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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)

CONNECTED TRANSACTIONS

REGAINING CONTROL OF SIX DISPOSED SUBSIDIARIES

Reference is made to the Disposal Agreement (particulars of which were set out in the Restructuring Circular) under which Tsinlien BVI acquired from Binhai Hong Kong the entire issued share capital of Topfair which through Nicetime (its wholly-owned subsidiary) obtained management control of the Disposed Subsidiaries. The Disposed Subsidiaries had already ceased to be consolidated in the financial statements of the Group since May 2009.

Pursuant to a deed of variation of the TEDA Investment Agreement dated 24 June 2011 entered into among Tsinlien, TEDA HK and Tsinlien BVI, Tsinlien BVI (among other things) transferred the entire issued share capital in Topfair to TEDA HK in August 2011. TEDA HK has (in place of Tsinlien BVI) become the sole shareholder of Topfair and through Nicetime has the management control of the Disposed Subsidiaries.

The formalities of the transfer of the equity interest in the Target Subsidiaries held by BITCL to Nicetime pursuant to the relevant Equity Transfer Agreements have not been completed. As the Group wishes to acquire the Target Subsidiaries again, BITCL entered into the Termination Agreements with Nicetime on 26 October 2012 pursuant to which the parties agreed, amongst others, (i) to terminate the Equity Transfer Agreements in respect of the Target Subsidiaries; and (ii) that the management control over the Target Subsidiaries shall be transferred from Nicetime back to BITCL.

In view that the Group shall regain control over the Target Subsidiaries through BITCL pursuant to the Termination Agreements, Binhai Hong Kong entered into the Repurchase Agreement with TEDA HK on 26 October 2012 under which Binhai Hong Kong agreed to pay TEDA HK in Hong Kong dollars an amount equivalent to RMB66,124,792.53 with reference to the net asset value of the Target Subsidiaries as at 31 December 2011, to reflect that TEDA HK (through Nicetime) will cease to have control over the Target Subsidiaries.

As TEDA HK is the controlling shareholder of the Company holding approximately 50.13% of the total issued Shares, TEDA HK and Nicetime are connected persons of the Company under the GEM Listing Rules. The Transactions accordingly constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. As the relevant percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Transactions are over 0.1% and less than 5%, the Transactions are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

BACKGROUND

Reference is made to the Letter from the Board in the Restructuring Circular in which details of the Disposal Agreement were disclosed in the section headed "THE GROUP REORGANISATION". Pursuant to the Disposal Agreement, Tsinlien BVI acquired from Binhai Hong Kong the entire issued share capital of Topfair which through Nicetime (its wholly-owned subsidiary which entered into the Equity Transfer Agreements to acquire equity interests in the Disposed Subsidiaries) obtained management control of the Disposed Subsidiaries at a consideration of HK\$81.9 million (of which HK\$31.7 million was attributable to the Target Subsidiaries to be repurchased by the Group as detailed below). The Disposed Subsidiaries have ceased to be consolidated in the financial statements of the Group since May 2009 upon completion of the Disposal Agreement.

On 24 June 2011, Tsinlien, TEDA HK and Tsinlien BVI executed a deed of variation of the TEDA Investment Agreement ("Deed of Variation"), pursuant to which Tsinlien BVI (among other things) transferred the entire issued share capital in Topfair to TEDA HK. TEDA HK (in place of Tsinlien BVI) became the sole shareholder of Topfair in August 2011 and through Nicetime has the management control of the Disposed Subsidiaries. (Please refer to the announcement of the Company dated 29 June 2011 for further details)

The Company proposes to repurchase the Target Subsidiaries, comprising 6 subsidiaries out of the 30 subsidiaries disposed of under the Disposal Agreement. The formalities of the transfer of the equity interest in the Target Subsidiaries held by BITCL to Nicetime pursuant to the relevant Equity Transfer Agreements have not been completed. As the Group wishes to acquire the Target Subsidiaries again, on 26 October 2012, (i) BITCL entered into the Termination Agreements with Nicetime in relation to the termination of transfer of the equity interest from BITCL to Nicetime and the transfer of the management control over the Target Subsidiaries from Nicetime to BITCL; (ii) Binhai Hong Kong entered into the Repurchase Agreement with TEDA HK pursuant to which Binhai Hong Kong agreed to pay in Hong Kong dollars an amount equivalent to RMB66,124,792.53 to TEDA HK in respect of such transfer of management control.

