濱海投資有限公司

BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)

Stock Code: 2886

TEDA

泰达控股

2018

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 2018 (the "Period") together with the comparative unaudited figures for the corresponding period in 2017. The unaudited condensed interim consolidated financial statements have been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

	Unaudited Six months Ended 30 June 2018 HK$'000	Unaudited Six months Ended 30 June 2017 HK$'000	Percentage Change
Revenue	**1,618,438**	1,165,116	39%
Gross profit	**264,176**	245,265	8%
Profit for the Period	**73,164**	180,669	-60%
Basic earnings per share attributable to owners of the Company during the Period	**6.1 cent**	15.27 cents	-9.17 cents

	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000	Percentage Change
Total assets	**6,043,986**	7,875,998	-23%
Total equity	**1,428,162**	1,461,840	-2%
Total liabilities	**4,615,824**	6,414,158	-28%

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Notes	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Revenue	6	**1,618,438**	1,165,116
Cost of sales		**(1,354,262)**	(919,851)
Gross profit		**264,176**	245,265
Other income	7	**4,719**	3,996
Other gains and losses	8	**(20,604)**	58,523
General and administrative expenses		**(84,283)**	(70,717)
Interest income	10	**18,248**	899
Interest expenses	10	**(86,451)**	(23,768)
Impairment losses, net of reversal		**6,488**	1,350
Share of profit of an associate		**2,976**	2,334
Share of losses of joint ventures		**(617)**	(2,015)
Profit before tax		**104,652**	215,867
Income tax expenses	11	**(31,488)**	(35,198)
Profit for the Period		**73,164**	180,669
Profit for the Period attributable to:			
— Owners of the Company		**71,661**	179,345
— Non-controlling interests		**1,503**	1,324
		73,164	180,669
Earnings per ordinary share	13		
— basic (HK cents)		**6.1**	15.27
— diluted (HK cents)		**6.1**	15.27

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Comprehensive income		
Profit for the Period	**73,164**	180,669
Other comprehensive income(expense)		
Items that will not be reclassified to profit or loss		
Exchange differences on translation of financial statements from functional currency to presentation currency	**(42,253)**	27,571
Total comprehensive income for the Period	**30,911**	208,240
Attributable to:		
— Owners of the Company	**29,961**	205,837
— Non-controlling interests	**950**	2,403
Total comprehensive income for the Period	**30,911**	208,240

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	**Unaudited As at 30 June 2018 HK$'000**	Audited As at 31 December 2017 HK$'000
ASSETS			
Non-current Assets			
Prepaid lease payments		**137,090**	139,782
Property, plant and equipment	*14*	**3,693,687**	3,463,525
Investment properties		**7,703**	7,930
Intangible assets		**13,389**	14,741
Interest in an associate		**32,270**	29,693
Interests in joint ventures		**24,560**	25,501
Advance payment for pipeline construction	*15*	**10,325**	25,517
Pledged deposits	*18(d)*	**12,801**	12,967
Deferred tax assets	*20*	**8,785**	5,379
		3,940,610	3,725,035
Current Assets			
Inventories		**85,232**	86,049
Trade and other receivables	*15*	**700,156**	740,832
Contract assets		**54,919**	—
Amount due from customers for contract works		**—**	52,310
Pledged bank deposit		**7,849**	11,116
Bank balances and cash		**1,255,220**	3,260,656
		2,103,376	4,150,963
Total Assets		**6,043,986**	7,875,998
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital			
— Ordinary shares	*16*	**117,435**	117,435
— Redeemable preferences shares	*16*	**430,000**	430,000
Share premium		**157,522**	157,522
Other reserves		**(136,773)**	(93,052)
Retained earnings		**825,794**	816,701
Equity attributable to owners of the Company		**1,393,978**	1,428,606
Non-controlling interests		**34,184**	33,234
Total Equity		**1,428,162**	1,461,840

	Notes	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
LIABILITIES			
Non-current Liabilities			
Borrowings	*18*	**2,623,860**	2,704,765
Deferred income	*19*	**56,542**	34,626
		2,680,402	2,739,391
Current Liabilities			
Trade and bills payables and other payables	*17*	**965,036**	1,454,518
Tax liabilities		**36,596**	64,356
Borrowings	*18*	**535,670**	2,120,314
Contract liabilities		**398,120**	—
Amount due to customers for contract works		**—**	35,579
		1,935,422	3,674,767
Total Liabilities		**4,615,824**	6,414,158
Total Equity and Liabilities		**6,043,986**	7,875,998
Net Current Assets		**167,954**	476,196
Total Assets less Current Liabilities		**4,108,564**	4,201,231

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

Changes in equity of the Group during the six months ended 30 June 2018 and 2017 are as follows:

	Unaudited						
	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total Equity HK$'000
At 1 January 2017 (audited)	547,435	157,522	(199,802)	681,529	1,186,684	35,177	1,221,861
Profit for the Period	–	–	–	179,345	179,345	1,324	180,669
Other comprehensive income for the Period							
Currency translation differences	–	–	26,492	–	26,492	1,079	27,571
Total comprehensive income for the Period	–	–	26,492	179,345	205,837	2,403	208,240
Dividends relating to 2016	–	–	–	(58,717)	(58,717)	–	(58,717)
Dividend paid to non-controlling interests	–	–	–	–	–	(7,989)	(7,989)
Disposal shares to non-controlling interests	–	–	–	–	–	4,512	4,512
At 30 June 2017 (unaudited)	547,435	157,522	(173,310)	802,157	1,333,804	34,103	1,367,907
At 1 January 2018 (audited)	**547,435**	**157,522**	**(93,052)**	**816,701**	**1,428,606**	**33,234**	**1,461,840**
Profit for the Period	**–**	**–**	**–**	**71,661**	**71,661**	**1,503**	**73,164**
Other comprehensive income for the Period							
Currency translation differences	**–**	**–**	**(41,700)**	**–**	**(41,700)**	**(553)**	**(42,253)**
Total comprehensive income for the Period	**–**	**–**	**(41,700)**	**71,661**	**29,961**	**950**	**30,911**
Dividends relating to 2017	**–**	**–**	**–**	**(64,589)**	**(64,589)**	**–**	**(64,589)**
Employee share options forfeited	**–**	**–**	**(2,021)**	**2,021**	**–**	**–**	**–**
At 30 June 2018 (unaudited)	**547,435**	**157,522**	**(136,773)**	**825,794**	**1,393,978**	**34,184**	**1,428,162**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Cash flows from operating activities		
Cash generated from operations	**192,342**	134,399
Income tax paid	**(62,745)**	(51,483)
Net cash generated from operating activities	**129,597**	82,916
Cash flows from investing activities		
Purchase of property, plant and equipment	**(321,543)**	(90,737)
Purchase of prepaid lease payments	**(93)**	(11,611)
Proceeds from disposal of property, plant and equipment, prepaid lease payments	**(179)**	8,441
Decrease (increase) in pledged bank deposits	**3,267**	(27,915)
Interest received	**18,248**	899
Government grant received	**24,335**	—
Net cash used in investing activities	**(275,965)**	(120,923)
Cash flows from financing activities		
Proceeds from borrowings	**—**	241,463
Repayments of borrowings	**(1,680,183)**	(50,579)
Interest paid	**(103,175)**	(33,037)
Transaction cost of borrowings paid	**—**	(7,474)
Dividend paid to non-controlling interests	**—**	(2,266)
Dividend paid	**(64,589)**	(58,717)
Net cash (used in) generated from financing activities	**(1,847,947)**	89,390
Net (decrease) increase in cash and cash equivalents	**(1,994,315)**	51,383
Cash and cash equivalents at the beginning of the Period	**3,260,656**	323,361
Exchange difference on cash and cash equivalents	**(11,121)**	31,917
Cash and cash equivalents at the end of the Period	**1,255,220**	406,661

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

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

For the purpose of these consolidated financial statements, the Directors regard Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA") as being the ultimate holding company, a state-owned enterprise under supervision of the Tianjin State-owned Assets Supervision and Administration Commission.

These consolidated financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HKFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRS Standards 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following sources:

- Sales of piped gas

  The Group sells natural gas to customers, including both residential households and commercial and industrial customers. Revenue recognised when the piped natural gas is transferred to and consumed by customers of which the volume of gas sold is measured by gas meters installed at customer sites. Payment of the transaction price is due and settled on monthly basis based on the volume of gas consumed by customers.

- Gas connection service income

  The Group provides gas connection and installation service under construction contracts with its customers. Such contracts are entered into for customers to gain access to the Group's gas pipelines. Revenue is recognised over time based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

- Pipeline transportation income

  Transportation of gas to customers through the Group's pipeline networks. Revenue recognised when the piped natural gas is transferred to customers through the Group's pipeline networks, of which the volume of gas is measured by gas meters installed at customer sites. Payment of the transaction price is due and settled on monthly basis based on the volume of gas transported to customers.

- Bottled gas sales

  The Group sells bottled gas to customers. Revenue is recognised when control of goods has transferred, being at the point the customers purchase the goods.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provision in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction* Contracts and the related interpretations.

3.1.1 Key change in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations; and
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of good and service) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- The Group's performance does not create and asset with an alternative use to the Group and the Group had an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurement of the value of the goods or services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Warranties

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specification (i.e. service-type warranties).

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transaction price to the warranty.

3.1.2 Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 HK$'000	Reclassification HK$'000	Carrying amount under HKFRS 15 at 1 January 2018 HK$'000
Current Assets			
Amount due from customers for contract works	52,310	(52,310)	–
Contract assets	–	52,310	52,310
Current Liabilities			
Trade and bills payables and other payables	1,454,518	(368,411)	1,086,107
Amount due to customers for contract works	35,579	(35,579)	–
Contract liabilities	–	403,990	403,990

Note:

As at 1 January 2018, advances from customers of HK$368,411,000 in respect of sales of gas sales and gas connection service previously included in trade and bills payables and other payables were reclassified to contract liabilities.

The following table summaries the impact of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line item affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As Reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current Assets			
Amount due from customers for contract works	–	54,919	54,919
Contract assets	54,919	(54,919)	–
Current Liabilities			
Trade and bills payables and other payables	965,036	341,468	1,306,504
Amount due to customers for contract works	–	56,652	56,652
Contract liabilities	398,120	(398,120)	–

3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

3.2.1 *Summary of effects arising from initial application of HKFRS 9*

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial statement instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtors;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has been considered occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial assets.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The adoption of the ECL model and simplified approach has no material effect on the Group.

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

The HKICPA has issued a number of new standards and amendments to existing standards which are not effective for accounting period beginning on 1 January 2018. The Group has not early adopted these new standards and amendments to existing standards.

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 2017.

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 currency risk, fair value interest rate risk, cash flow interest rate risk and price 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. The Group has not used derivative financial instruments to hedge certain risk exposures.

The condensed consolidated 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 as at 31 December 2017.

