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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)

DISCLOSEABLE TRANSACTION
FINANCE LEASE AGREEMENT

FINANCE LEASE AGREEMENT

The Board announces that on 13 April 2022, Tianjin Clean Energy, a wholly-owned subsidiary of the Company, entered into the Finance Lease Agreement with Kunlun Leasing, pursuant to which the Leased Assets (comprising certain gas pipeline networks equipment) will be sold by Tianjin Clean Energy to Kunlun Leasing at the consideration of RMB300 million, and Tianjin Clean Energy will lease back the Leased Assets from Kunlun Leasing under finance leasing arrangement for a term of 36 months commencing on the date on which the ownership of the Leased Assets is transferred from Tianjin Clean Energy to Kunlun Leasing (or such other date as confirmed by Kunlun Leasing). The principal amount of the finance leasing arrangement contemplated under the Finance Lease Agreement is RMB300 million with an annual interest rate at 15 basis points below the loan prime rate for loans with a maturity of over five years as published by the National Interbank Funding Centre under the authority of the PBOC on the Interest Rate Determination Date (subject to adjustment). The consideration to be received by Tianjin Clean Energy under the Finance Lease Agreement shall be used for adjustment of debt structure and construction needs.

BHI Tianjin, a wholly-owned subsidiary of the Company, has executed a guarantee in favour of Kunlun Leasing in respect of the payment obligations and liabilities of Tianjin Clean Energy under the Finance Lease Agreement.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the transaction contemplated under the Finance Lease Agreement calculated in accordance with Chapter 14 of the Listing Rules exceeds 5% and all applicable percentage ratios are less than 25%, the Finance Lease Agreement constitute a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

The Board announces that on 13 April 2022, Tianjin Clean Energy, a wholly-owned subsidiary of the Company, entered into the Finance Lease Agreement with Kunlun Leasing, pursuant to which the ownership of the Leased Assets will be transferred from Tianjin Clean Energy to Kunlun Leasing, and Tianjin Clean Energy will lease back the Leased Assets from Kunlun Leasing. The principal terms of the Finance Lease Agreement are summarised below.

THE FINANCE LEASE AGREEMENT

Date : 13 April 2022

Parties : (1) Kunlun Leasing (as the lessor); and
(2) Tianjin Clean Energy, a wholly-owned subsidiary of the Company (as the lessee)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Kunlun Leasing and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter : The Leased Assets will be sold by Tianjin Clean Energy to Kunlun Leasing, and Tianjin Clean Energy will lease back the Leased Assets from Kunlun Leasing under finance lease arrangement subject to the terms and conditions of the Finance Lease Agreement.

Leased Assets : The Leased Assets comprise the following eight gas pipeline networks:—

- (i) The Second Gas Source Pipeline in Tianjin Municipality Binhai New Area (天津市濱海新區第二氣源管線)
- (ii) Wantong Coal to Gas Project (萬通煤改燃項目)
- (iii) Crossing from Eco-city to Yongding New River (生態城-永定新河穿越)
- (iv) From Donghai Road in Eco-city to Yongding New River (生態城-東海路至永定新河)
- (v) Branch line of voltage regulation station in the southern part of Zhongsheng Avenue in Eco-city (生態城-中生大道南部調壓站支線)
- (vi) Phase 1 of Central Avenue in Eco-city (生態城-中央大道一期)

- (vii) Project of the branch line of Nanjiang Power Plant (南疆電廠支線項目)
- (viii) Network from Zhujiang Station to Jizhuangzi Villiage (珠江站至紀莊子村管網)

And the following equipment assets

- (ix) Craft pipeline of EPC Dagang Citygate (EPC大港門站工藝管道)
- (x) Process transformation project of Dagang Citygate Station (大港門站工藝改造項目)

The unaudited net asset value of the Leased Assets was approximately RMB319,157,000 in aggregate as of 28 February 2022. The Leased Assets only form part of the Group's operations and there were no revenue or net profits attributable to the Leased Assets in the consolidated financial statements of the Group for the two years ended 31 December 2020 and 2021.

