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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)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

Year ended 31 December

	2021	2020	Changes
	HK\$'000	HK\$'000	Percentage
Revenue	4,842,926	3,653,866	33%
Gross profit	855,441	603,415	42%
Profit for the year	410,025	360,859	14%
Profit for the year attributable to owners of the Company	399,659	354,904	13%
	HK cents	HK cents	Percentage
Earnings per Ordinary Share			
— Basic	29.6	29.0	2%
— Diluted	29.5	29.0	2%
	Percentage	Percentage	Percentage point
Gross profit margin (Note)	17.7%	16.5%	1.2
Profit margin for the year (Note)	8.5%	9.9%	-1.4

As at 31 December

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	<i>Changes Percentage</i>
Current assets	1,700,664	1,354,100	26%
Total assets	8,179,625	7,094,864	15%
Total equity	2,322,787	1,999,775	16%
Current liabilities	3,400,294	3,833,553	-11%
Total liabilities	5,856,838	5,095,089	15%

	<i>Percentage</i>	<i>Percentage</i>	<i>Percentage point</i>
Average finance costs (<i>Note</i>)	4.4%	4.6%	-0.2
Return on average equity (<i>Note</i>)	19.1%	21.8%	-2.7

Note:

Definitions

- **Gross profit margin**
Gross profit divided by Revenue
- **Average finance costs**
Weighted average interest expenses divided by Weighted average borrowings
- **Profit margin for the year**
Profit for the year divided by Revenue
- **Return on average equity**
Profit attributable to owners of the Company during the year divided by Average equity attributable to owners of the Company

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Binhai Investment Company Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (the “**Results Announcement**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers	4	4,842,926	3,653,866
Cost of sales and services	8	(3,987,485)	(3,050,451)
Gross profit		855,441	603,415
Other income	5	29,492	20,214
Administrative expenses	8	(305,918)	(279,783)
Net impairment (losses)/reversal on financial and contract assets	7	(25,226)	42,377
Other gains — net	6	33,884	148,978
Operating profit		587,673	535,201
Finance income	9	3,744	1,660
Finance costs	9	(104,624)	(104,879)
Finance costs — net	9	(100,880)	(103,219)
Share of net profit of associates and joint ventures accounted for using the equity method		8,496	7,201
Profit before income tax		495,289	439,183
Income tax expense	10	(85,264)	(78,324)
Profit for the year		410,025	360,859
Profit for the year attributable to:			
— Owners of the Company		399,659	354,904
— Non-controlling interests		10,366	5,955
		410,025	360,859
		HK\$ cents	HK\$ cents
Earnings per share attributable to owners of the Company:			
— Basic earnings per share	12	29.6	29.0
— Diluted earnings per share	12	29.5	29.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
Profit for the year	410,025	360,859
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
— Exchange differences on translation of financial statements of the Company	18,515	31,631
<i>Items that may be reclassified to profit or loss</i>		
— Exchange differences on translation of foreign operations	47,589	71,371
	66,104	103,002
Total comprehensive income for the year	476,129	463,861
Total comprehensive income for the year is attributable to:		
— Owners of the Company	463,668	453,557
— Non-controlling interests	12,461	10,304
	476,129	463,861

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		5,893,191	5,246,835
Right-of-use assets		196,584	179,458
Investment properties		7,073	7,120
Intangible assets		47,607	43,054
Investments accounted for using the equity method		85,646	74,790
Prepayments		29,470	138,702
Long-term receivables	<i>13</i>	29,999	25,142
Deferred income tax assets		46,550	24,224
Restricted cash		142,841	1,439
		6,478,961	5,740,764
Current assets			
Inventories		144,313	146,591
Trade and other receivables	<i>13</i>	327,760	312,381
Notes receivable		17,529	16,555
Contract assets		37,280	32,892
Prepayments		419,362	239,954
Financial assets at fair value through profit or loss		—	182,029
Restricted cash		12,239	15,955
Cash and cash equivalents		742,181	407,743
		1,700,664	1,354,100
Total assets		8,179,625	7,094,864

