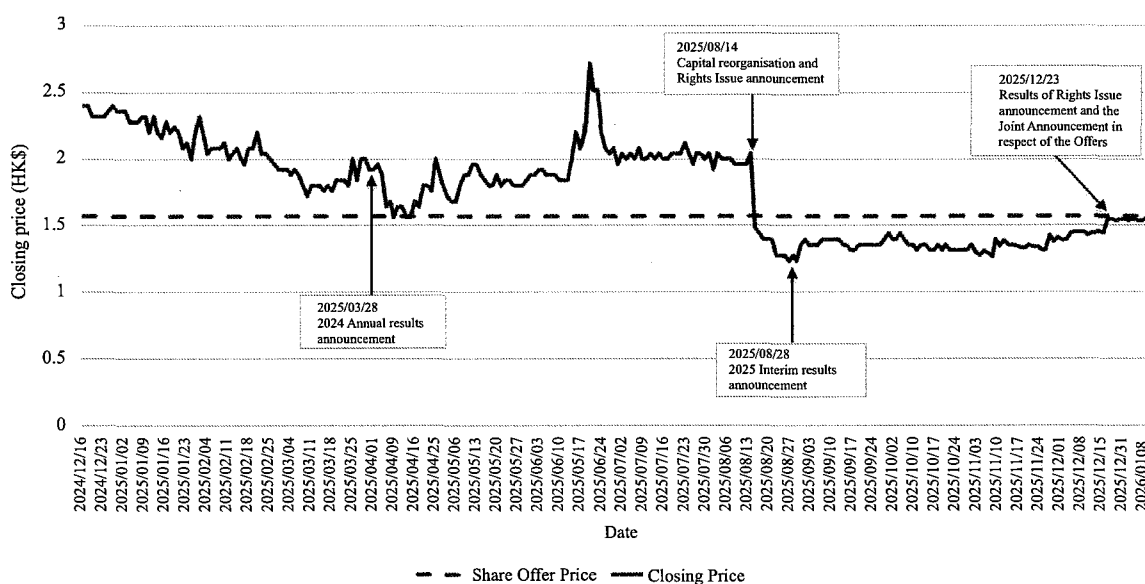
Immediately following completion of the Rights Issue, the Company is expected to have 456,200,400 Shares in issue and outstanding Convertible Bonds in the principal amount of HK\$232,790,000 which carry rights to convert into approximately 34,641,369 new Shares in full based on the conversion price of HK\$6.72 per Share immediately upon the completion of the Rights Issue.

Assuming the Offers are accepted in full on the basis that (i) none of the conversion rights attaching to the Convertible Bonds were exercised prior to the close of the Offers; and (ii) there were no change in the total number of issued Shares of the Company from the Latest Practicable Date up to the close of the Offers, a total of 214,565,461 issued Shares (representing the Shares not already owned or agreed to be acquired by the Offeror and its Concert Parties) would be subject to the Share Offer. The cash consideration payable by the Offeror under the Share Offer would be approximately HK\$336,867,773.77, whereas the cash consideration payable by the Offeror under the Convertible Bonds Offer would be HK\$54,386,949.40, aggregating to HK\$391,254,723.17.

Assuming that (i) all the conversion rights attaching to the Convertible Bonds were exercised in full prior to the close of the Offers and there would be no outstanding Convertible Bonds remaining for acceptance under the Convertible Bonds Offer; and (ii) there were no other change in the total number of issued Shares of the Company from the Latest Practicable Date up to the close of the Offers, a total of 249,206,830 Shares (representing the Shares not already owned or agreed to be acquired by the Offeror and its Concert Parties, including 34,641,369 new Shares to be issued pursuant to the exercise in full of the conversion rights attaching to the Convertible Bonds) would be subject to the Share Offer. Therefore, the maximum cash consideration payable by the Offeror under the Share Offer would be HK\$391,254,723.10.

Historical price and trading volume of the Shares

Set out below is the historical price performance of the Shares as quoted on the Stock Exchange during the one-year period prior to the Last Trading Day and up to and including the Latest Practicable Date (the “**Review Period**”). We consider that the Review Period is appropriate as it reflects the general trend and recent market valuation of the Shares.



Source: The website of the Stock Exchange

Throughout the Review Period, the closing price of the Shares experienced notable fluctuations roughly between HK\$1.56 and HK\$2.72 since the beginning of the Review Period from 16 December 2024 up to 13 August 2025, which is generally higher than the Share Offer Price of HK\$1.57 prior to 14 August 2025, being the date of the announcement of the Company in relation to the capital reorganisation and Rights Issue (the “**Rights Issue Announcement**”).

