



濱海投資有限公司  
BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)

Stock Code: 2886



2014  
*Interim Report*

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 2014 (the "period") together with the comparative unaudited figures for the corresponding period in 2013. The unaudited condensed consolidated financial statements have been reviewed by the audit committee of the Company.

## FINANCIAL HIGHLIGHTS

	<b>Unaudited Six months ended 30 June 2014 HK\$'000</b>	Unaudited Six months ended 30 June 2013 HK\$'000	Percentage Change
Revenue	<b>1,261,811</b>	990,895	27%
Gross profit	<b>214,924</b>	202,125	6%
Profit for the period	<b>84,509</b>	77,750	9%
Basic earnings per share attributable to owners of the Company during the period	<b>0.71 cent</b>	0.65 cent	0.06 cent

	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000	Percentage Change
Total assets	<b>3,729,878</b>	3,847,329	(3%)
Total equity	<b>947,163</b>	872,095	9%
Total liabilities	<b>2,782,715</b>	2,975,234	(6%)

## FINANCIAL INFORMATION

### Condensed Consolidated Income Statement

		<b>Unaudited Six months ended 30 June</b>	
		<b>2014</b>	2013
		<b>HK\$'000</b>	HK\$'000
	<i>Note</i>		
Revenue	5	<b>1,261,811</b>	990,895
Costs of sales		<b>(1,046,887)</b>	(788,770)
<b>Gross profit</b>		<b>214,924</b>	202,125
Other income and gains — net	7	<b>24,445</b>	14,297
Administrative expenses		<b>(61,334)</b>	(65,376)
		<b>178,035</b>	151,046
Finance costs — net	8	<b>(61,605)</b>	(42,479)
Share of gains/(losses) of investments accounted for using the equity method		<b>958</b>	(280)
<b>Profit before taxation</b>		<b>117,388</b>	108,287
Income tax expenses	9	<b>(32,879)</b>	(30,537)
<b>Profit for the period</b>		<b>84,509</b>	77,750
<b>Attributable to:</b>			
— Owners of the Company		<b>82,789</b>	75,858
— Non-controlling interests		<b>1,720</b>	1,892
		<b>84,509</b>	77,750
<b>Earnings per ordinary share</b>	11		
— basic (HK cent)		<b>0.71 cent</b>	0.65 cent
— diluted (HK cent)		<b>0.71 cent</b>	0.65 cent

## Consolidated Statement of Comprehensive Income

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
<b>Comprehensive income</b>		
Profit for the period	<b>84,509</b>	77,750
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences	<b>(22,999)</b>	12,916
Other comprehensive income	<b>(22,999)</b>	12,916
<b>Total comprehensive income for the period</b>	<b>61,510</b>	90,666
<b>Attributable to:</b>		
— Owners of the Company	<b>60,431</b>	88,500
— Non-controlling interests	<b>1,079</b>	2,166
<b>Total comprehensive income for the period</b>	<b>61,510</b>	90,666



## Condensed Consolidated Balance Sheet

	Note	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		<b>46,033</b>	48,098
Property, plant and equipment	12	<b>2,336,931</b>	2,250,548
Investments accounted for using the equity method		<b>43,817</b>	45,781
Deferred income tax assets		<b>5,633</b>	8,924
		<b>2,432,414</b>	2,353,351
<b>Current assets</b>			
Inventories		<b>61,224</b>	49,344
Trade and other receivables	13	<b>578,745</b>	594,117
Amount due from immediate holding company		<b>—</b>	1,368
Restricted cash		<b>8,775</b>	6,368
Cash and cash equivalents		<b>504,247</b>	685,086
		<b>1,152,991</b>	1,336,283
Asset held for sale	20	<b>144,473</b>	157,695
		<b>1,297,464</b>	1,493,978
<b>Total assets</b>		<b>3,729,878</b>	3,847,329
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital			
— Ordinary shares	14	<b>92,914</b>	59,955
— Convertible preference shares	14	<b>73,561</b>	170,000
— Redeemable preferences shares	14	<b>430,000</b>	430,000
Share premium		<b>108,563</b>	1,141
Other reserves		<b>(78,932)</b>	(56,574)
Retained earnings		<b>295,546</b>	243,141
		<b>921,652</b>	847,663
<b>Non-controlling interests</b>		<b>25,511</b>	24,432
<b>Total equity</b>		<b>947,163</b>	872,095

## Condensed Consolidated Balance Sheet

	<i>Note</i>	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16	<b>835,690</b>	1,496,829
Derivative financial instruments	21	<b>122,506</b>	149,206
		<b>958,196</b>	1,646,035
<b>Current liabilities</b>			
Trade and other payables	15	<b>909,046</b>	1,005,629
Amount due to immediate holding company		<b>6,874</b>	—
Current income taxation liabilities		<b>53,693</b>	58,564
Borrowings	16	<b>854,906</b>	265,006
		<b>1,824,519</b>	1,329,199
<b>Total liabilities</b>		<b>2,782,715</b>	2,975,234
<b>Total equity and liabilities</b>		<b>3,729,878</b>	3,847,329
<b>Net current (liabilities)/assets</b>		<b>(527,055)</b>	164,779
<b>Total assets less current liabilities</b>		<b>1,905,359</b>	2,518,130

## Consolidated Statement of Changes in Equity

Changes in equity of the Group during the six months ended 30 June 2014 and 2013 are as follows:

	Unaudited						
	Owners of the Company						
	Share Capital HK\$'000	Share Premium HK\$'000	Other Reserves HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
<b>Balance at 1 January 2013</b>	659,928	424,737	111,523	(503,470)	692,718	18,294	711,012
<b>Comprehensive income</b>							
Profit for the period	–	–	–	75,858	75,858	1,892	77,750
<b>Other comprehensive income</b>							
Exchange differences	–	–	12,642	–	12,642	274	12,916
<b>Total comprehensive income for the period</b>	–	–	12,642	75,858	88,500	2,166	90,666
<b>Balance at 30 June 2013</b>	659,928	424,737	124,165	(427,612)	781,218	20,460	801,678
<b>Balance at 1 January 2014</b>	659,955	1,141	(56,574)	243,141	847,663	24,432	872,095
<b>Comprehensive income</b>							
Profit for the period	–	–	–	82,789	82,789	1,720	84,509
<b>Other comprehensive income</b>							
Exchange differences	–	–	(22,358)	–	(22,358)	(641)	(22,999)
<b>Total comprehensive income for the period</b>	–	–	(22,358)	82,789	60,431	1,079	61,510
Ordinary shares issued for exercising of conversion rights	813	43,129	–	–	43,942	–	43,942
Conversion of convertible preference shares	(64,293)	64,293	–	–	–	–	–
Distribution of dividends	–	–	–	(30,384)	(30,384)	–	(30,384)
<b>Total transactions with owners, recognised directly in equity</b>	(63,480)	107,422	–	(30,384)	13,558	–	13,558
<b>Balance at 30 June 2014</b>	596,475	108,563	(78,932)	295,546	921,652	25,511	947,163

## Condensed Consolidated Cash Flow Statement

	<b>Unaudited Six months ended 30 June</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	<b>159,518</b>	111,594
Income tax paid	<b>(37,750)</b>	(30,537)
<b>Net cash generated from operating activities</b>	<b>121,768</b>	81,057
<b>Cash flows from investing activities</b>		
Interest paid	<b>(15,505)</b>	(3,698)
Purchase of property, plant and equipment	<b>(204,995)</b>	(159,346)
Assets held for sale	<b>9,349</b>	(12,659)
Purchase of land use rights	<b>(140)</b>	—
Proceeds from disposal of property, plant and equipment	<b>26,106</b>	—
Increase in restricted cash	<b>(2,407)</b>	(431)
Interest received	<b>3,706</b>	—
<b>Net cash used in investing activities</b>	<b>(183,886)</b>	(176,134)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	—	272,738
Repayments of borrowings	<b>(39,498)</b>	(278,938)
Interest paid	<b>(40,397)</b>	(45,662)
Commitment and agency fee paid	—	(8,212)
Distribution of dividends	<b>(30,384)</b>	—
<b>Net cash used in financing activities</b>	<b>(110,279)</b>	(60,074)
<b>Net decrease in cash and cash equivalents</b>	<b>(172,397)</b>	(155,151)
Cash and cash equivalents at beginning of the period	<b>685,086</b>	818,231
Exchange (losses)/gains on cash	<b>(8,442)</b>	7,164
<b>Cash and cash equivalents at end of the period</b>	<b>504,247</b>	670,244



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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.

