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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “Board”) of directors (the “Directors”) of Binhai Investment Company Limited (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2021 (the “Period”) together with the comparative unaudited figures for the corresponding period in 2020. The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

	Unaudited Six months Ended 30 June 2021 HK\$'000	Unaudited Six months Ended 30 June 2020 HK\$'000	Percentage Change
Revenue	2,316,905	1,833,801	26%
Gross profit	453,067	359,463	26%
Profit for the Period	238,114	151,184	57%
Basic earnings per share attributable to owners of the Company during the Period	<u>17.09 cents</u>	<u>12.25 cents</u>	<u>40%</u>
	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000	Percentage Change
Total assets	7,741,004	7,094,864	9%
Total equity	2,109,414	1,999,775	5%
Total liabilities	<u>5,631,590</u>	<u>5,095,089</u>	<u>11%</u>

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Notes	HK\$'000	HK\$'000
Revenue from contracts with customers	6	2,316,905	1,833,801
Cost of sales and services	10	(1,863,838)	(1,474,338)
Gross profit		453,067	359,463
Other income	7	13,366	10,294
Administrative expenses	10	(131,859)	(129,885)
Net impairment reversal on financial and contract assets	9	7,306	41,660
Other gains/(losses) — net	8	11,883	(19,071)
Operating profit		353,763	262,461
Finance income	11	1,167	799
Finance costs	11	(58,303)	(50,024)
Finance costs — net	11	(57,136)	(49,225)
Share of net profit of an associate and joint ventures accounted for using the equity method		4,827	3,113
Profit before income tax		301,454	216,349
Income tax expense	12	(63,340)	(65,165)
Profit for the Period		238,114	151,184
Profit for the Period attributable to:			
— Owners of the Company		231,116	143,890
— Non-controlling interests		6,998	7,294
		238,114	151,184
		HK\$ cents	HK\$ cents
Earnings per share attributable to owners of the Company:			
— Basic earnings per share	14	17.09	12.25
— Diluted earnings per share		17.09	12.25

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Profit for the Period	<u>238,114</u>	<u>151,184</u>
Other comprehensive income/(loss)		
<i>Items that will not be reclassified to profit or loss</i>		
— Exchange differences on translation of financial statements of the Company	6,654	(8,839)
<i>Items that may be reclassified to profit or loss</i>		
— Exchange differences on translation of foreign operations	<u>21,681</u>	<u>(19,629)</u>
	<u>28,335</u>	<u>(28,468)</u>
Total comprehensive income for the Period	<u><u>266,449</u></u>	<u><u>122,716</u></u>
Total comprehensive income for the Period is attributable to:		
— Owners of the Company	258,752	116,446
— Non-controlling interests	<u>7,697</u>	<u>6,270</u>
	<u><u>266,449</u></u>	<u><u>122,716</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
	Notes		
ASSETS			
Non-current Assets			
Property, plant and equipment	15	5,471,281	5,246,835
Right-of-use assets		179,983	179,458
Investment properties		7,065	7,120
Intangible assets		42,882	43,054
Investments accounted for using the equity method		80,404	74,790
Prepayments		1,567	138,702
Long-term receivables	16	26,033	25,142
Deferred income tax assets	21	24,320	24,224
Restricted cash		1,444	1,439
		<u>5,834,979</u>	<u>5,740,764</u>
Current Assets			
Inventories		130,503	146,591
Trade and other receivables	16	330,053	312,381
Notes receivable		5,270	16,555
Contract assets		50,573	32,892
Prepayments		167,541	239,954
Financial assets at fair value through profit or loss		189,500	182,029
Restricted cash		143,968	15,955
Cash and cash equivalents		888,617	407,743
		<u>1,906,025</u>	<u>1,354,100</u>
Total Assets		<u><u>7,741,004</u></u>	<u><u>7,094,864</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		437,203	487,203
— Ordinary shares	17	135,203	135,203
— Redeemable preference shares	17	302,000	352,000
Share premium		282,115	282,115
Other reserves		(31,967)	(59,603)
Retained earnings		1,356,415	1,232,109
Equity attributable to owners of the Company		<u>2,043,766</u>	<u>1,941,824</u>
Non-controlling interests		65,648	57,951
Total Equity		<u><u>2,109,414</u></u>	<u><u>1,999,775</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2021

		Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
	Notes		
LIABILITIES			
Non-current Liabilities			
Borrowings	19	2,080,494	1,055,498
Deferred income	20	120,865	111,608
Lease liabilities		5,793	8,288
Deferred income tax liabilities	21	21,923	21,702
Trade and other payables	18	65,397	64,440
		<u>2,294,472</u>	<u>1,261,536</u>
Current Liabilities			
Trade and other payables	18	1,602,610	1,575,940
Contract liabilities		586,665	912,385
Current income tax liabilities		44,626	28,242
Borrowings	19	1,097,482	1,308,508
Lease liabilities		5,735	8,478
		<u>3,337,118</u>	<u>3,833,553</u>
Total Liabilities		<u>5,631,590</u>	<u>5,095,089</u>
Total Equity and Liabilities		<u>7,741,004</u>	<u>7,094,864</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

Changes in equity of the Group during the six months ended 30 June 2021 and 2020 are as follows:

	Unaudited						
	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total Equity HK\$'000
At 1 January 2020 (audited)	489,435	104,676	(176,180)	895,129	1,313,060	46,966	1,360,026
Profit for the Period	—	—	—	143,890	143,890	7,294	151,184
Other comprehensive loss for the Period	—	—	(27,444)	—	(27,444)	(1,024)	(28,468)
Total comprehensive income for the Period	—	—	(27,444)	143,890	116,446	6,270	122,716
Dividends provided for and paid	—	—	—	(41,102)	(41,102)	—	(41,102)
Dividends paid to non-controlling interests	—	—	—	—	—	(513)	(513)
Redemption of preferences shares	(20,000)	—	—	—	(20,000)	—	(20,000)
At 30 June 2020 (unaudited)	469,435	104,676	(203,624)	997,917	1,368,404	52,723	1,421,127
At 1 January 2021 (audited)	487,203	282,115	(59,603)	1,232,109	1,941,824	57,951	1,999,775
Profit for the Period	—	—	—	231,116	231,116	6,998	238,114
Other comprehensive income for the Period	—	—	27,636	—	27,636	699	28,335
Total comprehensive income for the Period	—	—	27,636	231,116	258,752	7,697	266,449
Dividends provided for and paid	—	—	—	(106,810)	(106,810)	—	(106,810)
Redemption of preferences shares	(50,000)	—	—	—	(50,000)	—	(50,000)
At 30 June 2021 (unaudited)	437,203	282,115	(31,967)	1,356,415	2,043,766	65,648	2,109,414