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
EQUITY AND LIABILITIES			
Equity			
Share capital		437,203	487,203
— Ordinary shares		135,203	135,203
— Redeemable preferences shares		302,000	352,000
Share premium		175,305	282,115
Other reserves		56,297	(59,603)
Retained earnings		1,583,546	1,232,109
Equity attributable to owners of the Company		2,252,351	1,941,824
Non-controlling interests		70,436	57,951
Total equity		2,322,787	1,999,775
Liabilities			
Non-current liabilities			
Borrowings	15	2,238,984	1,055,498
Deferred income		144,458	111,608
Lease liabilities		10,020	8,288
Deferred income tax liabilities		34,700	21,702
Trade and other payables	14	28,382	64,440
		2,456,544	1,261,536
Current liabilities			
Trade and other payables	14	1,494,076	1,575,940
Contract liabilities		965,386	912,385
Current income tax liabilities		44,225	28,242
Borrowings	15	885,765	1,308,508
Lease liabilities		10,842	8,478
		3,400,294	3,833,553
Total liabilities		5,856,838	5,095,089
Total equity and liabilities		8,179,625	7,094,864

NOTES TO THE RESULTS ANNOUNCEMENT

For the year ended 31 December 2021

1. GENERAL INFORMATION

Binhai Investment Company Limited (the “**Company**”) was incorporated in Bermuda on 8 October 1999. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“**HKE**”).

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

The directors of the Company (the “**Directors**”) regard TEDA Hong Kong Property Company Limited (“**TEDA HK**”) (a limited company incorporated in Hong Kong) and Great Wall Energy Investment (Hong Kong) Limited (“**Great Wall Energy HK**”) (a limited company incorporated in Hong Kong) as being the two largest shareholders of the Company, holding approximately 35.43% and 29.99% of the total ordinary shares of the Company in issue respectively.

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

2. GOING CONCERN CONSIDERATIONS

As at 31 December 2021, the Group’s current liabilities exceeded its current assets by approximately HK\$1,699,630,000. 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 31 December 2021, based on the following considerations:

- the Group is expected to remain profitable and continue to generate operating cash inflows from its future business operations;
- the Group has access to undrawn bank borrowing facilities of RMB231,551,000 (equivalent to approximately HK\$283,382,000) as at 31 December 2021, which can be drawn at any point of time during the year ending 31 December 2022 subject to the continuance of satisfactory credit ratings;
- the Group has secured a financing facility from a reputable financial leasing company (which is controlled by a state-owned company listed on the Shenzhen Stock Exchange) in December 2021 upon execution of which, the Group can draw down 3-year term borrowings of up to RMB500 million (equivalent to approximately HK\$612 million) from the aforesaid financial leasing company during the first half of the year ending 31 December 2022; and
- the Group has further obtained a banking facility from a reputable commercial bank (which is dual listed on both the Main Board of HKE and the Shanghai Stock Exchange) in March 2022 pursuant to which, the Group can draw down a 1-year term bank borrowing of RMB150 million (equivalent to approximately HK\$184 million) from the aforesaid commercial bank at any time before 9 March 2023.

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 consolidated financial statements on a going concern basis.

3. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 (“**HKCO**”).

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

New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing on 1 January 2021:

- *Interest Rate Benchmark Reform — Phase 2 — amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16*

The Group also elected to adopt the following amendments early:

- *Annual Improvements to HKFRS Standards 2018-2020 Cycle,*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction — amendments to HKAS 12, and*
- *COVID-19-Related Rent Concessions beyond 30 June 2021.*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or 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. SEGMENT INFORMATION

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 internal reports.

The Executive Directors assess the performance of the Group’s following operating segments:

- Sales of piped natural gas
- Construction and gas pipeline installation service
- Gas passing through service
- 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.