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

For the purpose of these financial statements, the Directors regard Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA") as the ultimate holding company.

As at 10 February 2014, the Company's ordinary shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On 28 November 2013, an application was made by the Company to the Stock Exchange for the transfer of listing of its ordinary shares from GEM to the Main Board of the Stock Exchange (the "Main Board"). The approval was granted by the Stock Exchange on 30 January 2014 for the ordinary shares of the Company to be delisted from GEM and to be listed on the Main Board commencing on 11 February 2014.

## 2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34, 'Interim financial reporting' and the disclosure requirements of the Rules Governing the Listing of Securities on the Main Board (the "Main Board Listing Rules"). The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with HKFRSSs.

As at 30 June 2014, the Company had a net current liability amounting to HK\$527,055,000, mainly due to the fact that the long-term borrowings of HK\$433,793,000 from Hong Kong syndicated banks and US\$33,147,000 from Standard Chartered Bank to be repaid within the year 2014, which were reclassified as current liabilities. As at 30 June 2014, a subsidiary of the Company signed a new long-term financing agreement, the borrowings of which will be used to repay the loans stated above. On 10 July 2014, the first loan of HK\$451,000,000 under the new facility was drawdown. Therefore, the Company has prepared these financial statements on a going concern basis.

### 3. ACCOUNTING POLICIES

The financial information has been on historical cost basis.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

The Group has adopted the following amendments and interpretation for the accounting period beginning 1 January 2014:

HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10 (Amendment)	Investment Entities
HKFRS 12 (Amendment) and HKAS 27 (2011) (Amendment)	
HK(IFRIC) – Int 21	Levies

The adoption of these amendments and interpretation has no significant impact on the results and financial position of the Group.

### 4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 4.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does 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 as at 31 December 2013.

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

## 4.2 Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities. For long-term borrowings of HK\$433,793,000 from Hong Kong syndicated banks and US\$33,147,000 from Standard Chartered Bank which were reclassified as current borrowings as at 30 June 2014, the Group expects early settlement within 2014 by borrowings under the new facility agreement for refinancing signed on 30 June 2014.

## 4.3 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial liabilities that were measured at fair value at 30 June 2014.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Liabilities</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
Interest rate swap contract	—	18,334	—	18,334
Derivative component of convertible bonds	—	—	104,172	104,172
<b>Total liabilities</b>	<b>—</b>	<b>18,334</b>	<b>104,172</b>	<b>122,506</b>

The financial instrument classified as level 2 is an interest rate swap contract entered into with a commercial bank, the fair value of which is determined using valuation models and observable data either directly or indirectly.

The financial instrument classified as level 3 is the derivative component of the convertible bonds, the fair value of which is determined using valuation models and unobservable inputs. The significant unobservable inputs are stock price and volatility of the convertible bonds.

The following table presents the Group's liabilities that were measured at fair value at 31 December 2013.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Liabilities</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
Interest rate swap contract	—	14,955	—	14,955
Derivative component of convertible bonds	—	—	134,251	134,251
<b>Total liabilities</b>	<b>—</b>	<b>14,955</b>	<b>134,251</b>	<b>149,206</b>

There were no transfers of financial instruments of the Group between different levels of the fair value hierarchy during the period.

There were no other changes in valuation techniques during the period.

For the six months ended 30 June 2014, 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.

#### *Financial instruments in level 3*

The following table presents the changes in level 3 instrument, which is the derivative liability component of the convertible bonds for the six months ended 30 June 2014.

	<b>Derivative Financial instruments HK\$'000</b>
As at 31 December 2013	134,251
Exercising of conversion rights	(21,204)
Changes in fair value	(8,875)
<b>As at 30 June 2014</b>	<b>104,172</b>
Total gains included in profit or loss for liabilities held at the end of the period, under "Other income and losses — net"	<b>8,875</b>
Changes in unrealised gains included in profit or loss at the end of the period	<b>8,875</b>



#### 4.4 Fair value of financial assets and liabilities measured at amortised cost

Except for the derivative financial instruments, the carrying amounts of the Group's financial assets including cash and cash equivalents, restricted cash and trade and other receivables (except for the prepayments), and financial liabilities including trade and other payables (except for the advance from customers, staff salaries and welfare payables and accrued taxes other than income tax) and short-term borrowings obtained at variable rates, approximate their fair value due to their short maturity. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value.

## 5. SEGMENT INFORMATION

The Group currently organises its operations into four reportable operating segments. The principal activities of the reportable segments are as follows:

On-site gas sales	—	Wholesale of liquefied petroleum gas ("LPG") to individual agents directly from the suppliers' depots
Bottled gas sales	—	Sales of bottled gas
Piped gas sales	—	Sales of piped gas through the Group's pipeline networks
Connection service	—	Construction of gas pipelines and installation of appliances to connect customers to the Group's pipeline networks under connection contracts

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker(s) for the purpose of allocating resources to segments and assessing their performance. The chief operating decision makers of the Group have been identified as the executive Directors (the "Executive Directors").

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

Amounts of segment assets and liabilities of the Group are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors.

Six months ended 30 June 2014

**Revenue**

- Tianjin TEDA Tsinlien Gas Co., Ltd. (“TEDA Gas”), Tianjin Eco-city Energy Investment Construction Co., Ltd. (“Tianjin Eco-city”), Tianjin Pipe and its associates
- Other customers

**Revenue from external customers**

**Segment results**

- Other income and gains – net
- Administrative expenses
- Finance costs – net
- Share of gains of investments accounted for using the equity method

**Profit before income tax**

*Other information for reportable segments:*

- Depreciation
- Amortization

	Unaudited				Total HK\$'000
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	
	–	–	339,736	–	339,736
	82,212	10,236	554,919	274,708	922,075
<b>Revenue from external customers</b>	<b>82,212</b>	<b>10,236</b>	<b>894,655</b>	<b>274,708</b>	<b>1,261,811</b>
<b>Segment results</b>	<b>89</b>	<b>1,141</b>	<b>25,026</b>	<b>188,668</b>	<b>214,924</b>
					24,445
					(61,334)
					(61,605)
					958
<b>Profit before income tax</b>					<b>117,388</b>
Depreciation	(160)	(65)	(35,375)	(479)	(36,079)
Amortization	(70)	(10)	(709)	(210)	(999)