The ownership of the Leased Assets will be transferred from Tianjin Clean Energy to Kunlun Leasing on the date when Kunlun Leasing makes payment of the consideration to Tianjin Clean Energy.

Consideration : The consideration payable by Kunlun Leasing to Tianjin Clean Energy for the purchase of the Leased Assets is RMB300,000,000.

The consideration shall be paid by Kunlun Leasing within ten working days after the fulfillment of certain conditions including (among others) the completion of registration of the guarantee, and the registration at the Unified Chattel Financing Registration and Publicity System of the Credit Reference Center of the PBOC in relation to this finance leasing arrangement, provision by Tianjin Clean Energy to Kunlun Leasing of information relating to the ownership of the Leased Assets and all documents of approval relating to the transactions contemplated under the Finance Lease Agreement, no material change to the national fiscal, taxation and financial policies or the government's regulatory measures on the financial industry since the signing of the Finance Lease Agreement and no material increase in the cost of financing in the market.

The consideration was determined following arm's length negotiations by the parties based on the net asset value of the Leased Assets as agreed by the parties with reference to the original financial data pertaining to the Leased Assets.

- Lease period : 36 months commencing on the date on which the ownership of the Leased Assets is transferred from Kunlun Leasing to Tianjin Clean Energy (or such other date as confirmed by Kunlun Leasing).
- Lease payments : The total amount of lease payments payable by Tianjin Clean Energy is RMB 322,024,409 (subject to adjustment), comprising (i) the lease principal of RMB300,000,000, which is the same as the consideration for the purchase of the Leased Assets payable by Kunlun Leasing, and (ii) the aggregate lease interest tentatively at RMB 22,024,409 (subject to changes of the loan prime rate for loans with a maturity of over five years as published by the National Interbank Funding Centre under the authority of the PBOC from time to time).

The lease interest under the Finance Lease Agreement is calculated on the lease principal at 15 basis points below the most recent loan prime rate for loans with a maturity of over five years as published by the National Interbank Funding Centre under the authority of the PBOC on the Interest Rate Determination Date. The lease interest rate is subject to adjustments (if any) on the date of expiry of every calendar year from the Interest Rate Determination Date if the prevailing loan prime rates as at those dates are adjusted. For the purpose of illustration, the prevailing loan prime rate for loans with a maturity of over five years is 4.60% and the lease interest rate is 4.45% as at the date of this announcement.

The total lease payments to be paid by Tianjin Clean Energy under the Finance Lease Agreement will be payable in 12 instalments during the lease period in accordance with the payment schedule to the Finance Lease Agreement and will be funded by cash generated from the usual course of business of the Group.

In addition to the above, Tianjin Clean Energy shall pay the first lease payment of RMB3,150,000 (equivalent to 1.05% of the leasing costs) to Kunlun Leasing on date on which Kunlun Leasing pays the consideration for the transfer of ownership of the Leased Assets.

The lease interest payable under the Finance Lease Agreement was determined after arm's length negotiation between Kunlun Leasing and Tianjin Clean Energy with reference to the prevailing market rates for finance leases of comparable assets.

- Ownership : The legal titles of the Leased Assets shall vest in Kunlun Leasing throughout the lease period.
- Buyback : On the date of expiry of the lease term, on the condition that there has been no breach of the Finance Lease Agreement by Tianjin Clean Energy (or breaches have been rectified and acknowledged by Kunlun Leasing), Tianjin Clean Energy shall acquire ownership of the Leased Assets from Kunlun Leasing at the consideration of RMB10,000.
- Guarantee : BHI Tianjin, a wholly-owned subsidiary of the Company, has executed a guarantee as a guarantor in favour of Kunlun Leasing to guarantee all payment obligations and liabilities of Tianjin Clean Energy under the Finance Lease Agreement and the costs of enforcement by Kunlun Leasing of such liabilities and the guarantee, which shall be valid and effective up to three years after the due date of fulfillment by Tianjin Clean Energy of the obligations under the Finance Lease Agreement.
- Use of proceeds : Tianjin Clean Energy has undertaken that the consideration received from Kunlun Leasing for the sale of the Leased Assets shall only be applied towards adjustment of debt structure and construction needs.
- Early repayment arrangement : Tianjin Clean Energy may seek consent from Kunlun Leasing by giving 60-day written notice in advance to prepay all or part of the lease and other payments under the Finance Lease Agreement on the upcoming rental payment date (the “**Prepayment Date**”).