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

5.2 Liquidity risk

Compared to the year end of 2017, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value of financial assets and liabilities measured at amortised cost

The carrying amounts of the Group's financial assets include bank balances and cash, pledged bank deposit and trade and other receivables (except for the prepayments), and financial liabilities include trade and bills payables and other payables (except for the advance from customers, staff salaries and welfare payables and accrued taxes other than income tax), and their fair value is close to their face value due to their relatively 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 be their fair value. The carrying value of other borrowings are assumed to be close to their fair values.

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company (the "Executive Directors"), being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable and operating segments under HKFRS8 are as follows:

Sales of piped gas	—	Sales of piped gas through the Group's pipeline networks to industrial and residential users
Gas connection service income	—	Construction of gas pipelines and installation of appliances to connect customers to the Group's pipeline networks under connection contract
Pipeline transportation income	—	Transportation of gas to customers through the Group's pipeline networks
Bottled gas sales	—	Sales of bottled gas

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

Six months ended 30 June 2018	Unaudited				
	Pipeline transportation income HK$'000	Bottled gas sales HK$'000	Sales of piped gas HK$'000	Gas connection services income HK$'000	Total HK$'000
Revenue					
– Tianjin Pipe Group Corporation ("Tianjin Pipe") and its subsidiaries	–	–	19,155	–	19,155
– Other customers	35,732	10,027	1,353,261	200,263	1,599,283
Revenue from external customers	35,732	10,027	1,372,416	200,263	1,618,438
Segment results	31,858	3,009	93,575	135,734	264,176
– Other income					4,719
– Other gains and losses					(20,604)
– General and administrative expenses					(84,283)
– Interest income					18,248
– Interest expenses					(86,451)
– Impairment losses , net of reversal					6,488
– Share of profit of an associate					2,976
– Share of losses of joint ventures					(617)
Profit before tax					104,652

Six months ended 30 June 2018	Unaudited				
	Pipeline transportation income HK$'000	Bottled gas sales HK$'000	Sales of piped gas HK$'000	Gas connection services income HK$'000	Total HK$'000
Other information for reportable segments:					
Depreciation	3,926	81	49,182	305	53,494
Amortisation of prepaid lease payments	22	11	937	132	1,102
Amortisation of intangible assets	–	–	466	–	466

Six months ended 30 June 2017	Pipeline transportation income HK$'000	Bottled gas sales HK$'000	Sales of piped gas HK$'000	Gas connection services income HK$'000	Total HK$'000
	Unaudited				
Revenue					
– Tianjin Pipe and its subsidiaries	–	–	47,772	–	47,772
– Other customers	6,987	7,064	855,470	247,823	1,117,344
Revenue from external customers	6,987	7,064	903,242	247,823	1,165,116
Segment results	3,243	2,279	85,211	154,532	245,265
– Other income					3,996
– Other gains and losses					58,523
– General and administrative expenses					(70,717)
– Interest income					899
– Interest expenses					(23,768)
– Impairment losses, net of reversal					1,350
– Share of profit of an associate					2,334
– Share of losses of joint ventures					(2,015)
Profit before tax					215,867

Six months ended 30 June 2017	Pipeline transportation income HK$'000	Bottled gas sales HK$'000	Sales of piped gas HK$'000	Gas connection services income HK$'000	Total HK$'000
	Unaudited				
Other information for reportable segments:					
Depreciation	3,719	64	41,258	600	45,641
Amortisation of prepaid lease payments	–	13	1,054	284	1,351
Amortisation of intangible assets	–	–	151	–	151

7. OTHER INCOME

	Unaudited Six months ended 30 June	
	2018 HK$'000	2017 HK$'000
Rental income	**757**	1,303
Assembling service	**3,962**	2,693
	4,719	3,996

8. OTHER GAINS AND LOSSES

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
(Losses) gain on disposal of property, plant and equipment and prepaid lease payment	(1,129)	5,613
Net foreign exchange (losses) gain	(20,903)	47,365
Government grant	1,020	2,590
Others	408	2,955
	(20,604)	58,523

9. PROFIT BEFORE TAX

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Cost of gas purchased	1,183,968	738,700
Staff costs	67,899	66,043
Depreciation	53,494	45,641
Research and development expenses	18,093	8,039
Amortisation	1,568	1,502
Operation lease expense in respect of rented premises	6,421	2,818

10. INTEREST INCOME AND EXPENSES

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Interest income	(18,248)	(899)
Interest on USD bond	72,311	27,603
Interest on bank and other borrowings	21,700	7,293
	94,011	34,896
Less: Amounts capitalised as part of the cost of property, plant and equipment	(7,560)	(11,128)
Interest expenses	86,451	23,768

11. INCOME TAX EXPENSES

	Unaudited Six months ended 30 June	
	2018 **HK$'000**	2017 HK$'000
Current tax:		
Current tax on profits for the Period	**34,985**	35,149
Deferred tax	**(3,497)**	49
Income tax expenses	**31,488**	35,198

There was no Hong Kong profit tax provided for the six months ended 30 June 2018 and for the six months ended 30 June 2017.

In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", New and High Technical Enterprise was subject to income tax at a tax rate of 15%. The following subsidiaries of the Company were recognised as New and High Technical Enterprises in accordance with the applicable Laws of the People's Republic of China ("PRC") of Enterprise Income Tax (the "EIT Law") of the PRC and are subject to income tax at a tax rate of 15% for the respective years:

Tianjin TEDA Binhai Clean Energy Group Company Limited (formerly known as "Tianjin Binda Gas Enterprise Company Limited")* ("TEDA Energy")（天津泰達濱海清潔能源集團有限公司）was recognised as New and High Technical Enterprises on 9 December 2016 for 3 years and is subject to income tax at a tax rate of 15% from 2016 to 2018.