Six months ended 30 June 2013	Unaudited				Total HK\$'000
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	
<b>Revenue</b>					
– TEDA Gas, Tianjin Eco-city, Tianjin Pipe and its associates	–	–	227,808	–	227,808
– Other customers	127,430	9,003	434,473	192,181	763,087
<b>Revenue from external customers</b>	127,430	9,003	662,281	192,181	990,895
<b>Segment results</b>	3,335	805	79,336	118,649	202,125
– Other income and losses – net					14,297
– Administrative expenses					(65,376)
– Finance costs – net					(42,479)
– Share of losses of investments accounted for using the equity method					(280)
<b>Profit before income tax</b>					108,287

Other information for reportable segments:

Depreciation	(376)	(119)	(28,218)	(549)	(29,262)
Amortization	(74)	(6)	(593)	(107)	(780)

## 6. EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Costs of sales	1,013,052	761,319
Depreciation	36,079	29,262
Amortisation	999	780
Other expenses	58,091	62,785
<b>Total cost of sales and administrative expenses</b>	<b>1,108,221</b>	854,146

## 7. OTHER INCOME AND GAINS – NET

	Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
<b>Other income</b>		
Assembling service	2,091	1,616
<b>Other gains or losses – net</b>		
Gain/(loss) on disposal of property, plant and equipment	15,731	(103)
Fair value gain on derivative financial instrument – net	5,497	11,469
Others	1,126	1,315
	<b>24,445</b>	<b>14,297</b>

## 8. FINANCE COSTS – NET

	Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Interest on bank borrowings wholly repayable within 5 years	26,676	31,329
Interest on RMB bonds wholly repayable within 5 years	22,557	20,142
Interest expense on convertible bonds	13,625	–
Other borrowing costs	–	1,215
Net foreign exchange losses/(gains) on financing activities	22,190	(4,474)
Finance costs	<b>85,048</b>	48,212
Less: Amounts capitalised as part of the cost of property, plant and equipment	<b>(19,738)</b>	(3,698)
Total finance costs	<b>65,310</b>	44,514
Finance income	<b>(3,705)</b>	(2,035)
Net finance costs	<b>61,605</b>	42,479



## 9. INCOME TAX EXPENSES

No Hong Kong profit tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (2013: Nil).

Subsidiaries established in the People's Republic of China (the "PRC") are subject to the PRC enterprise income tax ("EIT") at the rate of 25% (2013: 25%).

	<b>Unaudited Six months ended 30 June</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000
Current taxation:		
Current tax on profits for the period	<b>29,814</b>	29,936
<b>Total current taxation</b>	<b>29,814</b>	29,936
Deferred taxation:		
Tax losses	<b>3,065</b>	601
<b>Total deferred taxation</b>	<b>3,065</b>	601
Income tax expense	<b>32,879</b>	30,537

## 10. INTERIM DIVIDEND

No interim dividend was declared in respect of the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil).

## 11. EARNINGS PER SHARE

### (a) Basic

The calculation of the basic earnings per share is based on the following data:

	Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
<b>Earnings</b>		
Profit attributable to owners of the Company	<b>82,789</b>	75,858
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	<b>11,722,827,421</b>	11,659,478,667

#### Note:

The calculation has taken into account the 5,666,666,666 new ordinary shares to be issued upon the conversion of the 170 million convertible preference shares, as these preference shares will be automatically converted into ordinary shares of the Company by the tenth anniversary of issue if not already converted. As at 30 June 2014, conversion rights in respect of 96,439,025 convertible preference shares had been exercised, pursuant to which 3,214,634,164 new ordinary shares were issued.

On 12 December 2013, conversion rights in respect of the convertible bonds in the principal amount of HK\$1,000,000 were exercised, pursuant to which 2,710,027 new ordinary shares were issued. On 17 February 2014, conversion rights in respect of the convertible bonds in the principal amount of HK\$30,000,000 were exercised, pursuant to which 81,300,813 new ordinary shares were issued.

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense and fair value of derivative component less the tax effect, where applicable. The exercise of share option would have no material dilutive effect to the earnings per share. Since the impact of conversion of convertible bonds on earning per share is anti-dilutive, for the six months ended 30 June 2014 diluted earnings per share equaled to basic earnings per share.

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Unaudited As at 30 June 2013 HK\$'000
<b>Opening net book amount</b>	<b>2,250,548</b>	1,792,701
Additions	<b>191,608</b>	107,282
Disposals	<b>(10,376)</b>	(103)
Depreciation	<b>(36,079)</b>	(29,262)
Exchange differences	<b>(58,770)</b>	27,324
<b>Closing net book amount</b>	<b>2,336,931</b>	1,897,942

## 13. TRADE AND OTHER RECEIVABLES

	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000
Trade receivables	<b>331,806</b>	310,957
Less: Provision for impairment	<b>(43,463)</b>	(48,923)
	<b>288,343</b>	262,034
Notes receivables	<b>85,983</b>	91,520
	<b>374,326</b>	353,554
Advances to suppliers	<b>170,057</b>	195,657
Less: Provision for impairment	<b>(80,511)</b>	(82,666)
	<b>89,546</b>	112,991
Prepayments and other receivables	<b>54,319</b>	56,436
Less: Provision for impairment	<b>(8,012)</b>	(8,220)
	<b>46,307</b>	48,216
Receivables from related parties (Note 19)	<b>68,566</b>	79,356
	<b>578,745</b>	594,117

The carrying amounts of the Group's trade and other receivables are principally denominated in Renminbi.

The Group's credit sales are generally on a credit term of three months to a year. Ageing analysis of the trade receivables is as follows:

	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000
0 – 90 days	<b>166,392</b>	173,383
91 – 180 days	<b>34,431</b>	31,079
181 – 360 days	<b>55,754</b>	32,166
Over 360 days	<b>75,229</b>	74,329
	<b>331,806</b>	310,957
Less: Provision for impairment of trade receivable	<b>(43,463)</b>	(48,923)
	<b>288,343</b>	262,034



## 14. SHARE CAPITAL

	Unaudited As at 30 June 2014		Audited As at 31 December 2013	
	Number of shares Million	Amounts HK\$'000	Number of shares Million	Amounts HK\$'000
Ordinary shares of HK\$0.01 each:				
Authorised:	<b>15,000</b>	<b>150,000</b>	15,000	150,000
Issued and fully paid:	<b>9,291</b>	<b>92,914</b>	5,995	59,955
Convertible Preference Shares of HK\$1.00 each:				
Authorised:	<b>170</b>	<b>170,000</b>	170	170,000
Issued and fully paid:	<b>74</b>	<b>73,561</b>	170	170,000
Redeemable Preference Shares of HK\$50.00 each:				
Authorised:	<b>9</b>	<b>430,000</b>	9	430,000
Issued and fully paid:	<b>9</b>	<b>430,000</b>	9	430,000
Total:				
<b>Authorised:</b>		<b>750,000</b>		750,000
<b>Issued and fully paid:</b>		<b>596,475</b>		659,955

## 15. TRADE AND OTHER PAYABLES

	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000
Trade payables	<b>339,286</b>	340,372
Advance from customers	<b>83,176</b>	105,987
Other payables	<b>468,163</b>	509,422
Accrued expenses	<b>13,802</b>	41,939
Amounts due to related parties ( <i>Note 19</i> )	<b>4,619</b>	7,909
	<b>909,046</b>	1,005,629

The carrying amounts of the Group's trade and other payables are principally denominated in Renminbi.