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	299,728	153,866
Interest received	536	799
Income tax paid	(47,326)	(55,083)
Net cash inflow from operating activities	252,938	99,582
Cash flows from investing activities		
Payments for property, plant and equipment	(243,741)	(266,473)
Payments for land use rights	(5,608)	—
Payments for intangible assets	(125)	(4,558)
Proceeds from disposal of property, plant and equipment	1,539	9,269
Placement of restricted cash	(137,943)	—
Withdrawal of restricted cash	10,749	2,404
Payments for investments in wealth management products	—	(165,618)
Wealth management products income received	—	3,287
Grants received for construction projects	5,907	—
Government grant received	3,244	—
Net cash outflow from investing activities	(365,978)	(421,689)
Cash flows from financing activities		
Proceeds from borrowings	1,665,558	401,678
Repayments of borrowings	(867,543)	(161,039)
Principal elements of lease payments	(7,516)	(4,184)
Interest paid	(42,857)	(50,778)
Redemption of redeemable preference shares	(50,000)	(20,000)
Dividends paid to non-controlling interests in subsidiaries	—	(513)
Dividend paid to the Company's shareholders	(106,810)	(41,102)
Net cash inflow from financing activities	590,832	124,062
Net increase/(decrease) in cash and cash equivalents	477,792	(198,045)
Cash and cash equivalents at the beginning of the Period	407,743	699,998
Effects of exchange rate difference	3,082	(10,672)
Cash and cash equivalents at the end of the Period	888,617	491,281

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 8 October 1999, with its principal place of business at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The Company is an investment holding company. The Company and its subsidiaries are hereafter together referred to as the Group.

TEDA Hong Kong Property Company Limited (“TEDA HK”) (a direct wholly-owned subsidiary of Tianjin TEDA Investment Holding Co., Ltd. (“TEDA”)) and Great Wall Energy Investment (Hong Kong) Limited (“Great Wall Energy HK”) (a wholly-owned subsidiary of China Petroleum & Chemical Corporation (“Sinopec”)) hold approximately 35.43% and 29.99% of the total ordinary shares of the Company in issue respectively and are the two largest shareholders of the Company.

The Group’s condensed consolidated interim financial statements are presented in Hong Kong Dollars (“HK\$”) and the functional currency of the Company and its subsidiaries is Renminbi (“RMB”).

2. BASIS OF PREPARATION

(i) Compliance with HKAS 34 and Listing Rules

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

(ii) Historical cost convention

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair values.

(iii) Going concern

As at 30 June 2021, the Group’s current liabilities exceeded its current assets by approximately HK\$1,431 million. The Group’s ability to continue as a going concern largely depends on the sufficiency of financial resources available to the Group. The Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 1 July 2021, based on the following considerations:

- The Group is expected to remain profitable and continue to generate stable operating cash inflows from its future business operations;

- On 10 June 2021, the Company and certain banks signed a three-year syndicate facility agreement relating to a term loan facility of not exceeding US\$300,000,000. On 11 June 2021, the Company drewdown the principal of US\$143,500,000. As at 30 June 2021, the balance of the syndicated borrowing amortized at the effective interest rate was approximately HK\$1,091,002,000. Considering the progress of the financing project and the situation of the participating banks, the management reasonably expects to drawdown the remaining US\$150,000,000 (equivalent to approximately HK\$1,159,950,000) within this year;
- On 26 February 2021 and 10 March 2021, the Group has entered into banking facility agreements with a reputable commercial bank (a PRC incorporated bank which is listed on both the Main Board of the Shanghai Stock Exchange and the Stock Exchange) pursuant to which the Group can drawdown 1-year term bank borrowings of RMB200,000,000 (equivalent to approximately HK\$240,096,000) and RMB1,000,000,000 (equivalent to approximately HK\$1,200,480,000) respectively from the aforesaid listed commercial bank. As of 30 June 2021, the amount of the undrawn borrowing facilities available to the Group under the aforesaid banking facility agreements was RMB1,200,000,000 (equivalent to approximately HK\$1,440,576,000).

In view of the above, the Directors are confident that there will be sufficient financial resources available to the Group to enable it to continue as a going concern and hence have prepared the condensed consolidated interim financial statements on a going concern basis.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2020.

Amended standards adopted by the Group

The Group has adopted the following amended standards, which are mandatorily effective for the accounting periods beginning on or after 1 January 2021 and do not have a material impact on the Group:

- *Covid-19-related Rent Concessions — Amendments to IFRS 16*
- *Interest Rate Benchmark Reform — Phase 2 — Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.*

New and amended standards and interpretations not yet adopted

Certain other new and amended standards and interpretations have also been published that are not mandatory for 30 June 2021 reporting period and have not been early adopted by the Group. These amended standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2020.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. As at 30 June 2021, the Group did not use any derivative financial instruments to hedge against its financial risk exposures.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

There have been no changes in any risk management policies since year end.

5.2 Liquidity risk

Compared to the year end of 2020, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

Financial instruments measured at fair value are analysed into the following fair value measurement hierarchy:

- level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

At 30 June 2021, financial instruments included in level 3 comprise wealth management products and notes receivables which were classified as financial assets at fair value through profit or loss (“FVPL”) and financial assets at fair value through other comprehensive income (“FVOCI”) respectively. Wealth management products of HK\$189,500,000 (31 December 2020: HK\$182,029,000) and notes receivable of HK\$5,270,000 (31 December 2020: HK\$16,555,000) were measured by using marketability discount rate derived from management’s judgement to estimate their fair value.

There were no transfers between different levels of the fair value hierarchy during the Period.

During the Period, there were no significant changes in the business or economic circumstances that affect the fair value of the Group’s financial assets and financial liabilities.

Fair value of the financial assets and financial liabilities that are not measured at fair value on recurring basis:

The Directors consider that the carrying amounts of other financial assets and financial liabilities carried at amortised cost in the condensed consolidated interim financial statements approximate their fair values.

6. SEGMENT INFORMATION

The executive directors of the Company (the “Executive Directors”) review the Group’s internal reporting in order to assess performance and allocate resources of the Group. The Executive Directors have determined the operating segments based on these reports.