We noted the closing price of the Shares briefly spiked to HK\$2.72 on 19 June 2025. Based on our discussion with management of the Company, they were not aware of any material matters potentially caused by the aforesaid movement.

Following the publication of the Rights Issue Announcement on 14 August 2025 (after trading hours), the closing price of the Shares decreased sharply and declined to the lowest level of HK\$1.24 on 27 and 29 August 2025. Despite the closing price per Share after the publication of the Rights Issue Announcement remained at a relatively lower level in the Review Period, the closing price of the Shares remained lower than the Share Offer Price of HK\$1.57 after the publication of the Rights Issue Announcement and up to the Latest Practicable Date (the “**Post-Announcement Review Period**”).

As the Post-Announcement Review Period represented a substantial period of time of nearly five months, particularly there is no substantial change in the closing price of the Shares after the publication of the interim report of the Company for the six months ended 30 June 2025 in late August 2025, we consider the closing price of the Shares during the Post-Announcement Review Period would provide a more meaningful reference for the recent trend and market sentiment of the price of the Shares for the evaluation of the fairness and reasonableness of the Share Offer Price.

Average daily trading volume for each month during the Review Period

The table below sets out the average daily trading volume of the Shares and the percentages of average daily trading volume to the total number of issued Shares and Shares held by public Shareholders, respectively, during the Review Period:

Period/Month	Average daily trading volume of the Shares per month (approximate)	Average daily trading volume of the Shares to the total number of issued Shares held by the public Shareholders (Note) (approximate)
2024		
December (starting from the commencement of the Review Period)	43,280	0.0258%
2025		
January	91,253	0.0543%
February	137,780	0.0820%
March	197,640	0.1176%
April	103,203	0.0614%
May	62,778	0.0374%
June	423,417	0.2519%
July	131,623	0.0783%
August	1,335,199	0.7945%
September	525,823	0.3129%
October	197,953	0.1178%
November	274,230	0.1632%
December	1,108,403	0.6595%
2026		
January (up to the Latest Practicable Date)	1,166,763	0.2146%

Source: website of the Stock Exchange

Note: Based on 168,465,061 Shares held by the public Shareholders as at the Latest Practicable Date.

During the Review Period, the average daily trading volume ranged from approximately 43,280 Shares (in December 2024) to approximately 1,335,199 Shares (in August 2025), representing approximately 0.0258% to 0.7945% of the total number of issued Shares held by public Shareholders as at the end of the respective month/period.

It is noted that relatively higher trading volume occurred on (i) 15 August 2025, being the first trading day immediately after the publication of the Rights Issue Announcement, representing approximately 4.644% of the total number of issued Shares held by the public Shareholders at the end of August 2025; and (ii) 24 December 2025, being the first trading day immediately after the publication of the Joint Announcement, representing approximately 5.0735% of the total number of issued Shares held by the public Shareholders as at the Latest Practicable Date. As such, the average trading volume of the Shares in August and December 2025 were relatively higher than the other periods in the Review Period.

Save and except for the relatively higher average trading volume of the Shares in August and December 2025 due to the factors discussed above, the average daily trading volume of the Shares was below 0.2226% of the total number of issued Shares held by public Shareholders from time to time during the entire Review Period, indicating generally thin trading volume for the Shares.

Comparable analysis on the Share Offer

In assessing the fairness and reasonableness of the Share Offer Price, we have performed a comparable analysis on the Share Offer Price, we compared the price-to-earnings ratio (“**PE Ratio**”) and the price-to-book ratio (“**PB Ratio**”) of the Company implied by the Share Offer Price with other listed companies in Hong Kong with business similar to that of the Company. PE Ratio and PB Ratio are the commonly used valuation benchmarks in assessing the valuation of a company since the data for calculating these ratios can be obtained directly from publicly available information and reflect the value of the company determined by the open market.

The Group is principally engaged in exploration, production and distribution of natural gas in the PRC, and the market capitalisation of the Company was approximately HK\$656.9 million (based on the total issued shares of 456,200,400 Shares following the completion of the Rights Issue and the closing price of Share of HK\$1.44 as at the Last Trading Day). We noted the market capitalisation of majority of the companies listed on the Stock Exchange engaging in principal business similar to those of the Group (i.e. natural gas) in the PRC was generally over HK\$10 billion (representing approximately 14 times of the market capitalisation of the Company as implied by the Share Offer Price). Despite they may not have a market capitalisation similar to the Company, due to the limited companies comparable with similar market capitalisation of the Company, we have extended our selection criteria of comparables companies in respect of market capitalisation to up to HK\$10 billion, which we consider those comparable companies may provide general market reference for companies principally engaged in the natural gas business in the PRC.

