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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

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH TEDA

Reference is made to the announcement of the Company dated 19 November 2018 which announced that the Company entered into the 2018 Master Gas Supply Agreement and the 2018 Master Gas Supply Connection Agreement with TEDA, constituting continuing connected transactions of the Company.

As the 2018 Master Gas Supply Agreement and the 2018 Master Gas Supply Connection Agreement will expire on 31 December 2021, and it is expected that the Group will continue to carry out similar transactions with TEDA Group, the Company has entered into (i) the Master Gas Supply Agreement with TEDA for a term from 1 January 2022 to 31 December 2024, under which the Group will supply natural gas to TEDA Group pursuant to agreements to be entered into from time to time; and (ii) the Master Gas Supply Connection Agreement with TEDA for a term from 1 January 2022 to 31 December 2024, under which the Group will provide Gas Supply Connection Services to TEDA Group pursuant to the Gas Connection Facilities Construction Engagement Agreements to be entered into from time to time.

TEDA is the controlling shareholder of the Company indirectly interested in 534,113,305 Shares (representing approximately 39.50% of the total number of Shares in issue), and is thus a connected person of the Company under the Listing Rules. Subsidiaries and associates of TEDA are also regarded as connected persons of the Company. Therefore, transactions under the Master Gas Supply Agreement and the Master Gas Supply Connection Agreement will respectively constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Master Gas Supply Annual Caps and the Master Gas Supply Connection Annual Caps on an aggregate basis are more than 5%, the transactions contemplated under the Master Gas Supply Agreement, the Master Gas Supply Connection 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.

A circular containing, among other things, the recommendations from the Independent Board Committee and the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the transactions contemplated under the Master Gas Supply Agreement, Master Gas Supply Connection Agreement and the Proposed Annual Caps, and a notice to convene a special general meeting of the Company to approve (i) the Master Gas Supply Agreement and transactions contemplated thereunder and the Master Gas Supply Annual Caps; and (ii) the Master Gas Supply Connection Agreement and transactions contemplated thereunder and the Master Gas Supply Connection Annual Caps is expected to be despatched to the Shareholders on or about 29 November 2021.

BACKGROUND

Reference is made to the announcement of the Company dated 19 November 2018 which announced that the Company entered into the 2018 Master Gas Supply Agreement and the 2018 Master Gas Supply Connection Agreement with TEDA, constituting continuing connected transactions of the Company.

As the 2018 Master Gas Supply Agreement and the 2018 Master Gas Supply Connection Agreement will respectively expire on 31 December 2021, and it is expected that the Group will continue to carry out similar transactions with TEDA Group, the Company has entered into (i) the Master Gas Supply Agreement with TEDA for a term from 1 January 2022 to 31 December 2024, under which the Group will supply natural gas to TEDA Group pursuant to agreements to be entered into from time to time; and (ii) the Master Gas Supply Connection Agreement with TEDA for a term from 1 January 2022 to 31 December 2024, under which the Group will provide Gas Supply Connection Services to TEDA Group pursuant to the Gas Connection Facilities Construction Engagement Agreements to be entered into from time to time.

THE MASTER GAS SUPPLY AGREEMENT

The Company entered into the Master Gas Supply Agreement with TEDA with particulars as follows:

Date

8 November 2021

The parties

- (a) TEDA
- (b) the Company

Nature of the transactions

The Group will supply natural gas to TEDA Group pursuant to the individual agreements for the supply of natural gas to be entered into from time to time.

Term

From 1 January 2022 to 31 December 2024 (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 approval of the Master Gas Supply Agreement and transactions contemplated thereunder (including the Master Gas Supply Annual Caps) by the Independent Shareholders in accordance with requirements under the Listing Rules.

Consideration

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

Manner of payment

The manner of payment is governed by the individual agreements for the supply of natural gas, to be entered into between subsidiaries of the Group on the one hand, and TEDA or its subsidiaries or associates on the other hand, from time to time. The payment for gas supply is generally in the form of prepayment and will be settled on a monthly basis.

Basis of consideration

The consideration will be determined based on the volume of gas supplied by the Group to TEDA Group per month according to the meter readings and the price for the supply of natural gas.

