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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 2023

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 2023 (the “**Period**”) together with the comparative unaudited figures for the corresponding period in 2022. The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

	Unaudited Six months Ended 30 June 2023 HK\$'000	Unaudited Six months Ended 30 June 2022 HK\$'000	Percentage Change
Revenue	3,119,303	3,046,876	2%
Gross profit	384,415	433,733	-11%
Profit for the Period	170,481	263,521	-35%
Basic earnings per share attributable to owners of the Company during the Period	12.31 cents	19.09 cents	-36%
	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000	Percentage Change
Total assets	7,984,839	8,570,664	-7%
Total equity	2,203,286	2,285,986	-4%
Total liabilities	5,781,553	6,284,678	-8%

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers	6	3,119,303	3,046,876
Cost of sales and services	9	(2,734,888)	(2,613,143)
Gross profit		384,415	433,733
Other income	7	68,424	21,377
Administrative expenses	9	(143,913)	(141,763)
Net impairment reversal on financial and contract assets		17,317	32,186
Other losses — net	8	(39,815)	(27,609)
Operating profit		286,428	317,924
Finance income	10	2,847	5,652
Finance costs	10	(81,620)	(49,209)
Finance costs — net	10	(78,773)	(43,557)
Share of net profit of associates and joint ventures accounted for using the equity method		5,369	3,163
Profit before income tax		213,024	277,530
Income tax expense	11	(42,543)	(14,009)
Profit for the Period		170,481	263,521
Profit for the Period attributable to:			
— Owners of the Company		166,436	258,128
— Non-controlling interests		4,045	5,393
		170,481	263,521
		<i>HK\$ cents</i>	<i>HK\$ cents</i>
Earnings per share attributable to owners of the Company:	13		
— Basic earnings per share		12.31	19.09
— Diluted earnings per share		12.27	19.03

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit for the Period	170,481	263,521
Other comprehensive loss		
<i>Items that will not be reclassified to profit or loss</i>		
— Exchange differences on translation of financial statements of the Company	(11,674)	(20,092)
<i>Items that may be reclassified to profit or loss</i>		
— Exchange differences on translation of foreign operations	(85,584)	(89,315)
	(97,258)	(109,407)
Total comprehensive income for the Period	73,223	154,114
Total comprehensive income for the Period is attributable to:		
— Owners of the Company	72,434	152,225
— Non-controlling interests	789	1,889
	73,223	154,114

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
	Notes		
ASSETS			
Non-current Assets			
Property, plant and equipment	14	5,710,914	5,845,395
Right-of-use assets		192,744	209,185
Investment properties		5,903	6,301
Intangible assets		70,076	51,002
Investments accounted for using the equity method		288,424	78,796
Prepayments		95,576	267,390
Deferred income tax assets	20	27,123	33,730
Restricted cash		10,724	143,068
		<u>6,401,484</u>	<u>6,634,867</u>
Current Assets			
Inventories		122,196	138,853
Trade and other receivables	15	449,849	336,536
Notes receivable		22,429	6,394
Contract assets		15,742	13,819
Prepayments		211,120	565,149
Restricted cash		24,211	29,796
Cash and cash equivalents		737,808	845,250
		<u>1,583,355</u>	<u>1,935,797</u>
Total Assets		<u>7,984,839</u>	<u>8,570,664</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		330,203	377,203
— Ordinary shares	16	135,203	135,203
— Redeemable preference shares	16	195,000	242,000
Share premium		—	175,305
Other reserves		(154,193)	(70,563)
Retained earnings		1,945,563	1,739,025
Equity attributable to owners of the Company		2,121,573	2,220,970
Non-controlling interests		81,713	65,016
Total Equity		<u>2,203,286</u>	<u>2,285,986</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2023

		Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
	<i>Notes</i>		
LIABILITIES			
Non-current Liabilities			
Borrowings	<i>18</i>	1,519,477	2,328,391
Deferred income	<i>19</i>	132,375	140,782
Lease liabilities		8,405	15,622
Deferred income tax liabilities	<i>20</i>	—	—
Trade and other payables	<i>17</i>	2,887	10,914
		1,663,144	2,495,709
Current Liabilities			
Trade and other payables	<i>17</i>	1,085,067	1,282,003
Contract liabilities		623,336	887,355
Current income tax liabilities		33,141	31,781
Borrowings	<i>18</i>	2,368,302	1,575,868
Lease liabilities		8,563	11,962
		4,118,409	3,788,969
Total Liabilities		5,781,553	6,284,678
Total Equity and Liabilities		7,984,839	8,570,664

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

Changes in equity of the Group during the six months ended 30 June 2023 and 2022 are as follows:

	Unaudited						Total Equity HK\$'000
	Attributable to owners of the Company					Non- controlling interests HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
At 1 January 2022 (audited)	437,203	175,305	56,297	1,583,546	2,252,351	70,436	2,322,787
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)
At 30 June 2022 (unaudited)	<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>
At 1 January 2023 (audited)	377,203	175,305	(70,563)	1,739,025	2,220,970	65,016	2,285,986
Profit for the Period	—	—	—	166,436	166,436	4,045	170,481
Other comprehensive loss for the Period	—	—	(94,002)	—	(94,002)	(3,256)	(97,258)
Total comprehensive (loss)/income for the Period	—	—	(94,002)	166,436	72,434	789	73,223
Dividends provided for Company's shareholders	—	—	—	(135,203)	(135,203)	—	(135,203)
Contribution from non-controlling interests	—	—	—	—	—	20,000	20,000
Specialised reserve(Note)	—	—	10,372	—	10,372	—	10,372
Conversion of share premium to retained earnings	—	(175,305)	—	175,305	—	—	—
Dividend provided for non-controlling interests	—	—	—	—	—	(4,092)	(4,092)
Redemption of preferences shares	(47,000)	—	—	—	(47,000)	—	(47,000)
At 30 June 2023 (unaudited)	<u>330,203</u>	<u>—</u>	<u>(154,193)</u>	<u>1,945,563</u>	<u>2,121,573</u>	<u>81,713</u>	<u>2,203,286</u>