The ageing analysis of the trade payables was as follows:

	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000
0 – 90 days	<b>144,042</b>	123,454
91 – 180 days	<b>34,388</b>	73,753
181 – 360 days	<b>49,045</b>	34,618
Over 360 days	<b>111,811</b>	108,547
	<b>339,286</b>	340,372

## 16. BORROWINGS

	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000
<b>Non-current</b>		
Secured over shares of subsidiaries (Note (a))	<b>416,277</b>	447,427
Unsecured (Note (b))	<b>251,667</b>	262,245
RMB bond (Note (c))	<b>617,688</b>	631,806
Convertible bonds (Note (d))	<b>218,002</b>	228,541
	<b>1,503,634</b>	1,570,019
Less: Amounts due within one year included in current liabilities	<b>(667,944)</b>	(73,190)
	<b>835,690</b>	1,496,829
<b>Current</b>		
Unsecured	<b>186,962</b>	191,816
Current portion of long-term borrowings	<b>667,944</b>	73,190
	<b>854,906</b>	265,006

The effective annual interest rates at the balance sheet date are as follows:

	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000
— PRC banks	<b>6%</b>	6%
— Hong Kong bank	<b>4.05%-5.415%</b>	4.05%-5.415%
— RMB Bond	<b>7.25%</b>	7.25%
— Convertible Bond	<b>13.16%</b>	13.17%

*Notes:*

- (a) In November 2011, the Group entered into a 7 years bank borrowing facility of HK\$622,400,000 with Hong Kong syndicate banks. The borrowings were secured by the interests in certain of the Group's subsidiaries and guaranteed by the Company. They carried interest at HIBOR plus 3.5% per annum from the first utilisation date up to (but excluding) the second anniversary of the facility agreement and HIBOR plus 4% per annum thereafter, and are repayable semi-annually up to 30 September 2018. The fair value of this long-term borrowing was approximate to its carrying amount. The loan was repaid early on 10 July 2014. The relevant security will be released and the substantially similar interests will be charged under the 2014 Facility Agreement (as defined hereunder at p.34) as security.
- (b) Included in the balances is borrowing from Standard Chartered Bank (Hong Kong) Limited which is unsecured, carries interests at a rate of LIBOR plus 5% per annum. The fair value of this long-term borrowing is approximate to its carrying amount.
- (c) On 18 October 2012, the Group issued RMB500,000,000 bonds (the "RMB Bonds"). The Bonds carry interest at 6.50% per annum payable semi-annually in arrear and will mature in 2015. The listing of and permission to deal with the Bonds on the Stock Exchange by way of debt issues to professional investors became effective on 25 October 2012.
- (d) On 5 August 2013, the Company issued the convertible bonds due in 2016 in an aggregate principal amount of HK\$310,000,000, which are convertible into fully-paid ordinary shares of the Company with a par value of HK\$0.01 each. Based on the initial conversion price of HK\$0.3690 per ordinary share (subject to adjustments), a maximum of 840,108,401 ordinary shares will be allotted and issued upon the exercise in full of the conversion rights attached to the convertible bonds.

Since the denominated currency (HK\$) of the bonds is different from the functional currency (RMB) of the Company, their conversion options will be settled by the Company delivering a fixed number of its own shares in exchange for a variable amount of cash in the Company's functional currency. Consequently, the conversion options are not equity instruments and are therefore classified as derivative financial liabilities.

On 12 December 2013, conversion rights in respect of the convertible bonds in the principal amount of HK\$1,000,000 were exercised, pursuant to which 2,710,027 new ordinary shares were issued. On 17 February 2014, conversion rights in respect of the convertible bonds in the principal amount of HK\$30,000,000 were exercised, pursuant to which 81,300,813 new ordinary shares were issued.

## 17. COMMITMENTS

- (a) Capital expenditure and property development commitment of the Group at the balance sheet date contracted but not yet incurred is as follows:

	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000
Property, plant and equipment	<b>300,152</b>	9,709
	<b>300,152</b>	9,709

- (b) The Group had future aggregate minimum lease payments under non-cancelable operating leases in respect of buildings are as follows:

	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000
Not later than one year	<b>4,504</b>	11,376
Later than one year and not later than five years	<b>8,270</b>	3,399
Later than five years	<b>1,645</b>	4,350
	<b>14,419</b>	19,125

## 18. FINANCIAL GUARANTEE

The Company has given guarantee of approximately HK\$806 million (as at 31 December 2013: HK\$837 million) to subsidiaries in respect of bank borrowings, HK\$690 million of which had been utilized as at 30 June 2014.



## 19. RELATED PARTY TRANSACTIONS

In addition to those mentioned elsewhere in the condensed consolidated interim financial information, the followings are significant transactions entered into between the Group and its related parties during the six months ended 30 June 2014:

	<b>Unaudited Six months ended 30 June</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000
<b>(a) Transactions with fellow subsidiaries:</b>		
Sale of gas to TEDA Gas	<b>44,322</b>	72,341
Sale of gas to Tianjin Pipe and its associates	<b>295,414</b>	155,467
Sale of gas to Tianjin Eco-city	<b>29,575</b>	19,845
Sale of gas to Tianjin Sai-ru Machinery Equipment Company Limited ("Sai Rui")	<b>21,913</b>	8,367
Sale of gas to Tianjin TEDA Binhai Station Construction Company Limited ("TEDA Binhai Station")	<b>609</b>	—
Sale of gas to Tianjin TEDA Zhongtang Investment & Development Co., Ltd ("TEDA Zhongtang")	<b>51</b>	—
Provision of connection service to TEDA Zhongtang	<b>5,705</b>	—
Provision of connection service to TEDA Binhai Station	<b>56</b>	—
Provision of connection service to Tianjin Xing Cheng Investment and Development Company Limited ("Tianjin Xing Cheng")	<b>1,950</b>	—
Purchase of steel pipe materials from TPCO & TISCO Welding Pipe Corporation Co., Ltd ("Tianguan Taigang")	<b>(5,773)</b>	—
Insurance premium paid to Bohai Property Insurance Company Limited	<b>(1,254)</b>	(29)

	<b>Unaudited Six months ended 30 June</b>	
	<b>2014 HK\$'000</b>	2013 HK\$'000
<b>(b) Key management compensation:</b>		
Fees	<b>(1,328)</b>	(1,328)
Salaries, share options and other allowances	<b>(12,077)</b>	(4,967)
Pension costs	<b>(103)</b>	(102)

	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000
<b>(c) Balances with fellow subsidiaries:</b>		
Account receivable from Tianjin Pipe and its associates	<b>54,213</b>	57,000
Account receivable from Tianjin Eco-city	—	8,819
Account receivable from Tianguan Taigang	<b>9,711</b>	8,775
Management fee receivable from TEDA Gas	<b>4,642</b>	4,762
Account advance receivable from TEDA Binhai Station	—	(57)
Account advance receivable from TEDA Transportation Hub	—	(1,149)
Account advance receivable from Tianjin Xing Cheng	<b>(4,619)</b>	(6,703)

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

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as “state-controlled entities”). The Directors consider those state-controlled entities are independent third parties so far as the Group’s business transactions with them are concerned.

During the period, the Group’s significant transactions with these state controlled entities are mainly purchases of gases. As at the end of the period, the majority of the Group’s cash and bank balances and borrowings are also with state controlled banks.

**20. ASSETS HELD FOR SALE**

	<b>Unaudited As at 30 June 2014 HK\$'000</b>	Audited As at 31 December 2013 HK\$'000
<b>Property under development</b>		
Land use rights	<b>18,925</b>	19,416
Construction costs and capitalised expenditure	<b>125,548</b>	128,554
	<b>144,473</b>	147,970
<b>Other assets held for sale</b>	<b>—</b>	9,725
	<b>144,473</b>	157,695

The property under development is located in Tianjin Airport Economic Area in Binhai New Area, the PRC and is situated on the land held under land use rights for commercial use with a term of 40 years from 31 December 2009. As approved by the Board on 25 June 2012, the Group plans to dispose of such property under development.

