

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 2886)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

MASTER GAS SUPPLY AGREEMENT WITH SINOPEC GAS

Reference is made to the announcement of the Company dated 23 April 2020 in relation to the Subscription and the Disposal.

On 23 April 2020, BHI Tianjin entered into the Master Gas Supply Agreement with Sinopec Gas to govern the on-going transactions for the supply of gas by the Sinopec Gas Group to the BHI Tianjin Group.

Following completion of the Subscription and the Disposal, assuming that there is no other change in the issued share capital of Company and the shareholding of Great Wall Gas in the Company, Sinopec Corp will become a substantial shareholder of the Company, holding 405,472,337 Shares (representing approximately 29.99% of the total number of Shares then in issue) through its wholly-owned subsidiary. Thus, Sinopec Corp will become a connected person of the Company under the Listing Rules. Since Sinopec Gas is a branch company of Sinopec Corp, Sinopec Gas and its subsidiaries and associates will also be regarded as connected persons of the Company under the Listing Rules. Therefore, following completion of the Subscription and the Disposal, transactions contemplated under the Master Gas Supply Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at least one of the applicable percentage ratios in respect of the Proposed Annual Caps exceeds 5%, the transactions contemplated under the Master Gas Supply Agreement and the Proposed Annual Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Master Gas Supply Agreement will take effect subject to the completion of the Subscription and the Disposal having taken place, and approval of the Master Gas Supply Agreement and transactions contemplated thereunder (including the Proposed Annual Caps) by the Independent Shareholders in accordance with the requirements under the Listing Rules.

A circular containing, among other things, the recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Gas Supply Agreement and transactions contemplated thereunder (including the Proposed Annual Caps), and a notice to convene a special general meeting of the Company to approve the Master Gas Supply Agreement and transactions contemplated thereunder (including the Proposed Annual Caps) is expected to be despatched to the Shareholders in accordance with the Listing Rules on or about 18 May 2020.

BACKGROUND

Reference is made to the announcement of the Company dated 23 April 2020 which announced that, among other things:

- (i) the Company (as issuer) entered into the Subscription Agreement with Great Wall Gas (as subscriber), pursuant to which the Company conditionally agreed to allot and issue, and Great Wall Gas conditionally agreed to subscribe for, an aggregate of 177,676,183 Shares; and
- (ii) TEDA HK (as vendor), being a controlling shareholder of the Company, and Great Wall Gas (as purchaser) entered into the Share Purchase Agreement, pursuant to which TEDA HK conditionally agreed to sell, and Great Wall Gas conditionally agreed to purchase, an aggregate of 227,796,154 Shares.

Following completion of the Subscription and the Disposal, assuming that there is no other change in the issued share capital of Company and the shareholding of Great Wall Gas in the Company, Great Wall Gas will hold approximately 405,472,337 Shares (representing approximately 29.99% of the total number of Shares then in issue) and will become a substantial shareholder of the Company. Since Great Wall Gas is a wholly-owned subsidiary of Sinopec Corp, Sinopec Corp will then become a connected person of the Company under the Listing Rules.

THE MASTER GAS SUPPLY AGREEMENT

On 23 April 2020, BHI Tianjin entered into the Master Gas Supply Agreement with Sinopec Gas to govern the on-going transactions for the supply of gas by the Sinopec Gas Group to the BHI Tianjin Group after Sinopec Corp becomes a connected person of the Company, with particulars as follows:

Date

23 April 2020

The parties

- (a) BHI Tianjin
- (b) Sinopec Gas

Nature of the transactions

The BHI Tianjin Group will purchase natural gas from the Sinopec Gas Group, pursuant to the individual agreements for the sale and purchase of natural gas, to be entered into between BHI Tianjin or its subsidiaries on the one hand, and Sinopec Gas or its subsidiaries or associates on the other hand, from time to time.

Term

From the effective date of the Master Gas Supply Agreement to 31 December 2039 (both days inclusive)

Condition precedent to the taking effect of the Master Gas Supply Agreement

The Master Gas Supply Agreement will take effect subject to the completion of the Subscription and the Disposal having taken place, and approval of the Master Gas Supply Agreement and transactions contemplated thereunder (including the Proposed Annual Caps) by the Independent Shareholders in accordance with the requirements under the Listing Rules.

Consideration

The consideration will be the amount as stated in the invoices issued by the relevant member of the Sinopec Gas Group under each of the individual agreements for the sale and purchase of natural gas, to be entered into between BHI Tianjin or its subsidiaries on the one hand, and Sinopec Gas or its subsidiaries or associates on the other hand, from time to time.

The consideration will be determined in accordance with the manner set out in the section headed “Basis of consideration” below.

Manner of payment

The manner of payment is governed by the individual agreements for the sale and purchase of natural gas, to be entered into between BHI Tianjin or its subsidiaries on the one hand, and Sinopec Gas or its subsidiaries or associates on the other hand, from time to time.