Note: Pursuant to “Regulations for Withdrawal and Use of Expenses for Safety Production Funds of Enterprises”, the Company is required to provide safety production funds as specialised reserve based on revenue from sales of piped natural gas and gas passing through service of the previous year. These funds were used for repair, maintenance and installing safety facilities. The movement of specialised reserve in this period refers to the difference between the amount provided according to relevant laws and regulations and the amount utilised during the period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Cash generated from operations	288,015	262,196
Interest received	2,847	5,367
Income tax paid	<u>(35,607)</u>	<u>(57,915)</u>
Net cash inflow from operating activities	<u>255,255</u>	<u>209,648</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(257,974)	(290,831)
Payments for land use rights	(5,085)	(41,988)
Payments for intangible assets	(194)	(3,584)
Proceeds from disposal of property, plant and equipment	295	21,716
Placement of restricted cash	(7)	(9)
Withdrawal of restricted cash	130,163	745
Payments for acquiring an equity investment	(46,549)	—
Payments for acquiring a subsidiary	(36,963)	—
Dividends from an associate	754	—
Government grant received	<u>43,450</u>	<u>1,785</u>
Net cash outflow from investing activities	<u>(172,110)</u>	<u>(312,166)</u>
Cash flows from financing activities		
Proceeds from borrowings	605,182	805,090
Repayments of borrowings	(492,981)	(360,133)
Principal elements of lease payments	(5,797)	(8,068)
Interest paid	(106,617)	(61,826)
Proceeds from non-controlling interests in a subsidiary for capital increase	20,000	—
Redemption of redeemable preference shares	(47,000)	(60,000)
Dividend paid to the Company's shareholders	<u>(135,200)</u>	<u>(121,682)</u>
Net cash (outflow)/inflow from financing activities	<u>(162,413)</u>	<u>193,381</u>
Net (decrease)/increase in cash and cash equivalents	(79,268)	90,863
Cash and cash equivalents at the beginning of the Period	845,250	742,181
Effects of exchange rate difference	<u>(28,174)</u>	<u>(42,564)</u>
Cash and cash equivalents at the end of the Period	<u>737,808</u>	<u>790,480</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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**”) (an indirect wholly-owned subsidiary of TEDA Investment Holding Co., Ltd. (“**TEDA**”)), together with TEDA’s other subsidiaries, hold approximately 40% of the total ordinary shares of the Company in issue. Great Wall Energy Investment (Hong Kong) Limited (“**Great Wall Energy HK**”) (a wholly-owned subsidiary of China Petroleum & Chemical Corporation (“**Sinopec**”)) holds approximately 29.99% of the total ordinary shares of the Company in issue. TEDA and Sinopec are the two largest ultimate 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 2023, the Group’s current liabilities exceeded its current assets by approximately HK\$2,535,054,000. The Group’s current liabilities as at 30 June 2023 included primarily trade and other payables, contract liabilities and current borrowings of approximately HK\$1,085,067,000, HK\$623,336,000 and HK\$2,368,302,000, respectively.

Based on the considerations that 1) the Group will maintain its profitability and generate net cash from its operations, and 2) the Group has access to contracted or secured loan facilities totaling approximately RMB1,788,128,000 (equivalent to approximately HK\$1,932,694,000) from certain banks and other financial institutions as of the date of approval of these consolidated financial statements, management concluded that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due in the coming twelve months from 30 June 2023.

The Directors have reviewed the management's assessment together with the underlying basis and are satisfied that it is appropriate to prepare the consolidated 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 2022.

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 2023 and do not have a material impact on the Group:

- *HKFRS 17 Insurance Contracts*
- *Disclosure of Accounting Policies — Amendments to HKAS 1 and HKFRS Practice Statement 2*
- *Definition of Accounting Estimates — Amendments to HKAS 8*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments to HKAS 12*

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 2023 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 2022.

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 2023, 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 2022.

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

5.2 Liquidity risk

Compared to the year end of 2022, 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 2023, financial instruments included in level 3 comprise notes receivables which were classified as financial assets at fair value through other comprehensive income. Notes receivables of HK\$22,429,000 (31 December 2022: HK\$6,394,000) 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

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

	Unaudited			
	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>	Total <i>HK\$'000</i>
Six months ended 30 June 2023				
Total segment revenue from external customers	2,793,750	300,036	25,517	3,119,303
<i>Recognised at a point in time</i>	2,793,750	—	25,517	2,819,267
<i>Recognised over time</i>	—	300,036	—	300,036
Segment results	<u>175,807</u>	<u>186,816</u>	<u>21,792</u>	<u>384,415</u>
— Other income				68,424
— Administrative expenses				(143,913)
— Net impairment reversal on financial and contract assets				17,317
— Other losses — net				(39,815)
— Finance income				2,847
— Finance costs				(81,620)
— Share of net profit of associates and joint ventures accounted for using the equity method				<u>5,369</u>
Profit before income tax				<u>213,024</u>
Other segment information:				
Depreciation (included in cost of sales and services)	66,667	514	3,642	70,823
Depreciation (included in administrative expenses)				<u>30,548</u>
				<u>101,371</u>