The Group’s reportable and operating segments under HKFRS 8 are as follows:

Sales of piped natural gas	—	Sales of piped gas through the Group’s pipeline networks to residential households and commercial and industrial customers
Construction and gas pipeline installation service	—	Construction of gas pipelines and installation of appliances to connect customers to the Group’s pipeline networks under gas construction and installation service contracts
Gas passing through service	—	Transportation of natural gas to customers through the Group’s pipeline networks
Sales of bottled natural gas	—	Sales of bottled natural gas

The Executive Directors assess the performance of the operating segments based on segment results. Segment results are measured as gross profit of each segment.

	Unaudited				Total HK\$'000
	Sales of piped natural gas HK\$'000	Construction and gas pipeline installation service HK\$'000	Gas passing through service HK\$'000	Sales of bottled natural gas HK\$'000	
Six months ended 30 June 2021					
Total segment revenue from external customers	1,872,813	402,174	29,361	12,557	2,316,905
<i>Recognised at a point in time</i>	1,872,813	—	29,361	12,557	1,914,731
<i>Recognised over time</i>	—	402,174	—	—	402,174
Segment results	190,268	235,962	23,281	3,556	453,067
— Other income					13,366
— Administrative expenses					(131,859)
— Net impairment reversal on financial and contract assets					7,306
— Other gains — net					11,883
— Finance income					1,167
— Finance costs					(58,303)
— Share of net profit of an associate and joint ventures accounted for using the equity method					4,827
Profit before income tax					301,454

	Unaudited				Total HK\$'000
	Sales of piped natural gas HK\$'000	Construction and gas pipeline installation service HK\$'000	Gas passing through service HK\$'000	Sales of bottled natural gas HK\$'000	
Six months ended 30 June 2021					
Other segment information:					
Depreciation (included in cost of sales and services)	61,741	1,408	4,410	169	67,728
Depreciation (included in administrative expenses)					25,525
					93,253

Unaudited					
Six months ended 30 June 2020	Sales of piped natural gas <i>HK\$'000</i>	Construction and gas pipeline installation service <i>HK\$'000</i>	Gas passing through service <i>HK\$'000</i>	Sales of bottled natural gas <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment revenue from external customers	1,469,400	326,986	28,220	9,195	1,833,801
<i>Recognised at a point in time</i>	1,469,400	—	28,220	9,195	1,506,815
<i>Recognised over time</i>	—	326,986	—	—	326,986
Segment results	128,673	203,189	23,895	3,706	359,463
— Other income					10,294
— Administrative expenses					(129,885)
— Net impairment reversal on financial and contract assets					41,660
— Other losses — net					(19,071)
— Finance income					799
— Finance costs					(50,024)
— Share of net profit of an associate and joint ventures accounted for using the equity method					3,113
Profit before income tax					216,349

Unaudited					
Six months ended 30 June 2020	Sales of piped natural gas <i>HK\$'000</i>	Construction and gas pipeline installation service <i>HK\$'000</i>	Gas passing through service <i>HK\$'000</i>	Sales of bottled natural gas <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information					
Depreciation (included in cost of sales and services)	53,895	1,403	3,407	101	58,806
Depreciation (included in administrative expenses)					17,062
					75,868

7. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Assembling services income	8,495	4,687
Rental income	791	447
Income from service of insurance agent	876	—
Government grants	3,204	5,160
	<u>13,366</u>	<u>10,294</u>

8. OTHER GAINS/(LOSSES) — NET

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Net gains from compensation for gas pipelines relocation	1,615	3,673
Net (losses)/gains on disposal of property, plant and equipment	(4,348)	2,731
Net foreign exchange gains/(losses)	7,554	(30,183)
Realised fair value gains on wealth management products	—	3,287
Net unrealised fair value gains on financial assets at FVPL	5,584	1,711
Others	1,478	(290)
	<u>11,883</u>	<u>(19,071)</u>

9. NET IMPAIRMENT REVERSAL ON FINANCIAL AND CONTRACT ASSETS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Impairment reversal recognised on trade and other receivables	7,306	41,242
Impairment reversal on contract assets	—	418
	<u>7,306</u>	<u>41,660</u>

Impairment losses on financial and contract assets are presented as net impairment losses within operating profit.

10. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cost of gas purchased	1,571,295	1,239,024
Employee benefit expense	120,519	117,897
Depreciation	93,253	75,868
— Property, plant and equipment	86,342	69,146
— Right-of-use assets	6,911	6,722
Subcontractor and other costs	70,858	55,042
Changes in inventories of pipeline and other materials	(14,709)	(7,797)
Costs of pipeline and other material purchased	107,392	75,519
Repair expenses	6,991	5,944
Expenses relating to short term leases	3,335	2,346
Amortisation	1,463	2,038

11. FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Finance income:		
— Interest income on bank deposits	1,167	799
Finance costs:		
— Interest expenses	(70,124)	(58,527)
Less: amounts capitalised as construction in progress	11,821	8,503
	(58,303)	(50,024)
	(57,136)	(49,225)

12. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current income tax	63,190	45,085
Deferred income tax charge (<i>Note 21</i>)	150	20,080
	<u>63,340</u>	<u>65,165</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

There was no Hong Kong profits tax provided for the six months ended 30 June 2021 and for the six months ended 30 June 2020.

In accordance with the “Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax”, New and High Technical Enterprises are subject to income tax at a preferential tax rate of 15%. Two subsidiaries of the Company were recognised as New and High Technical Enterprises in accordance with the applicable Law of the People’s Republic of China of Enterprise Income Tax (the “EIT Law”) and hence were eligible to pay income tax at the preferential tax rate of 15% for the respective years, with more details as below:

- (i) Tianjin TEDA Binhai Clean Energy Group Company Limited (formerly known as “Tianjin Binda Gas Enterprise Company Limited”)* (“TEDA Energy”) (天津泰達濱海清潔能源集團有限公司) was recognised as New and High Technical Enterprises on 28 November 2019 for 3 years and is subject to the preferential tax rate of 15% from 2019 to 2021.
- (ii) Zhuozhou Binhai Gas Company Limited* (“Zhuozhou Company”) (涿州濱海燃氣有限公司) was recognised as New and High Technical Enterprises on 2 December 2019 for 3 years and is subject to the preferential tax rate of 15% from 2019 to 2021.

Other subsidiaries established in the PRC are subject to income tax at the statutory tax rate of 25% for the six months ended 30 June 2021 (for the six months ended 30 June 2020: 25%).