THE TERMINATION AGREEMENTS

Date

26 October 2012

The parties

- (a) BITCL, a wholly-owned subsidiary of the Group
- (b) Nicetime

Nicetime is an indirect wholly-owned subsidiary of TEDA HK, a substantial shareholder of the Company, and is thus a connected person of the Company under the GEM Listing Rules.

Major terms

The parties agree that upon execution of each of the Termination Agreements, the relevant Equity Transfer Agreement shall be terminated. The parties shall forthwith terminate and cease to carry out any relevant administrative approval procedures (including approval from the Department of Commerce and various changes in registration) in respect of the transfer of equity interest in the relevant Target Subsidiary and all the relevant application documents which have been submitted shall be void and revoked.

Handing over of management control of the Target Subsidiaries

The Termination Agreements shall take effect upon execution by BITCL and Nicetime. Within 30 days after the execution of each of the Termination Agreements, the parties to the Termination Agreements shall complete the procedures in relation to the handover of the Target Subsidiaries, including but not limited to the following:

- (i) the parties shall nominate their respective personnel to hand over the seal of the relevant Target Subsidiary, and to sign a confirmation letter to confirm that BITCL shall acquire control and Nicetime shall cease to have control of the seal upon the Termination Agreement becoming effective;
- (ii) BITCL shall issue appointment letters of its nominated directors and relevant management personnel and Nicetime shall issue letters to procure the resignation of its nominated directors and relevant management personnel with effect from the effective date of the Termination Agreement; and
- (iii) the parties shall nominate their respective personnel to hand over all the licensing, contractual, financial documents and all other matters of the relevant Target Subsidiary from Nicetime to BITCL.

Upon the Termination Agreements taking effect, BITCL shall regain ownership and management control over the Target Subsidiaries.

THE REPURCHASE AGREEMENT**Date**

26 October 2012

The parties

- (a) Binhai Hong Kong, a wholly-owned subsidiary of the Group
- (b) TEDA HK

TEDA HK is a substantial shareholder of the Company and is thus a connected person of the Company under the GEM Listing Rules.

Major terms

In view that the Group shall regain control over the Target Subsidiaries through BITCL pursuant to the Termination Agreements, Binhai Hong Kong has agreed to pay to TEDA HK in Hong Kong dollars an amount equivalent to RMB66,124,792.53 with reference to the net asset value of the Target Subsidiaries as at 31 December 2011, to reflect that Topfair (wholly-owned by TEDA HK) through Nicetime will cease to have control over the Target Subsidiaries. This basis is in line with that for the consideration for BITCL's right of first refusal to buy back the Disposed Subsidiaries under the Disposal Agreement.

After completion of the Disposal Agreement in May 2009, TEDA had contributed additional capital in the total amount of RMB 39,606,061 to four of the Target Subsidiaries. This accounts for the difference in the net asset value of the Target Subsidiaries as at 31 December 2011 as compared to the portion of the consideration attributable to the Target Subsidiaries under the Disposal Agreement.

TEDA HK undertakes to Binhai Hong Kong to procure Nicetime to carry out the formalities for handing over the management control of each of the Target Subsidiaries to BITCL in accordance with the terms of the Termination Agreements.

Binhai Hong Kong and TEDA HK agreed that with effect from the date of execution of the Termination Agreements, the income statement and the balance sheet of the Target Subsidiaries shall become consolidated in the accounts of the Group and the economic interests in the Target Subsidiaries shall be vested in Binhai Hong Kong.