Zhuozhou Binhai Gas Company Limited* ("Zhuozhou Binhai Gas")（涿州濱海燃氣有限公司）was recognised as New and High Technical Enterprises on 21 November 2016 for 3 years and is subject to income tax at a tax rate of 15% from 2016 to 2018.

Other subsidiaries established in the PRC are subject to income tax at a tax rate of 25% for the six months ended 30 June 2018 (for the six months ended 30 June 2017: 25%).

The Company was established in Bermuda, which is a tax free country. The income tax rate of Binhai Investment Hong Kong Limited is 16.5%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. DIVIDEND

During the Period, a final dividend of HK$0.055 per ordinary share in respect of the year ended 31 December 2017 ("2017 Final Dividend") was recommended by the Board (a final dividend of HK$0.05 per ordinary share was recommended for the year ended 31 December 2016). The amount of the 2017 Final Dividend paid in the Period amounted to approximately HK$64,589,200 (six months ended 30 June 2017: approximately HK$58,717,400).

The Directors have decided not to pay any dividend in respect of the Period.

* *Identification for English translation only*

13. 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	
	2018	2017
Earnings		
Profit attributable to owners of the Company *(HK$'000)*	**71,661**	179,345
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,174,348,950**	1,174,348,950

(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 share options the exercise of which would have no dilutive effect to earnings per share because the exercise price of those options was higher than the average market price for share for both six months ended 30 June 2018 and six months ended 30 June 2017.

14. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2018 HK$'000	Unaudited As at 30 June 2017 HK$'000
Opening net book amount	**3,463,525**	2,833,956
Additions	**326,252**	101,442
Disposal	**(493)**	(2,262)
Depreciation	**(53,494)**	(45,641)
Reversal of impairment charge	**—**	219
Currency translation differences	**(42,103)**	89,959
Closing net book amount	**3,693,687**	2,977,673

Note:

The net carrying amount of gas pipeline worth approximately HK$406,847,000 (approximately RMB343,257,000) were pledged as security for the related borrowing as at 30 June 2018, details of which are set out in Note 18(d).

15. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
Trade receivables		
— Piped gas sales receivables	**87,894**	129,962
— Gas connection service income receivables	**297,000**	247,592
— Pipeline transportation income receivables	**1,740**	12,724
Less: allowance for impairment	**(65,917)**	(71,538)
	320,717	318,740
Bills receivables	**14,011**	14,845
	334,728	333,585
Receivables from related parties *(Note 22)*	**173,085**	207,675
Less: allowance for impairment	**(82,569)**	(83,639)
	90,516	124,036
Other receivables	**113,619**	101,120
Less: allowance for impairment	**(8,305)**	(8,412)
	105,314	92,708
Advances to suppliers	**258,601**	297,550
Less: allowance for impairment	**(78,678)**	(81,530)
	179,923	216,020
Less: advance payment for pipeline construction	**(10,325)**	(25,517)
	169,598	190,503
Current portion	**700,156**	740,832

Notes:

(a) The carrying amounts of the Group's trade and other receivables are principally denominated in Renminbi ("RMB").

(b) The carrying amounts of trade and other receivables are close to their fair values due to their short-term maturities.

(c) Aging analysis of the trade and bills receivables is as follows:

	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
0 — 90 days	**125,585**	217,871
91 — 180 days	**60,495**	26,249
181 — 365 days	**80,489**	16,181
Over 365 days	**68,159**	73,284
	334,728	333,585

The Group shall assess the credit worthiness of each potential customer and base on this criterion to determine the credit terms for a particular customer. In addition, the Group has reviewed the repayment history of each customer with reference to the payment terms stated in contracts to ascertain the recoverability of the trade receivables.

16. SHARE CAPITAL

	Unaudited As at 30 June 2018		Audited As at 31 December 2017	
	Number of shares ’000	**Amounts HK$’000**	Number of shares ’000	Amounts HK$’000
Authorised:				
Ordinary shares of HK$0.1 each	**1,500,000**	**150,000**	1,500,000	150,000
Issued and fully paid:	**1,174,349**	**117,435**	1,174,349	117,435
Redeemable preference shares of HK$50.00 each, issued and fully paid *(Note)*	**8,600**	**430,000**	8,600	430,000
Issued and fully paid:		**547,435**		547,435

Note: Redeemable preference shares of HK$50.00

The Company issued 8.6 million redeemable preference shares on 4 May 2009 to Cavalier Asia Limited, a company owned by a state-owned enterprise. These redeemable preference shares are:

- not entitled to dividend;
- non-voting;
- non-convertible and at zero coupon;
- redeemable into their full nominal amount at the discretion of the Company as from the date immediately after the fifth anniversary of the date of resumption of trading of the Company’s shares.

17. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

	Note	**Unaudited As at 30 June 2018 HK$'000**	Audited As at 31 December 2017 HK$'000
Trade and bills payables	*(a)*	**400,064**	487,131
Advance from customers		**—**	368,411
Other payables		**501,717**	504,847
Accrued expenses		**10,654**	40,744
Amounts due to related parties *(Note 22)*		**52,601**	53,385
		965,036	1,454,518

Note:

(a) Aging analysis of the trade and bills payables based on invoice date is as follows:

	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
0 — 90 days	**130,837**	268,626
91 — 180 days	**34,334**	35,298
181 — 365 days	**86,730**	45,190
Over 365 days	**148,163**	138,017
	400,064	487,131