The Company was established in Bermuda, which is a tax free country.

13. DIVIDEND

During the Period, a final dividend of HK\$0.079 per ordinary share in respect of the year ended 31 December 2020 (the “2020 Final Dividend”) was recommended by the Board (a final dividend of HK\$0.035 per ordinary share was recommended for the year ended 31 December 2019). The amount of the 2020 Final Dividend paid in the Period amounted to approximately HK\$106,810,000 (six months ended 30 June 2020: approximately HK\$41,102,000).

The Directors have not resolved to declare an interim dividend for the six months ended 30 June 2021.

14. EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the Period.

	Unaudited	
	Six months ended 30 June	
	2021	2020
Profit attributable to owners of the Company (<i>HK\$ '000</i>)	<u>231,116</u>	<u>143,890</u>
Weighted-average number of ordinary shares for basic earnings per share (<i>thousand</i>)	<u>1,352,025</u>	<u>1,174,349</u>
Basic earnings per share (<i>HK\$ cents</i>)	<u>17.09</u>	<u>12.25</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the six-month period ended 30 June 2021, under the share option scheme adopted by the Company in 2021, these share options are in the restricted period, so the diluted earnings per share were equal to the basic earnings per share.

During the six-month period ended 30 June 2020, under the share option scheme adopted by the Company in 2010 which had expired because the exercise price of those options was higher than the average market price of the Company's shares for the six months ended 30 June 2020, the exercise of share options granted would have no dilutive effect to earnings per share. The aforesaid share options had expired on 26 September 2020. Therefore, diluted earnings per share were equal to the basic earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2021 HK\$'000	Unaudited As at 30 June 2020 HK\$'000
Opening net book amount	5,246,835	4,317,792
Additions	239,610	285,122
Disposals	(64)	(5,005)
Depreciation charges	(86,342)	(69,146)
Currency translation differences	71,242	(66,065)
Closing net book amount	<u>5,471,281</u>	<u>4,462,698</u>

16. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Trade receivables from third parties:		
— Construction and gas pipeline installation service	244,198	240,150
— Sales of piped natural gas	50,401	31,128
— Gas passing through service	654	750
	<u>295,253</u>	<u>272,028</u>
Less: provision for impairment loss allowance	<u>(86,010)</u>	<u>(92,860)</u>
	<u>209,243</u>	<u>179,168</u>
Trade receivables from related parties (Note 23)		
— Sales of piped natural gas	9,771	10,600
— Construction and gas pipeline installation service	733	1,704
	<u>10,504</u>	<u>12,304</u>
Less: provision for impairment loss allowance	<u>(6,015)</u>	<u>(5,954)</u>
	<u>4,489</u>	<u>6,350</u>
Other receivables	150,422	159,992
Less: provision for impairment loss allowance	<u>(8,068)</u>	<u>(7,987)</u>
	<u>142,354</u>	<u>152,005</u>
Total trade and other receivables	356,086	337,523
Less: non-current portion of trade and other receivables	<u>(26,033)</u>	<u>(25,142)</u>
Current portion	<u>330,053</u>	<u>312,381</u>

The Group grants credit period of 90 days for its customers of piped natural gas sales and customers of gas passing through service, whereas a longer credit period of 91-180 days after the completion of relevant stage of contract work is granted to customers of construction and gas pipeline installation. A longer credit period may be granted on a discretionary basis to certain selected customers with good repayment histories or settling by bills.

The ageing analysis of trade receivables presented based on the revenue recognition date is as follows:

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
0 — 90 days	33,655	52,740
91 — 180 days	40,443	36,652
181 — 365 days	65,586	52,826
Over 365 days	166,073	142,114
	305,757	284,332

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

17. SHARE CAPITAL

	Unaudited As at 30 June 2021	Audited As at 31 December 2020
	Number of shares '000	Number of shares '000
	Amounts HK\$'000	Amounts HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each	2,280,000	1,677,676
Issued and fully paid:	1,352,025	1,352,025
Redeemable preference shares of HK\$50.00 each, issued and fully paid	6,040	7,040
Issued and fully paid:	437,203	487,203

18. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Trade payables	918,750	780,558
Other payables	703,884	806,700
Accrued expenses	<u>45,373</u>	<u>53,122</u>
Total trade and other payables	1,668,007	1,640,380
Less: non-current portion of trade and other payables	<u>(65,397)</u>	<u>(64,440)</u>
Current portion	<u><u>1,602,610</u></u>	<u><u>1,575,940</u></u>

As at 30 June 2021, the ageing analysis of the trade payables based on suppliers' invoice date is as follows:

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
0 — 90 days	229,947	256,497
91 — 180 days	104,916	91,354
181 — 365 days	229,316	135,858
Over 365 days	<u>354,571</u>	<u>296,849</u>
	<u><u>918,750</u></u>	<u><u>780,558</u></u>

19. BORROWINGS

		Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
	Notes		
Non-current			
Secured			
— Syndicated borrowing	(a)	1,042,096	—
— Bank borrowings	(b)	318,110	306,835
— Other borrowings	(c)	720,288	748,663
		<u>2,080,494</u>	<u>1,055,498</u>
Current			
Secured			
— Syndicated borrowing	(a)	48,906	—
— Bank borrowings	(b)	530,007	264,282
— Other borrowings	(c)	—	30,073
		<u>578,913</u>	<u>294,355</u>
Unsecured			
— Bank borrowings	(b)	—	71,301
— Other borrowing	(c)	518,569	942,852
		<u>518,569</u>	<u>1,014,153</u>
		<u>1,097,482</u>	<u>1,308,508</u>
Total borrowings		<u><u>3,177,976</u></u>	<u><u>2,364,006</u></u>

Notes:

(a) Syndicated borrowing

On 10 June 2021, the Company and certain banks signed a three-year syndicate facility agreement relating to a term loan facility of not exceeding US\$300,000,000. On 11 June 2021, the Company drewdown the principal of US\$143,500,000. As at 30 June 2021, the balance of the syndicated borrowing amortized at the effective interest rate was approximately HK\$1,091,002,000. The loan will mature on 11 June 2024, of which approximately HK\$48,906,000 will be repayable in June 2022, and the repayment period of the remaining portion is more than one year. The Company chooses the interest period for the loan, and the annual interest rate for each interest period is the sum of Libor and 2.6%. During this period, the Company chose six months as the interest period, with an interest rate of approximately 2.75% per annum. The effective interest rate of the loan is approximately 3.4% per annum.