## 21. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited As at 30 June 2014		Audited As at 31 December 2013	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Interest rate swap contract (Note)	—	18,334	—	14,955
Derivative component of convertible bonds (Note 16(d))	—	104,172	—	134,251
	—	122,506	—	149,206

### Note:

On 23 December 2011, the Group entered into a deferred payment interest rate swap contract with Standard Chartered Bank London, with an aggregate notional amount of HK\$571,635,500 (the "Swap Contract"). The Swap Contract is effective on 30 September 2013, and will terminate on 30 September 2018.

Pursuant to the Swap Contract, the Group will pay interest at a fixed rate of 2.25%, and will receive interest at floating rate with reference to the HIBOR as published by the Hong Kong Association of Bank, semi-annually on 31 March and 30 September commencing from 30 September 2013 and up to termination date. All settlements of the Swap Contract are aggregated and settled on the termination date of the Swap Contract.

The Swap Contract does not qualify for hedge accounting, so that it is classified as derivative financial instrument on the balance sheet and with fair value changes recognised in the consolidated income statement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is principally engaged in the construction of gas pipeline networks, the provision of connection services and the sale of LPG and piped gas.

#### *Connection Services*

The Group constructs gas pipelines for its clients and connects their pipelines to the Group's main gas pipeline networks, and charges connection service fees from industrial and commercial customers, property developers and property management agents. As at 30 June 2014, the Group's total gas pipeline network amounted to approximately 1720 kilometers, representing an increase of 57 kilometers of the pipeline network from 1663 kilometers as at 31 December 2013. During the six months ended 30 June 2014, the connection service fees amounted to HK\$274,708,000, representing an increase of HK\$82,527,000 or 43% as compared with HK\$192,181,000 for the corresponding period last year.

#### *Piped Gas Sales*

During the six months ended 30 June 2014, consumption of piped gas by residential and industrial customers amounted to approximately  $1,279 \times 10^6$  and  $7,475 \times 10^6$  mega-joules respectively, as compared with  $1,183 \times 10^6$  and  $6,355 \times 10^6$  mega-joules respectively for the same period last year. For the six months ended 30 June 2014, the piped gas sales income of the Group amounted to HK\$894,655,000, representing an increase of HK\$232,374,000 or 35% as compared with HK\$662,281,000 for the corresponding period last year. The increase in large scale industrial users led to a considerable escalation in gas consumption.

#### *Property Development*

As the real estate business does not match the Group's strategic direction which has been focusing on the development of the gas business, and taking into account the impact of the control policy of the PRC on real estate business, the Group plans to dispose of the property under development.



## Prospects

Under the background of economic slowdown in the PRC, the market believes the PRC will shift to structural reforms to boost long-term healthy growth of the Chinese economy. Energy conservation and air pollution problems have become the focus of attention of the government and the public. Looking to the future, China's natural gas consumption will have more rapid growth and the outbreak of the development of the natural gas industry has begun. The Group has established an important position in natural gas market of the Tianjin Binhai New Area, while the number of gas projects in Tianjin, Beijing, Hebei, Shandong and the Yangtze River Delta region will benefit from the enormous commercial opportunities brought about by the haze governance, Beijing-Tianjin-Hebei integration and the development of urbanization. Along with the reform of natural gas prices gradually flattening stock gas and incremental gas prices, the Company will be given a more fair competition environment, improve gross margin and profitability. The Board and the entire staff are confident about the future development of the Group.

## Financial Review

### *Gross Profit Margin*

For the six months ended 30 June 2014, the gross profit of the Group was HK\$214,924,000 (for the six months ended 30 June 2013: HK\$202,125,000) and the gross profit margin for the Group was 17.0% (for the six months ended 30 June 2013: 20.1%).

For the six months ended 30 June 2014, the gross profit margin of the Group's piped gas sales was 2.8%, representing a decrease of 9.2 percentage points or 77% as compared with 12.0% for the corresponding period last year. The upstream gas prices has begun to rise since July 2013. The rise in the integrated procurement prices was due to the newly increased gas capacity of the Group during the first half of 2014.

### *Administrative Expenses*

Administrative expenses of the Group for the six months ended 30 June 2014 were HK\$61,334,000, representing a decrease of HK\$4,042,000 or 6% as compared to HK\$65,376,000 for the corresponding period last year. The decrease in administrative expenses was mainly due to the reversal of impairment of assets.



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

The profit attributable to owners of the Company was approximately HK\$82,789,000 for the six months ended 30 June 2014, representing an increase of HK\$6,931,000 or 9% as compared to HK\$75,858,000 for the corresponding period last year.

Basic earnings per share of the Company for the six months ended 30 June 2014 was HK 0.71 cent, as compared to HK 0.65 cent for the corresponding period last year.

### ***Interest Rate Swap Contract***

For the six months ended 30 June 2014, the Group recognized a loss on the change in fair value of derivative financial instrument of HK\$3,378,000 (profit for the six months ended 30 June 2013: HK\$11,469,000). In order to minimize the risk of rising interest rates and to control borrowing costs, the Group entered into an interest rate swap contract with Standard Chartered Bank London with an aggregate notional amount of HK\$571,635,500 to control the future interest charges ("Swap Contract"). The deferred payment of the Swap Contract became effective on 30 September 2013 and will be terminated on 30 September 2018 ("Termination Day"). According to the Swap Contract, the Group is subject to a fixed interest rate at 2.25%, and receives interests at floating rate with reference to the HIBOR as published by the Hong Kong Association of Banks. Prior to the Termination Day, any changes in the fair value of the Swap Contract will not have a significant impact on the Group's cash flow. In view of the market interest rates at historically lows, the fair value of the Swap Contract will be adjusted according to economic situation and interest rates. The Group believes that such arrangements are advantageous to the Group in the long run.

### ***Liquidity and financial resources***

As at 30 June 2014, the total borrowings of the Group were HK\$1,690,596,000 (as at 31 December 2013: HK\$1,761,835,000) and the cash and bank deposit of the Group was HK\$513,022,000 (as at 31 December 2013: HK\$691,454,000). As at 30 June 2014, the Group had consolidated current assets of HK\$1,297,464,000 and its current ratio was 0.71. As at 30 June 2014, the Group had a gearing ratio of approximately 183%, measured by the ratio of total consolidated borrowings of HK\$1,690,596,000 to total equity (including all capital and reserves of the Group other than non-controlling interests) of HK\$921,652,000.

## ***Borrowings Structure***

As at 30 June 2014, the total borrowings of the Group amounted to HK\$1,690,596,000 (as at 31 December 2013: HK\$1,761,835,000). Borrowings from Hong Kong syndicated banks of HK\$433,793,000 were denominated in HKD, secured by the Company's guarantee and interests in certain of the Group's subsidiaries, bearing interests at a floating rate. Borrowings from Standard Chartered Bank of US\$33,147,000 were denominated in USD, secured by the Company's guarantee, bearing interests at a floating rate. Borrowings from PRC banks were denominated in RMB, unsecured, bearing interests at prevailing market rates. The bonds of RMB500,000,000 were issued at an issue price of 100 per cent. and unsecured, bearing interests at a rate of 6.50 per cent. The outstanding Convertible Bonds of HK\$279,000,000 were issued at an issue price of 100 per cent. and unsecured, bearing interests at a rate of 1.00 per cent. As at 30 June 2014, short-term borrowings and current portion of long-term borrowings amounted to HK\$854,906,000, while the remainder were long-term borrowings falling due after one year or above.