18. BORROWINGS

	Notes	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
USD bond	*(a)*	**2,335,325**	3,879,706
Bank borrowing — unsecured	*(b)*	**154,084**	156,081
Bank borrowing — secured	*(c)*	**397,061**	462,240
Other borrowing — secured	*(d)*	**273,060**	327,052
Total		**3,159,530**	4,825,079
Less: Current portion		**(535,670)**	(2,120,314)
Non-current portion		**2,623,860**	2,704,765

Notes:

(a) USD bond

On 6 May 2015, the Company issued the bonds in the aggregate principal amount of US$200,000,000 (equivalent to approximately HK$1,546,740,000). The bonds carried interest at a rate of 3.25% per annum, payable semi-annually in arrears. The effective interest rate of the bonds is 3.58% per annum. The bonds became due and had been redeemed on 6 May 2018,

On 22 November 2017, the Company issued the bonds in the aggregate principal amount of US$300,000,000 (equivalent to approximately HK$2,334,750,000). The bonds will mature on 30 November 2020, unless the Company purchased and cancelled in accordance with the terms and conditions stated in the agreement ("Early Redemption Events"). When the Early Redemption Events occurred, the bond holder has the right to request the Company to redeem the USD bond at 101% of the principal amount. The estimated fair value of the rights on Early Redemption Events is insignificant at initial recognition as at 30 June 2018 and 31 December 2017. The bonds carried interest at a rate of 4.45% per annum, payable semi-annually in arrears. The effective interest rate of the bonds is 4.62% per annum.

(b) Bank borrowing — unsecured

The balances of bank borrowing as at 30 June 2018 were borrowings from China Construction Bank Corporation which is unsecured, carries interest at the rate of 4.5% per annum and is repayable in 2019.

(c) Bank borrowing — secured

The balances of bank borrowing were all secured and would be repayable within one year.

The borrowings were (i) borrowings from Bank of Communication with RMB150,000,000 (equivalent to approximately HK$177,788,000) which carries interest at the rate of 4.35% floated 15% per annum; (ii) borrowings from China Merchants Bank with RMB100,000,000 (equivalent to approximately HK$118,526,000) which carries interest at the rate of 4.35% floated 15% per annum; (iii) borrowings from Bank of Hebei with RMB50,000,000 (equivalent to approximately HK$59,263,000) which carries interest at the rate of 4.35% floated 15% per annum; and (iv) borrowings from Bank of Beijing with RMB35,000,000 (equivalent to approximately HK$41,484,000) which carries interest at the rate of 5% per annum. All of the above borrowings are repayable in 2018.

(d) Other borrowing — secured

On 29 April 2016, TEDA Energy had entered into an agreement (the "Agreement 1") with Bank of Communications Financial Leasing Co., Ltd. ("BoCom Leasing") whereby the Group drew down RMB230,000,000 (equivalent to approximately HK$265,344,000) from BoCom Leasing (included in other borrowings) repayable by 20 quarterly installments plus annual interest rate being the RMB benchmark lending rate published by the People's Bank of China for the same period decreased by 12%.

On 29 June 2017, TEDA Energy had entered into an agreement (the "Agreement 2") with BoCom Leasing whereby the Group drew down RMB130,000,000 (equivalent to approximately HK$150,393,000) from BoCom Leasing (included in other borrowings) repayable by 12 quarterly installments plus annual interest rate being the RMB benchmark lending rate published by the People's Bank of China for the same period increased by 2%.

Notwithstanding that Agreement 1 and Agreement 2 took the a legal form of a lease, the Group accounted for Agreement 1 and Agreement 2 as collateralised borrowing in accordance with the actual contents of Agreement 1 and Agreement 2.

As collaterals for above financing:

(i) The Group transferred the ownership title of the pipelines to BoCom Leasing in accordance with Agreement 1 and Agreement 2;

(ii) The Group placed a security deposit of RMB6,900,000 (equivalent to approximately HK$7,960,000) and RMB3,900,000 (equivalent to approximately HK$4,512,000) with BoCom Leasing in accordance with Agreement 1 and Agreement 2 respectively and recorded as "Pledge deposits" in the Group's consolidated statement of financial position.

(iii) Two wholly-owned subsidiaries of the Company, Binhai Investment Tianjin and Tianjin Bintai Energy Development Company Limited (which was acquired by TEDA Energy in 2016), have each executed a guarantee as a guarantor in favor of BoCom Leasing to guarantee all payment obligations of TEDA Energy under Agreement 1. Binhai Investment Tianjin has executed a guarantee as a guarantor in favor of BoCom Leasing to guarantee all payment obligations of TEDA Energy under Agreement 2.

Upon discharging all the Group's obligations under Agreement 1 and Agreement 2, BoCom Leasing will return the ownership title of the pipelines to the Group for a nominal amount of RMB1.00.

The maturity of the borrowings:

	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
Within one year	**535,670**	2,120,314
Within a period of more than one year but not exceeding two years	**228,286**	262,906
Within a period of more than two years but not exceeding five years	**2,395,574**	2,441,859
Total	**3,159,530**	4,825,079

19. DEFERRED INCOME

	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
Government grants		
At the beginning of the Period	**35,862**	34,490
Received during the Period	**24,335**	—
Credited to profit or loss	**(1,020)**	(1,192)
Currency translation differences	**(608)**	2,564
At the end of the Period	**58,569**	35,862
Analysed for reporting purpose as:		
Current portion (included in trade and other payables)	**2,027**	1,236
Non-current portion	**56,542**	34,626
	58,569	35,862

TEDA Energy, a subsidiary of the Company, received a government subsidy of RMB30,900,000 (equivalent to approximately HK$35,648,000) in 2016 and RMB20,400,000 (equivalent to approximately HK$24,335,000) in 2018 to subsidise its projects costs related to construction of new gas pipelines for connection to certain heating enterprises in order to promote the usage of more environmentally-friendly energy. Accordingly, subsidy received is deferred and released to the profit or loss over the estimated useful lives of the relevant gas pipelines constructed.