(b) Bank borrowing

As at 30 June 2021, bank borrowing of HK\$184,545,000 (31 December 2020: HK\$113,452,000) of Zhuozhou Company was guaranteed by a subsidiary of the Company, Binhai Investment (Tianjin) Company Limited (“Binhai Investment (Tianjin)”) and was secured by all income from coal-to-gas conversion projects of Zhuozhou Company. The borrowing bears interests, calculated by over 5-year loan prime rate (“LPR”) plus 24 basis points as most recently announced, of 4.89% per annum during the Period. The borrowing of HK\$26,275,000 will be due for repayment before 30 June 2022, and the repayment period of the remaining portion is more than one year.

As at 30 June 2021, bank borrowing of HK\$30,916,000 (31 December 2020: HK\$27,481,000) of Jizhou Binhai Gas Company Limited (“Jizhou Company”) was guaranteed by a subsidiary of the Company, Binhai Investment (Tianjin) and was secured by all rights to the earnings on sales of piped natural gas of Jizhou Company. The borrowing bears interests at the fixed interest rate of 4.80% per annum and the borrowing amounting to HK\$1,873,000 will be due for repayment before 30 June 2022, and the repayment period of the remaining portion is more than one year.

As at 30 June 2021, bank borrowing of HK\$72,029,000 (31 December 2020: HK\$71,301,000) of Zhuozhou Company was guaranteed by a subsidiary of the Company, Binhai Investment (Tianjin) and was secured by all rights to the earnings on sales of piped natural gas of Zhuozhou Company. The borrowing bears interests, calculated by over 5-year LPR plus 51 basis points as most recently announced, of 4.56% per annum during the Period, and the borrowing will be due for repayment before 30 June 2022.

As at 30 June 2021, bank borrowing of HK\$116,883,000 (31 December 2020: HK\$121,213,000) of Deqing Binhai Gas Company Limited was guaranteed by a subsidiary of the Company, TEDA Energy. The borrowing bears interests, calculated by over 5-year LPR plus 95 basis points as most recently announced, of 5.60% per annum during the Period. The borrowing amounting to HK\$16,698,000 will be due for repayment before 30 June 2022, and the repayment period of the remaining portion is more than one year.

As at 30 June 2021, bank borrowing of HK\$120,048,000 (31 December 2020: HK\$118,835,000) of TEDA Energy was guaranteed by a subsidiary of the Company, Binhai Investment (Tianjin). The borrowing bears interests at the fixed interest rate of 4.80% per annum and will be due for repayment before 30 June 2022.

As at 30 June 2021, bank borrowing of HK\$120,048,000 (31 December 2020: Nil) of TEDA Energy was secured by the certificate of deposit of RMB105,500,000 (equivalent to approximately HK\$126,651,000) of Binhai Investment (Tianjin). The borrowing bears interests at the fixed interest rate of 4.25% per annum and will be due for repayment before 30 June 2022.

As at 30 June 2021, bank borrowing of HK\$72,029,000 (31 December 2020: HK\$71,301,000) of TEDA Energy was guaranteed by a subsidiary of the Company, Binhai Investment (Tianjin) and was secured by all rights to the earnings on gas passing through service of TEDA Energy. The borrowing bears interests at the fixed interest rate of 4.00% per annum and will be due for repayment before 30 June 2022.

As at 30 June 2021, bank borrowing of HK\$84,034,000 (31 December 2020: Nil) of TEDA Energy was guaranteed by a subsidiary of the Company, Binhai Investment (Tianjin) and was secured by all rights to the earnings on gas passing through service of TEDA Energy. The borrowing bears interests at the fixed interest rate of 4.25% per annum and will be due for repayment before 30 June 2022.

As at 30 June 2021, bank borrowing of HK\$36,014,000 (31 December 2020: Nil) of Nanjing Binhai Gas Company Limited was guaranteed by a subsidiary of the Company, TEDA Energy. The borrowing bears interests, calculated by over 5-year LPR plus 35 basis points as most recently announced, of 5.00% per annum during the Period. The borrowing of HK\$5,402,000 will be due for repayment before 30 June 2022, and the repayment period of the remaining portion is more than one year.

As at 30 June 2021, bank borrowing of HK\$11,571,000 (31 December 2020: Nil) of Zhaoyuan Binhai Gas Company Limited was secured by the certificate of deposit of RMB10,000,000 (equivalent to approximately HK\$12,005,000) of Binhai Investment (Tianjin). The borrowing bears interests at the fixed interest rate of 3.70% per annum and will be due for repayment before 30 June 2022.

(c) Other borrowings

In November 2020, TEDA Energy and Binhai Investment (Tianjin) drewdown borrowings which were guaranteed by TEDA of RMB630,000,000 from a related party, Sinopec Finance Company Limited. TEDA Energy and Binhai Investment (Tianjin) have prepaid RMB30,000,000 during the Period, and the rest RMB600,000,000 (equivalent to approximately HK\$720,288,000) will be payable in 2023. The borrowings bear interests, calculated by 1-year LPR plus 60 basis points announced in the latest month on the Withdraw Date. Interest was calculated at a rate of 4.45% per annum for the Period.

In November 2020, the Group drewdown an unsecured borrowing of HK\$942,852,000 from a third party company. The borrowing bears interests at a fixed rate of 6% per annum. The Group has extended the repayment date of the borrowing which becomes repayable to 1 May 2022 (or prior to that maturity date at the discretion of the Group) pursuant to a borrowing renewal agreement entered into between the Group and the lender on 10 February 2021. The Group had prepaid HK\$424,283,000 during the Period.

The Group's borrowings were repayable as follows:

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Within one year	1,097,482	1,308,508
Over one year, less than two years	159,682	110,981
Over two years, less than five years	1,824,205	883,538
Over five years	96,607	60,979
Total	<u>3,177,976</u>	<u>2,364,006</u>

20. DEFERRED INCOME

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Government grants (<i>Note a</i>)	58,888	56,135
Grants for construction projects (<i>Note b</i>)	61,977	55,473
	<u>120,865</u>	<u>111,608</u>

- (a) During the six months ended 30 June 2021, a subsidiary of the Group received government grants totalling HK\$3,244,000 (during the six months ended 30 June 2020: Nil), which related to the corresponding gas pipeline construction projects for the purpose of the improvement in the energy use efficiency. Accordingly, the government grants are classified as deferred income and released to the profit or loss on a straight-line basis over the estimated useful lives of the relevant gas pipelines assets of 30 years.
- (b) During the six months ended 30 June 2021, a subsidiary of the Group received grants for gas pipeline construction projects and heating construction projects of Tianjin Future Sci-Tech City totalling HK\$5,907,000 (during the six months ended 30 June 2020: Nil). Accordingly, the grants are classified as deferred income and will be released to the profit or loss during the operating period on a straight-line basis over the estimated useful lives of the relevant assets in the future.

