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濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2886)

**CONNECTED TRANSACTION
CAPITAL INCREASE AGREEMENT
IN RELATION TO SINOPEC LNG**

THE CAPITAL INCREASE AGREEMENT

The Board announces that on 31 August 2023, Binhai Investment (Tianjin), a wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Sinopec Natural Gas, a wholly-owned subsidiary of Sinopec Corp, to increase the registered capital of Sinopec LNG from RMB4,243,200,000 to RMB4,452,000,000 on a pro rata basis, pursuant to which Binhai Investment (Tianjin) agreed to contribute the sum of RMB4,180,000, by way of cash, into the registered capital of Sinopec LNG. Binhai Investment (Tianjin) and Sinopec Natural Gas currently holds 2% and 98% of the equity interest in Sinopec LNG, respectively. Upon completion of the Capital Increase, Binhai Investment (Tianjin) and Sinopec Natural Gas will continue to hold 2% and 98% of the equity interest in Sinopec LNG.

LISTING RULES IMPLICATIONS

Sinopec Corp is a substantial shareholder of the Company indirectly interested in 405,472,337 Shares (representing approximately 29.97% of the total number of Shares in issue), and is thus a connected person of the Company under the Listing Rules. Since each of Sinopec Natural Gas and Sinopec LNG is a subsidiary of Sinopec Corp, each of Sinopec Natural Gas and Sinopec LNG is an associate of Sinopec Corp and thus a connected person of the Company under the Listing Rules. Therefore, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the transaction contemplated under the Capital Increase Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Capital Increase Agreement is only subject to the reporting, announcement and annual review requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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The cash capital contribution of RMB4,180,000 payable by Binhai Investment (Tianjin) will be funded by the Group's self-owned funds, and was determined between the parties on an arm's length basis taking into account the construction progress of projects, the investment plan and shareholding ratio of both shareholders of Sinopec LNG.

THE CAPITAL INCREASE AGREEMENT

Set out below is a summary of the principal terms of the Capital Increase Agreement:

Date : 31 August 2023

Parties : (i) Sinopec Natural Gas, a wholly-owned subsidiary of Sinopec Corp; and
(ii) Binhai Investment (Tianjin), a wholly-owned subsidiary of the Company

Subject matter : The registered capital of Sinopec LNG will be increased from RMB4,243,200,000 to RMB4,452,000,000. Sinopec Natural Gas and Binhai Investment (Tianjin) will subscribe for RMB204,620,000 and RMB4,180,000 of the increased registered capital of Sinopec LNG respectively, pro-rata to their percentage holding of equity interest in Sinopec LNG. Upon completion of the Capital Increase, Binhai Investment (Tianjin) and Sinopec Natural Gas will maintain their respective percentage holding of equity interest in Sinopec LNG and continue to hold 2% and 98% of the equity interest in Sinopec LNG.

Payment terms : The capital contribution shall be paid by cash to Sinopec LNG on or before 30 September 2023.

The table below sets out the shareholding structure of Sinopec LNG immediately before and after the completion of the Capital Increase:

Name of shareholder	Amount of registered capital immediately before the Capital Increase <i>RMB</i>	Amount of registered capital immediately after the Capital Increase <i>RMB</i>	Percentage of equity interest (immediately before and after the Capital Increase)
Sinopec Natural Gas	4,158,340,000	4,362,960,000	98%
Binhai Investment (Tianjin)	84,860,000	89,040,000	2%
	<u>4,243,200,000</u>	<u>4,452,000,000</u>	100%

INFORMATION ON SINOPEC LNG

Sinopec LNG is a limited liability company established in the PRC, and is principally engaged in the construction and operation of LNG terminals and piers, as well as the storage and processing of LNG products.

Set out below is the financial information of Sinopec LNG for the years 2021 and 2022:

	For the year ended 31 December 2021	For the year ended 31 December 2022
	<i>RMB</i> <i>(approximately)</i>	<i>RMB</i> <i>(approximately)</i>
Profit before taxation	589,135,900	425,466,600
Profit after taxation	437,766,200	318,350,960

The unaudited net asset value of Sinopec LNG as of 30 June 2023 was approximately RMB5,077,776,100.

After the completion of the Capital Increase, Sinopec LNG will not become a subsidiary of the Group and the financial results of Sinopec LNG will remain not to be consolidated into the consolidated financial results of the Group, but Binhai Investment (Tianjin)'s equity interest in Sinopec LNG will continue to be equity accounted for in the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

Sinopec LNG performs well in business, and its sustained development can ensure that Binhai Investment (Tianjin) will continue to receive favorable returns on its equity investment in Sinopec LNG. As a participating shareholder, Binhai Investment (Tianjin) participating in this Capital Increase is beneficial for the development of the constructions of Sinopec LNG's investment projects, and will help Binhai Investment (Tianjin) gain support for LNG terminal resources from Sinopec LNG in the future. In addition, Sinopec LNG has gas storage capability, and the Capital Increase can ensure that the equity interest of Binhai Investment (Tianjin) will not be diluted, thereby guaranteeing the Group's own capacity of gas storage and peak shaving.