The segment results are as follows:

	Year ended 31 December 2021				
	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	4,011,902	742,880	60,167	27,977	4,842,926
<i>Recognised at a point in time</i>	4,011,902	—	60,167	27,977	4,100,046
<i>Recognised over time</i>	—	742,880	—	—	742,880
Segment results	361,944	436,347	50,168	6,982	855,441
Other income					29,492
Administrative expenses					(305,918)
Other gains — net					33,884
Net impairment losses on financial and contract assets					(25,226)
Finance income					3,744
Finance costs					(104,624)
Shares of net profit of associates and joint ventures accounted for using the equity method					8,496
Profit before income tax					495,289
Other segment information					
Depreciation (included in cost of sales and services)	89,525	22,809	8,311	12	120,657
Depreciation (included in administrative expenses)					67,015
					187,672
Impairment loss on property under construction included in other gains-net					9,754

Year ended 31 December 2020					
	Sales of 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	2,935,616	626,300	70,991	20,959	3,653,866
<i>Recognised at a point in time</i>	2,935,616	—	70,991	20,959	3,027,566
<i>Recognised over time</i>	—	626,300	—	—	626,300
Segment results	170,464	366,660	58,406	7,885	603,415
Other income					20,214
Administrative expenses					(279,783)
Other gains — net					148,978
Net impairment reversal on financial and contract assets					42,377
Finance income					1,660
Finance costs					(104,879)
Share of net profit of associates and joint ventures accounted for using the equity method					7,201
Profit before income tax					439,183
Other segment information					
Depreciation (included in cost of sales and services)	105,465	8,875	7,424	17	121,781
Depreciation (included in administrative expenses)					47,661
					169,442
Impairment loss on goodwill	10,741	2,561	—	—	13,302
Impairment loss on property, plant and equipment included in cost of sales and services	9,803	—	—	—	9,803

The Executive Directors have not make reference to any geographical information for assessing the Group's performance and allocating resources as all of the Group's operations are conducted in the PRC.

5. OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Assembling services income	16,175	12,163
Government grants	11,855	6,918
Rental income	1,462	1,133
	<u>29,492</u>	<u>20,214</u>

6. OTHER GAINS — NET

	2021 HK\$'000	2020 HK\$'000
Net gains from compensation for damaged gas stations and gas pipelines (i)	7,432	13,491
Net losses on disposal of property, plant and equipment	(536)	(2,063)
Net gains on disposal of land use rights	—	1,299
Net gains on disposal of raw materials	4,824	4,000
Impairment loss on goodwill	—	(13,302)
Impairment loss on property under construction	(9,754)	—
Realised fair value gains on wealth management products	7,302	7,801
Net unrealised fair value gains on financial assets at FVPL	—	3,654
Net foreign exchange gains (ii)	24,589	135,769
Others	27	(1,671)
	<u>33,884</u>	<u>148,978</u>

- (i) In 2021, four subsidiaries (2020: four subsidiaries) have relocated their gas stations or gas pipelines in accordance with the road repair and construction requirements of the municipal government of Deqing county, Nanjing city and Tianjin city (2020: Fengxian county, Gaoan city, Deqing county and Tianjin city). The compensation amounts in excess of the carrying amounts of the pipelines being relocated have been recognised as net gains from compensation for damaged gas pipelines for the years ended 31 December 2021 and 2020.
- (ii) The net foreign exchange gain for the year ended 31 December 2021 was primarily foreign exchange gain of HK\$23,487,000 as arised from the full settlement of a HK\$-denominated borrowing in 2021. The net foreign exchange gain for the year ended 31 December 2020 primarily comprised of the net exchange gain of HK\$128,193,000 arisen from the full settlement of the US\$ bond in November 2020.

7. NET IMPAIRMENT LOSSES/(REVERSAL) ON FINANCIAL AND CONTRACT ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Impairment losses/(reversal) on trade and other receivables	24,903	(43,015)
Impairment losses on contract assets	323	638
	<u>25,226</u>	<u>(42,377)</u>

