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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)

ANNOUNCEMENT

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS WITH ASSOCIATES OF CHINA PETROCHEMICAL CORPORATION

On 29 October 2021, Tangshan Company (a wholly-owned subsidiary of the Company) entered into the Gas Supply Agreement and the Gas Connection Facilities Engagement Agreement I with Hebei Luyuan Tangshan for the supply of natural gas and the provision of services for construction of gas connection facilities to Hebei Luyuan Tangshan respectively. On the same date, Tianjin Clean Energy (a wholly-owned subsidiary of the Company) also entered into the Gas Connection Facilities Engagement Agreement II with Sinopec Ruida for the provision of services for construction of gas connection facilities to Sinopec Ruida.

Sinopec Group Company is a substantial shareholder of the Company indirectly interested in 405,472,337 Shares (representing approximately 29.99% of the total number of Shares in issue), and is thus a connected person of the Company under the Listing Rules. Since Sinopec Corp exercises or controls the exercise of 30% or more of the voting power at the general meeting of Hebei Luyuan Tangshan and Sinopec Ruida, both Hebei Luyuan Tangshan and Sinopec Ruida are associates of Sinopec Group Company and are thus connected persons of the Company under the Listing Rules. Therefore, the Gas Connection Transactions constitute connected transactions and the Gas Supply Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules respectively.

As the applicable percentage ratios in respect of the Gas Connection Transactions and the Gas Supply Transactions on an aggregate basis are more than 0.1% but less than 5%, the Gas Connection Transactions are only subject to the reporting and announcement requirements and the Gas Supply Transactions and the Gas Supply Cap are only subject to the reporting, announcement and annual review requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 29 October 2021, Tangshan Company (a wholly-owned subsidiary of the Company) entered into the Gas Supply Agreement and the Gas Connection Facilities Engagement Agreement I with Hebei Luyuan Tangshan for the supply of natural gas and the provision of services for construction of gas connection facilities to Hebei Luyuan Tangshan respectively. On the same date, Tianjin Clean Energy (a wholly-owned subsidiary of the Company) also entered into the Gas Connection Facilities Engagement Agreement II with Sinopec Ruida for the provision of services for construction of gas connection facilities to Sinopec Ruida.

The principal terms of each of the Gas Supply Agreement, the Gas Connection Facilities Engagement Agreement I and the Gas Connection Facilities Engagement Agreement II are set out below.

(I) THE GAS SUPPLY AGREEMENT

Date

29 October 2021

The parties

- (a) Tangshan Company
- (b) Hebei Luyuan Tangshan

Nature of the transactions

Tangshan Company will supply natural gas to Hebei Luyuan Tangshan during the term of the Gas Supply Agreement.

Term

The term shall commence from 1 November 2021 to 31 December 2021 (both days inclusive). Subject to the taking effect of a master gas supply agreement to be entered into between the entities designated by the Company and Sinopec Group Company for a term up to 31 December 2024, the parties to the Gas Supply Agreement may continue to carry out transactions contemplated thereunder in accordance with the terms of such master gas supply agreement.

Consideration

The payment for gas supply shall be settled on a monthly basis according to the amount of gas supplied by Tangshan Company.

The consideration will be determined based on (i) the volume of gas supplied by Tangshan Company to Hebei Luyuan Tangshan per month and (ii) the price for the supply of natural gas at RMB3.3 per cubic meter, which was determined with reference to the relevant pricing provisions in the regulatory notices issued by the PRC government authorities from time to time. The latest regulatory notice in respect of the transactions contemplated under the Gas Supply Agreement is summarised as follows:

Name of notice	Relevant pricing provision
“Notice on the Sale Price of Pipeline Natural Gas for Non-residential Usage from the Development and Reform Commission of Tangshan City”* (《唐山市發展和改革委員會關於非居民管道天然氣銷售價格的通知》) issued by the Development and Reform Commission of Tangshan City on 19 August 2021 (the “ Tangshan Regulatory Notice ”)	Each gas operation enterprise may add RMB0.88 per cubic meter on top of the procurement cost for natural gas for non-residential usage as the sale price.

If there is an adjustment to the regulatory notices of the PRC government authorities on natural gas sale price, the price for the supply of natural gas will be adjusted correspondingly. 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.