Where Kunlun Leasing consents to the prepayment and receives all payments due under the Finance Lease Agreement (including the agreed consideration for buying back the Leased Assets and the liquidated damages due to the perishing of the Leased Assets (if any) and other payments as demanded by Kunlun Leasing on the Prepayment Date, the Finance Lease Agreement will be terminated and the ownership of the Leased Assets will be transferred to Tianjin Clean Energy on an “as-is” basis.

Insurance and insurance payment arrangement : Tianjin Clean Energy shall at its own cost maintain insurance coverage in respect of the Leased Assets in accordance with the Finance Lease Agreement from the date when Kunlun Leasing obtains ownership of the Leased Assets until the expiry of the term of the Finance Lease Agreement.

Upon the occurrence of an insured event, Tianjin Clean Energy should ensure insurance compensation (if any) is paid to Kunlun Leasing directly. The occurrence of an insured event and payment of insurance compensation do not justify any delay or deduction by Tianjin Clean Energy of any amount payable by it under the Finance Lease Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE AGREEMENT

The proceeds from financing activities of the Group have been mainly used for the investment and construction of main pipelines network. The finance leasing arrangement of the transaction under the Finance Lease Agreement may help to optimise the capital structure of the Group, increase working capital, improve liquidity ratio and reduce financial risks of the Group. Taking into account various current market factors, the Directors consider that the finance leasing arrangement of the transaction contemplated under the Finance Lease Agreement presents a convenient and effective solution to the Group's financing needs which is advantageous to the Group.

The Finance Lease Agreement has been entered into in the ordinary and usual course of business of the Group, and the Directors consider that the terms of the transactions contemplated under the Finance Lease Agreement are fair and reasonable and in the interests of the Company and its shareholders as whole.

According to Hong Kong Financial Reporting Standards, it is expected that the transactions under the Finance Lease Agreement will not give rise to any disposal gain or loss to be recorded by the Group.

LISTING RULES IMPLICATIONS

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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, gas passing through service and sales of bottled 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.

To the best of the Directors' knowledge, Kunlun Leasing is a large-scale non-bank financial institution under the supervision of China Banking Regulatory Commission and is principally engaged in finance leasing business. The equity interest in Kunlun Leasing is owned as to 90% in aggregate by CNPC Capital Company Limited (中國石油集團資本股份有限公司) and by its subsidiary. CNPC Capital Company Limited is a company listed on the Shenzhen Stock Exchange (Stock Code 000617) which through its controlled and associated companies is principally engaged in the businesses of banking, finance, finance leasing, trust, insurance, insurance agency and securities, and is majority held by a PRC state-owned enterprise.

DEFINITIONS

“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;
“Board”	the Board of Directors;
“Company”	Binhai Investment Company Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange (Stock Code: 2886);
“Director(s)”	the director(s) of the Company;
“Finance Lease Agreement”	the agreement dated 13 April 2022 entered into between Tianjin Clean Energy and Kunlun Leasing for the sale and the finance leasing arrangement in respect of the Leased Assets, the principal terms of which are summarised in the section headed “Finance Lease Agreement” in this announcement;
“Group”	the Company and its subsidiaries;
“Interest Rate Determination Date”	the date on which Kunlun Leasing pays the consideration for the purchase of the Leased Assets to Tianjin Clean Energy;

“Kunlun Leasing”	崑崙金融租賃有限責任公司(Kunlun Financial Leasing Co., Ltd.);
“Leased Assets”	the gas pipeline networks and equipment assets owned by Tianjin Clean Energy (particulars of which are described in the sub-section headed “Leased Assets” under the section headed “Finance Lease Agreement” in this announcement), being the subject assets of the arrangement under the Finance Lease Agreement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PBOC”	the People’s Bank of China;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“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 Company Limited*), a company incorporated in the PRC and a wholly-owned subsidiary of the Company;
“%”	percent

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

Hong Kong, 13, April 2022

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*