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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 2022**

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 2022 (the “**Period**”) together with the comparative unaudited figures for the corresponding period in 2021. The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

**FINANCIAL HIGHLIGHTS**

	<b>Unaudited Six months Ended 30 June 2022 HK\$'000</b>	<b>Unaudited Six months Ended 30 June 2021 HK\$'000</b>	<b>Percentage Change</b>
Revenue	3,046,876	2,316,905	32%
Gross profit	433,733	453,067	-4%
Profit for the Period	263,521	238,114	11%
Basic earnings per share attributable to owners of the Company during the Period	<b>19.09 cents</b>	17.09 cents	12%
	<b>Unaudited As at 30 June 2022 HK\$'000</b>	<b>Audited As at 31 December 2021 HK\$'000</b>	<b>Percentage Change</b>
Total assets	7,879,888	8,179,625	-4%
Total equity	2,295,219	2,322,787	-1%
Total liabilities	5,584,669	5,856,838	-5%

## FINANCIAL INFORMATION

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers	6	<b>3,046,876</b>	2,316,905
Cost of sales and services	9	<b>(2,613,143)</b>	(1,863,838)
<b>Gross profit</b>		<b>433,733</b>	453,067
Other income	7	<b>21,377</b>	13,366
Administrative expenses	9	<b>(141,763)</b>	(131,859)
Net impairment reversal on financial and contract assets		<b>32,186</b>	7,306
Other (losses)/gains — net	8	<b>(27,609)</b>	11,883
<b>Operating profit</b>		<b>317,924</b>	353,763
Finance income	10	<b>5,652</b>	1,167
Finance costs	10	<b>(49,209)</b>	(58,303)
Finance costs — net	10	<b>(43,557)</b>	(57,136)
Share of net profit of an associate and joint ventures accounted for using the equity method		<b>3,163</b>	4,827
<b>Profit before income tax</b>		<b>277,530</b>	301,454
Income tax expense	11	<b>(14,009)</b>	(63,340)
<b>Profit for the Period</b>		<b>263,521</b>	238,114
<b>Profit for the Period attributable to:</b>			
— Owners of the Company		<b>258,128</b>	231,116
— Non-controlling interests		<b>5,393</b>	6,998
		<b>263,521</b>	238,114
		<i>HK\$ cents</i>	<i>HK\$ cents</i>
<b>Earnings per share attributable to owners of the Company:</b>			
— Basic earnings per share	13	<b>19.09</b>	17.09
— Diluted earnings per share		<b>19.03</b>	17.09

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the Period</b>	<b>263,521</b>	<b>238,114</b>
<b>Other comprehensive (loss)/income</b>		
<i>Items that will not be reclassified to profit or loss</i>		
— Exchange differences on translation of financial statements of the Company	<b>(20,092)</b>	6,654
<i>Items that may be reclassified to profit or loss</i>		
— Exchange differences on translation of foreign operations	<b>(89,315)</b>	21,681
	<b>(109,407)</b>	28,335
<b>Total comprehensive income for the Period</b>	<b>154,114</b>	<b>266,449</b>
<b>Total comprehensive income for the Period is attributable to:</b>		
— Owners of the Company	<b>152,225</b>	258,752
— Non-controlling interests	<b>1,889</b>	7,697
	<b>154,114</b>	<b>266,449</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited As at 30 June 2022 HK\$'000	Audited As at 31 December 2021 HK\$'000
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	14	5,809,114	5,893,191
Right-of-use assets		212,625	196,584
Investment properties		6,644	7,073
Intangible assets		47,725	47,607
Investments accounted for using the equity method		85,019	85,646
Prepayments		37,557	29,470
Long-term receivables	15	27,793	29,999
Deferred income tax assets	20	67,877	46,550
Restricted cash		147,625	142,841
		<u>6,441,979</u>	<u>6,478,961</u>
<b>Current Assets</b>			
Inventories		135,644	144,313
Trade and other receivables	15	274,318	327,760
Notes receivable		12,906	17,529
Contract assets		39,466	37,280
Prepayments		185,095	419,362
Restricted cash		—	12,239
Cash and cash equivalents		790,480	742,181
		<u>1,437,909</u>	<u>1,700,664</u>
<b>Total Assets</b>		<u><u>7,879,888</u></u>	<u><u>8,179,625</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		377,203	437,203
— Ordinary shares	16	135,203	135,203
— Redeemable preference shares	16	242,000	302,000
Share premium		175,305	175,305
Other reserves		(49,606)	56,297
Retained earnings		1,719,992	1,583,546
Equity attributable to owners of the Company		2,222,894	2,252,351
Non-controlling interests		72,325	70,436
<b>Total Equity</b>		<u><u>2,295,219</u></u>	<u><u>2,322,787</u></u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 30 June 2022*

		Unaudited As at 30 June 2022 <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
	<i>Notes</i>		
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Borrowings	18	2,366,412	2,238,984
Deferred income	19	136,095	144,458
Lease liabilities		13,715	10,020
Deferred income tax liabilities	20	5,772	34,700
Trade and other payables	17	18,869	28,382
		<b>2,540,863</b>	<b>2,456,544</b>
<b>Current Liabilities</b>			
Trade and other payables	17	1,263,311	1,494,076
Contract liabilities		602,878	965,386
Current income tax liabilities		49,841	44,225
Borrowings	18	1,117,422	885,765
Lease liabilities		10,354	10,842
		<b>3,043,806</b>	<b>3,400,294</b>
<b>Total Liabilities</b>		<b>5,584,669</b>	<b>5,856,838</b>
<b>Total Equity and Liabilities</b>		<b>7,879,888</b>	<b>8,179,625</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

Changes in equity of the Group during the six months ended 30 June 2022 and 2021 are as follows:

	Unaudited						
	Attributable to owners of the Company				Total	Non-controlling interests	Total Equity
	Share capital	Share premium	Other reserves	Retained earnings			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>At 1 January 2021 (audited)</b>	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)
<b>At 30 June 2021 (unaudited)</b>	<u>437,203</u>	<u>282,115</u>	<u>(31,967)</u>	<u>1,356,415</u>	<u>2,043,766</u>	<u>65,648</u>	<u>2,109,414</u>
<b>At 1 January 2022 (audited)</b>	<u>437,203</u>	<u>175,305</u>	<u>56,297</u>	<u>1,583,546</u>	<u>2,252,351</u>	<u>70,436</u>	<u>2,322,787</u>
Profit for the Period	—	—	—	258,128	258,128	5,393	263,521
Other comprehensive loss for the Period	—	—	(105,903)	—	(105,903)	(3,504)	(109,407)
Total comprehensive (loss)/income for the Period	—	—	(105,903)	258,128	152,225	1,889	154,114
Dividends provided for and paid	—	—	—	(121,682)	(121,682)	—	(121,682)
Redemption of preferences shares	(60,000)	—	—	—	(60,000)	—	(60,000)
<b>At 30 June 2022 (unaudited)</b>	<u>377,203</u>	<u>175,305</u>	<u>(49,606)</u>	<u>1,719,992</u>	<u>2,222,894</u>	<u>72,325</u>	<u>2,295,219</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	262,196	299,728
Interest received	5,367	536
Income tax paid	(57,915)	(47,326)
<b>Net cash inflow from operating activities</b>	<b>209,648</b>	<b>252,938</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(290,831)	(243,741)
Payments for land use rights	(41,988)	(5,608)
Payments for intangible assets	(3,584)	(125)
Proceeds from disposal of property, plant and equipment	21,716	1,539
Placement of restricted cash	(9)	(137,943)
Withdrawal of restricted cash	745	10,749
Grants received for construction projects	—	5,907
Government grant received	1,785	3,244
<b>Net cash outflow from investing activities</b>	<b>(312,166)</b>	<b>(365,978)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	805,090	1,665,558
Repayments of borrowings	(360,133)	(867,543)
Principal elements of lease payments	(8,068)	(7,516)
Interest paid	(61,826)	(42,857)
Redemption of redeemable preference shares	(60,000)	(50,000)
Dividend paid to the Company's shareholders	(121,682)	(106,810)
<b>Net cash inflow from financing activities</b>	<b>193,381</b>	<b>590,832</b>
<b>Net increase in cash and cash equivalents</b>	<b>90,863</b>	<b>477,792</b>
Cash and cash equivalents at the beginning of the Period	742,181	407,743
Effects of exchange rate difference	(42,564)	3,082
<b>Cash and cash equivalents at the end of the Period</b>	<b>790,480</b>	<b>888,617</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 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 (“**HKEx**”).

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 HKEx (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 2022, the Group’s current liabilities exceeded its current assets by approximately HK\$1,605,897,000. 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 1 July 2022, 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 RMB207,173,000 (equivalent to approximately HK\$242,534,000) as at 30 June 2022, 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 obtained financing proceeds of RMB300,000,000 (equivalent to approximately HK\$351,000,000) by way of finance lease arrangement in respect of certain gas pipeline networks and equipment assets in April 2022 from a reputable finance leasing company in Mainland China (which is controlled by a state-owned company listed on the Shenzhen Stock Exchange). The Group has secured further financing facility with the aforesaid finance leasing company, upon the execution of which the Group may obtain financing proceeds of RMB200,000,000 (equivalent to approximately HK\$234,000,000) during the year ending 31 December 2022;
- The Group obtained a banking facility from a reputable commercial bank (which is dual listed on both the Main Board of HKEx and the Shanghai Stock Exchange) in March 2022 pursuant to which, the Group can draw down a 1-year term bank borrowing of RMB150,000,000 (equivalent to approximately HK\$176,000,000) from the aforesaid commercial bank at any time before 9 March 2023;
- The Group obtained a banking facility from a reputable shareholding commercial bank in June 2022 pursuant to which, the Group can draw down a 1-year term bank borrowing of RMB50,000,000 (equivalent to approximately HK\$59,000,000) from the aforesaid commercial bank at any time before 16 June 2023;
- The Group obtained a banking facility from a foreign bank (which is listed on the HKEx) in August 2022 pursuant to which, the Group can draw down a 1-year term bank borrowing of RMB70,000,000 (equivalent to approximately HK\$82,000,000) from the aforesaid bank at any time in one year; and
- Currently, a state-owned commercial bank and a state-owned leasing company are reviewing and assessing the relevant information on loans submitted by the Group. It is expected that long-term bank borrowings of RMB160,000,000 (equivalent to approximately HK\$187,000,000) and RMB300,000,000 (equivalent to approximately HK\$351,000,000) respectively will be drawn before 31 December 2022.

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 2021.

#### **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 2022 and do not have a material impact on the Group:

- *Property, Plant and Equipment: Proceeds before Intended Use — Amendments to HKAS 16*
- *Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37*
- *Annual Improvements to HKFRS Standards 2018-2020*
- *Reference to the Conceptual Framework — Amendments to HKFRS 3*
- *Amendments to AG 5 Merger Accounting for Common Control Combinations*

#### **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 2022 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 2021.

## **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 2022, 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 2021.

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

### **5.2 Liquidity risk**

Compared to the year end of 2021, 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.

As at 30 June 2022, financial instruments included in level 3 comprise notes receivables which were classified as financial assets at fair value through other comprehensive income (“FVOCI”). Notes receivables of HK\$12,906,000 (31 December 2021: HK\$17,529,000) 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.