8. EXPENSES BY NATURE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of gas purchased	3,403,733	2,455,417
Employee benefit expense	294,753	258,491
Costs of pipelines and other materials purchased	174,435	218,380
Depreciation and amortisation	190,788	172,937
— Property, plant and equipment	172,751	155,411
— Right-of-use assets	14,921	14,031
— Intangible assets	2,861	3,268
— Investment properties	255	227
Subcontractor and other costs	122,535	124,412
Changes in inventories of pipelines and other materials	8,653	(28,907)
Repair expenses	24,990	27,026
Other professional fees	14,087	19,234
Impairment loss on property, plant and equipment	—	9,803
Expenses relating to short term leases	9,334	5,492
Auditor's remuneration	3,798	3,220
Others	46,297	64,729
Total cost of sales and services and administrative expenses	<u>4,293,403</u>	<u>3,330,234</u>

9. FINANCE INCOME AND COSTS

	2021 HK\$'000	2020 HK\$'000
Finance income:		
Interest income on bank deposits	3,744	1,660
Finance costs:		
Interest expenses	(133,423)	(126,394)
Less: amounts capitalised as construction in progress	28,799	21,515
	(104,624)	(104,879)
	<u>(100,880)</u>	<u>(103,219)</u>

The capitalisation rate used to determine the amount of the interests incurred eligible for capitalisation in 2021 was 4.27% (2020: 4.46%) per annum.

10. INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current income tax	94,381	67,627
Deferred income tax (credit)/charge	(9,117)	10,697
	<u>85,264</u>	<u>78,324</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%.

No Hong Kong profit tax has been provided as the Group did not have any estimated assessable profit as derived in Hong Kong during the years ended 31 December 2021 and 2020.

In accordance with the “Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Corporate Income Tax”, New and High Technical Enterprise was subject to income tax at a preferential tax rate of 15%. The Group has two subsidiaries which are recognised as New and High Technical Enterprises in accordance with the applicable Law of Corporate Income Tax (the “**CIT Law**”) of the People’s Republic of China and hence eligible to the preferential tax rate of 15% for the respective years.

Other subsidiaries established in the PRC are subject to income tax at the statutory tax rate of 25% for the year ended 31 December 2021 (2020: 25%).

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

11. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Final dividend for the year ended 31 December 2020 of HK\$0.079 (2019: HK\$0.035) per ordinary share declared and paid	<u><u>106,810</u></u>	<u><u>41,102</u></u>

The final dividend for the year ended 31 December 2019 of HK\$41,102,000 as declared on 15 May 2020 was distributed from the share premium account and was fully paid in June 2020.

The final dividend for the year ended 31 December 2020 of HK\$106,810,000 as declared on 14 May 2021 was distributed from the share premium account and was fully paid in June 2021.

On 17 March 2022, the Board of Directors resolved to propose a final dividend amounting to approximately HK\$121,682,000 for the year ended 31 December 2021 (2020: HK\$106,810,000), representing HK\$9.0 cents (2020: HK\$7.9 cents) per ordinary share. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements.

12. EARNINGS PER SHARE

(i) Basic earnings per share

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

	2021	2020
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u><u>399,659</u></u>	<u><u>354,904</u></u>
Weighted-average number of ordinary shares for basic earnings per share (thousand)	<u><u>1,352,025</u></u>	<u><u>1,222,054</u></u>
Basic earnings per share (HK\$ cents)	<u><u>29.6</u></u>	<u><u>29.0</u></u>

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2021	2020
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u><u>399,659</u></u>	<u><u>354,904</u></u>
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	<u><u>1,355,677</u></u>	<u><u>1,222,054</u></u>
Diluted earnings per share (HK\$ cents)	<u><u>29.5</u></u>	<u><u>29.0</u></u>

13. TRADE AND OTHER RECEIVABLES

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Trade receivables from third parties	378,110	272,028
Less: provision for impairment loss allowance	<u>(124,405)</u>	<u>(92,860)</u>
	<u>253,705</u>	<u>179,168</u>
Trade receivables from related parties	14,680	12,304
Less: provision for impairment loss allowance	<u>(7,313)</u>	<u>(5,954)</u>
	<u>7,367</u>	<u>6,350</u>
Other receivables	99,988	159,992
Less: provision for impairment loss allowance	<u>(3,301)</u>	<u>(7,987)</u>
	<u>96,687</u>	<u>152,005</u>
Total trade and other receivables	357,759	337,523
Less: non-current portion of trade and other receivables	<u>(29,999)</u>	<u>(25,142)</u>
Current portion of trade and other receivables	<u><u>327,760</u></u>	<u><u>312,381</u></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 granted on a discretionary basis to certain selected customers with good repayment histories or settled by bills.