The price for the supply of natural gas under the Master Gas Supply Agreement will be determined based on arm's length negotiations between the relevant parties, with reference to (i) the 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 NDRC from time to time; (ii) the notice on adjustments to the price of natural gas consumed by non-residential users as stipulated by TDRC and Tianjin Binhai New Area DRC from time to time; and (iii) the price of natural gas purchased by the Group from the upstream natural gas suppliers, which is determined with reference to the above regulatory notices and the volume of natural gas sourced by the Group.

The Group and TEDA Group strictly comply with the relevant pricing provisions in the regulatory notices issued by the PRC government authorities from time to time. The management of the relevant subsidiary of the Group will also take into account the market competition in determining the price for the supply of natural gas by the Group. Where market competition is present at the relevant location, discounts may be provided to customers with bulk purchases, as permitted by the relevant law and regulations. In the absence of market competition at the relevant location in relation to the supply of natural gas, the Group will adhere to the exact relevant price as stipulated by the PRC government authorities.

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.

The individual agreements for the supply of natural gas to be entered into by the Group with TEDA Group 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 supply of natural gas to independent third parties.

Master Gas Supply Annual Caps

The Master Gas Supply Annual Caps for the three years ending 31 December 2024 are set out as follows:

Master Gas Supply Annual Caps amounts (in RMB)

For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
179,957,000	378,879,000	508,773,000

Basis of the Master Gas Supply Annual Caps

The Master Gas Supply Annual Caps were determined after taking into account the following:

1. the historical transaction amounts of natural gas supplied by the Group to TEDA Group, which are set out as follows:

Approximate historical transaction amounts (in RMB)

For the year ended 31 December 2019	For the year ended 31 December 2020	For the period from 1 January 2021 to 31 October 2021
336,340,000	219,073,100	58,789,000

2. estimates on the sale prices of natural gas to be supplied by the Group to TEDA Group based on (a) the benchmark prices of natural gas consumed by non-residential users as stipulated in the regulatory notices issued by the PRC government authorities; and (b) the prevailing sale prices of natural gas supplied by the Group to its non-residential customers; and
3. estimates on the demand for natural gas by TEDA Group based on (a) the actual volumes of natural gas supplied by the Group to TEDA Group; (b) the expansion plan of the subsidiaries and associates of TEDA from 2022 to 2024; and (c) the future trend of the demand for natural gas.

Reasons for and benefits of entering into the Master Gas Supply Agreement

The Binhai New Area of Tianjin is an important strategic region for the development of the Group's business. Some of the Group's largest customers such as Tianjin TEDA Gas Co., Ltd* (天津泰達燃氣有限責任公司) and Tianjin Eco-city TEDA Ocean Technology Development Company Limited* (天津生態城泰達海洋技術開發有限公司), which are associates of TEDA to which the Group supplies natural gas, are based in the Binhai New Area of Tianjin. The Binhai New Area of Tianjin is a national strategic development region, comprising 21 street towns and 5 national development areas, namely Tianjin Economic and Technological Development Area, Tianjin Port Free Trade Area, Tianjin Binhai Hi-tech Industrial Development Area, Tianjin Dongjiang Port Free Trade Area and Sino-Singapore Tianjin Eco-City.

A number of key projects featuring large aircrafts, large rockets, large refineries and large vehicles have gathered in the Binhai New Area, leading to the formation of eight main industries, including aviation and aerospace, automobile and equipment manufacturing, petrochemicals, electronic communications, grain oil and light textile, biomedicine, new energy and new materials. Accordingly, there is a strong demand for the application of natural gas for economic and social development.

TEDA is a large scale state-owned conglomerate and is one of the most significant enterprises in the construction of the Binhai New Area of Tianjin. TEDA is also the main developer of various functional zones within the Binhai New Area of Tianjin. Moreover, TEDA has a large number of subsidiaries engaged in various industries in the Binhai New Area of Tianjin, such as regional development and property development etc. Therefore, the entering into of the Master Gas Supply Agreement is beneficial to the Group for its business development and market expansion in the strategic region of Binhai New Area of Tianjin, which will in turn increase the Group's sales revenue and profits. Further, such transactions will also facilitate the Group's collaboration with its controlling shareholder, TEDA, which is conducive to promoting their complementary strengths in the industries and the joint development of TEDA and the Group.

