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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)

**MAJOR TRANSACTION
IN RELATION TO HEAT SUPPLY CONSTRUCTION PROJECT IN
TIANJIN FUTURE SCIENCE AND TECHNOLOGY CITY
BEIJING-TIANJIN COOPERATION DEMONSTRATION ZONE**

THE HEAT SUPPLY CONSTRUCTION AGREEMENT

On 30 October 2019, the Project Company (a non wholly-owned subsidiary of the Company) and Capital Urbanization (which is responsible for the organization of the development and construction of the Demonstration Zone) entered into the Heat Supply Construction Agreement. Pursuant to the Heat Supply Construction Agreement, the Project Company has agreed to carry out the overall investment, construction, operation and maintenance of the supporting facilities related to heat supply in the Demonstration Zone to meet the needs of customers for safe, stable and comfortable heat supply in the Demonstration Zone at the Consideration of RMB843,440,000.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Transaction exceed(s) 25% but less than 75%, the Transaction constitutes a major transaction of the Company and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

No Shareholder would be required to abstain from voting if the Company were to convene a general meeting for approval of the Heat Supply Construction Agreement and the Transaction. The Company is in the course of obtaining from Teda HK, being the controlling Shareholder holding 706,818,659 shares (representing approximately 60.19% of the total number of issued Shares as at the date of this announcement) its written approval for the Heat Supply Construction Agreement and the Transaction. Upon the issue by TEDA HK of such written approval, such written approval will be accepted in lieu of holding a general meeting of the Shareholders pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) further details in relation to the Heat Supply Construction Agreement and the Transaction; and (ii) other information as required under the Listing Rules will be despatched to the Shareholders. As it is expected that additional time will be required to prepare the relevant information to be included in the circular, the Company will apply to the Stock Exchange for an extension of time for dispatch of the circular by no later than 20 December 2019.

INTRODUCTION

Capital Urbanization is the wholly-owned subsidiary of 北京首都創業集團有限公司 (Beijing Capital Group Company Limited*), a large PRC state-owned enterprise principally engaged in services in relation to urban investment, construction and operation. Capital Urbanization is responsible for the organization of the development and construction of the Demonstration Zone. The Demonstration Zone is a synergistic development of Beijing, Tianjin and Hebei Province of the PRC, which will serve as an important hub for the transferring of industrial functions of the Beijing capital city and a pilot demonstration area for the cooperation and joint development of Beijing and Tianjin. The total planned area of the Demonstration Zone is approximately 38.07 square kilometers.

THE HEAT SUPPLY CONSTRUCTION AGREEMENT

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Date

30 October 2019

PARTIES

- (1) Project Company (a non wholly-owned subsidiary of the Company)
- (2) Capital Urbanization

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Capital Urbanization and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Heat Supply Construction

Pursuant to the Heat Supply Construction Agreement, the Project Company shall be responsible for the investment, construction and operation of the heat supply supporting facilities such as boiler room, main heating pipelines and heat stations (the “**Heat Supply Construction**”) in the Demonstration Zone according to the overall planning, specific heat supply planning, heat supply detailed planning and urban pipelines network comprehensive planning of the Demonstration Zone. The details of the Heat Supply Construction are set out below:

- (1) the scope of the Heat Supply Construction includes 31 boilers, 93 boiling facilities, 140 heat stations, main heating pipeline network (including secondary heating pipelines extending 1 metre from the heat stations), heat dispatching centre, intellectual control system, etc.;
- (2) the construction of heat sources in the boilers includes all works in relation to the construction work of boilers, the supply and installation of facilities, the main heating pipeline network connecting the boilers and the heat stations, the construction works of municipal roads, greening and municipal pipe network facilities within the area of the boilers and the connection with the main urban pipeline beyond such boundary, etc.; and
- (3) the supply and installation of heat station facilities, power distribution and control system, and the installation of secondary heating pipelines in the 1-metre area surrounding the heat stations.

Capital Urbanization shall be responsible for collecting the construction fees of the Heat Supply Construction from the development and construction units in the Demonstration Zone, and will transfer and pay the fees to the Project Company on a stage by stage basis according to the construction planning. The ownership of the equipment and facilities constructed under the Heat Supply Construction shall belong to the Project Company.