The ageing analysis of trade receivables presented based on the revenue recognition date is set out below:

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Within 90 days	145,970	52,740
91 - 180 days	21,565	36,652
181 - 365 days	41,748	52,826
Over 365 days	<u>183,507</u>	<u>142,114</u>
	<u><u>392,790</u></u>	<u><u>284,332</u></u>

14. TRADE AND OTHER PAYABLES

	31 December 2021 <i>HK\$'000</i>	31 December 2020 <i>HK\$'000</i>
Trade payables	795,197	780,558
Other payables	682,551	806,700
Accrued expenses	44,710	53,122
	<hr/>	<hr/>
Total trade and other payables	1,522,458	1,640,380
Less: non-current portion of trade and other payables	(28,382)	(64,440)
	<hr/>	<hr/>
Current portion	<u>1,494,076</u>	<u>1,575,940</u>

As at 31 December 2021, the ageing of the trade payable based on suppliers' invoice date is set out below:

	31 December 2021 <i>HK\$'000</i>	31 December 2020 <i>HK\$'000</i>
Within 90 days	232,134	256,497
91-180 days	104,004	91,354
181-365 days	116,744	135,858
Over 365 days	342,315	296,849
	<hr/>	<hr/>
	<u>795,197</u>	<u>780,558</u>

15. BORROWINGS

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Non-current		
Secured:		
— Syndicate borrowing	993,061	—
— Bank borrowings	511,618	306,835
— Other borrowings	734,305	748,663
Total non-current borrowings	<u>2,238,984</u>	<u>1,055,498</u>
Current		
Secured:		
— Syndicate borrowing	93,214	—
— Bank borrowings	792,551	264,282
— Other borrowings	—	30,073
	<u>885,765</u>	<u>294,355</u>
Unsecured:		
— Bank borrowings	—	71,301
— Other borrowings	—	942,852
	<u>—</u>	<u>1,014,153</u>
Total current borrowings	<u>885,765</u>	<u>1,308,508</u>
Total borrowings	<u>3,124,749</u>	<u>2,364,006</u>

Note:

Syndicate borrowing

As at 31 December 2021, syndicate borrowing of approximately HK\$1,086,275,000 (2020: Nil) is guaranteed by Tianjin TEDA Investment Holding Co. Ltd. The borrowing bears interest at the rate of 2.6% plus LIBOR per interest period (the average of which is around 2.76% in 2021). The borrowing will mature on 11 June 2024, of which approximately HK\$ 93,214,000 will be repayable in 2022, and the rest will be repayable by semi-annual installments prior to June 2024.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out above in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PERFORMANCE REVIEW

In 2021, as the impact of the pandemic gradually diminished, China's domestic economic activities steadily returned to normal. The natural gas demand also rebounded driven by the resumption of daily production activities. Benefiting from the recovery of the domestic economy, the improvement of the external economic environment and the implementation of strict environmental protection policies, China's natural gas industry has maintained its rapid growth. According to statistics from the National Bureau of Statistics of China and the General Administration of Customs, the apparent consumption of natural gas in 2021 reached 367.06 billion cubic meters, up by 12.7% year-on-year. At the same time, the global natural gas price surged during the year. In order to ensure the supply of natural gas in winter, the pipeline inventory of the National Oil and Gas Pipeline Network Group Corporation was maintained at a high level, and a market operation model integrating natural gas production, transportation, storage and sales was implemented. The annual performance of the Group have achieved breakthrough growth against the backdrop of national "guarantee of gas supply" and the "carbon peaking and carbon neutrality goals" policy. In addition to maintaining daily operations, the Group has developed multi-party strategic cooperation to seize the growth opportunities in the post-epidemic era.