## ***Directors' opinion on sufficiency of working capital***

In view of the Group's current stable financial positions and in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present needs. Taking into account the expected financial performance and net cash to be generated from operation of the Group and the available banking facilities, the Directors believe that the Group is able to meet its liabilities as and when they fall due.

## ***Exposure to risks created by exchange rate fluctuations***

The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities. Certain bank balances and bank borrowings are denominated in HK Dollars and US Dollars which expose the Group to foreign currency risk. 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 2014, the Group had pledged bank deposits of HK\$8,775,000.

In November 2011, the Group entered into bank borrowings facilities of HK\$622,400,000 with two syndicated banks in Hong Kong. The borrowings were secured by the interests in certain of the Group's subsidiaries and guaranteed by the Company. The relevant security will be released and the substantially similar interests will be charged under the 2014 Facility Agreement (as defined hereunder at p.34) as security.

Save as disclosed above, there were no charges over of any the Group's assets as at 30 June 2014.

### ***Completion of the Issuance of Convertible Bonds***

On 25 July 2013, the Company announced the issuance of Convertible Bonds of HK\$310,000,000. The Convertible Bonds are convertible under the circumstances set out in their terms and conditions into ordinary shares of the Company (the "Ordinary Shares") at an initial conversion price of HK\$0.3690 per Ordinary Share (subject to adjustments). Assuming full conversion of the Convertible Bonds at the initial conversion price, the Convertible Bonds will be converted into 840,108,401 Ordinary Shares (the "Conversion Shares"), representing approximately 14.02% of the issued ordinary share capital of the Company as at the date of issue of the Convertible Bonds. The Conversion Shares will be fully-paid and rank pari passu in all respects with the Ordinary Shares then in issue on the relevant conversion date. None of the Convertible Bonds were placed with connected persons of the Company. The net proceeds from the issue of the Convertible Bonds had been used by the Group for the payment of pipeline construction payables, the repayment of current borrowings and for working capital purposes.

The issue of the Convertible Bonds by the Company to the subscribers at an aggregate principal amount of HK\$310,000,000 was completed on 5 August 2013.

As at 30 June 2014, Convertible Bonds in the principal amount of HK\$31,000,000 had been converted into 84,010,840 Ordinary Shares at a conversion price of HK\$0.3690 per Ordinary Share.

### ***Transfer of listing from GEM to the Main Board***

The Company applied for the transfer of listing of its Ordinary Shares from GEM to the Main Board on 28 November 2013. The approval-in-principle was granted by the Stock Exchange on 30 January 2014 for the Ordinary Shares to be listed on the Main Board and de-listed from GEM. Dealings in the Ordinary Shares on the Main Board commenced on 11 February 2014.

### ***Final Dividend***

Based on the profit of the Company for 2013 and taking into account the financial position of the Company, the Board recommended a final dividend of HK\$0.005 per Ordinary Share (the “Final Dividend”) for the year ended 31 December 2013 (nine months ended 31 December 2012: Nil), amounting to approximately HK\$30.4 million according to the number of issued Ordinary Shares as at the date of the relevant resolution of the Board (being 19 March 2014). The Final Dividend was approved by the holders of Ordinary Shares at the annual general meeting of the Company held on 5 May 2014 (the “AGM”), and was paid before the end of May 2014.

### ***Interim Dividend***

The Board does not declare an interim dividend for the six months ended 30 June 2014 (2013: Nil).



## LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE BY THE CONTROLLING SHAREHOLDER

On 29 November 2011, Binhai Investment Hong Kong Limited (an indirect wholly-owned subsidiary of the Company) as borrower and the Company as guarantor entered into a credit facility agreement (the “2011 Facility Agreement”) with Standard Chartered Bank (Hong Kong) Limited and China Development Bank Corporation Hong Kong Branch for a loan facility in the aggregate amount of HK\$622,400,000 for a term of seven years. Loan funds were used for company operations and business development. Pursuant to the terms of the 2011 Facility Agreement, if TEDA ceases to be the single largest shareholder (whether directly or indirectly) of the Company, the facility commitments of the lenders under the 2011 Facility Agreement may be cancelled and all outstanding loans and accrued interests may be declared to be immediately due and payable. The loan was repaid on 10 July 2014.

On 30 June 2014, Binhai Investment Hong Kong Limited, an indirect wholly-owned subsidiary of the Company, as borrower (the “Borrower”) and the Company as guarantor entered into a credit facility agreement (the “2014 Facility Agreement”) with certain banks (the “Lenders”) for term loan facilities for a period of 36 months after the date of first utilization in an aggregate principal amount not exceeding HK\$ 930,000,000. The said facilities will be used for refinancing the existing indebtedness of subsidiaries of the Company and for the Borrower’s general corporate purposes.

Pursuant to the terms of the 2014 Facility Agreement, if TEDA ceases to be the single largest shareholder (whether directly or indirectly) of the Company, all facility commitments of the Lenders under the 2014 Facility Agreement may be cancelled and all outstanding loans, together with accrued interests and all other amounts accrued under the 2014 Facility Agreement, may be declared to be immediately due and payable.



As at 30 June 2014, TEDA through TEDA Hong Kong Property Company Limited ("TEDA HK"), its wholly-owned subsidiary, held approximately 57.08% of the issued ordinary share capital of the Company.

On 10 July 2014, the first drawdown loan of HK\$451,000,000 completed, and on the same day the syndicate bank loan of HK\$433,793,350 was repaid.

### **Significant acquisitions and disposals**

The Group had no significant acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 30 June 2014.

### **Contingent Liabilities**

As at 30 June 2014, the Group did not have any significant contingent liabilities.

## **EMPLOYEES**

As at 30 June 2014, the Group had 1,463 employees (2013: 1,384). For the six months ended 30 June 2014, the salaries and wages of the employees were approximately HK\$64,126,000 (2013: HK\$56,432,000).

The Group offers competitive remuneration to staff, with discretionary bonus and share options granted to eligible staff based on individual and company performance.

## OTHER INFORMATION

### Interests and Short Positions of Directors, Chief Executives, Substantial Shareholders and other Persons in the Shares and Underlying Shares of the Company

#### (a) *Interests and short positions of the Directors and the chief executives in the share capital of the Company and its associated corporations*

As at 30 June 2014, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong) which were required to be: (a) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors referred to in the Model Code for Securities Transaction by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Main Board Listing Rules were as follows:

Name of Director	Capacity	Interest in Ordinary Shares				Total interests in shares	Interests in underlying Ordinary Shares pursuant to share options	Total interest in Ordinary Shares and underlying shares	Approximate percentage of the Company's total issued ordinary share capital as at 30 June 2014
		Personal interests	Corporate interests	Family interests					
Mr. GAO Liang	Beneficial owner	–	–	–	–	10,000,000	10,000,000	0.11%	
Mr. ZHANG Jun	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.08%	
Mr. DAI Yan (Note)	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.08%	
Mr. WANG Gang	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.08%	
Ms. ZHU Wen Fang	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.08%	
Mr. IP Shing Hing, J.P.	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.02%	
Professor Japhet Sebastian LAW	Beneficial owner	1,000,000	–	–	1,000,000	2,000,000	3,000,000	0.03%	
Mr. TSE Tak Yin	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.02%	
Mr. LAU Siu Ki, Kevin	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.02%	

*Note:* Mr. DAI Yan resigned as non-executive Director effective after the close of business of the Company on 30 June 2014.