During the six months ended 30 June 2021 and 2020, the amortisation of deferred income recognised as other income amounted to HK\$1,075,000 and HK\$944,000 respectively.

21. DEFERRED INCOME TAX

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Deferred income tax assets ("DTA"):		
— to be recovered within 12 months	10,722	10,899
— to be recovered after more than 12 months	13,598	13,325
	<u>24,320</u>	<u>24,224</u>

The movement on DTA during the six months ended 30 June 2021 and 2020 is as follows:

	Deferred income <i>HK\$'000</i>	Impairment provisions <i>HK\$'000</i>	Accrued expenses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020 (audited)	8,064	14,520	—	22,584
Charged to profit or loss	(142)	(10,858)	—	(11,000)
Currency translation differences	(2)	(164)	—	(166)
At 30 June 2020 (unaudited)	<u>7,920</u>	<u>3,498</u>	<u>—</u>	<u>11,418</u>
At 1 January 2021 (audited)	8,656	6,196	9,372	24,224
Credited/(charged) to profit or loss	326	—	(476)	(150)
Currency translation differences	89	63	94	246
At 30 June 2021 (unaudited)	<u>9,071</u>	<u>6,259</u>	<u>8,990</u>	<u>24,320</u>

	Unaudited As at 30 June 2021 <i>HK\$'000</i>	Audited As at 31 December 2020 <i>HK\$'000</i>
Deferred income tax liabilities (“DTL”):		
— to be recovered within 12 months	21,923	21,702
— to be recovered after more than 12 months	<u>—</u>	<u>—</u>
	<u>21,923</u>	<u>21,702</u>

The movement on DTL during the six months ended 30 June 2021 and 2020 is as follows:

	Withholding tax on unremitted earnings Unaudited Six months ended 30 June 2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	21,702	10,000
Charged to profit or loss	—	9,080
Currency translation differences	<u>221</u>	<u>(258)</u>
At 30 June	<u>21,923</u>	<u>18,822</u>

22. COMMITMENTS

(a) Capital commitments

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Contracted but not provided for — Property, plant and equipment	<u>481,568</u>	<u>222,551</u>

(b) Non-cancellable operating leases

The investment properties are leased to tenants under operating leases with rentals payable monthly.

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Minimum lease payments receivable on leases of investment properties are as follows:		
Within 1 year	1,742	830
Between 1 and 2 years	575	685
Between 2 and 3 years	400	396
Between 3 and 4 years	400	396
Between 4 and 5 years	400	396
Over 5 years	<u>3,460</u>	<u>3,623</u>
	<u>6,977</u>	<u>6,326</u>

23. RELATED PARTY TRANSACTIONS

In addition to those mentioned elsewhere in the condensed consolidated interim financial statements, the followings are significant related party transactions entered between the Group, its related parties and other PRC government-related entities.

(a) The Company is controlled by the following entities:

Name	Relationship with the Company	Place of incorporation	Ownership interest	
			Unaudited As at 30 June 2021	Audited As at 31 December 2020
TEDA HK	The largest shareholder	Hong Kong	35.43%	35.43%
TEDA	The ultimate parent of TEDA HK	PRC	39.50%	35.43%
Great Wall Energy HK	The second largest shareholder	Hong Kong	29.99%	29.99%
Sinopec	The ultimate parent of Great Wall Energy HK	PRC	29.99%	29.99%

As Great Wall Energy HK became the second largest shareholder of the Company in September 2020, Sinopec, the ultimate parent of Great Wall Energy HK, and its subsidiaries have been considered as related parties of the Group since then.

(b) Transactions with related parties

(i) Sales of piped natural gas

	Unaudited	
	Six months ended 30 June 2021 HK\$'000	2020 HK\$'000
Entities controlled by TEDA	47,919	188,379
Other related parties	26,195	12,551
Joint ventures	6,275	4,397
Entities controlled by Sinopec	1,030	—
	<u>81,419</u>	<u>205,327</u>

(ii) Construction and gas pipeline installation services

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Entities controlled by TEDA	9,535	7,356
Other related parties	16	156
	9,551	7,512

(iii) Gas passing through income

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Joint ventures	426	309

(iv) Rental income

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Joint ventures	388	359

(v) Purchases of gas

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Entities controlled by Sinopec	410,018	—
Other related parties	44,651	15,347
Joint ventures	412	876
	455,081	16,223

(vi) Purchases of gasoline and others

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Entities controlled by Sinopec	472	—
Joint ventures	3	—
	<u>475</u>	<u>—</u>

(vii) Interest expenses

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Entities controlled by Sinopec	16,458	—
Associate	760	—
	<u>17,218</u>	<u>—</u>

(viii) Other service expenses

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Entities controlled by TEDA	24	—

The Group's pricing on sales of piped natural gas with related parties are based on the reference price stipulated by the local government. Other transactions were entered into on terms as agreed with the related parties in the ordinary course of business.

The Group was engaged to provide the construction and gas pipeline installation service to related parties located in Tianjin.

(c) **Balances with related parties**

(i) *Trade and other receivables*

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
TEDA	5,208	—
Entities controlled by TEDA	3,218	5,840
Other related parties	1,398	4,801
Joint ventures	680	1,663
	10,504	12,304

(ii) *Prepayments*

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Entities controlled by Sinopec	11,064	35,989
Other related parties	5,171	—
Joint ventures	58	—
	16,293	35,989

(iii) Trade and other payables

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Entities controlled by Sinopec	50,050	—
Associate	36,269	36,028
Joint ventures	4,808	4,506
Other related parties	1,693	751
Entities controlled by TEDA	635	236
	<u>93,455</u>	<u>41,521</u>

(iv) Contract liabilities

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Entities controlled by TEDA	6,758	30,761
Other related parties	556	956
Entities controlled by Sinopec	205	159
	<u>7,519</u>	<u>31,876</u>

(v) Borrowings

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Entities controlled by Sinopec	<u>720,288</u>	<u>748,663</u>

(d) Transactions/balances with other state-owned enterprises in the PRC

Both the largest and second largest shareholder of the Company are state-controlled enterprises and hence the Company operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government (collectively referred to as “state-controlled entities”) through its government authorities, agencies, affiliations and other organizations.