Since the summer of 2021, global natural gas prices have been rising and remaining at a high level. As winter came, natural gas was in short supply all over the world, especially in Europe. Following the policy of the National Development and Reform Commission to stabilize domestic natural gas prices, the Group utilized its own advantages in multi-gas deployment to ensure the normal operation of industrial and livelihood activities. In addition, the Group adhered to the safety management concept of "put life and safety first, prioritize low carbon and environmental friendly development for harmonious coexistence (生命至上、安全第一、低碳環保、和諧共生)". Regarding the gas safety, the Group has developed a normalized safety management mechanism and cultural system. By improving the construction of its own safety information management system, it has realized the "industrial internet + safe production (工業互聯網+安全生產)" model, with innovative coordination in the digitalization and automatization of our development and safety issues.

For enterprise operation, during 2021, the number of the regular customers from the construction and installation of gas engineering of the Group increased by approximately 163 thousand, down by 12% year-on-year, and aggregate number of customers amounted to approximately 2,194 thousand. The recorded sales volume of piped natural gas amounted to 1.96 billion cubic metres, up by 11% year-on-year, among which the sales volume of pipeline gas accounted for 1.25 billion cubic metres, up by 23% year-on-year, achieving 0.71 billion cubic metres of natural gas pipeline delivery for the year, down by 4% year-on-year. In 2021, the Group also continued to actively explore new markets, and strived for new projects to inject more growth momentum into its main business. During the year, the Group obtained 2 operation regions and 7 coal-to-gas conversion or natural gas supply projects. In the first half of the year, the Group successfully obtained natural gas supply projects from companies such as Ansteel Tiantie and SEMCORP, which further extended the Group's gas pipeline network. In the second half of the year, the Group not only resumed the natural gas supply project of TPCO, but also successfully secured projects such as Zheng Yang coal-to-gas conversion and Dongli Lake heating station. While following the implementation of environmental protection management policies, the Group continued to expand the sales volume of pipeline natural gas with steady increase of sales profits, and further strengthened and expanded the market share of the Group in the domestic gas business.

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

For the year ended 31 December 2021, consumption of piped natural gas by domestic and industrial users amounted to approximately $10,317 \times 10^6$ and $33,619 \times 10^6$ mega-joules respectively, as compared to $9,866 \times 10^6$ and $25,950 \times 10^6$ mega-joules respectively for the year ended 31 December 2020. During the year, income of the Group from sales of piped natural gas amounted to HK\$4,011,902,000, representing an increase of HK\$1,076,286,000 or approximately 37% compared to the amount of HK\$2,935,616,000 recorded for the year ended 31 December 2020.

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 31 December 2021, the aggregate length of city medium-pressure gas pipeline networks was approximately 3,574 kilometers, representing an increase of 219 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 636 kilometers, representing an increase of 76 kilometers from the length of 560 kilometers as at 31 December 2020. For the year ended 31 December 2021, income of the Group from construction and gas pipeline installation service amounted to approximately HK\$742,880,000, representing an increase of HK\$116,580,000 or approximately 19% compared to the amount of HK\$626,300,000 recorded for the year ended 31 December 2020.

Gas Passing Through Service

The Group transports gases for clients through gas pipeline networks and charges passing through fees. For the year ended 31 December 2021, the volume of gases transported by the Group for its clients amounted to 710,950,931 cubic metres and gas passing through service income amounted to HK\$60,167,000, representing a decrease of HK\$10,824,000 or approximately 15% compared to the amount of HK\$70,991,000 recorded for the year ended 31 December 2020.

Property Development

As at 31 December 2021, the Group held a piece of land under development of approximately 15,899.6 square metres 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.

FINANCIAL REVIEW

Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2021 was approximately HK\$855 million (2020: HK\$603 million) and the gross profit margin for the Group was 18% (2020: 17%). The gross profit margin was stable.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2021 was approximately HK\$306 million, representing an increase of approximately HK\$26 million or 9% compared to approximately HK\$280 million for the year ended 31 December 2020, which was mainly attributable to an increase in research and development expenses.