Having reviewed the terms of the Capital Increase Agreement, the Directors (including the independent non-executive Directors) are of the view that while the entering into of the Capital Increase Agreement is not in the ordinary and usual course of business of the Group, the terms of the Capital Increase Agreement are fair and reasonable, the Capital Increase Agreement is on normal commercial terms or better, and the entering into of the Capital Increase Agreement is in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Sinopec Corp is a substantial shareholder of the Company indirectly interested in 405,472,337 Shares (representing approximately 29.97% of the total number of Shares in issue), and is thus a connected person of the Company under the Listing Rules. Since each of Sinopec Natural Gas and Sinopec LNG is a subsidiary of Sinopec Corp, each of Sinopec Natural Gas and Sinopec LNG is an associate of Sinopec Corp and thus a connected person of the Company under the Listing Rules. Therefore, the transaction contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios in respect of the transaction contemplated under the Capital Increase Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Capital Increase Agreement is only subject to the reporting, announcement and annual review requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For good corporate governance practice, Mr. Wang Xin and Mr. Shen Hong Liang, being Directors who also hold executive positions in subsidiaries of Sinopec Corp, abstained from voting at the resolutions of the Board approving the Capital Increase Agreement to avoid any potential conflict of interest.

Save as disclosed above, none of the Directors is deemed to have a material interest in the Capital Increase Agreement and none of them had to abstain from voting at the resolutions of the Board approving the Capital Increase Agreement.

GENERAL

The Company is an investment holding company. The Group is principally engaged in the sales of piped natural gas, construction and gas pipeline installation service and gas passing through service.

Binhai Investment (Tianjin) is principally engaged in investment and reinvestment in industries such as gas processing and stove production and areas where foreign investment is permitted in 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 liquified natural gas for domestic users.

Sinopec Natural Gas is a wholly-owned subsidiary of Sinopec Corp and is principally engaged in natural gas project investment; natural gas transmission and storage technology development, technical consultation and technical services; construction cost consultation and tender agency; and sales of construction materials.

Sinopec Corp is a joint stock limited company established in the PRC, and is principally engaged in the exploration and production, pipeline transportation and sales of petroleum and natural gas; the production, sale, storage and transportation of refinery products, petrochemical products, coal chemical products, synthetic fiber and other chemical products; the import and export, including import and export agency business, of petroleum, natural gas, petroleum products, petrochemicals 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 limited liability company established under the laws of the PRC, and a state owned and authorized investment organization. Its principal operations include: exploration, exploitation, storage and transportation (including pipeline transportation), sales and comprehensive utilization of oil and natural gas; oil refining; wholesale and retail of oil products; production, sales, storage, transportation of petrochemical and other chemical products; industrial investment and investment management; exploration and design, construction and installation of petroleum and petrochemical engineering; repairing and maintenance of petroleum and petrochemical equipment; manufacture of mechanical and electrical equipment; technology and information, research and development, application and consultation services of alternative energy products; import and export business.

DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules;
“Binhai Investment (Tianjin)”	Binhai Investment (Tianjin) Company Limited* (濱海投資(天津)有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company;
“Board”	the Board of Directors;
“Capital Increase”	the increase of registered capital of Sinopec LNG from RMB4,243,200,000 to RMB4,452,000,000;
“Capital Increase Agreement”	the capital increase agreement entered into between Sinopec Natural Gas and Binhai Investment (Tianjin) on 31 August 2023 in relation to the Capital Increase;

“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(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LNG”	liquified natural gas;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“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, the H shares of which are listed on the main board of the Stock Exchange (Stock Code: 386);
“Sinopec LNG”	Sinopec Tianjin Liquefied Natural Gas Co., Ltd.* (中石化天津液化天然氣有限責任公司), a company incorporated in the PRC;
“Sinopec Natural Gas”	Sinopec Natural Gas Co., Ltd.* (中國石化天然氣有限責任公司), a company incorporated in the PRC and a wholly-owned subsidiary of Sinopec Corp;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“substantial shareholder” has the meaning ascribed to it under the Listing Rules;

“%” per cent

By order of the Board
Binhai Investment Company Limited
Gao Liang
Executive Director

Hong Kong, 31 August 2023

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Hu Hao, Mr. Wang Xin and Mr. Gao Liang, three non-executive Directors, namely, Mr. Wang Gang, Mr. Shen Hong Liang and Mr. Yu Ke Xiang, and four independent non-executive Directors, namely, Mr. Ip Shing Hing, B.B.S., J.P., Mr. Lau Siu Ki, Kevin, Professor Japhet Sebastian Law and Dr. Tang Lai Wah.

* *For identification purposes only*