Unaudited					
Six months ended 30 June 2022	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	2,663,803	337,211	30,657	15,205	3,046,876
<i>Recognised at a point in time</i>	2,663,803	—	30,657	15,205	2,709,665
<i>Recognised over time</i>	—	337,211	—	—	337,211
Segment results	<u>194,779</u>	<u>210,178</u>	<u>25,816</u>	<u>2,960</u>	<u>433,733</u>
— Other income					21,377
— Administrative expenses					(141,763)
— Net impairment reversal on financial and contract assets					32,186
— Other loss — 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					<u>3,163</u>
Profit before income tax					<u><u>277,530</u></u>
Other segment information					
Depreciation (included in cost of sales and services)	57,507	955	4,563	274	63,299
Depreciation (included in administrative expenses)					<u>34,874</u>
					<u><u>98,173</u></u>

7. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assembling services income	13,049	10,946
Rental income	352	624
Income from service of insurance agent	3,369	3,000
Income from sales of gas appliances	3,700	1,416
Income from service of maintenance	2,379	1,388
Government grants	45,575	4,003
	<u>68,424</u>	<u>21,377</u>

8. OTHER LOSSES — NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net gains from compensation for gas pipelines relocation	14,815	4,621
Net gains on disposal of property, plant and equipment	462	20,072
Net foreign exchange losses	(55,351)	(54,646)
Others	259	2,344
	<u>(39,815)</u>	<u>(27,609)</u>

9. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of gas purchased	2,463,789	2,352,710
Employee benefit expense	117,168	117,292
Depreciation	101,371	98,173
— Property, plant and equipment	93,687	90,832
— Right-of-use assets	7,684	7,341
Subcontractor and other costs	55,440	52,800
Changes in inventories of pipeline and other materials	(15,610)	(7,214)
Costs of pipeline and other material purchased	74,080	78,638
Repair expenses	6,104	13,480
Expenses relating to short term leases	2,663	2,174
Amortisation	1,963	1,807

10. FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Finance income:		
— Interest income on bank deposits	2,847	5,652
Finance costs:		
— Interest expenses	(104,017)	(66,821)
Less: amounts capitalised as construction in progress	22,397	17,612
	<u>(81,620)</u>	<u>(49,209)</u>
	<u>(78,773)</u>	<u>(43,557)</u>

11. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current income tax	38,620	54,839
Deferred income tax charge (<i>Note 20</i>)	3,923	(40,830)
	<u>42,543</u>	<u>14,009</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%.

Binhai Investment Hong Kong Company Limited (“**Binhai HK**”) is a resident of the Hong Kong Special Administrative Region under the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income” for the calendar year 2022.

According to the PRC Corporate Income Tax Law (the “**CIT Law**”), the dividends as declared by PRC incorporated subsidiaries to their foreign immediate holding companies (incorporated outside Mainland China) relating to the profits made subsequent to 1 January 2008 are subject to withholding income tax on dividend (“**Dividend tax**”) at the rate of 10% with reduced rates available under certain conditions according to relevant international tax treaties.

The Group is liable to Dividend tax on dividends actually declared and distributed from the unremitted earnings of the PRC incorporated subsidiaries as accumulated subsequent to 1 January 2008. As Binhai HK has acquired Certificate of Resident Status for year 2022, reduced rate of Dividend tax was applied.

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%. Tianjin TEDA Binhai Clean Energy Group Company Limited (“**TEDA Energy**”) was recognised as a New and High Technical Enterprise on 19 December 2022 in accordance with the applicable CIT Law for 3 years and is subject to the preferential tax rate of 15% from 2022 to 2024.

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 2023 (for the six months ended 30 June 2022: 25%).

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

12. DIVIDEND

During the Period, a final dividend of HK\$0.10 per ordinary share in respect of the year ended 31 December 2022 (the “**2022 Final Dividend**”) was recommended by the Board (a final dividend of HK\$0.090 per ordinary share was recommended for the year ended 31 December 2021). The amount of the 2022 Final Dividend paid in the Period amounted to approximately HK\$135,200,000 (six months ended 30 June 2022: approximately HK\$121,682,000).

The Directors have not resolved to declare an interim dividend for the six months ended 30 June 2023.

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.

	Unaudited	
	Six months ended 30 June	
	2023	2022
Profit attributable to owners of the Company (<i>HK\$ '000</i>)	166,436	258,128
Weighted-average number of ordinary shares for basic earnings per share (<i>thousand</i>)	1,352,025	1,352,025
Basic earnings per share (<i>HK\$ cents</i>)	12.31	19.09

(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.

	Unaudited	
	Six months ended 30 June	
	2023	2022
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u>166,436</u>	<u>258,128</u>
Weighted-average number of ordinary shares for diluted earnings per share (<i>thousand</i>)	<u>1,356,297</u>	<u>1,356,295</u>
Diluted earnings per share (<i>HK\$ cents</i>)	<u>12.27</u>	<u>19.03</u>

14. PROPERTY, PLANT AND EQUIPMENT

	Unaudited	Unaudited
	As at	As at
	30 June	30 June
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book amount	5,845,395	5,893,191
Additions	203,964	266,753
Sales and disposals	(167)	(25,449)
Depreciation charges	(93,687)	(90,832)
Currency translation differences	(244,591)	(234,549)
Closing net book amount	<u>5,710,914</u>	<u>5,809,114</u>

15. TRADE AND OTHER RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Trade receivables from third parties:		
— Construction and gas pipeline installation service	270,331	264,343
— Sales of piped natural gas	29,678	54,096
— Gas passing through service	1,916	1,836
	<u>301,925</u>	<u>320,275</u>
<i>Less: provision for impairment loss allowance</i>	<u>(57,580)</u>	<u>(80,953)</u>
	<u>244,345</u>	<u>239,322</u>
Trade receivables from related parties (<i>Note 22</i>)		
— Sales of piped natural gas	12,712	4,870
— Gas passing through service	—	11
— Construction and gas pipeline installation service	6,705	3,289
	<u>19,417</u>	<u>8,170</u>
<i>Less: provision for impairment loss allowance</i>	<u>(5,591)</u>	<u>(5,854)</u>
	<u>13,826</u>	<u>2,316</u>
Other receivables	194,364	98,339
<i>Less: provision for impairment loss allowance</i>	<u>(2,686)</u>	<u>(3,441)</u>
	<u>191,678</u>	<u>94,898</u>
Total trade and other receivables	<u><u>449,849</u></u>	<u><u>336,536</u></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:

	Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
0-90 days	73,364	109,024
91-180 days	21,450	14,075
181-365 days	37,552	41,544
Over 365 days	188,976	163,802
	<u><u>321,342</u></u>	<u><u>328,445</u></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

	Unaudited As at 30 June 2023		Audited As at 31 December 2022	
	Number of shares '000	Amounts HK\$'000	Number of shares '000	Amounts HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<u><u>2,280,000</u></u>	<u><u>228,000</u></u>	<u><u>2,280,000</u></u>	<u><u>228,000</u></u>
Issued and fully paid:	<u><u>1,352,025</u></u>	<u><u>135,203</u></u>	<u><u>1,352,025</u></u>	<u><u>135,203</u></u>
Redeemable preference shares of HK\$50.00 each, issued and fully paid	<u><u>3,900</u></u>	<u><u>195,000</u></u>	<u><u>4,840</u></u>	<u><u>242,000</u></u>
Issued and fully paid:		<u><u>330,203</u></u>		<u><u>377,203</u></u>

17. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	573,740	645,755
Other payables	509,133	602,367
Accrued expenses	5,081	44,795
	<u>1,087,954</u>	<u>1,292,917</u>
Total trade and other payables	1,087,954	1,292,917
<i>Less: non-current portion of trade and other payables</i>	<u>(2,887)</u>	<u>(10,914)</u>
	1,085,067	1,282,003
Current portion	<u><u>1,085,067</u></u>	<u><u>1,282,003</u></u>

As at 30 June 2023, the ageing analysis of the trade payables based on suppliers' invoice date is as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-90 days	107,404	233,241
91-180 days	65,875	53,531
181-365 days	88,715	68,872
Over 365 days	311,746	290,111
	<u>573,740</u>	<u>645,755</u>
	<u><u>573,740</u></u>	<u><u>645,755</u></u>

18. BORROWINGS

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current			
Secured			
— Syndicated borrowing	<i>(a)</i>	—	889,407
— Bank borrowings	<i>(b)</i>	1,211,185	1,018,507
— Other borrowings	<i>(c)</i>	308,292	420,477
		<hr/>	<hr/>
Total non-current borrowings		1,519,477	2,328,391
		<hr/>	<hr/>
Current			
Secured			
— Syndicated borrowing	<i>(a)</i>	946,003	104,543
— Bank borrowings	<i>(b)</i>	452,532	476,284
— Other borrowings	<i>(c)</i>	834,767	873,041
		<hr/>	<hr/>
		2,233,302	1,453,868
		<hr/>	<hr/>
Unsecured			
— Bank borrowings	<i>(b)</i>	135,000	122,000
		<hr/>	<hr/>
Total current borrowings		2,368,302	1,575,868
		<hr/>	<hr/>
Total borrowings		3,887,779	3,904,259
		<hr/> <hr/>	<hr/> <hr/>

Notes:

a) Syndicated borrowing

As at 30 June 2023, syndicate borrowing of approximately HK\$946,003,000 (31 December 2022: HK\$993,950,000) is guaranteed by TEDA, the largest ultimate shareholder of the Company. Its annual interest rate was originally the London Interbank Offered Rate (“LIBOR”) plus 2.6% and LIBOR was changed to the Secure Overnight Financing Rate (“SOFR”) from 12 December 2022 pursuant to a supplemental agreement. Interests are payable quarterly and the principal will be due for repayment by installments until June 2024.

b) Bank borrowings

Details of the bank borrowings are summarised as below:

	Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
Non-current bank borrowings:		
Secured (<i>Note</i>)	<u>1,211,185</u>	<u>1,018,507</u>
Current bank borrowings:		
Secured (<i>Note</i>)	452,532	476,284
Unsecured	<u>135,000</u>	<u>122,000</u>
	<u>587,532</u>	<u>598,284</u>
	<u><u>1,798,717</u></u>	<u><u>1,616,791</u></u>

Notes:

The details of secured bank borrowings are as below:

	Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
Collateral security or guarantor		
Secured using the rights to the earnings of certain subsidiaries and certain trade receivables	735,841	661,626
Time deposits amounted to approximately HK\$24 million (2022: HK\$156 million)	21,617	146,706
Guaranteed by subsidiaries of the Group	<u>906,259</u>	<u>686,459</u>
	<u><u>1,663,717</u></u>	<u><u>1,494,791</u></u>

c) **Other borrowings**

The details of other borrowings are as below:

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 <i>HK\$'000</i>
Collateral security		
Equity interest of two subsidiaries	648,508	679,040
Gas pipeline assets with net book value of approximately HK\$694 million (2022: HK\$743 million) (<i>Note</i>)	494,551	614,478
	1,143,059	1,293,518

Note: In April and December 2022, the subsidiary of the Company, TEDA Energy, signed two financial leasing contracts respectively with two independent financial leasing companies. Pursuant to the agreements, TEDA Energy transferred its gas pipeline assets to the financial leasing companies and leased them back. Details of the transactions are as follows:

	Net book values of the pipeline assets transferred <i>RMB million</i>	Consideration <i>RMB million</i>	Lease period	Lease-back rental
Transaction 1	299	300	19 April 2022 to 19 April 2025	RMB25 million per quarter
Transaction 2	343	300	30 December 2022 to 30 December 2026	RMB18.75 million per quarter
	642	600		