Consideration and basis

The Consideration for the Transaction under the Heat Supply Construction Agreement is RMB843,440,000, subject to the adjustment mechanism as set out in the paragraph headed “Adjustment to the Consideration” below. On the basis of the Heat Supply Construction Agreement, Capital Urbanization and the Project Company shall enter into specific implementation contracts according to specific circumstances of the Heat Supply Construction, and the Consideration shall be paid by Capital Urbanization to the Project Company in installments according to the progress of the specific implementation contracts in the following manner:

- a) within 60 days after the completion and acceptance inspection of each of the boiler room, supporting heat station, heat dispatching centre, boiler room fire pumping station etc., Capital Urbanization shall pay the corresponding construction fees according to the actual amount of construction in different development cycles; and

- b) the heating pipeline shall be constructed in phases in conjunction with the road works, and after completion and acceptance inspection, Capital Urbanization shall pay the corresponding construction fees within 60 days according to the completed project quantity confirmed by both parties.

The Consideration was determined based on assessment of the construction fees, other construction costs, reserve fees, as well as the policies and market risks to be borne by the Project Company in relation to the Transaction.

Adjustment to the Consideration

The Heat Supply Construction is intended to span over 10 to 15 years. Due to the long construction period of the Heat Supply Construction and fluctuation risk of the market price, the Project Company and Capital Urbanization agreed to the following price adjustment mechanism:

- a) the Consideration is set with reference to the cost index of the “Tianjian Construction Project Budget Base Price” 《天津市建築工程預算基價》 (the “**Index**”) promulgated in 2016 and such index is updated every four years;
- b) no adjustment to the Consideration will be made if changes to the Index amounts to an increase of not more than 10% or a decrease of not more than 5%;
- c) adjustment to the Consideration will be made if changes to the Index amounts to an increase of more than 10% or a decrease of more than 5% and the portion beyond such threshold will be adjusted accordingly;

The Project Company and Capital Urbanization have estimated that:—

- (1) for phases 1 and 2 of the Heat Supply Construction which will be completed by 2025, Capital Urbanization will pay the corresponding construction fees on the basis under the Heat Supply Construction Agreement and no adjustment will be made;
- (2) for phase 3 of the Heat Supply Construction which will be carried out after 2025, the maximum amount of increase adjustment to the Consideration will be approximately RMB32,660,000.

Rights and obligations of the parties

- (I) Capital Urbanization shall have the following rights and obligations:
 - a) to provide the Project Company with planning approval documents and relevant materials of the Demonstration Zone, and assist the Project Company to be listed on the enterprise list of heat supply supporting facilities in Tianjin such that it can benefit from the government subsidy on gas heating;

- b) prior to the commencement of the Heat Supply Construction, to assist the Project Company in resolving and handling any relevant government procedures in relation to planning, territory, transport, etc. to ensure that the construction site has the necessary conditions for the commencement of construction;
- c) i) to provide the Project Company with the underground pipeline network graph, buildings conditions on the ground in the Demonstration Zone, etc. and ii) to coordinate the planning and construction progress of all the works under and on the ground in the Demonstration Zone to ensure the smooth commencement of all works in an orderly manner; and
- d) during the development and construction of the Demonstration Zone, if there is a major adjustment on the specific heat supply planning in the Demonstration Zone due to factors such as the promulgation and adjustment of relevant policies of the PRC or Tianjin, new technology or implementation of new standards and new regulations, the Project Company and Capital Urbanization may negotiate for the continuation of cooperation on the same conditions. If the negotiation fails, Capital Urbanization has the right to terminate the Heat Supply Construction Agreement and choose another partner to be responsible for the investment, development and operation of the heat supply facilities in the incomplete areas. Capital Urbanization and the Project Company shall settle payment pursuant to the jointly confirmed amount of construction works actually completed by the Project Company, and the Project Company shall continue to enjoy the rights to operate and maintain the heat supply facilities in the completed area, in order to ensure the quality of heat supply is not affected.

(II) The Project Company shall have the following rights and obligations:

- a) i) to commence operation pursuant to the relevant provisions and implementation rules of the “Tianjin Heat Management Regulations” (天津市供熱管理條例) and strictly implement relevant national technical standards and norms in the design, construction and operation of heat supply facilities and ii) actively adopt domestic and foreign advanced technologies to improve the quality of heat supply and service;
- b) i) commence the design of the Heat Supply Construction pursuant to the planning of the Demonstration Zone and the development construction plan of Capital Urbanization; ii) coordinate with the relevant government authorities to timely organize construction works to be done at the site and conduct acceptance inspection of the Heat Supply Construction; iii) be responsible for the quality of construction and iv) monitor the progress and implementation of the plan and be accountable to Capital Urbanization;
- c) be responsible for all the works such as the collection of payment for and maintenance of the daily heat supply, and also the maintenance, operation and emergency repair work of the heat supply facilities relevant to the municipal roads in the Demonstration Zone;

- d) during the construction, the Project Company shall cooperate with Capital Urbanization and the municipal general contractor in the unified management of on-site coordination, construction progress and safety etc.; and
- e) be responsible for the relevant design, development and subsequent operation, daily maintenance, collection of payment etc. of heat supply to all the industrial, residential and commercial projects in the Demonstration Zone.