Six months ended 30 June 2022	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	
<b>Total segment revenue from external customers</b>	<b>2,663,803</b>	<b>337,211</b>	<b>30,657</b>	<b>15,205</b>	<b>3,046,876</b>
<i>Recognised at a point in time</i>	<b>2,663,803</b>	—	<b>30,657</b>	<b>15,205</b>	<b>2,709,665</b>
<i>Recognised over time</i>	—	<b>337,211</b>	—	—	<b>337,211</b>
<b>Segment results</b>	<b><u>194,779</u></b>	<b><u>210,178</u></b>	<b><u>25,816</u></b>	<b><u>2,960</u></b>	<b>433,733</b>
— Other income					21,377
— Administrative expenses					(141,763)
— Net impairment reversal on financial and contract assets					32,186
— Other losses — net					(27,609)
— Finance income					5,652
— Finance costs					(49,209)
— Share of net profit of an associate and joint ventures accounted for using the equity method					3,163
<b>Profit before income tax</b>					<b><u>277,530</u></b>
<b>Other segment information:</b>					
Depreciation (included in cost of sales and services)	<b>57,507</b>	<b>955</b>	<b>4,563</b>	<b>274</b>	<b>63,299</b>
Depreciation (included in administrative expenses)					<b>34,874</b>
					<b><u>98,173</u></b>

	Unaudited				
<b>Six months ended 30 June 2021</b>	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>
<b>Total segment revenue from external customers</b>	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
<b>Segment results</b>	<u>190,268</u>	<u>235,962</u>	<u>23,281</u>	<u>3,556</u>	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
<b>Profit before income tax</b>					<u>301,454</u>
<b>Other segment information</b>					
Depreciation (included in cost of sales and services)	61,741	1,408	4,410	169	67,728
Depreciation (included in administrative expenses)					25,525
					<u>93,253</u>

## 7. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assembling services income	10,946	8,495
Rental income	624	791
Income from service of insurance agent	3,000	876
Income from sales of gas appliances	1,416	—
Income from service of maintenance	1,388	—
Government grants	4,003	3,204
	<u>21,377</u>	<u>13,366</u>

## 8. OTHER (LOSSES)/GAINS — NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net gains from compensation for gas pipelines relocation	4,621	1,615
Net gains/(losses) on disposal of property, plant and equipment	20,072	(4,348)
Net foreign exchange (losses)/gains	(54,646)	7,554
Net unrealised fair value gains on financial assets at FVPL	—	5,584
Others	2,344	1,478
	<u>(27,609)</u>	<u>11,883</u>

## 9. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of gas purchased	2,352,710	1,571,295
Employee benefit expense	117,292	120,519
Depreciation	98,173	93,253
— Property, plant and equipment	90,832	86,342
— Right-of-use assets	7,341	6,911
Subcontractor and other costs	52,800	70,858
Changes in inventories of pipeline and other materials	(7,214)	(14,709)
Costs of pipeline and other material purchased	78,638	107,392
Repair expenses	13,480	6,991
Expenses relating to short term leases	2,174	3,335
Amortisation	1,807	1,463

## 10. FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Finance income:		
— Interest income on bank deposits	<u>5,652</u>	<u>1,167</u>
Finance costs:		
— Interest expenses	(66,821)	(70,124)
Less: amounts capitalised as construction in progress	<u>17,612</u>	<u>11,821</u>
	(49,209)	(58,303)
	<u>(43,557)</u>	<u>(57,136)</u>

## 11. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current income tax	54,839	63,190
Deferred income tax charge (Note 20)	<u>(40,830)</u>	<u>150</u>
	<u>14,009</u>	<u>63,340</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\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 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 2022 and for the six months ended 30 June 2021.



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:

- a) Tianjin TEDA Binhai Clean Energy Group Company Limited (formerly known as “Tianjin Binda Gas Enterprise Company Limited”)\* (天津泰達濱海清潔能源集團有限公司)(“**TEDA Energy**”) 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.
- b) Zhuozhou Binhai Gas Company Limited\* (涿州濱海燃氣有限公司)(“**Zhuozhou Company**”) 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.

To date, the two aforementioned companies have submitted information in relation to New and High Technical Enterprises for review, pending the final confirmation from the relevant authority.

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 2022 (for the six months ended 30 June 2021: 25%).

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

## 12. DIVIDEND

During the Period, a final dividend of HK\$0.090 per ordinary share in respect of the year ended 31 December 2021 (the “**2021 Final Dividend**”) was recommended by the Board (a final dividend of HK\$0.079 per ordinary share was recommended for the year ended 31 December 2020). The amount of the 2021 Final Dividend paid in the Period amounted to approximately HK\$121,682,000 (six months ended 30 June 2021: approximately HK\$106,810,000).

The Directors have not resolved to declare an interim dividend for the six months ended 30 June 2022.

### 13. 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<b>258,128</b>	231,116
Weighted-average number of ordinary shares for basic earnings per share ( <i>thousand</i> )	<b>1,352,025</b>	1,352,025
Basic earnings per share ( <i>HK\$ cents</i> )	<b>19.09</b>	17.09

#### (b) Diluted

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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
Profit attributable to owners of the Company ( <i>HK\$'000</i> )	<b>258,128</b>	231,116
Weighted-average number of ordinary shares for diluted earnings per share ( <i>thousand</i> )	<b>1,356,295</b>	1,352,025
Diluted earnings per share ( <i>HK\$ cents</i> )	<b>19.03</b>	17.09

### 14. PROPERTY, PLANT AND EQUIPMENT

	<b>Unaudited</b>	<b>Unaudited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>30 June</b>
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Opening net book amount</b>	<b>5,893,191</b>	5,246,835
Additions	<b>266,753</b>	239,610
Sales and disposals	<b>(25,449)</b>	(64)
Depreciation charges	<b>(90,832)</b>	(86,342)
Currency translation differences	<b>(234,549)</b>	71,242
<b>Closing net book amount</b>	<b>5,809,114</b>	5,471,281