Details of the Director's interests in share options granted by the Company are set out below under the heading “Director's rights to acquire shares”.

## Director's rights to acquire shares

Pursuant to the share option scheme adopted by the Company on 20 August 2010, the Company granted options on its Ordinary Shares to the Directors, the details of such options outstanding as at 1 January 2014 and as at 30 June 2014 were as follows:

Name of Director	Date of grant	Exercise Period	Exercise Price (HK\$)	Number of Ordinary Shares subject to outstanding options as at 1 January 2014	Number of Ordinary Shares subject to outstanding options as at 30 June 2014	Approximate percentage of the Company's total issued ordinary share capital as at 30 June 2014
Mr. GAO Liang	27.9.2010	27.9.2010– 26.9.2020	0.56	10,000,000	10,000,000	0.11%
Mr. ZHANG Jun	27.9.2010	27.9.2010– 26.9.2020	0.56	7,000,000	7,000,000	0.08%
Mr. DAI Yan (Note 2)	27.9.2010	27.9.2010– 26.9.2020	0.56	7,000,000	7,000,000	0.08%
Mr. WANG Gang	27.9.2010	27.9.2010– 26.9.2020	0.56	7,000,000	7,000,000	0.08%
Ms. ZHU Wen Fang	27.9.2010	27.9.2010– 26.9.2020	0.56	7,000,000	7,000,000	0.08%
Mr. IP Shing Hing, J.P.	27.9.2010	27.9.2010– 26.9.2020	0.56	2,000,000	2,000,000	0.02%
Professor Japhet Sebastian LAW	27.9.2010	27.9.2010– 26.9.2020	0.56	2,000,000	2,000,000	0.02%
Mr. TSE Tak Yin	27.9.2010	27.9.2010– 26.9.2020	0.56	2,000,000	2,000,000	0.02%
Mr. LAU Siu Ki, Kevin	27.9.2010	27.9.2010– 26.9.2020	0.56	2,000,000	2,000,000	0.02%

### Notes:

1. The exercisable period of the above share options is 10 years from the date of grant.
2. Mr. DAI Yan resigned as non-executive Director effective after the close of business of the Company on 30 June 2014.

Save as disclosed above, as at 30 June 2014, there were no other interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations entered in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors referred to in the Model Code.

**(b) Interests and short positions of substantial shareholders and other persons in the share capital of the Company**

As at 30 June 2014, the persons (not being a Director or chief executive of the Company) or companies who had interests or short positions in the shares or underlying shares of the Company which were notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO are listed as follows:

Name of shareholders	Position	Capacity	Interest in Ordinary Shares/underlying Ordinary Shares						Total interest	Approximate percentage of the total issued ordinary share capital of the Company as at 30 June 2014
			Number of Ordinary Shares				Number of underlying Ordinary Shares			
			Beneficial interest	Family interest	Corporate interest	Other interest	Corporate interest	Other interest		
Tianjin Pharmaceutical Group Co., Ltd	Long	Interest of controlled corporation	–	–	496,188,000 (Note 1)	–	–	–	496,188,000	5.34%
Tsinlien Group Company Limited ("Tsinlien")	Long	Interest of controlled corporation	–	–	496,188,000 (Note 1)	–	–	–	496,188,000	5.34%
TEDA	Long	Interest of controlled corporation	–	–	5,800,175,207 (Note 3)	–	2,106,504,066 (Note 3)	–	7,906,679,273	85.10%
	Short	Interest of controlled corporation	–	–	496,188,000 (Note 1)	–	–	–	496,188,000	5.34%
Tianjin Development Holdings Limited	Long	Interest of controlled corporation	–	–	496,188,000 (Note 1)	–	–	–	496,188,000	5.34%
Santa Resources Limited	Long	Beneficial owner	496,188,000 (Note 1)	–	–	–	–	–	496,188,000	5.34%
Mr. SHUM Ka Sang ("Mr. Shum")	Long	Beneficial owner/ Interest of controlled corporation	7,312,000	1,279,243 (Note 5)	738,046,000 (Note 4)	–	–	–	746,637,243	8.04%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	738,046,000 (Note 4)	–	–	–	–	–	738,046,000	7.94%
Ms. WU Man Lee ("Ms. Wu")	Long	Interest of spouse	1,279,243	745,358,000 (Note 5)	–	–	–	–	746,637,243	8.04%



Name of shareholders	Position	Capacity	Interest in Ordinary Shares/underlying Ordinary Shares						Total interest	Approximate percentage of the total issued ordinary share capital of the Company as at 30 June 2014
			Number of Ordinary Shares			Number of underlying Ordinary Shares				
			Beneficial interest	Family interest	Corporate interest	Other interest	Corporate interest	Other interest		
China Everbright Holdings Company Limited ("CEHCL")	Long	Interest of controlled corporation/ Interest of any parties to an agreement	—	—	363,008,132 (Note 6)	265,040,666 (Note 7)	242,005,419 (Note 6)	176,693,766 (Note 7)	1,046,747,983	11.27%
China Everbright Limited ("CEL")	Long	Interest of controlled corporation/ Interest of any parties to an agreement	—	—	363,008,132 (Note 6)	265,040,666 (Note 7)	242,005,419 (Note 6)	176,693,766 (Note 7)	1,046,747,983	11.27%
Forebright Partners Limited ("Forebright")	Long	Interest of controlled corporation/ Interest of any parties to an agreement	—	—	265,040,666 (Note 8)	127,235,766 (Note 9)	176,693,766 (Note 8)	84,823,848 (Note 9)	653,794,046	7.04%
CSOF III GP Limited ("CSOF III")	Long	Interest of controlled corporation/ Interest of any parties to an agreement	—	—	265,040,666 (Note 8)	127,235,766 (Note 9)	176,693,766 (Note 8)	84,823,848 (Note 9)	653,794,046	7.04%
China Special Opportunities Fund III, L.P. ("China Special")	Long	Interest of controlled corporation/ Interest of any parties to an agreement	—	—	265,040,666 (Note 8)	127,235,766 (Note 9)	176,693,766 (Note 8)	84,823,848 (Note 9)	653,794,046	7.04%