Accordingly, for the purpose of our comparable analysis, we have identified comparable companies based on the following criteria: (i) the shares of which are listed on the Main Board of the Stock Exchange; (ii) engages in principal business similar to those of the Group in the PRC which contributed over 50% of its revenue from such business for the latest completed financial year; and (iii) are of comparable size to the Company with closing market capitalisation as at the Last Trading Day of up to HK\$10 billion. Based on our research conducted on companies listed on the Stock Exchange and their respective annual reports in accordance to such criteria, we have identified an exhaustive list of 3 comparable companies (the “Comparable Companies”).

The Comparable Companies were selected exhaustively to satisfy the above selection criteria. Although there are differences in financial conditions, target customers and market capitalisation between the Company and the Comparable Companies, in light of that the Comparable Companies are engaged in similar principal activities and listed on the Stock Exchange, they are likely to be influenced by similar macro-economic factors as the Group. Despite there are only 3 Comparable Companies, we noted the market capitalisation of other comparable companies that satisfy the selection criteria (i) and (ii) above are over HK\$10 billion, representing at least approximately 14 times of the market capitalisation of the Company as implied by the Share Offer Price, which is substantially different from that of the Company. As such, we consider it is not meaningful to further extend the sample size of the Comparable Companies.

In light of the above, we are of the view that the Comparable Companies are a fair and representative sample and are sufficient to serve as a meaningful reference to the fairness and reasonableness of the Share Offer.

The following table sets out our analysis of the Comparable Companies:

No.	Company name	Stock code	Principal business	Market capitalisation as at the Last Trading Day (Note 1) (HK\$' million)	P/E Ratio (Note 2) (times)	P/B Ratio (Note 3) (times)
1	China Oil and Gas Group Limited	603	Sales and distribution of natural gas and other related products; gas pipeline connection and construction services income; exploitation and production of crude oil and natural gas; production and sales of coal-derived clean energy and other related products	879.3	1.25	0.123
2	Tian Lun Gas Holdings Limited	1600	Sales of piped natural gas, construction and gas pipeline installation service and gas passing through service	2,827.8	7.92	0.411
3	Binhai Investment Company Limited	2886	Sales of natural gas in cylinders and in bulk; engineering construction services	1,510.4	7.22	0.655
				Minimum	1.25	0.123
				Maximum	7.92	0.655
				Average	5.46	0.396
	The Share Offer/ the Company	228	Exploration, production and distribution of natural gas	716.2 (Note 4)	26.82 (Note 5)	0.400 (Note 6)

Source: website of the Stock Exchange and the annual reports of the Comparable Companies

Notes:

1. Based on the closing price of the share of the respective Comparable Company as quoted on the Stock Exchange as at the Last Trading Day and their respective issued shares (excluding treasury shares) as quoted on the latest published monthly return available on the website of the Stock Exchange.
2. Based on the closing price of the share of the respective Comparable Company as quoted on the Stock Exchange as at the Last Trading Day and compared against the net profit for the year from the respective Comparable Companies' latest published annual reports.
3. Based on the closing price of the share of the respective Comparable Company as quoted on the Stock Exchange as at the Last Trading Day and compared against the net asset value from the respective Comparable Companies' latest published annual reports.
4. Being the market capitalisation of the Company implied by the Share Offer Price.
5. Based on the Share Offer Price as compared against number of Shares as at the Latest Practicable Date and the audited net profit of the Group for FY2024.
6. Based on the Share Offer Price as compared against the number of Shares as at the Latest Practicable Date and the audited net assets of the Group as at 31 December 2024.

As illustrated above, the P/E Ratio of the Comparable Companies ranged from approximately 1.25 times to approximately 7.92 times, with an average of approximately 5.46 times. The P/E Ratio implied by the Share Offer Price of approximately 26.82 times is significantly higher than that of the Comparable Companies.

The P/B Ratio of the Comparable Companies ranged from approximately 0.123 times to approximately 0.655 times, with an average of approximately 0.396 times. The P/B Ratio implied by the Share Offer Price of approximately 0.400 times (i) falls within the range of the P/B Ratio of the Comparable Companies; and (ii) is higher than the average P/B Ratio of the Comparable Companies.