Gas Supply Cap

The Gas Supply Cap for the period from 1 November 2021 to 31 December 2021 is RMB2,747,600. The Gas Supply Cap was determined after taking into account the following:

1. estimates on the sale price of natural gas to be supplied by Tangshan Company to Hebei Luyuan Tangshan with reference to the following:
 - (a) the relevant pricing provision of the Tangshan Regulatory Notice; and
 - (b) the estimated procurement cost for natural gas sourced by Tangshan Company from upstream natural gas suppliers based on the contracts entered into between them, subject to adjustment that may be made according to the volume of natural gas purchased by Tangshan Company;
2. estimates on the demand for natural gas by Hebei Luyuan Tangshan based on the demand for natural gas required by the customers of Hebei Luyuan Tangshan estimated by it and a reasonable buffer considered by Hebei Luyuan Tangshan.

Reasons for and benefits of entering into the Gas Supply Agreement

Sinopec Corp is a large scale state-owned conglomerate with its subsidiaries spreading across the PRC. The Group will include such subsidiaries of Sinopec Corp into the list of potential customers in the course of expansion of its principal business. As Hebei Luyuan Tangshan operates its business in the operation area of Tangshan Company, the supply of natural gas to Hebei Luyuan Tangshan, on normal commercial terms or better and terms that are no less favourable to the Group than those provided by the Group to independent third parties, increases the revenue of the Group and is in the interests of the Group as a whole.

(II) THE GAS CONNECTION FACILITIES ENGAGEMENT AGREEMENT I

Date

29 October 2021

The parties

- (a) Tangshan Company
- (b) Hebei Luyuan Tangshan

Nature of the transactions

Tangshan Company will provide gas connection facilities construction services for the steam room of Hebei Luyuan Tangshan.

Consideration

The consideration is RMB367,500, and is payable within 7 days after the signing of the Gas Connection Facilities Engagement Agreement I. Hebei Luyuan Tangshan shall make payment by cash, bank cheque or bank transfer to the designated bank account of Tangshan Company. The consideration was determined based on arm's length negotiations with reference to (i) the daily maximum gas consumption volume for the gas connection facilities to be constructed; and (ii) the amount of construction work to be carried out, which includes the fees for sub-contracting the design, construction, supervision, purchasing of parts from third parties, equipment and materials for the construction and the maintenance of the facilities constructed.

Reasons for and benefits of entering into the Gas Connection Facilities Engagement Agreement I

Sinopec Corp is a large scale state-owned conglomerate with its subsidiaries spreading across the PRC. The Group will include such subsidiaries of Sinopec Corp into the list of potential customers in the course of expansion of its principal business. As Hebei Luyuan Tangshan operates its business in the operation area of Tangshan Company, the provision of gas connection facilities construction services to Hebei Luyuan Tangshan, on normal commercial terms or better and terms that are no less favourable to the Group than those provided by the Group to independent third parties, increases the revenue of the Group and is in the interests of the Group as a whole.

(III) THE GAS CONNECTION FACILITIES ENGAGEMENT AGREEMENT II

Date

29 October 2021

The parties

- (a) Tianjin Clean Energy
- (b) Sinopec Ruida

Nature of the transactions

Tianjin Clean Energy will provide gas connection facilities construction services for the gas station of Sinopec Ruida.

Consideration

The consideration is RMB67,000, and is payable within 7 days after the signing of the Gas Connection Facilities Engagement Agreement II. Sinopec Ruida shall make payment by cash, bank cheque or bank transfer to the designated bank account of Tianjin Clean Energy. The consideration was determined based on arm's length negotiations with reference to (i) the daily maximum gas consumption volume for the gas connection facilities to be constructed; and (ii) the amount of construction work to be carried out, which includes the fees for sub-contracting the design, construction, supervision, purchasing of parts from third parties, equipment and materials for the construction and the maintenance of the facilities constructed.

REASONS FOR AND BENEFITS OF ENTERING INTO THE GAS CONNECTION FACILITIES ENGAGEMENT AGREEMENT II

Sinopec Corp is a large scale state-owned conglomerate with its subsidiaries spreading across the PRC. The Group will include such subsidiaries of Sinopec Corp into the list of potential customers in the course of expansion of its principal business. As Sinopec Ruida operates its business in the operation area of Tianjin Clean Energy, the provision of gas connection facilities construction services to Sinopec Ruida, on normal commercial terms or better and terms that are no less favourable to the Group than those provided by the Group to independent third parties, increases the revenue of the Group and is in the interests of the Group as a whole.

OPINION OF THE DIRECTORS

The Board (including the independent non-executive Directors) are of the view that the Gas Connection Transactions and the Gas Supply Transactions are entered into in the ordinary and usual course of business of the Group, and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the Gas Supply Cap is fair and reasonable.