20. DEFERRED TAX ASSETS

The following is the major deferred tax assets movements thereon during the Period:

	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
Government grants		
At the beginning of the Period	**5,379**	5.174
Debit for the Period	**3,650**	—
Credit for the Period	**(153)**	(179)
Currency translation differences	**(91)**	384
At the end of the Period	**8,785**	5,379

21. COMMITMENTS

(a) Capital commitments

	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided in the consolidated financial statements	**173,638**	126,887

(b) Operating leases commitment — Group as lessee

At the end of the Period, the Group had commitments for future minimum lease payments under non-cancellable operation leases in respect of buildings, which fall due as follows:

	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
Not later than one year	**7,401**	5,927
Later than one year and not later than five years	**11,468**	3,585
Later than five years	**736**	372
	19,605	9,884

(c) Operating leases commitment — Group as lessor

At the end of the Period, the Group had contracted with lessees for the following future minimum lease payments in respect of equipment:

	Unaudited As at 30 June 2018 HK$'000	Audited As at 31 December 2017 HK$'000
Not later than one year	**1,703**	2,021
Later than one year and not later than five years	**1,695**	3,480
Later than five years	**4,600**	4,860
	7,998	10,361

22. RELATED PARTY TRANSACTIONS

In addition to those mentioned elsewhere in the condensed consolidated financial statements, the followings are significant transactions entered into between the Group and its related parties during the Period:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
(a) Transactions with fellow subsidiaries of the following holding companies:		
Sale of gas to Tianjin TEDA Gas Company Limited ("TEDA Gas") *(Note (i))*	**99,651**	112,078
Sale of gas to Tianjin Pipe and its subsidiaries *(Note (i))*	**19,155**	47,772
Sale of gas to Sinopec Binhai Investment (Tianjin) Natural Gas Utilisation ("SBI") *(Note (i))*	**16,598**	890
Sale of gas to Tianjin Sai-rui Machinery Equipment Company Limited ("Sai Rui") *(Note (i))*	**14,027**	14,381
Sale of gas to Tianjin Eco-City Energy Investment Construction Company Limited ("Tianjin Eco-city") *(Note (i))*	**13,302**	5,949
Sale of gas to Tianjin Eco-city TEDA Thermal Power Co.,Ltd ("Eco-city TEDA Thermal Power") *(Note (i))*	**8,757**	2,810
Provision of connection service to TEDA Investment Holding Co., Ltd ("TEDA Investment") *(Note (iv))*	**3,457**	4,546
Sale of gas to Tianjin TEDA Transportation Hub Operations Management Company Limited ("TEDA Transportation Hub") *(Note (i))*	**1,072**	762
Gas transportation to TEDA Gas *(Note (ix))*	**869**	582
Rental income from SBI *(Note (ii))*	**616**	557
Gas transportation to SBI *(Note (ix))*	**150**	—
Sale of gas to Tianjin YAT-SEN Scientific Industrial Park International Inc ("Tianjin YAT-SEN") *(Note (i))*	**93**	596
Sale of gas to Thriving Future Property Management Co., Ltd. ("Thriving Future Property") *(Note (i))*	**74**	39
Sale of gas to Tianjin Xing Cheng Investment and Development Company Limited ("Tianjin Xing Cheng") *(Note (i))*	**69**	49

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Sale of gas to TEDA Zhongtang Investment & Development co., Ltd ("TEDA Zhongtang") *(Note (i))*	**63**	13
Provision of connection service to TEDA Zhongtang *(Note (iii))*	**—**	7,846
Construction supervision service from Tianjin Eco-City Environmental Technology Consulting Co., Ltd. ("Eco-City Environmental") *(Note (viii))*	**(36)**	(79)
Processing service from SBI *(Note (x))*	**(278)**	—
Purchase of steel pipe materials from TPCO & TISCO Welding Pipe Corporation Co., Ltd. ("Tianguan Taigang") *(Note (v))*	**(1,895)**	(7,684)
Insurance premium paid to Bohai Property Insurance Company Limited ("Bohai") *(Note (vi))*	**(1,898)**	(1,703)
Purchase gas from Tianjin Binhai Tourist Area Gas InvestmentDevelopment Co., Ltd ("Binhai Tourist Area Gas") *(Note (vii))*	**(9,253)**	(3,314)

Notes:

(i) The Group supplied gas to related parties via its pipe network at a price regulated by the State Government and the Tianjin Municipal Government.

(ii) The Group leased its own equipment to SBI.

(iii) The Group was engaged to provide the connection services to related parties located in Tianjin.

(iv) The Group was engaged to provide the connection services to ultimate holding company located in Tianjin.

(v) The Group entered into the Steel Pipes Agreement with Tianguan Taigang for the supply of steel pipe materials by Tianguan Taigang.

(vi) The Group entered into insurance arrangement with Bohai as insurer, pursuant to which Bohai will provide insurance coverage to various subsidiaries of the Group.

(vii) The Group purchased gas from Binhai Tourist Area Gas.

(viii) The Group purchased supervision services of construction from Eco-City Environmental.

(ix) The Group provided gas transportation to TEDA Gas and SBI.

(x) The Group purchased processing services from SBI.