Apart from transactions with related parties, the Group has transactions with other state-controlled entities which include, but are not limited to, the following:

- sales and purchases of piped natural gas;
- construction and gas pipeline installation service;
- lease of assets, purchase of pipe materials and property, plant and equipment;
- placing deposits and obtaining finance; and
- use of public utilities

These transactions are conducted in the ordinary course of the Group’s business on terms comparable to those with other entities that are not state controlled. The Group has established its procurement policies, pricing strategy and approval process for purchases and sales of products and services which do not depend on whether the counterparties are state-controlled entities or not.

(e) Compensation of key management personnel

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Fees	1,196	1,096
Salaries, share options and other allowances	2,573	4,014
Pension costs	109	16

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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.

Sales of Piped Natural Gas

During the Period, consumption of piped natural gas by domestic and industrial users amounted to approximately $5,984 \times 10^6$ and $15,752 \times 10^6$ mega-joules respectively, as compared to $5,622 \times 10^6$ and $12,652 \times 10^6$ mega-joules respectively for the corresponding period last year. During the Period, income of the Group from sales of piped natural gas amounted to HK\$1,872,813,000, representing an increase of HK\$403,413,000 or 27% compared to the amount of HK\$1,469,400,000 recorded for the corresponding period last year. The increase in piped gas sales income is mainly due to the increase in natural gas sales volume.

Construction and Gas Pipeline Installation Service

The Group constructs gas pipelines for its clients and connects such pipelines to the Group's main gas pipeline networks. The Group then charges construction and gas pipeline installation service fees from industrial and commercial customers, property developers and property management companies. As at 30 June 2021, the aggregate length of city medium-pressure gas pipeline networks was approximately 3,432 kilometers, representing an increase of 77 kilometers from the length of 3,355 kilometers as at 31 December 2020, while the aggregate length of high-pressure and sub-high-pressure gas pipeline networks was approximately 570 kilometers, representing an increase of 10 kilometers from the length of 560 kilometers as at 31 December 2020. During the Period, income of the Group from construction and gas pipeline installation service amounted to approximately HK\$402,174,000, representing an increase of HK\$75,188,000 or 23% compared to the amount of HK\$326,986,000 recorded for the corresponding period last year.

Gas Passing Through Service

The Group transports gases for clients through gas pipeline networks and charges passing through fees. During the Period, the volume of gases transported by the Group for its clients amounted to 359,653,737 cubic meters and gas passing through service income amounted to approximately HK\$29,361,000, representing an increase of HK\$1,141,000 or 4% compared to the amount of HK\$28,220,000 for the corresponding period last year.

Property Development

As at 30 June 2021, the Group held a piece of land under development of approximately 15,899.6 square meters located to the east of Central West Road, west of Central Road, north of Xi San Road and south of Xi Er Road in the Tianjin Airport Economic Area in the Binhai New Area of the PRC, under land use rights for commercial use for a term of 40 years from 31 December 2009.

In view of the Group's current strategic direction which focuses on the development of the gas business, the Group plans to dispose of the above property under construction. The management emphasises the decision of the disposal of the property under construction, and has appointed professional staff to actively contact agents and potential buyers.

Prospects

In 2021, the PRC has made significant strategic achievements in the prevention and control of the COVID-19 pandemic, and its economic development has gradually returned to the right track. With the strategic targets of “carbon peak” and “carbon neutral” (the “Dual Carbon Targets”) proposed, the low-carbon transformation of the PRC's energy structure has fully accelerated, and the bridging and supporting role of natural gas in this historic process has become more prominent. According to the China Energy and Chemical Industry Development Report 2021, during the “14th Five Year Plan” period, natural gas, as a low-carbon energy, will maintain an average annual consumption growth rate of over 7%. The natural gas industry is highly compatible with the national policy direction of “six stabilities and six guarantees”, new-type urbanization construction and rural revitalization, and the market demand is resilient. In addition, driven by favorable policies such as the opening and sharing of LNG receiving terminals and the official establishment and operation of the National Oil and Gas Pipeline Network Group Corporation, the demand for natural gas pipeline network construction, storage and transportation is expected to increase again. The Group continued to seize the huge market opportunities brought by the national policy direction and continued to achieve outstanding results in the first half of 2021. The Group's profit attributable to shareholders increased by more than 50% as compared with the corresponding period last year, and the natural gas sales increased by 18% as compared with the corresponding period last year. The Group also obtained natural gas supply projects from various enterprises such as SEMCORP, Ansteel Tiantie and Lanxin Glass. The Group believes that meeting the customers' demand for clean energy in the existing regions will also facilitate the development of other projects in the Group's operating regions and expansion of new regions, enhance and consolidate the Group's position and influence in the natural gas market.

2021 is the first year of the “14th Five Year Plan”. The Company will focus on the new development stage, implement new development strategies and practice new development missions. It will continue to expand value-added businesses while maintaining the revenue growth of its existing principal businesses. With the support of the two major shareholders, namely TEDA and Sinopec Great Wall Energy Investment Co., Ltd., the Group will combine its own resources and advantages to capitalize the national policies and industry trends, and reward the government, customers and investors with outstanding performance for their support over the years.

FINANCIAL REVIEW

Gross Profit Margin

During the Period, the gross profit of the Group was HK\$453,067,000 (for the six months ended 30 June 2020: HK\$359,463,000) and the gross profit margin for the Group was 19.6% (for the six months ended 30 June 2020: 19.6%).

During the Period, the gross profit margin remained stable compared with the corresponding period last year.

Administrative Expenses

Administrative expenses of the Group during the Period were HK\$131,859,000, which is stable and representing an increase of HK\$1,974,000 or 2% as compared to HK\$129,885,000 for the corresponding period last year.

Profit attributable to owners of the Company

The profit attributable to owners of the Company was HK\$231,116,000 during the Period, representing an increase of HK\$87,226,000 or 61% as compared to HK\$143,890,000 for the corresponding period last year. Such increase was mainly due to the significant increase of revenue recorded from the sales of piped natural gas, construction and gas pipeline installation by the Group as a result of the vigorous promotion of the Dual Carbon Targets and environmental protection and ecological policies.