Profit Attributable to Owners of the Company

Profit attributable to equity owners of the Company for the year ended 31 December 2021 was approximately HK\$400 million, as compared to approximately HK\$355 million for the year ended 31 December 2020. Profit attributable to equity owners of the Company excluding the net foreign exchange gain recognised in profit or loss amounted to approximately HK\$375 million for the year ended 31 December 2021, representing an increase of 71% as compared to approximately HK\$219 million for the year ended 31 December 2020. The Group recorded a net exchange gain of HK\$25 million caused by fluctuations in RMB exchange rate in 2021 (2020: HK\$136 million).

Basic earnings per share for the year ended 31 December 2021 was HK\$29.6 cents, as compared to HK\$29 cents for the year ended 31 December 2020.

Liquidity and Financial Resources

As at 31 December 2021, the total borrowings of the Group amounted to HK\$3,124,749,000 (2020: HK\$2,364,006,000) and the cash and bank deposits of the Group amounted to HK\$897,261,000 (2020: HK\$425,137,000), which included cash and cash equivalents of HK\$742,181,000 and pledged bank deposits of HK\$155,080,000. As at 31 December 2021, the Group had consolidated current assets of HK\$1,700,664,000 and its current ratio was approximately 0.50. As at 31 December 2021, the Group had a gearing ratio of approximately 135%, measured by the ratio of total consolidated borrowings of HK\$3,124,749,000 to consolidated total equity of HK\$2,322,787,000.

Borrowings Structure

As at 31 December 2021, the total borrowings of the Group amounted to HK\$3,124,749,000 (2020: HK\$2,364,006,000). Syndicate borrowing were denominated in USD, carrying the interest at the rate of 2.6% plus LIBOR per interest period. Secured borrowings from PRC banks were denominated in RMB, carrying interests at rates ranging from 3.7% to 5.6% per annum. Other secured borrowings carry interests at the rates calculated by 1-year LPR plus 60 basis point announced in the latest month on the withdraw date per annum (the average of which is around 4.45%). As at 31 December 2021, short-term borrowings and the current portion of long-term borrowings amounted to approximately HK\$885,765,000, while the remainder were long-term borrowings falling due after one year or above.

Directors' Opinion on Sufficiency of Working Capital

As at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately HK\$1,699,630,000. 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 31 December 2021.

Exposure to Exchange Rate Fluctuations

The majority of the Group's transactions are denominated in the functional currency of the respective group entities. Part of the deposits and bank borrowings of the Group are denominated in HK Dollars and US Dollars which expose the Group to certain foreign currency risks. For the year ended 31 December 2021, net foreign exchange gain for the financing activities amounted to HK\$25 million. The Group does not currently have a foreign currency hedging policy. However, the management of the Company has been monitoring foreign exchange risks and will consider hedging significant foreign currency exposure should the need arise.

Charge on the Group's Assets

As at 31 December 2021, the Group had pledged bank deposits of HK\$155,080,000 (2020: HK\$17,394,000).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities.

PROSPECTS

Since the beginning of 2022, affected by the rapid spread of the Omicron variant, along with factors such as the relaxation of restrictions for epidemic prevention around the world, the pandemic has not been fully under control yet. Fortunately, the probability of severe symptoms caused by the variant is lower than that of its predecessors, and the global vaccination rate has risen to a high level. The world has begun to adapt to the new normal in which anti-epidemic activities and economic and social activities are proceeding simultaneously. The Group believes that the impact of the epidemic on economic activities will gradually diminish, which will lead the economic activities to return to previous level. The resumption of domestic economic activities will also drive natural gas demand back to rapid growth. In addition, it is proposed in the national “Outline of the 14th Five-Year Plan (Draft) (十四五規劃綱要草案)” to build a “clean, low-carbon, safe and efficient energy system” and to realize the important instructions of “peak carbon emissions by 2030” and “achieve carbon neutrality by 2060”, showing that green and efficient development is still the key direction of the future energy transformation of China. In the new year, the Group will continue to follow the guidelines of the national clean energy policies. While steadily advancing the development strategy of the main business, the Group will also vigorously develop value-added services, and actively explore comprehensive technologies of energy research and development and utilization. In accordance with the “14th Five-Year” strategic development plan of the Company, we will unwaveringly promote the rapid development of various businesses.