Payment

Binhai Hong Kong shall pay in Hong Kong dollars the amount equivalent to RMB66,124,792.53 to TEDA HK by way of banker's cashier order or by telegraphic transfer to such bank account as notified by TEDA HK to Binhai Hong Kong in writing. Such amount in Hong Kong dollars shall be determined based on the Renminbi to Hong Kong dollar exchange rate published by the People's Bank of China on the Business Day immediately before the date of payment.

The payment by Binhai Hong Kong to TEDA HK as referred to above shall be made no later than the 90th Business Day from the date of the Repurchase Agreement or on such other date as the parties may agree.

Information on the Target Subsidiaries

1. Jizhou

Jizhou is principally engaged in the production of compressed natural gas, liquefied petroleum gas, gas equipment and the sale of its products.

The audited profit before taxation and the audited profit after taxation of Jizhou for the two years ended 31 December 2011, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows:-

	Year ended 31 December	
	2010	2011
	RMB'000	RMB'000
Profit before taxation	1,658	2,560
Profit after taxation	1,477	1,920

The audited net asset value and the audited total asset value of Jizhou as at 31 December 2011 amounted to approximately RMB12.4 million and approximately RMB17.6 million respectively.

2. Anxin Lihua

Anxin Lihua is principally engaged in gas processing and the design and construction of gas-related projects, the production of gas stoves and the sale of its products.

The audited profit before taxation and the audited profit after taxation of Anxin Lihua for the two years ended 31 December 2011, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows :-

	Year ended 31 December	
	2010	2011
	RMB'000	RMB'000
Profit before taxation	429	1,044
Profit after taxation	429	1,044

The audited net asset value and the audited total asset value of Anxin Lihua as at 31 December 2011 amounted to approximately RMB1.93 million and approximately RMB8 million respectively.

3. Qingyuan

Qingyuan is principally engaged in gas processing and the design and construction of gas-related projects, the production of gas stoves and the sale of its products.

The audited profit before taxation (or loss) and the audited profit after taxation (or loss) of Qingyuan for the two years ended 31 December 2011, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows:-

	Year ended 31 December	
	2010	2011
	RMB'000	RMB'000
Profit/ (loss) before taxation	(681)	(418)
Profit/ (loss) after taxation	(681)	(418)

The audited net asset value and the audited total asset value of Qingyuan Yimin as at 31 December 2011 amounted to approximately RMB5.5 million and approximately RMB12.2 million respectively

4. Fengxian

Fengxian is principally engaged in the investment, construction and operation of gas pipeline network and relevant facilities in the city; the purchase, storage, processing, transfer, supply and sale of gas in the city; and the production, installation, maintenance, the provision of after-sale and other ancillary services of gas equipment.

The audited profit before taxation and the audited profit after taxation of Fengxian for the two years ended 31 December 2011, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows:-

	Year ended 31 December	
	2010	2011
	RMB'000	RMB'000
Profit before taxation	1,977	3,455
Profit after taxation	1,412	2,682

The audited net asset value and the audited total asset value of Fengxian as at 31 December 2011 amounted to approximately RMB17.1 million and approximately RMB20.3 million respectively.

5. Liuyang

Liuyang is principally engaged in the production and sale of mixed gas of liquefied petroleum gas and air, liquefied petroleum gas, natural gas and the design and construction of supporting facilities for gas supply and the production and sale of stoves and accessories.

The audited profit before taxation and the audited profit after taxation of Liuyang for the two years ended 31 December 2011, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows:-

	Year ended 31 December	
	2010	2011
	RMB'000	RMB'000
Profit/ (loss) before taxation	597	(555)
Profit/ (loss) after taxation	45	(555)

The audited net asset value and the audited total asset value of Liuyang as at 31 December 2011 amounted to approximately RMB16 million and approximately RMB21.4 million respectively.