Conclusion

In light of

- (i) the Share Offer Price of HK\$1.57 is higher than the closing price of the Shares during the Post-Announcement Review Period;
- (ii) the Share Offer Price represented a premium of approximately 9.03%, 9.03% and 13.69% to the average closing price for the last five (5), ten (10) and thirty (30) consecutive trading days up to and including the Last Trading Day, respectively;
- (iii) in view of the generally thin trading volume of the Shares, the Share Offer presents an opportunity for Independent Shareholders to dispose of a significant number of Shares without exerting downward pressure on the market price;

- (iv) the P/E Ratio implied by the Share Offer Price is significantly higher than that of the Comparable Companies; and
- (v) despite the Share Offer Price represented a discount of approximately 74.22% to the unaudited consolidated net asset value per Share as at 30 June 2025, the P/B Ratio implied by the Share Offer Price (i) falls within the range of the P/B Ratio of the Comparable Companies; and (ii) is higher than the average P/B Ratio of the Comparable Companies,

we are of the opinion that the Share Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

E. Analysis on the Convertible Bonds Offer

As at the Latest Practicable Date, there are outstanding Convertible Bonds in the principal amount of HK\$232,790,000 which carry rights to convert into 34,641,369 new Shares in full based on the conversion price of HK\$6.72 per Share, and none of the Offeror and its Concert Parties have any interest in the Convertible Bonds.

The Convertible Bonds Offer Price is HK\$233,630.95 for every HK\$1,000,000 face value of the Convertible Bonds, determined in accordance with Rule 13 of and Practice Note 6 to the Takeovers Code as the “see-through” consideration for the Convertible Bonds, being the number of new Shares which the Convertible Bonds could be convertible into (i.e. approximately 34,641,369 new Shares) multiplied by the Share Offer Price of HK\$1.57 per Offer Share, valuing the total Convertible Bonds Offer at approximately HK\$54,386,949.40.

We understand that the “see-through” price is adopted for the Convertible Bonds Offer and we also understand the “see-through” price is commonly adopted for convertible instrument in conjunction with a general offer for ordinary shares. We note that the Convertible Bonds Offer Price was determined in accordance with Rule 13 of the Takeovers Code as the “see-through” consideration for the Convertible Bonds, being the number of Shares into which the Convertible Bonds are convertible at conversion price of HK\$6.72 each (being approximately 34,641,369 new Shares) multiplied by the Share Offer Price (being HK\$1.57 per Share).

However, in the event that the Convertible Bondholders do not exercise the conversion rights before the maturity date of the Convertible Bonds (i.e. 2 January 2041), the Convertible Bondholders are entitled to receive 100% principal of the unexercised Convertible Bonds together with any unpaid interest thereon on the maturity date.

Despite (i) the Convertible Bonds Offer Price was determined in accordance with Rule 13 of the Takeovers Code as the “see-through” consideration of Convertible Bonds; and (ii) the Share Offer Price is considered to be fair and reasonable so far as the Independent Shareholders are concerned, the Convertible Bondholders are entitled to receive 100% principal of the unexercised Convertible Bonds together with any unpaid interest thereon on the maturity date (i.e. 2 January 2041), which significantly exceeds the amount to be received upon the acceptance of the Convertible Bonds Offer. Despite it is uncertain, as to whether the Company is capable of settling the redemption amount of the Convertible Bonds in full upon their maturity, as the total consideration for the Convertible Bonds Offer represented a deep discount of approximately 76.64% to the redemption amount of the Convertible Bonds upon their maturity, we are of the view that the Convertible Bonds Offer Price is unattractive and therefore not fair and reasonable.

As such, we are of the view that the Convertible Bondholders are recommended not to accept the Convertible Bonds Offer given the Convertible Bonds Offer is not fair and reasonable as far as the Convertible Bondholders are concerned.

Nevertheless, as different Convertible Bondholders would have different investment criteria, objectives and/or circumstances given the Convertible Bonds would only mature around 15 years later on 2 January 2041, the Convertible Bonds Offer would provide an opportunity for the Convertible Bondholders to realise the Convertible Bonds immediately if they wish so.