## 15. TRADE AND OTHER RECEIVABLES

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Trade receivables from third parties:		
— Construction and gas pipeline installation service	247,215	281,171
— Sales of piped natural gas	49,522	88,152
— Gas passing through service	1,298	8,787
	<u>298,035</u>	<u>378,110</u>
<i>Less:</i> provision for impairment loss allowance	(90,636)	(124,405)
	<u>207,399</u>	<u>253,705</u>
Trade receivables from related parties ( <i>Note 22</i> )		
— Sales of piped natural gas	9,302	9,291
— Construction and gas pipeline installation service	6,754	5,389
	<u>16,056</u>	<u>14,680</u>
<i>Less:</i> provision for impairment loss allowance	(3,872)	(7,313)
	<u>12,184</u>	<u>7,367</u>
Other receivables	85,686	99,988
<i>Less:</i> provision for impairment loss allowance	(3,158)	(3,301)
	<u>82,528</u>	<u>96,687</u>
Total trade and other receivables	302,111	357,759
<i>Less:</i> non-current portion of trade and other receivables	(27,793)	(29,999)
	<u>274,318</u>	<u>327,760</u>
Current portion	<u>274,318</u>	<u>327,760</u>

The Group grants credit period of 90 days to 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:

	<b>Unaudited</b> As at <b>30 June</b> <b>2022</b> <i>HK\$'000</i>	Audited As at 31 December 2021 <i>HK\$'000</i>
0 - 90 days	75,285	145,970
91 - 180 days	20,017	21,565
181 - 365 days	45,464	41,748
Over 365 days	173,325	183,507
	<u><b>314,091</b></u>	<u>392,790</u>

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.

## 16. SHARE CAPITAL

	<b>Unaudited</b> As at 30 June 2022		Audited As at 31 December 2021	
	<b>Number</b> <b>of shares</b> <b>'000</b>	<b>Amounts</b> <b>HK\$'000</b>	Number of shares '000	Amounts HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	<u><b>2,280,000</b></u>	<u><b>228,000</b></u>	<u>2,280,000</u>	<u>228,000</u>
Issued and fully paid:	<u><b>1,352,025</b></u>	<u><b>135,203</b></u>	<u>1,352,025</u>	135,203
Redeemable preference shares of HK\$50.00 each, issued and fully paid	<u><b>4,840</b></u>	<u><b>242,000</b></u>	<u>6,040</u>	<u>302,000</u>
Issued and fully paid:		<u><b>377,203</b></u>		<u>437,203</u>

## 17. TRADE AND OTHER PAYABLES

	<b>Unaudited</b>	Audited
	As at	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade payables	726,930	795,197
Other payables	539,040	682,551
Accrued expenses	16,210	44,710
	<hr/>	<hr/>
Total trade and other payables	<b>1,282,180</b>	1,522,458
Less: non-current portion of trade and other payables	<b>(18,869)</b>	(28,382)
	<hr/>	<hr/>
Current portion	<b>1,263,311</b>	1,494,076
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2022, the ageing analysis of the trade payables based on suppliers' invoice date is as follows:

	<b>Unaudited</b>	Audited
	As at	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0 - 90 days	180,986	232,134
91 - 180 days	84,675	104,004
181 - 365 days	132,868	116,744
Over 365 days	328,401	342,315
	<hr/>	<hr/>
	<b>726,930</b>	795,197
	<hr/> <hr/>	<hr/> <hr/>

## 18. BORROWINGS

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>30 June</b>	31 December
		<b>2022</b>	2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current</b>			
Secured			
— Syndicated borrowing	<i>(a)</i>	<b>947,123</b>	993,061
— Bank borrowings	<i>(b)</i>	<b>484,458</b>	511,618
— Other borrowings	<i>(c)</i>	<b>934,831</b>	734,305
		<b>2,366,412</b>	2,238,984
<b>Current</b>			
Secured			
— Syndicated borrowing	<i>(a)</i>	<b>104,902</b>	93,214
— Bank borrowings	<i>(b)</i>	<b>775,422</b>	792,551
— Other borrowings	<i>(c)</i>	<b>115,098</b>	—
		<b>995,422</b>	885,765
Unsecured			
— Bank borrowings	<i>(d)</i>	<b>122,000</b>	—
		<b>1,117,422</b>	885,765
Total borrowings		<b>3,483,834</b>	3,124,749

*Notes:*

### a) Syndicated borrowing

As at 30 June 2022, syndicate borrowing of approximately HK\$1,052,025,000 (31 December 2021: HK\$1,086,275,000) is guaranteed by TEDA. The borrowing bears interests at the rate of 2.6% plus LIBOR per interest period, the average of which is around 2.89% for the six months ended 30 June 2022. The borrowing will mature on 11 June 2024, of which approximately HK\$104,902,000 will be repayable before 30 June 2023, and the rest will be repayable by semiannual installments prior to June 2024.

**b) Bank borrowing-secured**

As at 30 June 2022, bank borrowing of HK\$154,342,000 (31 December 2021: HK\$174,743,000) 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\$25,622,000 will be due for repayment before 30 June 2023, and the repayment period of the remaining portion is more than one year.

As at 30 June 2022, bank borrowing of HK\$33,293,000 (31 December 2021: HK\$36,152,000) 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\$3,410,000 will be due for repayment before 30 June 2023, and the repayment period of the remaining portion is more than one year.

As at 30 June 2022, bank borrowing of HK\$115,898,000 (31 December 2021: HK\$122,384,000) of Zhuozhou Company was guaranteed by a subsidiary of the Company, Binhai Investment (Tianjin). The borrowing bears interests at the fixed interest rate of 4.60% per annum and the borrowing amounting to HK\$3,512,000 will be due for repayment before 30 June 2023, and the repayment period of the remaining portion is more than one year.