While developing our operations at multiple points, the Group is also well aware of the necessity of realizing safe and stable gas supply. According to the “National Gas Accident Analysis Report (全國燃氣事故分析報告)” released by the China Urban Gas Association (中國城市燃氣協會), there was an upward trend of the number of gas accidents reported by the national media in 2021, highlighting the problem that some enterprises put efficiency over safety. The Group has long attached great importance to safety management, and will continue to improve the safety construction and information management system in the future. It will, as always, earnestly conduct regular publicity activities to promote the safety concept from top to bottom in daily operations.

EMPLOYEES

As at 31 December 2021, the Group had 1,674 employees (2020: 1,718 employees). For the year ended 31 December 2021, the salaries and wages of the employees amounted to approximately HK\$210 million (2020: HK\$208 million) and among these, HK\$38 million were recorded in research and development expenses (2020: HK\$28 million).

REMUNERATION POLICY

The remuneration of the employees of the Group is determined by reference to the market rates, and the performance, qualification and experience of the relevant staff. Also, a discretionary bonus based on individual performance during the year is distributed to reward the contributions of employees to the Group. The Group also provides training opportunity and other benefits to its employees, including pension insurance, unemployment insurance, injury insurance, medical insurance, maternity insurance and housing fund, etc. In addition, since the share option scheme adopted by the Company in 2010 had expired, a new share option scheme was adopted after obtaining the approval of the shareholders of the Company at the special general meeting held on 13 January 2021 as an incentive and award plan for senior management and personnel of the Group.

CORPORATE GOVERNANCE PRACTICES

The Board is in charge of the management of the entire business of the Group and assumes overall responsibility for the leadership and control of the Group, collectively being responsible for promoting the success of the Group through giving instructions and supervising its business. The Board believes that good corporate governance practices would strengthen investors' confidence, facilitate the development of the Group, and increase transparency of the operation of the Group, all of which are in the long term interest of the Group and the Shareholders. For the year ended 31 December 2021, the Company had fully complied with the code provisions that were in force as set out in Appendix 14 (Corporate Governance Code and Corporate Governance Report) (the “**CG Code**”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except for code provision E.1.2 of the CG Code which provides that the chairman of the board should attend the annual general meeting. Due to conflict with other important business engagement, Mr. WANG Zhiyong, the chairman of the Board of the Company, was unable to attend the 2020 annual general meeting held on 14 May 2021 (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.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in accordance with Rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. LAU Siu Ki, Kevin (chairman), Mr. IP Shing Hing, J.P. and Professor Japhet Sebastian LAW, and Mr. LAU Siu Ki, Kevin is a qualified accountant.

The Audit Committee has reviewed the consolidated financial results of the Group for the year ended 31 December 2021 and has provided advice and comments thereon.

SECURITIES TRANSACTIONS BY DIRECTORS

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

All Directors have confirmed, following specific enquiries by the Company that they have complied with the required standard of dealings as set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions throughout the year ended 31 December 2021.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s other listed securities during the year ended 31 December 2021.

FINAL DIVIDEND

The Board has recommended a final dividend for the year ended 31 December 2021 of HK\$0.090 per ordinary share of the Company (final dividend for the year ended 31 December 2020: HK\$0.079 per ordinary share).

After approval by the holders of ordinary shares of the Company (“**Shareholders**”) at the forthcoming annual general meeting proposed to be held on 13 May 2022, the above dividend is expected to be paid on 10 June 2022 to those Shareholders whose names appear on the register of holders of ordinary shares of the Company as at 24 May 2022, being the record date for such dividend.

The dates of closure of register of members of the Company for the purpose of determining the identity of the Shareholders entitled to the above final dividend and to attend and vote at the forthcoming annual general meeting will be announced later.

ISSUANCE OF ANNUAL REPORT

The Annual Report for the year ended 31 December 2021 will be published and despatched to the Shareholders on or about 31 March 2022 and 1 April 2022 respectively.

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

Hong Kong, 17 March 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*