RECOMMENDATION

The Share Offer

Having considered the principal factors and reasons as discussed above, in particular,

- (i) the Share Offer Price of HK\$1.57 is higher than the closing price of the Shares after the publication of the Rights Issue Announcement;
- (ii) the Share Offer Price represented a premium of approximately 9.03%, 9.03% and 13.69% to the average closing price for the last five (5), ten (10) and thirty (30) consecutive trading days up to and including the Last Trading Day, respectively;
- (iii) in view of the generally thin trading volume of the Shares, the Share Offer presents an opportunity for Independent Shareholders to dispose of a significant number of Shares without exerting downward pressure on the market price;
- (iv) the P/E Ratio implied by the Share Offer Price is significantly higher than that of the Comparable Companies;

- (v) despite the Share Offer Price represented a discount of approximately 74.22% to the unaudited consolidated net asset value per Share as at 30 June 2025, the P/B Ratio implied by the Share Offer Price (i) falls within the range of the P/B Ratio of the Comparable Companies; and (ii) is higher than the average P/B Ratio of the Comparable Companies; and
- (vi) despite the demand for natural gas may experience a rebound in 2026 in the PRC, we are of the view that the future business prospect of the Group is uncertain as it will very much depend on the Group's ability to successfully develop its gas fields such as the Akemomu Gas Field and resolve the flooding in certain gas field of the Group in Xinjiang in a timely manner to improve its production capacity and revenue stream,

we are of the opinion that the Share Offer is fair and reasonable so far as the Independent Shareholders are concerned, and we would recommend the Independent Board Committee to advise the Shareholders to accept the Share Offer as a viable exit (especially those with substantial holdings of the Shares) given the above circumstances.

On the contrary, if Shareholders maintain an optimistic view on the business prospect and Share price performance of the Group, they may consider not to accept the Share Offer and maintain all or part of their Shares at their own discretion. The Shareholders, who wish to retain all or part of their investments in the Company, should carefully monitor the future plans in relation to the Company that may be implemented by the Offeror, and given the historically low liquidity of the Shares, take into consideration the potential difficulties in realising their investments in the Company at or higher than the Share Offer Price after the Closing Date.

For those Shareholders who intend to accept the Share Offer, we would remind them to closely monitor the trading price and trading volume of the Shares during the Offer Period, and having regard to their own circumstances, consider selling the Shares in the open market, instead of accepting the Share Offer, if the net proceeds from the ultimate sale of such Shares would be higher than that receivable under the Share Offer.

For those Shareholders who intend to dispose of large blocks of Shares in the open market, we would also remind them of the possible difficulty in disposing of their Shares in the open market without creating downward pressure on the trading price of the Shares as a result of the thin trading volume in the Shares.

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Furthermore, they would carefully read the procedures for accepting or not accepting the Offer as set out in the Composite Document, its appendices and the accompanying Form of Acceptance.

The Convertible Bonds Offer

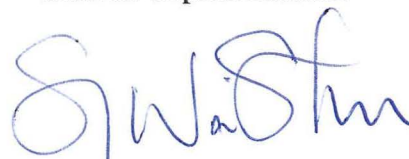
Despite (i) the Convertible Bonds Offer Price was determined in accordance with Rule 13 of the Takeovers Code as the “see-through” consideration of Convertible Bonds; and (ii) we consider the Share Offer Price is considered to be fair and reasonable so far as the Independent Shareholders are concerned, the Convertible Bondholders are entitled to receive 100% principal of the unexercised Convertible Bonds together with any unpaid interest thereon on the maturity date (i.e. 2 January 2041), which significantly exceeds the amount to be received upon the acceptance of the Convertible Bonds Offer. Despite it is uncertain as to whether the Company is capable of settling the redemption amount of the Convertible Bonds in full upon their maturity, as the total consideration for the Convertible Bonds Offer represented a deep discount of approximately 76.64% to the redemption amount of the Convertible Bonds upon their maturity, we are of the view that the Convertible Bonds Offer Price is unattractive and therefore not fair and reasonable.

As such, we are of the view that the Convertible Bonds Offer is not fair and reasonable as far as the Convertible Bondholders are concerned and the Convertible Bondholders are recommended not to accept the Convertible Bonds Offer accordingly.

Nevertheless, as different Convertible Bondholders would have different investment criteria, objectives and/or circumstances given the Convertible Bonds would only mature around 15 years later on 2 January 2041, the Convertible Bonds Offer would provide an opportunity for the Convertible Bondholders to realise the Convertible Bonds immediately if they wish so.

As different Convertible Bondholders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Convertible Bondholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities broker, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Donvex Capital Limited



Sy Wai Shuen
Director

Ms. Sy Wai Shuen is a person licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and is a responsible officer of Donvex Capital Limited who has around 22 years of experience in corporate finance advisory.