As at 30 June 2022, bank borrowing of HK\$97,699,000 (31 December 2021: HK\$113,484,000) 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\$21,711,000 will be due for repayment before 30 June 2023, and the repayment period of the remaining portion is more than one year.

As at 30 June 2022, TEDA Energy has three bank borrowings totaling HK\$351,206,000 (31 December 2021: HK\$367,152,000), each of which borrowing of HK\$117,069,000 were guaranteed by a subsidiary of the Company, Binhai Investment (Tianjin). The borrowing bears interests at the fixed interest rates ranging from 3.75% to 4.8% per annum and will all be due for repayment before 30 June 2023.

As at 30 June 2022, bank borrowing of HK\$117,069,000 (31 December 2021: Nil) of Binhai Investment (Tianjin) was secured by the certificate of deposit of RMB105,500,000 (equivalent to approximately HK\$123,507,000) of Binhai Investment (Tianjin). The borrowing bears interests at the fixed interest rate of 3.95% per annum and will be due for repayment before 30 June 2023.

As at 30 June 2022, bank borrowing of HK\$70,241,000 (31 December 2021: HK\$73,430,000) 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 4.50% per annum and will be due for repayment before 30 June 2023.

As at 30 June 2022, bank borrowing of HK\$81,948,000 (31 December 2021: 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 4.50% per annum and will be due for repayment before 30 June 2023.

As at 30 June 2022, bank borrowing of HK\$81,948,000 (31 December 2021: Nil) of TEDA Energy was guaranteed by a subsidiary of the Company, Binhai Investment (Tianjin). The borrowing bears interests at the fixed interest rate of 4.15% per annum and will be due for repayment before 30 June 2023.

As at 30 June 2022, bank borrowing of HK\$31,608,000 (31 December 2021: HK\$34,879,000) of Nanjing Binhai Gas Company Limited was guaranteed by a subsidiary of the Company, TEDA Energy. The borrowing bears interests at the fixed interest rate of 5.00% per annum. The borrowing of HK\$3,512,000 will be due for repayment before 30 June 2023, and the repayment period of the remaining portion is more than one year.

As at 30 June 2022, bank borrowing of HK\$11,274,000 (31 December 2021: Nil) of Tangshan Binhai Gas Company Limited was secured by the certificate of deposit of RMB10,000,000 (equivalent to approximately HK\$11,707,000) 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 2023.

As at 30 June 2022, bank borrowing of HK\$113,354,000 (31 December 2021: HK\$88,665,000) of Gaoan TEDA Gas Company Limited (the “**Gaoan Company**”) was secured by all rights to the earnings and all accounts receivables on Yangxu District of Gaoan Company and guaranteed by a subsidiary of the Company, Binhai Investment (Tianjin). The borrowing bears interests at the fixed interest rate of 5.00% per annum. The borrowing of HK\$3,969,000 will be due for repayment before 30 June 2023, and the repayment period of the remaining portion is more than one year.

**c) Other borrowings**

As at 30 June 2022, other borrowings of RMB600,000,000 (equivalent to HK\$702,411,000) (31 December 2021: RMB600,000,000 (equivalent to approximately HK\$734,305,000)) from a related party, Sinopec Finance Company Limited, are guaranteed by TEDA and such borrowings will be wholly repayable in November 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. As approved by the shareholders of the Company on 8 February 2022, 100% of the equity interest of TEDA Energy and 85% of the equity interest of Zhuozhou Company had been subsequently pledged as security for these borrowings.



On 13 April 2022, TEDA Energy, a wholly-owned subsidiary of the Group entered into a finance lease agreement (the “**Finance Lease Agreement**”) with Kunlun Financial Leasing Co., Ltd (昆侖金融租賃有限責任公司) whereby TEDA Energy sold for the consideration of RMB300,000,000 and leased-back assets comprising certain gas pipeline networks and equipment. In substance, the Group had obtained collateralised borrowing amounting to RMB300,000,000. The borrowing is repayable in 12 instalments during the lease period till April 2025 and the carried annual interest is calculated on the lease principal at 15 basis points below the most recent loan prime rate for loans with a maturity of over five years as published by the National Interbank Funding Centre under the authority of the PBOC on the interest rate determination date under the Finance Lease Agreement. Interest was calculated at a rate of 4.45% per annum for the Period.

As at 30 June 2022, the outstanding balance of the aforesaid collateralised borrowing amounted to RMB296,850,000 (equivalent to approximately HK\$347,518,000). HK\$115,098,000 of such borrowing will be due for repayment before 30 June 2023, and the repayment period of the remaining portion is more than one year.

**d) Bank borrowings-unsecured**

As at 30 June 2022, the Company had an unsecured bank borrowing of HK\$122,000,000 (31 December 2021: Nil). The borrowing bears interests, calculated by Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 2.4%, of 2.64% per annum during the Period. The borrowing will be due for repayment before 30 June 2023.

The Group’s borrowings were repayable as follows:

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$’000</b>	HK\$’000
Within one year	<b>1,117,422</b>	885,765
Over one year, less than two years	<b>1,836,006</b>	802,543
Over two years, less than five years	<b>407,258</b>	1,302,550
Over five years	<b>123,148</b>	133,891
	<hr/>	<hr/>
Total	<b>3,483,834</b>	3,124,749
	<hr/> <hr/>	<hr/> <hr/>

**19. DEFERRED INCOME**

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$’000</b>	HK\$’000
Government grants ( <i>Note a</i> )	<b>58,676</b>	62,603
Grants for construction projects ( <i>Note b</i> )	<b>77,419</b>	81,855
	<hr/>	<hr/>
	<b>136,095</b>	144,458
	<hr/> <hr/>	<hr/> <hr/>