*Notes:*

1. Such interest disclosed represents the interest in the Company held by Santa Resources Limited, a company which is directly wholly-owned by Tianjin Development Holdings Limited, a company incorporated in Hong Kong with its shares listed on the Main Board. Tianjin Pharmaceutical Group Co., Ltd. wholly-owns Tsinlien. Tsinlien, through its wholly-owned subsidiaries, is a controlling shareholder of Tianjin Development Holdings Limited. TEDA HK has borrowed from Santa Resources Limited these 496,188,000 Ordinary Shares.
2. 40,000,000 Convertible Preference Shares issued to the syndicated banks under a settlement agreement were bought back by Cavalier Asia Limited (a wholly-owned subsidiary of Tsinlien) pursuant to the agreement from the syndicated banks on 7 May 2014, being the 5th anniversary of the date of issue of such Convertible Preference Shares. Cavalier Asia Limited on the same date transferred such Convertible Preference Shares to TEDA HK, a wholly-owned subsidiary of TEDA.
3. These Ordinary Shares and underlying Ordinary Shares represent (i) 5,303,987,207 Ordinary Shares held by TEDA HK, a wholly-owned subsidiary of TEDA; (ii) 496,188,000 Ordinary Shares that TEDA HK borrowed from Santa Resources Limited as referred to Note 1 above; (iii) 2,106,504,066 potential Ordinary Shares which are issuable to TEDA HK assuming full conversion of 63,195,122 Convertible Preference Shares held by TEDA HK (including the 40,000,000 Convertible Preference Shares that TEDA HK acquired from Cavalier Asia Limited as referred to Note 2 above).
4. Wah Sang Gas Development Group (Cayman Islands) Limited is a company entirely owned by Mr. Shum. The corporate interests held by Mr. Shum refers to his deemed interests in the Ordinary Shares held by Wah Sang Gas Development Group (Cayman Islands) Limited.
5. Mr. Shum and Ms. Wu are a couple and are deemed to be interested in such Ordinary Shares by virtue of the interests in such Ordinary Shares owned by each other.
6. CEHCL, through a number of direct and indirect wholly-owned subsidiaries, holds 49.74% interests in CEL. The corporate interests in 363,008,132 Ordinary Shares represent (i) 127,235,766 Ordinary Shares held by Everbright Inno Investments Limited (“Everbright Inno”), a wholly-owned subsidiary of Windsor Venture Limited (“Windsor”), which is a wholly-owned subsidiary of CEL; and (ii) 235,772,366 Ordinary Shares held by Energy Empire Limited (“Energy Empire”), a wholly-owned subsidiary of China Everbright Venture Capital Limited, which is a wholly-owned subsidiary of CEL. The corporate interests in 242,005,419 underlying Ordinary Shares represent potential Ordinary Shares issuable upon conversion of the Convertible Bonds, and are held respectively as to (i) 84,823,848 underlying Ordinary Shares by Everbright Inno and (ii) 157,181,571 underlying Ordinary Shares by Energy Empire. Accordingly, CEHCL and CEL are each deemed to be interested in both of the aforesaid 363,008,132 Ordinary Shares and 242,005,419 underlying Ordinary Shares.

7. The 265,040,666 Ordinary Shares and 176,693,766 underlying Ordinary Shares (which are issuable upon conversion of the Convertible Bonds) are both held by CSOF Inno Investments Limited ("CSOF Inno"), a wholly-owned subsidiary of China Special, which is controlled by CSOF III (which owns 1.45% commitment in China Special). Forebright is interested in 90% of CSOF III. Windsor (an indirect wholly-owned subsidiary of CEHCL held through CEL) is a party to an agreement under section 317 of the SFO with Forebright and CSOF III, and accordingly, CEHCL and CEL are deemed to be interested in both of the aforesaid 265,040,666 Ordinary Shares and 176,693,766 underlying Ordinary Shares.
8. The corporate interests in 265,040,666 Ordinary Shares and 176,693,766 underlying Ordinary Shares (which are issuable upon conversion of the Convertible Bonds) are both held by CSOF Inno, a wholly-owned subsidiary of China Special, which is controlled by CSOF III (which owns 1.45% commitment in China Special). Forebright is interested in 90% of CSOF III. Accordingly, Forebright, CSOF III and China Special are each deemed to be interested in both of the aforesaid 265,040,666 Ordinary Shares and 176,693,766 underlying Ordinary Shares.
9. The 127,235,766 Ordinary Shares and 84,823,848 underlying Ordinary Shares (which are issuable upon conversion of the Convertible Bonds) are both held by Everbright Inno, a wholly-owned subsidiary of Windsor. Forebright and CSOF III are parties to an agreement under section 317 of the SFO with Windsor, and accordingly, Forebright, CSOF III and China Special (which is controlled by CSOF III, which in turn is held as to 90% by Forebright) are each deemed to be interested in both of the aforesaid 127,235,766 Ordinary Shares and 84,823,848 underlying Ordinary Shares.

Other than as disclosed above, as at 30 June 2014, the Company had not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital.

## SHARE OPTION SCHEME

At the annual general meeting of the Company held on 20 August 2010, the shareholders of the Company approved a new share option scheme (the “2010 Scheme”) in place of the previous scheme which has lapsed.

No share option was granted, exercised, cancelled or lapsed under the 2010 Scheme during the six months ended 30 June 2014.

Details of movement of share options granted under the 2010 Scheme during the six months ended 30 June 2014 were as follows:

<b>Grantee</b>	<b>Date of grant</b>	<b>Exercise Period (Note)</b>	<b>Exercise Price (HK\$)</b>	<b>Number of Ordinary Shares subject to outstanding options as at 1 January 2014</b>	<b>Number of Ordinary Shares subject to outstanding options as at 30 June 2014</b>	<b>Approximate percentage of the Company's total issued ordinary share capital as at 30 June 2014</b>
Directors	27.9.2010	27.9.2010 – 26.9.2020	0.56	46,000,000	46,000,000	0.50%
Employees	27.9.2010	27.9.2010 – 26.9.2020	0.56	23,000,000	23,000,000	0.25%
<b>Total</b>				<b>69,000,000</b>	<b>69,000,000</b>	<b>0.75%</b>

*Note:* The exercisable period of the share options is 10 years from the date of grant.

## CHANGE IN DIRECTOR'S INFORMATION

Mr. LI Wei (“Mr. Li”) was elected as a non-executive Director by a resolution of the Shareholders by way of poll at the AGM. Mr. Li has entered into a service contract with the Company for a term of three years commencing on 5 May 2014, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the requirement of the bye-laws of the Company. He is entitled to a director’s fee of HK\$200,000 per year, which has been reviewed by the remuneration committee of the Company and determined by the Board with reference to market rates, his qualifications and experience.

Mr. DAI Yan resigned as non-executive Director with effect after the close of business of the Company on 30 June 2014, as he has reached the retirement age.

Mr. LAU Siu Ki Kevin, an independent non-executive Director, was appointed an independent supervisor of Beijing Capital International Airport Co., Ltd., a company listed on the Main Board (Stock Code 694) on 30 June 2014.

## AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) with written terms of reference in accordance with the Main Board Listing Rules. The Audit Committee comprises four independent non-executive Directors, namely Mr. LAU Siu Ki, Kevin, Professor Japhet Sebastian LAW, Mr. TSE Tak Yin and Mr. IP Shing Hing, J.P.. Mr. LAU, the chairman of the Audit Committee, and Mr. TSE are qualified accountants. The Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2014 and has provided advices and comments on this report.



## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Trading of securities by Directors shall be approved by the chairman of the Board and shall be entered into in accordance with the time frame and the number for securities approved.

All Directors have confirmed, following specific enquiries by the Company, that they complied with the required standard of dealings as set out in Rules 5.48 to 5.67 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") from 1 January 2014 to 10 February 2014 and the required standard of dealings as set out in the Model Code from 11 February 2014 to 30 June 2014 and its Code of Conduct during the period.

## CORPORATE GOVERNANCE CODE COMPLIANCE

During the six months ended 30 June 2014, the Company had complied with the code provisions set out in the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules (for the period from 1 January 2014 to 10 February 2014) and Appendix 14 of the Main Board Listing Rules (for the period from 11 February 2014 to 30 June 2014).

## 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 six months ended 30 June 2014.

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

Hong Kong, 22 August 2014

*As at the date of this report, the Board comprises two executive Directors, namely, Mr. ZHANG Bing Jun and Mr. GAO Liang, five non-executive Directors, namely, Mr. SHEN Xiao Lin, Mr. ZHANG Jun, Mr. WANG Gang, Ms. ZHU Wen Fang and Mr. LI Wei, and four independent non-executive Directors, namely, Mr. IP Shing Hing, J.P., Professor Japhet Sebastian LAW, Mr. TSE Tak Yin and Mr. LAU Siu Ki, Kevin.*