6. Gaoan

Gaoan is principally engaged in the construction and operation of gas supply in the city; the construction of gas pipeline network and relevant facilities in the city; the transfer, supply and sale of various types of gas and the provision of relevant services; and the sale of gas-related stoves and facilities.

The audited profit before taxation and the audited profit after taxation of Gaoan for the two years ended 31 December 2011, which were prepared in accordance with the generally accepted accounting principles in the PRC, were approximately as follows:-

	Year ended 31 December	
	2010	2011
	RMB'000	RMB'000
Profit/ (loss) before taxation	64	(1,367)
Profit/ (loss) after taxation	6	(1,367)

The audited net asset value and the audited total asset value of Gaoan as at 31 December 2011 amounted to approximately RMB13.2 million and approximately RMB18.3 million respectively.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

BITCL has been engaged by TEDA to manage the Disposal Subsidiaries after completion of the Disposal Agreement in May 2009. The Company considers that the business operations of the Target Subsidiaries have improved and are worth re-investing in by the Group.

Currently, the Target Subsidiaries are mainly engaged in the production of liquefied petroleum gas and compressed natural gas. They have not undertaken any reform of gas sources and are currently unable to satisfy the great demand for gas from the residents in their respective local areas as a result of the rapid development of the economy and the substantial amount of residential construction projects. With the support of favorable policies of the local government, the volume of sale of gas can be substantially increased after the introduction of gas sources by the Group, which can boost the volume of sale of gas by the Target Subsidiaries. In addition, the Target Subsidiaries own the exclusive operation right in their respective local areas and thus hold pricing advantages in charging connection fees and gas

prices. The Company anticipates that taking control over the Target Subsidiaries again will enhance the value of the Group.

The Group does not intend to repurchase any other Disposed Subsidiaries after acquiring the Target Subsidiaries. The Company understands that TEDA is in the process of handling the matters in relation to the dissolution or liquidation of certain Disposed Subsidiaries. After TEDA has finished handling such process, BITCL will terminate the agreement with TEDA to manage the Disposed Subsidiaries.

The Directors (including the Independent Non-Executive Directors) consider that the Termination Agreements and the Repurchase Agreement are fair and reasonable and on normal commercial terms and that the Termination Agreements and the Repurchase Agreement are in the interests of the Group and the Shareholders as a whole. None of the Directors have a material interest in the Transactions.

GEM LISTING RULES REQUIREMENTS

As TEDA HK is a substantial shareholder of the Company holding approximately 50.13% of the total issued Shares, TEDA HK and Nicetime are connected persons of the Company under the GEM Listing Rules. The Transactions accordingly constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. As the relevant percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Transactions are more than 0.1% and less than 5%, the Transactions is only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

INFORMATION ON THE GROUP AND THE CONNECTED PERSON

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

TEDA Group is principally engaged in the businesses of finance, infrastructure and construction, insurance, industrial, ocean development, real estate development, transportation, hotel and exhibition, and circular economy.

DEFINITIONS

“Anxin Lihua”	安新利華華燊燃氣有限公司 (Anxin Lihua Wah Sang Gas Co., Ltd. *), a limited liability company established under the laws of the PRC, 99% of the equity capital and the management of which would be controlled by BITCL after the relevant Termination Agreement and the Repurchase Agreement becoming effective
“Binhai Hong Kong”	Binhai Investment Hong Kong Limited, formerly known as Wah Sang Investment Group Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company