In general, it is expected that members of the BHI Tianjin Group and the Sinopec Gas Group under such agreements will check and confirm the volume of natural gas received and provided respectively on a monthly basis, upon confirmation of which the relevant member of the Sinopec Gas Group will issue invoices accordingly and the relevant member of the BHI Tianjin Group will pay the consideration by way of bank transfer after receipt of such invoices. The payment will be settled on a monthly basis.

Basis of consideration

The consideration will be determined based on arm's length negotiations between the relevant parties according to (i) the sale prices of natural gas to be sourced from the Sinopec Gas Group with reference to the regulatory notice on adjustments to the benchmark citygate prices of natural gas (i.e. benchmark trading prices between pipeline natural gas suppliers and municipal natural gas enterprises or direct users) as stipulated by the National Development and Reform Commission of the PRC government from time to time; and (ii) the volume of natural gas to be consumed by the BHI Tianjin Group.

The pricing provisions in the regulatory notices issued by the National Development and Reform Commission of the PRC government apply to the prices for the sourcing of natural gas by the BHI Tianjin Group. The regulatory notices are updated from time to time by the PRC government authorities without any fixed schedule. The extent, direction or frequency of updating the pricing provisions is at the discretion of the regulatory authorities.

The individual agreements for the sale and purchase of natural gas, to be entered into between BHI Tianjin or its subsidiaries on the one hand, and Sinopec Gas or its subsidiaries or associates on the other hand, will be on normal commercial terms that are fair and reasonable, and will be on terms no less favourable to the Group than those available to the Group for the purchase of natural gas from independent third parties.

Proposed Annual Caps

The Proposed Annual Caps for the two years ending 31 December 2021 are set out as follows:

Proposed Annual Caps amounts (in RMB)	
For the year ending 31 December 2020	For the year ending 31 December 2021
544,113,000	1,339,181,000

The Company will set the proposed annual caps for the remainder of the term of the Master Gas Supply Agreement as and when appropriate.

Basis of the Proposed Annual Caps

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

1. the historical transaction amounts of natural gas purchased by the BHI Tianjin Group from the Sinopec Gas Group, which are set out as follows:

Approximate historical transaction amounts (in RMB)	
For the year ended 31 December 2018	For the year ended 31 December 2019

74,643,000

374,402,000

2. estimates on the sale prices of natural gas to be sourced from the Sinopec Gas Group with reference to the following:
 - (a) the benchmark citygate prices set out in the “Notice on Adjusting the Benchmark Citygate Prices of Natural Gas of the National Development and Reform Commission” (National Development and Reform Price [2019] No. 562)* (《國家發展改革委關於調整天然氣基準門站價格的通知》(發改價格[2019]562號)) which took effect from 1 April 2019, being the latest regulatory notice on adjustments to the citygate prices of natural gas issued by the National Development and Reform Commission of the PRC government; and
 - (b) the sale prices of natural gas to be sourced from the Sinopec Gas Group is mainly subject to a mark-up in the range up to 20% above the benchmark citygate prices, according to the “Notice on Lowering the Benchmark Citygate Prices of Natural Gas for Non-residential Usage and Further Accelerating the Market-oriented Price Reform of the National Development and Reform Commission” (National Development and Reform Price [2015] No. 2688)* (《國家發展改革委關於降低非居民用天然氣門站價格並進一步推進價格市場化改革的通知》(發改價格[2015]2688號)) and the “Notice on Straightening the Citygate Prices of Natural Gas for Residential Usage of the National Development and Reform Commission” (National Development and Reform Price Regulation [2018] No. 794)* (《國家發展改革委關於理順居民用氣門站價格的通知》(發改價格規[2018]794號)).
3. estimates on the demands for natural gas by the BHI Tianjin Group based on the historical natural gas sales volume by the BHI Tianjin Group to downstream natural gas users, the information obtained from negotiations with key downstream natural gas users (including the estimated volume of natural gas to be required by such users) and the potential expansion of the PRC’s natural gas market in these two years.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER GAS SUPPLY AGREEMENT

The entering into of the Master Gas Supply Agreement is beneficial to the development of the Group in various aspects, including the following:

- (i) the Group can obtain a stable natural gas supply at more favourable prices, thus bolstering the competitiveness of the Group in the natural gas market and enhancing the development of the Group's natural gas business;
- (ii) transactions under the Master Gas Supply Agreement will facilitate the inter-connection and construction of natural gas infrastructures, strengthen the Group's access to the demand and supply markets, eliminate the bottleneck of guaranteed natural gas supply, enhance the swapping and mutual supply and guarantee abilities of resources, and increase the efficiency of use of facilities and resources allocation of the Group; and
- (iii) purchasing natural gas from the Sinopec Gas Group will optimise the structure of Group's natural gas sources and create development opportunities for the Group's subsidiaries that operate outside Tianjin.