As the transfer of the pipeline assets does not satisfy the requirement to be accounted for as a sale of the related assets, the Group continued to recognise the transferred assets and recognised a financial liability of borrowing equal to the transfer proceeds. The financial liability was recognised as borrowings totalling RMB600 million mortgaged by TEDA Energy with the gas pipeline assets.

d) The Group's borrowings were repayable as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,368,302	1,575,868
Over one year, less than two years	969,184	1,758,396
Over two years, less than five years	485,085	438,656
Over five years	65,208	131,339
	<hr/>	<hr/>
Total	3,887,779	3,904,259
	<hr/> <hr/>	<hr/> <hr/>

19. DEFERRED INCOME

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Government grants (<i>Note a</i>)	57,593	61,443
Grants for construction projects (<i>Note b</i>)	74,782	79,339
	<hr/>	<hr/>
	132,375	140,782
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) As at 30 June 2023, certain subsidiaries of the Company had received government grants of HK\$57,593,000 (31 December 2022: HK\$61,443,000) 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.
- (b) As at 30 June 2023, grants received by certain subsidiaries of the Group for gas pipeline construction projects and heating construction projects totalling approximately HK\$74,782,000 (31 December 2022: HK\$79,339,000). The relevant assets belong to such subsidiaries of the Group, therefore the grants are classified as deferred income and will be released to profit or loss during the operating period on a straight-line basis over the estimated useful lives of the relevant assets in the future.

During the six months ended 30 June 2023, deferred income totalling HK\$2,125,000 (during the six months ended 30 June 2022: HK\$2,135,000) was recognised in profit or loss as other income.

20. DEFERRED INCOME TAX

(a) Deferred income tax assets

	Unaudited As at 30 June 2023 <i>HK\$'000</i>	Audited As at 31 December 2022 <i>HK\$'000</i>
Deferred income tax assets (“DTA”):		
— to be recovered within 12 months	12,372	16,585
— to be recovered after more than 12 months	34,442	33,532
	<u>46,814</u>	<u>50,117</u>
— Set off with deferred income tax liabilities	<u>(19,691)</u>	<u>(16,387)</u>
	<u>27,123</u>	<u>33,730</u>

The movement on DTA during the six months ended 30 June 2023 and 2022 is as follows:

	Deferred income <i>HK\$'000</i>	Impairment provisions <i>HK\$'000</i>	Accrued expenses <i>HK\$'000</i>	Tax Losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2022 (audited)	10,597	15,654	7,949	12,350	46,550
Credited/(charged) to profit or loss	14,287	(4,037)	—	13,616	23,866
Currency translation differences	(769)	(593)	(345)	(832)	(2,539)
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>
At 1 January 2023 (audited)	25,892	9,223	5,010	9,992	50,117
Charged to profit or loss	(65)	(1,009)	—	—	(1,074)
Currency translation differences	(1,163)	(392)	(225)	(449)	(2,229)
At 30 June 2023 (unaudited)	<u>24,664</u>	<u>7,822</u>	<u>4,785</u>	<u>9,543</u>	<u>46,814</u>

(b) Deferred income tax liabilities

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Deferred income tax liabilities (“DTL”):		
— to be recovered within 12 months	—	—
— to be recovered after more than 12 months	<u>19,691</u>	<u>16,387</u>
	<u>19,691</u>	<u>16,387</u>
— Set off with deferred income tax assets	<u>(19,691)</u>	<u>(16,387)</u>
	<u>—</u>	<u>—</u>

The movement on DTL during the six months ended 30 June 2023 and 2022 is as follows:

	Withholding	Accelerated	Other	Total
	tax on	depreciation	of equipments	of equipments
	unremitted	of equipments	Other	Total
	earnings	of equipments	Other	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022 (audited)	34,700	—	—	34,700
Credited to profit or loss	(16,964)	—	—	(16,964)
Dividend tax paid	(11,064)	—	—	(11,064)
Currency translation differences	<u>(900)</u>	<u>—</u>	<u>—</u>	<u>(900)</u>
At 30 June 2022 (unaudited)	<u>5,772</u>	<u>—</u>	<u>—</u>	<u>5,772</u>
At 1 January 2023 (audited)	—	16,387	—	16,387
Charged to profit or loss	—	2,849	—	2,849
Acquisition of a subsidiary	—	—	1,350	1,350
Currency translation differences	<u>—</u>	<u>(801)</u>	<u>(94)</u>	<u>(895)</u>
At 30 June 2023 (unaudited)	<u>—</u>	<u>18,435</u>	<u>1,256</u>	<u>19,691</u>

21. COMMITMENTS

a) Capital commitments

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Contracted but not provided for		
— Property, plant and equipment	383,684	432,714
— Investment for subsidiary (<i>note</i>)	—	37,833
	<u>383,684</u>	<u>470,547</u>

Note: On 29 December 2022, a wholly owned subsidiary of the Company, Nanjing Binhai Gas Company Limited* (南京濱海燃氣有限公司) (“**Nanjing Binhai**”), entered into an equity purchase agreement with the equity owners (the “**Sellers**”) of an independent third party of the Group, Nanjing Jinping Gas Company Limited* (南京金屏燃氣有限公司) (“**Nanjing Jinping**”), pursuant to which Nanjing Binhai agreed to acquire the entire equity interests of Nanjing Jinping at an initial consideration of RMB28,037,314 (subject to a post-transaction adjustment). It was also agreed that Nanjing Jinping should repay an amount totalling RMB6,448,445 due to one of the Sellers and a company associated with the Sellers within 10 working days from the date of business registration of the change in shareholder. This equity acquisition was completed on 1 February 2023 and the final agreed equity consideration is RMB26,981,065.