“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, a wholly-owned subsidiary of Binhai Hong Kong and an indirect wholly-owned subsidiary of the Company
“Business Day”	a day (other than Saturday) on which the banks are open for business in Hong Kong
“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)”	the director(s) of the Company
“Disposal Agreement”	the agreement entered into between Binhai Hong Kong and Tsinlien BVI dated 28 May 2008 in respect of the disposal of the Disposed Subsidiaries, as amended and supplemented by a supplemental agreement dated 25 February 2009
“Disposed Subsidiaries”	30 companies established under the laws of the PRC which were disposed of by the Group pursuant to the Disposal Agreement
“Equity Transfer Agreements”	the equity transfer agreements entered into between BITCL and Nicetime on 31 March 2009 in relation to the transfer of equity interest of the Disposed Subsidiaries from BITCL to Nicetime
“Fengxian”	豐縣華燊燃氣有限公司 (Fengxian Wah Sang Gas Co., Ltd.*), a limited liability company established under the laws of the PRC, the entire equity capital and the management of which would be controlled by BITCL after the relevant Termination Agreement and the Repurchase Agreement becoming effective
“Gaoan”	高安華燊燃氣有限公司 (Gaoan Wah Sang Gas Co., Ltd.*), a limited liability company established under the laws of the PRC, the entire equity capital and the management of which would be controlled by BITCL after the relevant Termination Agreement and the Repurchase Agreement becoming effective
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth

“Group”	Enterprise Market of the Stock Exchange the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jizhou”	冀州華燊燃氣有限公司(Jizhou Wah Sang Gas Co., Ltd.*), a limited liability company established under the laws of the PRC, 98% of the equity capital and the management of which would be controlled by BITCL after the relevant Termination Agreement and the Repurchase Agreement becoming effective
“Liuyang”	瀏陽華燊燃氣有限公司(Liuyang Wah Sang Gas Co., Ltd.*), a limited liability company established under the laws of the PRC, the entire equity capital and the management of which would be controlled by BITCL after the relevant Termination Agreement and the Repurchase Agreement becoming effective
“Nicetime”	Nicetime Investment Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Topfair
“PRC”	the People’s Republic of China
“Qingyuan”	清苑濱海燃氣有限公司(Qingyuan Binhai Gas Co., Ltd.*), a limited liability company established under the laws of the PRC, 99% of the equity capital and the management of which would be controlled by BITCL after the relevant Termination Agreement and the Repurchase Agreement becoming effective
“Repurchase Agreement”	the conditional agreement entered into between Binhai Hong Kong and TEDA HK dated 26 October 2012 in relation to the payment of an amount by Binhai Hong Kong to TEDA HK, for regaining the management control of the Target Subsidiaries
“Restructuring Circular”	the circular of the Company dated 27 February 2009 in relation to the restructuring of the Group for resumption of trading of the Shares on GEM containing, among other things, details of the Disposal Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“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
“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
“TEDA Group”	TEDA and its subsidiaries
“TEDA HK”	TEDA Hong Kong Property Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of TEDA
“TEDA Investment Agreement”	the sale and purchase agreement dated 28 May 2008 entered into between Tsinlien and TEDA HK in relation to the nominee arrangement with respect to the entire issued share capital of Tsinlien BVI, and subsequently amended by a supplemental agreement dated 25 February 2009
“Target Subsidiaries”	six of the Disposed Subsidiaries, namely Jizhou, Anxin Lihua, Qingyuan, Fengxian, Liuyang and Gaoan, the management control of which shall be transferred from Nicetime to BITCL pursuant to the Termination Agreements
“Termination Agreements”	the six conditional termination agreements entered into between BITCL and Nicetime dated 26 October 2012 in relation to the termination of the Equity Transfer Agreements in respect of the Target Subsidiaries
“Topfair”	Topfair International Limited, a company incorporated under the laws of British Virgin Islands and a wholly-owned subsidiary of TEDA HK
“Transactions”	the transactions as contemplated under the Termination Agreements and the Repurchase Agreement
“Tsinlien”	Tsinlien Group Company Limited, a company incorporated in Hong Kong with limited liability, which indirectly holds approximately 8.28% of the total issued Shares
“Tsinlien BVI”	Cavalier Asia Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Tsinlien Group Company Limited, a company incorporated in Hong Kong with limited liability
“%”	per cent

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

Hong Kong, 26 October 2012

This announcement, 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 Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement 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 this announcement misleading.

As at the date of this announcement, 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.

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