Basic earnings per ordinary share of the Company for the Period were HK\$17.09 cents, representing an increase of HK\$4.84 cents as compared to HK\$12.25 cents for the corresponding period last year.

Liquidity and financial resources

As at 30 June 2021, the total borrowings of the Group were HK\$3,177,976,000 (as at 31 December 2020: HK\$2,364,006,000) and the cash and bank deposit of the Group was HK\$1,034,029,000 (as at 31 December 2020: HK\$425,137,000), including bank balances and cash of HK\$888,617,000 and pledged bank deposits of HK\$145,412,000. As at 30 June 2021, the Group had consolidated current assets of approximately HK\$1,906,025,000 and its current ratio was 0.57. As at 30 June 2021, the Group had a gearing ratio of approximately 151%, measured by the ratio of total consolidated borrowings of HK\$3,177,976,000 to consolidated total equity of HK\$2,109,414,000.

Borrowings structure

As at 30 June 2021, the total borrowings of the Group amounted to HK\$3,177,976,000 (as at 31 December 2020: HK\$2,364,006,000). Secured syndicated borrowings from certain banks were denominated in US\$ and carried an interest rate of 2.75% per annum and the effective interest rate was approximately 3.4% per annum. Secured borrowings from PRC banks were denominated in RMB and carried interest rates from 3.70% to 5.60% per annum. Other secured borrowings carried an interest rate of 4.45% per annum. Other unsecured borrowing carried an interest rate of 6% per annum. As at 30 June 2021, short-term borrowings and the current portion of long-term borrowings amounted to HK\$1,097,482,000, while the remainder were long-term borrowings falling due after one year or above.

Directors' opinion on sufficiency of working capital

As at 30 June 2021, the Group's current liabilities exceeded its current assets by approximately HK\$1,431 million. The Group's ability to continue as a going concern largely depends on the sufficiency of financial resources available to the Group. The Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 1 July 2021, based on the following considerations:

The Group is expected to remain profitable and continue to generate stable operating cash inflows from its future business operations;

On 10 June 2021, the Company and certain banks signed a three-year syndicate facility agreement relating to a term loan facility of not exceeding US\$300,000,000. On 11 June 2021, the Company drewdown the principal of US\$143,500,000. As at 30 June 2021, the balance of the syndicated borrowing amortized at the effective interest rate was approximately HK\$1,091,002,000. Considering the progress of the financing project and the situation of the participating banks, the management reasonably expects to drawdown the remaining US\$150,000,000 (equivalent to approximately HK\$1,159,950,000) within this year;

On 26 February 2021 and 10 March 2021, the Group entered into banking facility agreements with a reputable commercial bank (a PRC incorporated bank which is listed on both the Main Board of the Shanghai Stock Exchange and the Stock Exchange) pursuant to which the Group can drawdown 1-year term bank borrowings of RMB200,000,000 (equivalent to approximately HK\$240,096,000) and RMB1,000,000,000 (equivalent to approximately HK\$1,200,480,000) respectively from the aforesaid listed commercial bank. As of 30 June 2021, the amount of the undrawn borrowing facilities available to the Group under the aforesaid banking facility agreements was RMB1,200,000,000 (equivalent to approximately HK\$1,440,576,000).

In view of the above, the Directors are confident that there will be sufficient financial resources available to the Group to enable it to continue as a going concern and hence have prepared the condensed consolidated interim financial statements on a going concern basis.

Exposure to risks created by exchange rate fluctuations

Part of the bank balances and borrowings are denominated in HK Dollars and US Dollars which expose the Group to foreign currency exchange risk. For the six months ended 30 June 2021, net unrealized foreign exchange gain for the financing activities was HK\$7.6 million. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange risks and will consider hedging significant foreign currency exposure should the need arise.

Charge over the Group's assets

As at 30 June 2021, the Group had pledged bank deposit of HK\$145,412,000 (as at 31 December 2020: HK\$17,394,000).

Final Dividend

Based on the annual profit of the Company for the year ended 31 December 2020 and taking into account the financial position of the Company, the Board recommended a final dividend of HK\$0.079 per ordinary share for the year ended 31 December 2020 (the “2020 Final Dividend”) (a final dividend of HK\$0.035 per ordinary share was recommended for the year ended 31 December 2019). The 2020 Final Dividend was approved by the holders of ordinary shares at the annual general meeting of the Company for the year ended 31 December 2020 held on 14 May 2021 (the “2020 AGM”), and was paid on 11 June 2021. The actual amount of the 2020 Final Dividend paid was approximately HK\$106,810,000.

Interim Dividend

The Board does not declare any interim dividend for the Period (2020: Nil).

Significant acquisition and disposal

The Group had no significant acquisitions and disposals of subsidiaries and affiliated companies during the Period.

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 30 June 2021, the Group had a total of 1,661 employees (as at 31 December 2020: 1,718). During the Period, the salaries and wages of the employees were HK\$120,519,000 (for the six months ended 30 June 2020: HK\$117,897,000) and among these, HK\$18.9 million was recorded as research and development expenses (for the six months ended 30 June 2020: HK\$13.5 million).

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) with written terms of reference in accordance with the Main Board Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. LAU Siu Ki, Kevin, Mr. IP Shing Hing, *J.P.* and Professor Japhet Sebastian LAW, and Mr. LAU Siu Ki, Kevin, the chairman of the committee, is a qualified accountant. The Audit Committee has reviewed the unaudited consolidated results of the Group for the Period and has provided advice and comments on the interim report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as referred to in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Main Board Listing Rules. Trading of the Company’s securities by the Directors shall be approved by the chairman of the Board and shall be entered into in accordance with the approved time frame and the number of securities.

All Directors have confirmed, following specific enquiries by the Company, that they had complied with the required standard of dealings as set out in the Model Code and the Company’s Code of Conduct during the Period.

CORPORATE GOVERNANCE CODE

During the Period, the Company had complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Main Board Listing Rules, except for code provision E.1.2 of the CG Code. Code provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting. Due to conflict with other important business engagement, Mr. WANG Zhi Yong, the chairman of the Board of the Company, was unable to attend the 2020 AGM. Mr. GAO Liang, the executive Director and General Manager of the Company who attended and acted as the chairman of the 2020 AGM, together with other members of the Board who attended the 2020 AGM were available to answer questions at the 2020 AGM to ensure effective communication with the shareholders of the Company.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Period.

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

Hong Kong, 16 August 2021

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. WANG Zhi Yong, 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*