	Unaudited as at 30 June 2018 HK$'000	Audited as at 31 December 2017 HK$'000
(b) Balances with related parties		
Account receivable from Tianjin Pipe and its subsidiaries	**131,159**	134,418
Account receivable from TEDA Zhongtang	**19,482**	19,735
Account receivable from Sai Rui	**11,284**	8,422
Account receivable from TEDA Gas	**7,776**	26,198
Account receivable from Tianjin Eco-City	**1,142**	5,885
Account receivable from Tianjin YAT-SEN	**877**	797
Account receivable from TEDA Investment	**832**	843
Advance to Tianguan Taigang	**432**	—
Account receivable from ECO-City TEDA Thermal Power	**101**	1,122
Account receivable from Tianjin Xingcheng	**—**	1,202
Account receivable from SBI	**—**	8,363
Advance to Binhai Tourist Area Gas	**—**	670
Account receivable from Thriving Future Property	**—**	20
	173,085	207,675
Account payables to Qinhuangdao Taixing Gas Company Limited	**(35,558)**	(36,019)
Account payable to TEDA Hong Kong Property Company Limited	**(7,383)**	(4,804)
Account payable to SBI	**(4,510)**	(5,188)
Account payable to Tianguan Taigang	**(2,419)**	(99)
Account payables to TEDA Investment	**(2,130)**	(5,172)
Account advance received from Tianjin Rail Transit Group Engineering Construction Co.,Ltd	**(296)**	(300)
Account advance received from TEDA Transportation Hub	**(234)**	(533)
Account payable to Binhai Tourist Area Gas	**(71)**	—
Account payables to Tianjin Xing Cheng	**—**	(46)
Account payables to TEDA Zhongtang	**—**	(28)
Account advance received from Eco-City TEDA Thermal Power	**—**	(1,196)
	(52,601)	(53,385)

(c) 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 the state-controlled entities as independent third parties so far as the Group's business transactions with them are concerned.

Other than those mentioned above in Notes (a) and (b) above and the issuance of redeemable preference shares mentioned in Note 16, the majority of the Group's cash and bank balances and borrowings as at 30 June 2018 were deposited with state-controlled banks or borrowed from state-controlled financial institutions.

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
(d) Key management compensation:		
Fees	**(1,328)**	(1,428)
Salaries, share options and other allowances	**(3,222)**	(3,033)
Pension costs	**(111)**	(192)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the construction of gas pipeline networks, the provision of connection services, the sales of piped gas, pipeline transportation and bottled gas sales.

Connection Services

The Group constructs gas pipelines for its clients and connects their pipelines to the Group's main gas pipeline networks, and receives connection service income from industrial and commercial customers, property developers and property management companies. As at 30 June 2018, the Group's total gas pipeline network was approximately 2,415 kilometers, representing an increase of 116 kilometers of the pipeline network from 2,299 kilometers as at 31 December 2017. During the Period, the connection service income amounted to approximately HK$200,263,000, representing a decrease of HK$47,560,000 or 19% as compared to HK$247,823,000 for the corresponding period last year.

Piped Gas Sales

During the Period, consumption of piped gas by residential and industrial customers amounted to approximately $4,006*10^6$ and $12,068*10^6$ mega-joules respectively, as compared to $2,252*10^6$ and $8,874*10^6$ mega-joules respectively for the corresponding period last year. During the Period, the piped gas sales income of the Group amounted to HK$1,372,416,000, representing an increase of HK$469,174,000 or 52% as compared to HK$903,242,000 for the corresponding period last year. The increase in piped gas sales income is mainly due to the increase in natural gas sales volume.

Pipeline Transportation

The Group transports gases for clients through gas pipeline networks and charges transportation fees. During the Period, the volume of gases transported by the Group for its clients amounted to 283,327,159 cubic meters and pipeline transportation income amounted to HK$35,732,000, representing an increase of HK$28,745,000 or 411% as compared to HK$6,987,000 for the corresponding period last year.

Property Development

As at 30 June 2018, 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 incompatibility of real estate business with 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 development. The management emphasized the decision of the disposal of the real estate, and has appointed professional staff to actively contact agents and potential buyers.

Prospects

Green energy is a clean and non-polluting new energy developed by modern technology to reduce air pollution in urban and industrial areas and improve the quality of biological environment. Following the issuance of the "Overall Plan on the Reform of Oil and Gas Industry*"（《石油天然氣體制改革總體方案》）in the PRC, according to the forecast made by relevant institutions, the apparent consumption of natural gas in the PRC is estimated to reach 382.17 billion cubic meters by 2022, which is 1.6 times of that in 2017, representing a 5-year CAGR of 9.8%. Supported by the governmental policies for energy diversification and environmental protection, the popularization of natural gas will become the first priority of energy development policy in the PRC.

The Group will continue to use its best endeavors to expand access to natural gas resources, obtain gas pipelines and minimize the operation cost of natural gas, allowing the Company to benefit from higher competitiveness in terms of natural gas supply ability and pricing, reinforcing the expansion of existing markets and continuously exploring new markets, for increasing natural gas consumption and expanding its application. On the basis of existing users and by fully utilizing the constructed high pressure gas pipelines and those under construction, the Group will expand its reach to the natural gas users of distributed energy and those under the initiatives of industrial "coal to gas" and "village to village" to develop the third party distribution business of natural gas power plants and the third party distribution business from the inter-connection of gas pipelines operation between CNOOC and CNPC for natural gas resources in winter, thereby boosting sales of gas and increasing the profit of gas sales.

* *for identification purpose only*

Financial Review

Gross Profit Margin

During the Period, the gross profit of the Group was HK$264,176,000 (for the six months ended 30 June 2017: HK$245,265,000) and the gross profit margin for the Group was 16.3% (for the six months ended 30 June 2017: 21.1%).