b) Non-cancellable operating leases

Lessor

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

	Unaudited As at 30 June 2023 HK\$'000	Audited As at 31 December 2022 HK\$'000
Minimum lease payments receivable on leases of investment properties are as follows:		
Within 1 year	549	575
Between 1 and 2 years	549	773
Between 2 and 3 years	549	971
Between 3 and 4 years	549	1,169
Between 4 and 5 years	360	1,367
Over 5 years	2,396	2,697
	<u>4,952</u>	<u>7,552</u>

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 2023	Audited As at 31 December 2022
TEDA HK	The largest shareholder	Hong Kong	35.93%	35.43%
TEDA	The ultimate parent of TEDA HK	PRC	40.00%	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%

b) Transactions with related parties

i. Sales of piped natural gas

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Entities controlled by TEDA	121,174	57,554
Other related parties	5,480	3,736
Joint ventures	4,264	11,168
Entities controlled by Sinopec	977	1,566
	<u>131,895</u>	<u>74,024</u>

ii. Construction and gas pipeline installation services

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other related parties	7,833	—
Entities controlled by TEDA	342	4,628
Entities controlled by Sinopec	—	74
	<u>8,175</u>	<u>4,702</u>

iii. Gas passing through income

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Joint ventures	<u>67</u>	<u>309</u>

iv. Rental income

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Joint ventures	<u>175</u>	<u>389</u>

v. Compensation for gas pipelines reconstruction

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Entities controlled by TEDA	<u>10,186</u>	<u>—</u>

vi. *Purchases of gas*

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Entities controlled by Sinopec	1,167,390	1,008,464
Joint ventures	465	1,964
	<u>1,167,855</u>	<u>1,010,428</u>

vii. *Purchases of gasoline and others*

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Entities controlled by Sinopec	1,344	704
Entities controlled by TEDA	15	32
	<u>1,359</u>	<u>736</u>

viii. *Interest expenses*

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Entities controlled by Sinopec	14,843	16,125
Associate	—	761
	<u>14,843</u>	<u>16,886</u>

ix. *Other service expenses*

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Other related parties	24	—
Entities controlled by TEDA	—	2,589
Entities controlled by Sinopec	—	2
	<u>24</u>	<u>2,591</u>

x. *Sales of gas meters and others*

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other related parties	154	—
Entities controlled by TEDA	46	1,283
Associate	16	—
	<u>216</u>	<u>1,283</u>

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Associate	—	20,235
	<u>—</u>	<u>20,235</u>

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*

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Entities controlled by TEDA	15,820	8,024
Other related parties	3,597	135
Joint ventures	—	11
	<u>19,417</u>	<u>8,170</u>

(ii) *Prepayments*

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Entities controlled by Sinopec	<u>47,161</u>	<u>314,341</u>

(iii) *Trade and other payables*

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Joint ventures	3,088	201
Entities controlled by TEDA	504	528
Other related parties	62	59
Entities controlled by Sinopec	<u>16</u>	<u>8,060</u>
	<u>3,670</u>	<u>8,848</u>

(iv) *Contract liabilities*

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Entities controlled by TEDA	17,968	85,824
Other related parties	2,254	4,440
Entities controlled by Sinopec	<u>231</u>	<u>140</u>
	<u>20,453</u>	<u>90,404</u>

(v) *Borrowings*

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Entities controlled by Sinopec	648,508	679,040

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

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

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

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

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

e) **Compensation of key management personnel**

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Fees	1,232	1,196
Salaries, share options and other allowances	2,784	3,990
Pension costs	129	117

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the sales of piped natural gas, construction and gas pipeline installation service and gas passing through service.

Sales of Piped Natural Gas

During the Period, consumption of piped natural gas by domestic and industrial users amounted to approximately $6,433 \times 10^6$ and $20,408 \times 10^6$ mega-joules respectively, as compared to $6,485 \times 10^6$ and $18,552 \times 10^6$ 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\$2,793,750,000, representing an increase of HK\$129,947,000 or 5% compared to the amount of HK\$2,663,803,000 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 2023, the aggregate length of city medium-pressure gas pipeline networks was approximately 3,825 kilometers, representing an increase of 104 kilometers from the length of 3,721 kilometers as at 31 December 2022, while the aggregate length of high-pressure and sub-high-pressure gas pipeline networks was approximately 649 kilometers, representing an increase of 1 kilometer from the length of 648 kilometers as at 31 December 2022. During the Period, income of the Group from construction and gas pipeline installation service amounted to approximately HK\$300,036,000, representing a decrease of HK\$37,175,000 or 11% compared to the amount of HK\$337,211,000 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 312,794,208 cubic meters and gas passing through service income amounted to approximately HK\$25,517,000, representing a decrease of HK\$5,140,000 or 17% compared to the amount of HK\$30,657,000 for the corresponding period last year.

Property Development

As at 30 June 2023, 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

With the society in Mainland China fully returning to normal, the policy of “stabilizing growth, employment and prices” is gradually beginning to show its effect. At the meeting of the Political Bureau of the CPC Central Committee, it was proposed that the real estate policy should be adjusted and optimized in a timely manner, with focus on expanding domestic demand, so as to lay a solid foundation for the achievement of the expected annual economic and social development goals. According to the “Report on China's Natural Gas Development (2023)” released by the National Energy Administration, in the first half of 2023, national natural gas consumption reached 194.1 billion cubic meters, representing a year-on-year increase of 5.6%. In its quarterly Natural Gas Market Report, the International Energy Agency indicated that it expects China's natural gas consumption to grow by more than 6% in 2023, providing support to the Asia region's overall natural gas consumption growth of nearly 3%. This shows that both China and foreign countries are bullish on China's natural gas consumption this year.