THE MASTER GAS SUPPLY CONNECTION AGREEMENT

The Company entered into the Master Gas Supply Connection Agreement with TEDA with particulars as follows:

Date

8 November 2021

The parties

- (a) TEDA
- (b) the Company

Nature of the transactions

The Group will provide Gas Supply Connection Services to TEDA Group pursuant to the Gas Connection Facilities Construction Engagement Agreements to be entered into from time to time.

Term

From 1 January 2022 to 31 December 2024 (both days inclusive)

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

The Master Gas Supply Connection Agreement will take effect subject to the approval of the Master Gas Supply Connection Agreement and transactions contemplated thereunder (including the Master Gas Supply Connection Annual Caps) by the Independent Shareholders in accordance with requirements under the Listing Rules.

Consideration

The consideration for the Gas Supply Connection Services to be provided by the Group will be the amount as stated in each of the Gas Connection Facilities Construction Engagement Agreements to be entered into from time to time, for the specific Gas Supply Connection Services to be provided thereunder.

Manner of payment

The manner of payment is governed by the Gas Connection Facilities Construction Engagement Agreements to be entered into between the Group and TEDA Group from time to time. Pursuant to the Gas Connection Facilities Construction Engagement Agreements, generally the consideration for the Gas Supply Connection Services is either to be satisfied in full prior to commencement of construction, or by an advance payment of 50% of the total consideration within 7 days from the date of the Gas Connection Facilities Construction Engagement Agreement and payment of the remaining balance within 7 days after the completion of the project.

Basis of consideration

The price for the provision of Gas Supply Connection Services to TEDA Group will be determined based on arm's length negotiations between the relevant parties, with reference to (i) the amount of construction work to be carried out, which includes the fees for sub-contracting the design, construction, supervision, purchasing of parts, equipment and materials for the construction and the maintenance of the facilities constructed; and (ii) the daily maximum gas consumption volume for the gas connection facilities to be constructed.

The Gas Connection Facilities Construction Engagement Agreements to be entered into by the Group with TEDA Group 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 supply of the same services to independent third parties.

Master Gas Supply Connection Annual Caps

The Master Gas Supply Connection Annual Caps for the three years ending 31 December 2024 are set out as follows:

Master Gas Supply Connection Annual Caps amounts (in RMB)

For the year ending 31 December 2022	For the year ending 31 December 2023	For the year ending 31 December 2024
29,252,000	14,253,000	34,640,000

Basis of the Master Gas Supply Connection Annual Caps

The Master Gas Supply Connection Annual Caps were determined after taking into account the following:

1. the historical transaction amounts of Gas Supply Connection Services provided by the Group to TEDA Group, which are set out as follows:

Approximate historical transaction amounts (in RMB)

For the year ended 31 December 2019	For the year ended 31 December 2020	For the period from 1 January 2021 to 31 October 2021
7,643,000	9,311,100	10,456,000

2. the transaction amounts under the Gas Connection Facilities Construction Engagement Agreements entered into between the subsidiaries of the Group and TEDA Group, which are yet to be carried out in full; and
3. estimates on the demands for Gas Supply Connection Services based on information obtained from negotiations with TEDA Group, including the estimated areas of projects requiring Gas Supply Connection Services for business developments and the progress of different projects.

Reasons for and benefits of entering into the Master Gas Supply Connection Agreement

The Company considers that the entering into of the Master Gas Supply Connection Agreement with TEDA is beneficial to both parties in responding positively to the 14th Five-Year call for dual carbon goal, practicing green development principles, promotion of safe and efficient use of clean energy, and will also be conducive to increasing the revenue and profit of the Group.

OPINION OF THE DIRECTORS

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 (i) the Master Gas Supply Agreement and transactions contemplated thereunder and the Master Gas Supply Annual Caps; and (ii) the Master Gas Supply Connection Agreement and transactions contemplated thereunder and the Master Gas Supply Connection Annual Caps) consider that the terms of the Master Gas Supply Agreement, Master Gas Supply Connection 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.