- (a) As at 30 June 2022, certain subsidiaries of the Company had received government grants of HK\$58,676,000 (31 December 2021: HK\$62,603,000) related to certain gas pipeline construction projects in improving energy use efficiency. Accordingly, the government grants are classified as deferred income and released to profit or loss on a straight-line basis over the estimated useful lives of the relevant gas pipelines assets of 30 years. During the six months ended 30 June 2022, deferred income totalling HK\$1,235,000 (during the six months ended 30 June 2021:HK\$1,075,000) was recognised in profit or loss as other income.
- (b) Two subsidiaries of the Company entered into agreements with an independent third party investment company in July and October 2019 respectively (the “**Agreements**”), pursuant to which, those subsidiaries are responsible for constructing the gas pipeline and heating supply connections to a new developing region in the Tianjin city named the “Future Technology City” (the “**Utilities Supply Infrastructure**”). Pursuant to the Agreements, the investment company will pay those subsidiaries the total estimated budget of construction costs of the Utilities Supply Infrastructure for an amount of RMB975,990,000 (equivalent to approximately HK\$1,142,580,000) and the ownership of the constructed Utilities Supply Infrastructure will belong to the Group.

As at 30 June 2022, the construction works of the Utilities Supply Infrastructure had commenced and the accumulated payment amounts as received by the Group amounted to approximately RMB64,780,000 (equivalent to approximately HK\$75,840,000) (31 December 2021: RMB65,510,000 (equivalent to approximately HK\$80,170,000)). The Group has recognised the payment amounts received as deferred income which will be realised to profit or loss on a straight-line basis over the lives of the respective assets comprising the Utilities Supply Infrastructure starting from when the construction works of the related assets completed and the depreciation of which commence. During the six months ended 30 June 2022, deferred income totalling HK\$900,000 (during the six months ended 30 June 2021:Nil) was recognised in profit or loss as other income.

## 20. DEFERRED INCOME TAX

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Deferred income tax assets (“DTA”):		
— to be recovered within 12 months	17,423	22,435
— to be recovered after more than 12 months	50,454	24,115
	<u>67,877</u>	<u>46,550</u>

The movement on DTA during the six months ended 30 June 2022 and 2021 is as follows:

	<b>Deferred income</b> <i>HK\$'000</i>	<b>Impairment provisions</b> <i>HK\$'000</i>	<b>Accrued expenses</b> <i>HK\$'000</i>	<b>Tax Losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
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
	<u>9,071</u>	<u>6,259</u>	<u>8,990</u>	<u>—</u>	<u>24,320</u>
At 30 June 2021 (unaudited)	<u>9,071</u>	<u>6,259</u>	<u>8,990</u>	<u>—</u>	<u>24,320</u>
At 1 January 2022 (audited)	<b>10,597</b>	<b>15,654</b>	<b>7,949</b>	<b>12,350</b>	<b>46,550</b>
Credited/(charged) to profit or loss	<b>14,287</b>	<b>(4,037)</b>	<b>—</b>	<b>13,616</b>	<b>23,866</b>
Currency translation differences	<b>(769)</b>	<b>(593)</b>	<b>(345)</b>	<b>(832)</b>	<b>(2,539)</b>
	<u>24,115</u>	<u>11,024</u>	<u>7,604</u>	<u>25,134</u>	<u>67,877</u>
At 30 June 2022 (unaudited)	<u>24,115</u>	<u>11,024</u>	<u>7,604</u>	<u>25,134</u>	<u>67,877</u>

<b>Unaudited</b>	<b>Audited</b>
<b>As at</b>	<b>As at</b>
<b>30 June</b>	<b>31 December</b>
<b>2022</b>	<b>2021</b>
<b>HK\$'000</b>	<b>HK\$'000</b>

Deferred income tax liabilities (“DTL”):

— to be recovered within 12 months	5,772	34,700
— to be recovered after more than 12 months	—	—
	<u>5,772</u>	<u>34,700</u>

The movement on DTL during the six months ended 30 June 2022 and 2021 is as follows:

	<b>Withholding tax on unremitted earnings</b>	
	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	34,700	21,702
Charged to profit or loss	(16,964)	—
Utilized in this period	(11,064)	—
Currency translation differences	(900)	221
	<u>5,772</u>	<u>21,923</u>
At 30 June	<u>5,772</u>	<u>21,923</u>

## 21. COMMITMENTS

### a) Capital commitments

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2022</b> <i>HK\$'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2021</b> <i>HK\$'000</i>
Contracted but not provided for — Property, plant and equipment	<b>506,849</b>	<b>388,779</b>

### b) Non-cancellable operating leases

#### *Lessor*

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

	<b>Unaudited</b> <b>As at</b> <b>30 June</b> <b>2022</b> <i>HK\$'000</i>	<b>Audited</b> <b>As at</b> <b>31 December</b> <b>2021</b> <i>HK\$'000</i>
Minimum lease payments receivable on leases of investment properties are as follows:		
Within 1 year	<b>468</b>	706
Between 1 and 2 years	<b>398</b>	408
Between 2 and 3 years	<b>398</b>	408
Between 3 and 4 years	<b>398</b>	408
Between 4 and 5 years	<b>398</b>	408
Over 5 years	<b>3,051</b>	3,324
	<b>5,111</b>	5,662

#### *Lessee*

The Group leases various offices, warehouses, retail stores equipment and vehicles under non-cancellable operating leases expiring within 6 months to 50 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

## 22. 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 2022	Audited As at 31 December 2021
TEDA HK	The largest shareholder	Hong Kong	35.43%	35.43%
TEDA	The ultimate parent of TEDA HK	PRC	39.50%	39.50%
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	
	2022	2021
	HK\$'000	HK\$'000
Entities controlled by TEDA	57,554	47,919
Joint ventures	11,168	6,275
Other related parties	3,736	26,195
Entities controlled by Sinopec	1,566	1,030
	<u>74,024</u>	<u>81,419</u>