Since the beginning of the year, a lot of places in China have been promoting the improvement of the upstream and downstream price linkage mechanism for natural gas. Hunan, Inner Mongolia, Zhejiang and other provinces have initiated the upstream-downstream pricing-rationalization mechanism one after another, which has been showing initial success in some areas, demonstrating remarkable results of the market-based reform of natural gas. The improvement of the price adjustment mechanism is conducive to the recovery and stability of natural gas price differentials, and it eases the procurement pressure of city fuel enterprises. In the future, there will still be room for natural gas price rationalization adjustment, and the consumption attributes of natural gas will continue to be strengthened. On the international front, the price of natural gas has continued to fall overseas due to ample natural gas reserves in Europe and in the United States, while the relatively mild climate in the northern hemisphere has weakened the demand for heating. According to the US Energy Information Administration, the average monthly Henry Hub Natural Gas Spot Price in the US fell by 34% in the first half of 2023, while the price of natural gas in Europe fell by more than 60% this year. The fall in gas prices and the rise in selling price of gas to end customers are favorable to the development of city gas enterprises.

Last year, the industry was plagued by the problem of low dollar margins and the high price of gas supply was extended to the first quarter of this year. Nevertheless, the Group managed to stabilize its dollar margins in the first half of the year through flexible operations. At the same time, the Group seized the market opportunities brought about by the recovery of domestic consumption and favorable policies for the industry, and its business grew steadily in the first half of 2023, with sales volume of piped gas increased by 7.2% year-on-year, the number of new customer contracts increased by exceeded 61,000, and the cumulative number of customers exceeded 2.36 million, representing a 4.46% year-on-year growth. Looking ahead to the second half of the year, gas prices will continue to fall, and the rebound in gross profit will be supported by the increase in gas sales prices. Since the Group has managed to generate revenue growth despite the difficult business environment, the rebound in gross profit is expected to drive the Group's financial performance for the year as a whole.

In addition to efforts to improve the operations, the support of the Group's two largest shareholders is also indispensable. In June last year, the two largest shareholders of the Group (or its associate), TEDA and Sinopec Natural Gas Co., Ltd. ("**Sinopec Natural Gas**"), signed the "Framework Agreement on Further Promoting the High Quality Development of Binhai Investment Company Limited". In May this year, the two major shareholders again signed the "Framework Agreement on Further Supporting the Improvement of the Industrial Chain of the Company", which focuses on assisting the Company to become a strategic platform for natural gas and clean energy for the two major shareholders and demonstrates the unanimous recognition of the good asset quality and profitability of the Southern Group. It is also the Group's intention to introduce a strategic investor into the Southern Group. With respect to the construction of gas storage and peak shaving capabilities and trading of gas sources, Sinopec Natural Gas supports the Group in acquiring part of its equity interest in the natural gas storage and transportation facilities, which is expected to help the Group to complete the required construction of gas storage and peak shaving capabilities within the corresponding window in acquiring the equity interest. Sinopec Natural Gas has also agreed to support the Group in lowering the cost of natural gas procurement through trading and the formation of a profit model for the trading business through its superiority in upstream resources, which will enhance the Group's cost control capability and profitability at the gas source end. In respect of gas source support, Sinopec Natural Gas supports the Group in giving full play to its important role in the field of terminal distribution by further providing competitive support for gas volume, gas price, and target exchange to the Company's subsidiaries as far as its own situation permits. The above three items have been agreed and supported by TEDA. In respect of regional market integration, both parties have agreed to fully utilize their respective strengths in government relations, upstream resources and market expansion, jointly support the Group in integrating the gas market in and around Binhai New Area, Tianjin, so as to enhance the market influence of the signing parties and the Group in the above region.

In the future, the Group will continue to accelerate the process of upstream and downstream industrial chain integration. The Group's core objective is the integration of upstream, midstream and downstream. The acquisition of a 2% equity interest in Sinopec Tianjin LNG Co. Ltd.* (中石化天津液化天然氣有限責任公司) (“**Sinopec LNG**”) by Binhai Investment (Tianjin) Company Limited* (濱海投資(天津)有限公司) (“**Binhai Investment (Tianjin)**”), a wholly-owned subsidiary of the Company, in February of the first half of the year will help the Group to meet the gas storage and peak shaving requirements under the PRC national policies. The storage and processing operations of Sinopec LNG in the midstream of the natural gas market can help the Group to connect the upstream resources, gas source trading and the downstream market, which is conducive to the integration of upstream and downstream industrial chains of the Group. Meanwhile, the Company has continued to develop its integrated energy business, which includes the “Cooperation Framework Agreement for Construction and Operation of Integrated Smart Energy” entered into between Binhai Investment (Tianjin) and Tianjin TEDA Science and Technology City Investment Company Limited* (天津泰達科創城投資有限公司), a wholly-owned subsidiary of TEDA, in relation to the TEDA Science and Technology Innovation City project, to provide comprehensive customized development and utilization solutions for new and clean energy such as photovoltaic and geothermal energy in the TEDA Science and Technology Innovation City. Binhai Investment (Tianjin) and Sinopec New Star (Tianjin) New Energy Company Limited* (中石化新星(天津)新能源有限公司) (“**Sinopec New Star (Tianjin)**”) entered into the “Cooperation Framework Agreement for Integrated Energy Project” for the development and utilization of geothermal resources, cooling services, research and development of waste heat, waste pressure and waste gas utilization technologies, etc. within the operating scope of Sinopec New Star (Tianjin), creating a clean energy supplier with industry characteristics. A “Strategic Framework Agreement” was also entered into by Binhai Investment (Tianjin) with Tianjin Capital Environmental Protection Group Company Limited for the heat supply service of the energy supply project in Balitai Town in Tianjin, by providing powerful support for the heating services of the energy supply project of Binhai Investment (Tianjin) in Balitai Town and establish a strategic cooperative relationship through mutual interests for in-depth cooperation between both parties in the field of integrated energy heating in the future, so as to achieve complementary advantages and mutual benefits and also help enhance the competitiveness of the Group as an integrated energy supplier.