LISTING RULES IMPLICATIONS

TEDA is the controlling shareholder of the Company indirectly interested in 534,113,305 Shares (representing approximately 39.50% of the total number of Shares in issue), and is thus a connected person of the Company under the Listing Rules. Subsidiaries and associates of TEDA are also regarded as connected persons of the Company. Therefore, transactions under the Master Gas Supply Agreement and the Master Gas Supply Connection Agreement will respectively constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Master Gas Supply Annual Caps and the Master Gas Supply Connection Annual Caps on an aggregate basis are more than 5%, the transactions contemplated under the Master Gas Supply Agreement, the Master Gas Supply Connection 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 ordinary resolutions will be proposed to consider, and if thought fit, to approve (i) the Master Gas Supply Agreement and transactions contemplated thereunder and the Master Gas Supply Annual Caps; and (ii) the Master Gas Supply Connection Agreement and transactions contemplated thereunder and the Master Gas Supply Connection 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 terms of the Master Gas Supply Agreement, Master Gas Supply Connection 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 recommendations to the Independent Shareholders on how to vote, taking into account the advice of the independent financial adviser. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

A circular containing, among other things, the recommendations from the Independent Board Committee and the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the transactions contemplated under the Master Gas Supply Agreement, Master Gas Supply Connection Agreement and the Proposed Annual Caps, and a notice to convene a special general meeting of the Company to approve (i) the Master Gas Supply Agreement and transactions contemplated thereunder and the Master Gas Supply Annual Caps; and (ii) the Master Gas Supply Connection Agreement and transactions contemplated thereunder and the Master Gas Supply Connection Annual Caps is expected to be despatched to the Shareholders on or about 29 November 2021.

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.

TEDA is a state-owned enterprise established in the PRC and a controlling shareholder of the Company. The principal business areas of TEDA are regional development, public utilities, finance and modern services.

DEFINITIONS

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

“2018 Master Gas Supply Agreement”	the agreement dated 19 November 2018 entered into between TEDA and the Company in relation to the supply of natural gas to TEDA Group by the Group;
“2018 Master Gas Supply Connection Agreement”	the agreement dated 19 November 2018 entered into between TEDA and the Company in relation to the provision of Gas Supply Connection Services to TEDA Group by the Group;
“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;
“controlling shareholder”	has the meaning ascribed to it by the Listing Rules;
“Director(s)”	the director(s) of the Company;

“Gas Connection Facilities Construction Engagement Agreement(s)”	agreement(s) to be entered into between the Group and TEDA Group for the services of construction of gas connection facilities at the premises of TEDA Group;
“Gas Supply Connection Services”	services to be provided by the Company to TEDA Group including the organisation and completion of design, construction, supervision and installation of all gas connection network and facilities from the gas supply pipelines to the gas connection point of TEDA Group including the maintenance, repair and renovation of the foregoing gas facilities, etc.;
“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, <i>J.P.</i> , Mr. Lau Siu Ki, Kevin and Professor Japhet Sebastian Law, established to advise and make recommendations to the Independent Shareholders in respect of (i) the Master Gas Supply Agreement and transactions contemplated thereunder and the Master Gas Supply Annual Caps; and (ii) the Master Gas Supply Connection Agreement and transactions contemplated thereunder and the Master Gas Supply Connection Annual Caps;
“Independent Shareholders”	the Shareholders who are not prohibited or required to abstain from voting under the Listing Rules to approve the relevant transaction 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 8 November 2021 entered into between TEDA and the Company in relation to the supply of natural gas to TEDA Group by the Group;
“Master Gas Supply Annual Caps”	the annual caps for transactions contemplated under the Master Gas Supply Agreement for each of the three years ending 31 December 2024;

“Master Gas Supply Connection Agreement”	the agreement dated 8 November 2021 entered into between TEDA and the Company in relation to the provision of Gas Supply Connection Services to TEDA Group by the Group;
“Master Gas Supply Connection Annual Caps”	the annual caps for transactions contemplated under the Master Gas Supply Connection Agreement for each of the three years ending 31 December 2024;
“NDRC”	National Development and Reform Commission of the PRC;
“PRC”	the People’s Republic of China;
“Proposed Annual Caps”	the Master Gas Supply Annual Caps and the Master Gas Supply Connection Annual Caps;
“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;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TDRC”	Tianjin Development and Reform Commission;
“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, the controlling shareholder of the Company indirectly interested in approximately 39.50% of the total Shares in issue as at the date of this announcement;
“TEDA Group”	TEDA and its subsidiaries and associates;

“Tianjin Binhai New Area DRC”

Tianjin Binhai New Area Development and Reform Commission;

“0%”

per cent

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

Hong Kong, 8 November 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*