The Directors (excluding the independent non-executive Directors who will render their views after considering the advice to be given by the Independent Financial Adviser in respect of the Master Gas Supply Agreement and transactions contemplated thereunder (including the Proposed Annual Caps)) consider that the terms of the Master Gas Supply Agreement and transactions contemplated thereunder (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL

To ensure that the transactions contemplated under the Master Gas Supply Agreement will be on normal commercial terms that are fair and reasonable and will be on terms no less favourable to the Group than those available to the Group for the purchase of natural gas from independent third parties, the Company has adopted the following internal control measures:

- (i) The internal control and legal department of the Company is responsible for regulating the review and approval of connected transactions to be entered into by the Group in the ordinary and usual course of the business of the Group. Pursuant to the "Administrative Measures for Connected Transactions"* (《關連交易管理辦法》) of the Company, each department and subsidiary of the Group shall submit an information sheet for each connected transaction, setting out its terms and conditions and the pricing mechanism, as well as comparison with terms and conditions offered and prices charged by at least one natural gas supplier in the market that is an independent third party to the Group, to the functional department, the finance department, the internal control and legal department of the Company and the secretary to the

Board for review and approval. The procedures for the approval and signing of the agreement for the connected transaction shall only commence after approval of the information sheet has been granted.

- (ii) In the event there is no quotation or reference transaction from independent third parties available for comparison, the Group will consider the prevalent pricing policy of the industry (i.e. natural gas being sold at a certain percentage above the benchmark citygate prices of natural gas) and compare the sale prices of natural gas to be sourced from the Sinopec Gas Group with the market price of natural gas in the nearby region in respect of the relevant member of the BHI Tianjin Group.
- (iii) The internal control and legal department of the Company monitors the carrying out of the connected transactions entered into by the Group in the ordinary and usual course of the business of the Group to ensure compliance with the Listing Rules, and is responsible for reporting to the Audit Committee of the Company (which comprises all independent non-executive Directors) on an annual basis.
- (iv) Through reviewing the information gathered from the finance department of the Company, the external auditor of the Company will report to the Board annually on the continuing connected transactions of the Group in relation to their pricing policies and annual caps pursuant to the Listing Rules.

The Directors are of the view that the internal control measures above can ensure that the transactions contemplated under the Master Gas Supply Agreement will be on normal commercial terms and that the terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 14A.52 of the Listing Rules, given that the duration of the Master Gas Supply Agreement exceeds three years, the Company has engaged Octal as its independent financial adviser to explain why the Master Gas Supply Agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration in the circular to be despatched to the Shareholders on the Master Gas Supply Agreement.

LISTING RULES IMPLICATIONS

Following completion of the Subscription and the Disposal, assuming that there is no other change in the issued share capital of Company and the shareholding of Great Wall Gas in the Company, Sinopec Corp will become a substantial shareholder of the Company, holding 405,472,337 Shares (representing approximately 29.99% of the total number of Shares then in issue) through its wholly-owned subsidiary. Thus, Sinopec Corp will become a connected person of the Company under the Listing Rules. Since Sinopec Gas is a branch company of Sinopec Corp, Sinopec Gas and its subsidiaries and associates will also be regarded as connected persons of the Company under the

Listing Rules. Therefore, following completion of the Subscription and the Disposal, transactions contemplated under the Master Gas Supply Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at least one of the applicable percentage ratios in respect of the Proposed Annual Caps exceeds 5%, the transactions contemplated under the Master Gas Supply Agreement and the Proposed Annual Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SPECIAL GENERAL MEETING

A special general meeting of the Company will be convened at which an ordinary resolution will be proposed to consider, and if thought fit, to approve the Master Gas Supply Agreement and transactions contemplated thereunder (including the Proposed Annual Caps).

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the Master Gas Supply Agreement is on normal commercial terms, whether the Master Gas Supply Agreement and transactions contemplated thereunder (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make a recommendation to the Independent Shareholders on how to vote, taking into account the advice of the Independent Financial Adviser. Octal has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, the recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Gas Supply Agreement and transactions contemplated thereunder (including the Proposed Annual Caps), and a notice to convene a special general meeting of the Company to approve the Master Gas Supply Agreement and transactions contemplated thereunder (including the Proposed Annual Caps) is expected to be despatched to the Shareholders in accordance with the Listing Rules on or about 18 May 2020.

INFORMATION ON THE PARTIES

The Group is principally engaged in the sales of piped natural gas, construction and gas pipeline installation service, gas passing through service and sales of bottled natural gas.