*ii. Construction and gas pipeline installation services*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Entities controlled by TEDA	4,628	9,535
Entities controlled by Sinopec	74	—
Other related parties	—	16
	<u>4,702</u>	<u>9,551</u>

*iii. Gas passing through income*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Joint ventures	<u>309</u>	<u>426</u>

*iv. Rental income*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Joint ventures	<u>389</u>	<u>388</u>

*v. Purchases of gas*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Entities controlled by Sinopec	1,008,464	431,276
Joint ventures	1,964	412
Other related parties	—	23,393
	<u>1,010,428</u>	<u>455,081</u>

vi. *Purchases of gasoline and others*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Entities controlled by Sinopec	704	472
Entities controlled by TEDA	32	—
Joint ventures	—	3
	<u>736</u>	<u>475</u>

vii. *Interest expenses*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Entities controlled by Sinopec	16,125	16,458
Associate	761	760
	<u>16,886</u>	<u>17,218</u>

viii. *Other service expenses*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Entities controlled by TEDA	2,589	24
Entities controlled by Sinopec	2	—
	<u>2,591</u>	<u>24</u>

ix. *Sales of gas meters and others*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Entities controlled by TEDA	<u>1,283</u>	<u>—</u>

x. *Net gains on sales of property, plant and equipment*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Associate	<b>20,235</b>	<b>—</b>

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.

c) **Balances with related parties**

(i) *Trade and other receivables*

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Entities controlled by TEDA	<b>14,329</b>	11,377
Joint ventures	<b>1,727</b>	956
Other related parties	<b>—</b>	3,107
	<b>16,056</b>	15,440

(ii) *Prepayments*

	<b>Unaudited</b>	Audited
	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Entities controlled by Sinopec	<b>37,950</b>	163,645
Entities controlled by TEDA	<b>192</b>	—
	<b>38,142</b>	163,645



(iii) *Trade and other payables*

	<b>Unaudited</b>	Audited
	As at	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Associate	35,121	36,715
Joint ventures	4,190	4,324
Entities controlled by TEDA	856	599
Entities controlled by Sinopec	222	20
Other related parties	—	6
	<u>40,389</u>	<u>41,664</u>

(iv) *Contract liabilities*

	<b>Unaudited</b>	Audited
	As at	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Entities controlled by TEDA	5,763	36,114
Entities controlled by Sinopec	361	437
Other related parties	112	1,180
	<u>6,236</u>	<u>37,731</u>

(v) *Borrowings*

	<b>Unaudited</b>	Audited
	As at	As at
	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Entities controlled by Sinopec	<u>702,411</u>	<u>734,305</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**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>HK\$’000</i></b>	<b><i>HK\$’000</i></b>
Fees	<b>1,196</b>	1,196
Salaries, share options and other allowances	<b>3,990</b>	2,573
Pension costs	<b>117</b>	109
	<b>=====</b>	<b>=====</b>

## 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  $6,485 \times 10^6$  and  $18,552 \times 10^6$  mega-joules respectively, as compared to  $5,984 \times 10^6$  and  $15,752 \times 10^6$  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\$2,663,803,000, representing an increase of HK\$790,990,000 or 42% compared to the amount of HK\$1,872,813,000 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 and the increase in unit price of sales.

#### *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 2022, the aggregate length of city medium-pressure gas pipeline networks was approximately 3,624 kilometers, representing an increase of 50 kilometers from the length of 3,574 kilometers as at 31 December 2021, while the aggregate length of high-pressure and sub-high-pressure gas pipeline networks was approximately 645 kilometers, representing an increase of 9 kilometers from the length of 636 kilometers as at 31 December 2021. During the Period, income of the Group from construction and gas pipeline installation service amounted to approximately HK\$337,211,000, representing a decrease of HK\$64,963,000 or 16% compared to the amount of HK\$402,174,000 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 354,446,310 cubic meters and gas passing through service income amounted to approximately HK\$30,657,000, representing an increase of HK\$1,296,000 or 4% compared to the amount of HK\$29,361,000 for the corresponding period last year.

#### *Property Development*

As at 30 June 2022, 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*

2022 is a crucial year for the “Outline of the 14th Five-Year Plan for National Economic and Social Development of the PRC” (中國國民經濟和社會發展第十四個五年規劃綱要) (“**14th Five-Year Plan**”). In the context of the guidance under the “Dual Carbon Targets” and “14th Five-Year Plan” on the development of natural gas industry, natural gas is one of the clean energy industry whose development has been heavily supported by China in recent years, thus such market has huge potentials and opportunities. The interconnection of natural gas pipeline networks as well as improvement in LNG storage and transportation systems mentioned therein will strongly support the construction of natural gas industry chain in China. According to the statistics from scientific survey of National Energy Administration, it is estimated that China's natural gas consumption will exceed 430 billion cubic meters in 2025 and total consumption will be over 550 billion cubic meters in 2030. On the international level, the Russia-Ukraine conflict has resulted in the tight supply and demand for natural gas in Europe, the shifting from reliance on pipeline gas to reliance on LNG in Europe will drive the development of LNG production, equipment, storage and transportation, which further expands China's piping and pipeline network market and total international trade volume. From this, the pace of marketization of natural gas has accelerated, and the Group has seized the market opportunities brought by domestic policy directions and favorable international circumstances. In June, the Group successfully obtained the coal-to-gas conversion project from Tianjin Bohua Yongli Thermal Power Co., Ltd with the maximum annual gas consumption expecting to reach approximately 0.8 billion cubic meters in the long run. The Group also achieved remarkable performance in the first half of 2022, and the profit attributable to shareholders increased by more than 12% as compared with the corresponding period last year.