REASONS FOR AND BENEFITS OF ENTERING INTO THE HEAT SUPPLY CONSTRUCTION AGREEMENT

The Demonstration Zone is positioned as an important hub for the transferring of industrial functions of the Beijing capital city, a pilot demonstration area for the cooperation and joint development of Beijing, Tianjin and Hebei Province and a model zone for the industry-city integration of smart ecology and liveability, which bears great historic responsibility and mission. The entering into of the Heat Supply Construction Agreement is beneficial to the Company in several aspects, namely, (i) it favours the Group's active involvement and participation in the national grand strategy of the integrated development of Beijing, Tianjin and Hebei and enables the Group to benefit from such strategic planning concept; (ii) it will facilitate the Group's active expansion to industries in the downstream applications of gas, particularly the industry of city central heat supply; (iii) it will enable the Group to expand its scope of business and nurture new profit growth drivers; (iv) the Group will become the exclusive operator of gas and heat supply in the Demonstration Zone, and manifest synergy with its gas supply business; and (v) it will enable the Company to build a good image in the gas and heat supply industries, thereby conducive to the Group becoming a significant gas and heat supplier in the Tianjin Future Science and Technology City area.

The Directors are of the view that the terms of the Heat Supply Construction Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

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GENERAL

The Project Company is a non wholly-owned subsidiary of the Company, established in the PRC with limited liability and owned as to 51% by Tianjin Clean Energy and as to 49% by Tianjin Pipeline Engineering Group Co., Ltd.* (天津市管道工程集團有限公司), and is equipped with heat supply qualification to carry out the overall investment, construction, operation, maintenance and the dispatching and transportation of heat sources, etc. in order to meet the needs of customers in the Demonstration Zone.

Capital Urbanization is principally engaged in the development of new industrial city, urban renewal and housing development.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors
“Capital Urbanization”	首創經中(天津)投資有限公司(Capital Jingzhong (Tianjin) Investment Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of 北京首都創業集團有限公司 (Beijing Capital Group Company Limited*) which is a state-owned enterprise established in the PRC with limited liability
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration payable by Capital Urbanization to the Project Company for Transaction under the Heat Supply Construction Agreement in the aggregate amount of RMB843,440,000, subject to the adjustment mechanism as mentioned in the paragraph headed “Adjustment to the Consideration” in this announcement
“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)

“Demonstration Zone”	天津未來科技城京津合作示範區 (Tianjin Future Science and Technology City Beijing-Tianjin Cooperation Demonstration Zone*)
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Heat Supply Construction Agreement”	the agreement dated 30 October 2019 entered into between the Project Company and Capital Urbanization in relation to the investment, construction and operation of the supporting facilities related to heat supply in the Demonstration Zone, as more particularly described under the section headed “The Heat Supply Construction Agreement” in this announcement
“Hong Kong”	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 (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Project Company”	天津泰合熱力有限公司 (Tianjin Tehe Thermal Co., Ltd.), an indirect non wholly-owned subsidiary of the Company, established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary shares of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Teda HK”	TEDA HK Property Company Limited (泰達香港置業有限公司), a company incorporated in Hong Kong and directly holding approximately 60.19% of the total shares in issue as at the date of this announcement
“Tianjin Clean Energy”	天津泰達濱海清潔能源集團有限公司 (Tianjin TEDA Binhai Clean Energy Group Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement

“Transaction” the transaction contemplated under the Heat Supply Construction Agreement

“%” per cent

* *For identification purpose only*

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

Hong Kong, 30 October 2019

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, Mrs. Cao Hong Mei, Mrs. Peng Bo, Mr. Wang Gang and Mr. Yu Ke Xiang, and three independent non-executive Directors, namely, Mr. Ip Shing Hing, J.P., Professor Japhet Sebastian Law, and Mr. Lau Siu Ki, Kevin.