Looking ahead, the Group will continue to capitalize on the prospect of the “X+1+X” policy and, with the support of TEDA and Sinopec Natural Gas, seize the opportunities arising from the market-oriented reforms during the period of the “14th Five-Year Plan”, by focusing on the growth of revenue from its principal business while simultaneously expanding value-added business and integrated energy business. Through the exploration and creation of new profit growth points, the Group will realise sustainable development and strive to bring substantial investment returns to the shareholders of the Company.

FINANCIAL REVIEW

Gross Profit Margin

During the Period, the gross profit of the Group was HK\$384,415,000 (for the six months ended 30 June 2022: HK\$433,733,000) and the gross profit margin for the Group was 12.3% (for the six months ended 30 June 2022: 14.2%).

During the Period, the gross profit margin decreased compared with the corresponding period last year, mainly because of the increase of expense for safety production fund.

Administrative Expenses

Administrative expenses of the Group during the Period were HK\$143,913,000, representing an increase of HK\$2,150,000 or 2% as compared to HK\$141,763,000 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\$166,436,000 during the Period, representing a decrease of HK\$91,692,000 or 36% as compared to HK\$258,128,000 for the corresponding period last year. Such decrease was mainly because of the decrease of gross profit and the increase of finance costs.

Basic earnings per ordinary share of the Company for the Period were HK\$12.31 cents, representing a decrease of HK\$6.78 cents as compared to HK\$19.09 cents for the corresponding period last year.

Liquidity and financial resources

As at 30 June 2023, the total borrowings of the Group were HK\$3,887,779,000 (as at 31 December 2022: HK\$3,904,259,000) and the cash and bank deposits of the Group was HK\$772,743,000 (as at 31 December 2022: HK\$1,018,114,000), including bank balances and cash of HK\$737,808,000 and pledged bank deposits of HK\$34,935,000. As at 30 June 2023, the Group had consolidated current assets of approximately HK\$1,583,355,000 and its current ratio was 0.38. As at 30 June 2023, the Group had a gearing ratio of approximately 59%. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and lease liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated by adding total equity and net debt.

Borrowings structure

As at 30 June 2023, the total borrowings of the Group amounted to HK\$3,887,779,000 (as at 31 December 2022: HK\$3,904,259,000). Syndicate borrowing was denominated in USD, carrying the interest at the rate of 2.6% plus SOFR per interest period. Secured borrowings from PRC banks were denominated in RMB and carried interest rates from 3.00% to 5.00% per annum. Unsecured borrowing from bank was denominated in HK\$, carrying interests at rates of 2.35% plus Hong Kong InterBank Offered Rate (“HIBOR”). Other secured borrowings carry interests at the rates ranging from 4.10% to 4.25% per annum. As at 30 June 2023, short-term borrowings and the current portion of long-term borrowings amounted to HK\$2,368,302,000, 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 2023, the Group’s current liabilities exceeded its current assets by approximately HK\$2,535,054,000. 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 2023.

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 2023, net unrealized foreign exchange loss for the financing activities was HK\$55,351,000. 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 2023, the Group had pledged bank deposit of HK\$34,935,000 (as at 31 December 2022: HK\$172,864,000).

The net carrying amount of pipelines and equipment as at 30 June 2023 amounting to approximately HK\$694,241,000 (as at 31 December 2022: HK\$742,762,000) were pledged as security for the related borrowings.

Final Dividend

Based on the annual profit of the Company for the year ended 31 December 2022 and taking into account the financial position of the Company, the Board recommended a final dividend of HK\$0.10 per ordinary share for the year ended 31 December 2022 (the “**2022 Final Dividend**”) (a final dividend of HK\$0.090 per ordinary share was recommended for the year ended 31 December 2021). The 2022 Final Dividend was approved by the holders of ordinary shares at the annual general meeting of the Company for the year ended 31 December 2022 held on 12 May 2023 (the “**2023 AGM**”), and was paid on 9 June 2023. As of the end of the Period, the actual amount of the 2022 Final Dividend paid was approximately HK\$135,200,000.

Interim Dividend

The Board does not declare any interim dividend for the Period (2022: 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 2023, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 30 June 2023, the Group had a total of 1,723 employees (as at 31 December 2022: 1,722). During the Period, the salaries and wages of the employees were HK\$117,168,000 (for the six months ended 30 June 2022: HK\$117,292,000) and among these, approximately HK\$20,600,000 was recorded as research and development expenses (for the six months ended 30 June 2022: approximately HK\$18,600,000).

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 four independent non-executive Directors, namely Mr. LAU Siu Ki, Kevin, Mr. IP Shing Hing, *B.B.S., J.P.*, Professor Japhet Sebastian LAW and Dr. TANG Lai Wah, and Mr. LAU Siu Ki, Kevin, the chairman of the committee, and Dr. TANG Lai Wah are qualified accountants. 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 set out in Appendix 14 to the Listing Rules.

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, 17 August 2023

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. HU Hao, Mr. WANG Xin and Mr. GAO Liang, three non-executive Directors, namely, Mr. WANG Gang, Mr. SHEN Hong Liang and Mr. YU Ke Xiang and four independent non-executive Directors, namely, Mr. IP Shing Hing, B.B.S., J.P., Mr. LAU Siu Ki, Kevin, Professor Japhet Sebastian LAW and Dr. TANG Lai Wah.

** For identification purposes only*