It is worth mentioning, that the two major shareholders of the Group, namely TEDA and Sinopec, signed the “Framework Agreement on Further Promoting High-quality Development of Binhai Investment Company Limited” (關於進一步推動濱海投資有限公司高品質發展的框架協定) in June 2022, which is a huge affirmation of the development prospects of the Company. Such agreement is expected to bring in new momentum in mid-to-long term, further motivate the Group to grow stronger and perform better, increase investment profits and enhance ability in professional and other services, as well as expand the Group's influence and competitiveness in the natural gas industry, thus helping the Group to step into leading position among similar enterprises. In the future, the Company will maintain its steady development pace, continue focusing on the new development stage, implement new development strategies and practice new development missions. It will further expand the derivative businesses while focusing on the revenue growth of its principal businesses, thus strengthens the Group's status and influence in the gas market. With the strong support of the two major shareholders, namely TEDA and Sinopec, the Group will capitalize the national policies and industry trends, and reward society, customers and investors with its outstanding performance for their support over the years.

## FINANCIAL REVIEW

### *Gross Profit Margin*

During the Period, the gross profit of the Group was HK\$433,733,000 (for the six months ended 30 June 2021: HK\$453,067,000) and the gross profit margin for the Group was 14.2% (for the six months ended 30 June 2021: 19.6%).

During the Period, the gross profit margin decreased compared with the corresponding period last year, mainly because of the increase of the purchase cost of natural gas in the heat supplying season.

### *Administrative Expenses*

Administrative expenses of the Group during the Period were HK\$141,763,000, representing an increase of HK\$9,904,000 or 8% as compared to HK\$131,859,000 for the corresponding period last year, which was mainly attributable to an increase in research and development expenses.

### *Profit attributable to owners of the Company*

The profit attributable to owners of the Company was HK\$258,128,000 during the Period, representing an increase of HK\$27,012,000 or 12% as compared to HK\$231,116,000 for the corresponding period last year. Such increase was mainly because of: 1) the increase of net impairment reversal on trade receivables; and 2) the decrease of income tax charge due to the increase of the deferred tax assets.

Basic earnings per ordinary share of the Company for the Period were HK\$19.09 cents, representing an increase of HK\$2.00 cents as compared to HK\$17.09 cents for the corresponding period last year.

### *Liquidity and financial resources*

As at 30 June 2022, the total borrowings of the Group were HK\$3,483,834,000 (as at 31 December 2021: HK\$3,124,749,000) and the cash and bank deposits of the Group was HK\$938,105,000 (as at 31 December 2021: HK\$897,261,000), including bank balances and cash of HK\$790,480,000 and pledged bank deposits of HK\$147,625,000. As at 30 June 2022, the Group had consolidated current assets of approximately HK\$1,437,909,000 and its current ratio was 0.47. As at 30 June 2022, the Group had a gearing ratio of approximately 152%, measured by the ratio of total consolidated borrowings of HK\$3,483,834,000 to consolidated total equity of HK\$2,295,219,000.

### ***Borrowings structure***

As at 30 June 2022, the total borrowings of the Group amounted to HK\$3,483,834,000 (as at 31 December 2021: HK\$3,124,749,000). Syndicate borrowing was 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 and carried interest rates from 3.70% to 5.60% per annum. Other secured borrowings carried the average interest rate of 4.45% per annum. Other unsecured borrowing was denominated in HK\$, carrying an interest rate of HIBOR plus 2.4%. As at 30 June 2022, short-term borrowings and the current portion of long-term borrowings amounted to HK\$1,117,422,000, 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 2022, the Group's current liabilities exceeded its current assets by approximately HK\$1,605,897,000. 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 1 July 2022.

### ***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 2022, net unrealized foreign exchange loss for the financing activities was HK\$54,646,000. 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 2022, the Group had pledged bank deposit of HK\$147,625,000 (as at 31 December 2021: HK\$155,080,000).

Pipeline networks with net carrying amount as at 30 June 2022 of approximately HK\$368,000,000 (approximately RMB314,000,000) were pledged as security for the related borrowing.

### ***Final Dividend***

Based on the annual profit of the Company for the year ended 31 December 2021 and taking into account the financial position of the Company, the Board recommended a final dividend of HK\$0.090 per ordinary share for the year ended 31 December 2021 (the "2021 Final Dividend") (a final dividend of HK\$0.079 per ordinary share was recommended for the year ended 31 December 2020). The 2021 Final Dividend was approved by the holders of ordinary shares at the annual general meeting of the Company for the year ended 31 December 2021 held on 13 May 2022 (the "2022 AGM"), and was paid on 10 June 2022. The actual amount of the 2021 Final Dividend paid was approximately HK\$121,682,000.

### ***Interim Dividend***

The Board does not declare any interim dividend for the Period (2021: 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 2022, the Group did not have any significant contingent liabilities.

## **EMPLOYEES**

As at 30 June 2022, the Group had a total of 1,687 employees (as at 31 December 2021: 1,674). During the Period, the salaries and wages of the employees were HK\$117,292,000 (for the six months ended 30 June 2021: HK\$120,519,000) and among these, approximately HK\$18,600,000 was recorded as research and development expenses (for the six months ended 30 June 2021: approximately HK\$18,900,000).

## **AUDIT COMMITTEE**

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in accordance with the 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 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 Listing Rules, except for code provision F.2.2 of the CG Code. Code provision F.2.2 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 Zhiyong, the chairman of the Board of the Company, was unable to attend the 2022 AGM. Mr. ZUO Zhi Min, an executive Director and Vice Chairman of the Board of the Company who attended and acted as the chairman of the 2022 AGM, together with other members of the Board who attended the 2022 AGM were available to answer and capable of answering questions from the shareholders at the 2022 AGM to ensure effective communication with the shareholders of the Company. The Company considers that the aforesaid arrangement could sufficiently fulfill the principle that the Company should arrange to address questions from shareholders at the 2022 AGM even though the Chairman of the Board of the Company could not attend.

## **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, 11 August 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*