BHI Tianjin is principally engaged in investment and reinvestment in industries such as gas processing and stove production and areas where foreign investment is permitted by the PRC, investment in areas that support the transmission and distribution of urban gas pipeline networks, assisting or acting on behalf of the investee companies for purchase of domestic products and those from abroad, as well as domestic and overseas sale of products produced by the investee companies, and providing after-sales services; investment in consultancy services and technology research and development; operation and sales of liquefied natural gas for domestic users.

Sinopec Gas is a branch company of Sinopec Corp, which is a joint-stock company incorporated in the PRC and is one of the largest integrated energy and chemical companies in the PRC that is mainly engaged in the exploration and production, pipeline transportation and sale of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fibre and other chemical products; the import and export, including an import and export agency business, of petroleum, natural gas, petroleum products, petrochemical and chemical products, and other commodities and technologies; and research, development and application of technologies and information.

The ultimate holding company of Sinopec Corp is China Petrochemical Corporation, which is a state-owned enterprise incorporated in the PRC principally engaged in the exploration, production, storage and transportation (including pipeline transportation), sales and utilisation of crude oil and natural gas; refining; wholesale and retail of gasoline, kerosene and diesel; production, sales, storage and transportation of petrochemical and other chemical products; industrial investment and investment management; exploration, construction, installation and maintenance of petroleum and petrochemical constructions and equipment; manufacturing electrical equipment; research, development, application and consulting services of information technology and alternative energy products; and import and export of goods and technology.

DEFINITIONS

Unless the context requires otherwise, the terms below have the following meanings in this announcement:

“associate”	has the meaning ascribed to it by the Listing Rules;
“BHI Tianjin”	Binhai Investment (Tianjin) Company Limited* (濱海投資(天津)有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“BHI Tianjin Group”	BHI Tianjin and its subsidiaries;
“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 the main board of the Stock Exchange (Stock Code: 2886);
“connected person”	has the meaning ascribed to it by the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it by the Listing Rules;
“Director(s)”	the director(s) of the Company;

“Disposal”	the sale of 227,796,154 Shares by TEDA HK to Great Wall Gas pursuant to the terms and conditions of the Share Purchase Agreement;
“Great Wall Gas”	Sinopec Great Wall Gas Investment Co., Ltd.* (中石化長城燃氣投資有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Sinopec Corp;
“Group”	the Company and its subsidiaries;
“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 independent non-executive Directors, namely Mr. Ip Shing Hing, J.P., Mr. Lau Siu Ki, Kevin and Professor Japhet Sebastian Law, established to make a recommendation to the Independent Shareholders in respect of the Master Gas Supply Agreement and transactions contemplated thereunder (including the Proposed Annual Caps);
“Independent Financial Adviser” or “Octal”	Octal Capital Limited, a licensed corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Gas Supply Agreement and transactions contemplated thereunder (including the Proposed Annual Caps);
“Independent Shareholders”	the Shareholders who are not prohibited or required to abstain from voting on a resolution approving the Master Gas Supply Agreement and the transactions contemplated thereunder at a general meeting of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Gas Supply Agreement”	the agreement dated 23 April 2020 entered into between BHI Tianjin and Sinopec Gas in relation to the purchase of natural gas by the BHI Tianjin Group from the Sinopec Gas Group;

“PRC”	the People’s Republic of China;
“Proposed Annual Caps”	the annual caps for the transactions contemplated under the Master Gas Supply Agreement for each of the two years ending 31 December 2021;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of Shares;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Share Purchase Agreement”	the agreement for the sale and purchase of Shares dated 23 April 2020 entered into between TEDA HK and Great Wall Gas in relation to the Disposal;
“Sinopec Corp”	China Petroleum & Chemical Corporation (中國石油化工股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the main board of the Stock Exchange (Stock Code: 386);
“Sinopec Gas”	China Petroleum & Chemical Corporation Natural Gas Branch Company* (中國石油化工股份有限公司天然氣分公司), a branch company of Sinopec Corp;
“Sinopec Gas Group”	Sinopec Gas and its subsidiaries and associates;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of 177,676,183 Shares by Great Wall Gas pursuant to the terms and conditions of the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 23 April 2020 entered into between the Company and Great Wall Gas in relation to the Subscription;
“substantial shareholder”	has the meaning ascribed to it by the Listing Rules;

“TEDA HK”

TEDA Hong Kong Property Company Limited (泰達香港置業有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company;

“%”

per cent

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

Hong Kong, 23 April 2020

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Zhang Bing Jun and Mr. Gao Liang, four non-executive Directors, namely, Mr. Wang Gang, Ms. Cao Hong Mei, Ms. Peng Bo and Mr. Yu Ke Xiang, and three independent non-executive Directors, namely, Mr. Ip Shing Hing, J.P., Mr. Lau Siu Ki, Kevin and Professor Japhet Sebastian Law.

* *For identification purposes only*