No Director has a material interest in the Gas Connection Transactions and the Gas Supply Transactions. For good corporate governance practices, Mr. Zuo Zhi Min and Mr. Shen Hong Liang, being Directors who also hold executive positions in subsidiaries of Sinopec Corp, shall abstain from voting at the resolutions of the Board approving the Gas Supply Agreement, the Gas Connection Facilities Engagement Agreement I and the Gas Connection Facilities Engagement Agreement II to avoid any potential conflict of interest.

LISTING RULES IMPLICATIONS

Sinopec Group Company is a substantial shareholder of the Company indirectly interested in 405,472,337 Shares (representing approximately 29.99% of the total number of Shares in issue), and is thus a connected person of the Company under the Listing Rules. Since Sinopec Corp exercises or controls the exercise of 30% or more of the voting power at the general meeting of Hebei Luyuan Tangshan and Sinopec Ruida, both Hebei Luyuan Tangshan and Sinopec Ruida are associates of Sinopec Group Company and are thus connected persons of the Company under the Listing Rules. Therefore, the Gas Connection Transactions constitute connected transactions and the Gas Supply Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules respectively.

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INFORMATION ON THE PARTIES

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, gas passing through service and sales of bottled natural gas.

Tangshan Company is principally engaged in the investment, construction and operation of urban gas pipeline network in Tangshan region, provision of natural gas connection services, supply and sale of natural gas.

Tianjin Clean Energy is principally engaged in the investment, construction and operation of urban gas pipeline network in Tianjin region, provision of natural gas connection services, supply and sale of natural gas.

Hebei Luyuan Tangshan is a branch company of Hebei Luyuan, which is a subsidiary of Sinopec Group Company and is principally engaged in the development and utilisation of thermal resources and the provision of energy-saving technology services.

Sinopec Ruida is principally engaged in the research and development of new energy technology, the construction and operation of comprehensive energy stations involving crude oil, natural gas, hydrogen and electricity and is a subsidiary 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 Sinopec Group Company, 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;
“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;
“Director(s)”	the director(s) of the Company;
“Gas Connection Facilities Engagement Agreement I”	the agreement dated 29 October 2021 entered into between Tangshan Company and Hebei Luyuan Tangshan in relation to the provision of services for the construction of gas connection facilities;
“Gas Connection Facilities Engagement Agreement II”	the agreement dated 29 October 2021 entered into between Tianjin Clean Energy and Sinopec Ruida in relation to the provision of services for the construction of gas connection facilities;
“Gas Connection Transactions”	the transactions contemplated under the Gas Connection Facilities Engagement Agreement I and the Gas Connection Facilities Engagement Agreement II;
“Gas Supply Agreement”	the agreement dated 29 October 2021 entered into between Tangshan Company and Hebei Luyuan Tangshan in relation to the supply of natural gas;
“Gas Supply Cap”	the cap on the amounts for the transactions under the Gas Supply Agreement for the period from 1 November 2021 to 31 December 2021;
“Gas Supply Transactions”	the transactions contemplated under the Gas Supply Agreement;
“Group”	the Company and its subsidiaries;

“Hebei Luyuan”	Hebei Luyuan Thermal Power Development Company Limited* (河北綠源地熱能開發有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Sinopec Group Company;
“Hebei Luyuan Tangshan”	Hebei Luyuan Thermal Power Development Company Limited Tangshan Lutai Economic Development Branch Company* (河北綠源地熱能開發有限公司唐山蘆台經濟開發區分公司), a branch company of Hebei Luyuan;
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the holder(s) of Shares;
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of the Company;
“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 Group Company”	China Petrochemical Corporation (中國石油化工集團有限公司), a state-owned enterprise incorporated in the PRC and a controlling shareholder of Sinopec Corp;
“Sinopec Ruida”	Sinopec Ruida (Tianjin) Energy Technology Company Limited* (中石化瑞達(天津)能源科技有限公司), a company incorporated in the PRC with limited liability and a subsidiary of Sinopec Corp;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it by the Listing Rules;

“Tangshan Company”	Tangshan Binhai Gas Company Limited* (唐山濱海燃氣有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“Tianjin Clean Energy”	Tianjin TEDA Binhai Clean Energy Group Company Limited* (天津泰達濱海清潔能源集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“%”	per cent

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

Hong Kong, 29 October 2021

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Wang Zhiyong, Mr. Zuo Zhi Min and Mr. Gao Liang, three non-executive Directors, namely, Mr. Wang Gang, Mr. Shen Hong Liang 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*