During the heating season of the Period, the shortage in the natural gas led to the increase in purchase cost and the decrease in gross profit margin of the piped gas.

Administrative Expenses

Administrative expenses of the Group during the Period were HK$84,283,000, representing an increase of HK$13,566,000 or 19% as compared to HK$70,717,000 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$71,661,000 during the Period, representing a decrease of HK$107,684,000 or 60% as compared to HK$179,345,000 for the corresponding period last year. Such significant decrease was mainly due to an increase in foreign exchange loss resulting from the depreciation of Renminbi and an increase in finance costs of the Group.

Basic earnings per share of the Company for the Period was HK6.1 cents, representing a decrease of HK9.17 cents as compared to HK15.27 cents for the corresponding period last year.

Liquidity and financial resources

As at 30 June 2018, the total borrowings of the Group were HK$3,159,530,000 (as at 31 December 2017: HK$4,825,079,000) and the cash and bank deposit of the Group was HK$1,263,069,000 (as at 31 December 2017: HK$3,271,772,000), including bank balances and cash of HK$1,255,220,000 and pledged bank deposits of HK$7,849,000. As at 30 June 2018, the Group had consolidated current assets of approximately HK$2,103,376,000 and its current ratio was 1.09. As at 30 June 2018, the Group had a gearing ratio of approximately 221%, measured by the ratio of total consolidated borrowings of approximately HK$3,159,530,000 to total equity of approximately HK$1,428,162,000.

Borrowings Structure

As at 30 June 2018, the total borrowings of the Group amounted to HK$3,159,530,000 (as at 31 December 2017: HK$4,825,079,000). Unsecured borrowings from PRC banks were denominated in RMB, carrying interest at the rate of 4.5% per annum. Secured borrowings from PRC banks were denominated in RMB, carrying interest at the rate of 5% per annum. Unsecured bonds of US$300,000,000 were issued at 100% of the issue price, bearing interest at a rate of 4.45%. Other secured borrowings include borrowings with principal amounts of RMB230,000,000 and RMB130,000,000 respectively with the annual interest rate being 12% less than the RMB benchmark lending rate published by the People's Bank of China for the same period and with the annual interest rate being 2% more than the RMB benchmark lending rate published by the People's Bank of China for the same period. As at 30 June 2018, short-term borrowings and current portion of long-term borrowings amounted to HK$535,670,000, 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 position 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 operations 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 Group's respective entities. Part of the bank balances and bank 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 2018, net unrealized foreign exchange loss for the financing activities was HK$20,903,000. 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 2018, the Group had pledged bank deposit of HK$7,849,000 (as at 31 December 2017: HK$11,116,000).

Save as disclosed above, pipelines with a net carrying amount of HK$407 million (approximately RMB 343 million) were pledged as security for the related borrowing as at 30 June 2018.

Final Dividend

Based on the annual profit of the Company for the year ended 31 December 2017 and taking into account the financial position of the Company, the Board recommended a final dividend of HK$0.055 per ordinary share for the year ended 31 December 2017 ("2017 Final Dividend") (a final dividend of HK$0.05 per ordinary share was recommended for the year ended 31 December 2016). The 2017 Final Dividend was approved by the holders of ordinary shares at the annual general meeting of the Company held on 11 May 2018, and was paid on 29 June 2018. The actual amount of the 2017 Final Dividend paid was approximately HK$64,589,200.

Interim Dividend

The Board does not declare any interim dividend for the Period (2017: Nil).

Significant acquisition and disposals

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

Contingent Liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 30 June 2018, the Group had a total of 1,568 employees (as at 31 December 2017: 1,554). During the Period, the salaries and wages of the employees were HK$78,533,000 (for the six months ended 30 June 2017: HK$73,681,000) and among these, HK$10.6 million was recorded as research and development expenses (for the six months ended 30 June 2017: HK$7.6 million).

During the Period, there has been no material change to the Group's employee remuneration policies. Details of which have been set out in the published annual report of the Company for the year ended 31 December 2017.

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 2018, the interests or short positions of the Directors and the chief executives 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 Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Main Board Listing Rules were as follows:

		Interests in ordinary shares						
Name of Director	Capacity	Personal interests	Corporate interests	Family interests	Total interests	Interests in underlying ordinary shares pursuant to share options	Total interests in ordinary shares and underlying ordinary shares	Approximate percentage of the Company's total issued ordinary shares as at 30 June 2018
Mr. GAO Liang	Beneficial owner	–	–	–	–	1,000,000	1,000,000	0.09%
Mr. ZHANG Jun	Beneficial owner	–	–	–	–	700,000	700,000	0.06%
Mr. WANG Gang	Beneficial owner	–	–	–	–	700,000	700,000	0.06%
Mr. IP Shing Hing, J.P.	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Professor Japhet Sebastian LAW	Beneficial owner	100,000	–	–	100,000	200,000	300,000	0.03%
Mr. TSE Tak Yin	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Mr. LAU Siu Ki, Kevin	Beneficial owner	–	–	–	–	200,000	200,000	0.02%

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 2018 and as at 30 June 2018 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 2018	Number of ordinary shares subject to outstanding options as at 30 June 2018	Approximate percentage of the Company's total issued ordinary shares as at 30 June 2018
Mr. GAO Liang	27.9.2010	27.9.2010 – 26.9.2020	5.6	1,000,000	1,000,000	0.09%
Mr. ZHANG Jun	27.9.2010	27.9.2010 – 26.9.2020	5.6	700,000	700,000	0.06%
Mr. WANG Gang	27.9.2010	27.9.2010 – 26.9.2020	5.6	700,000	700,000	0.06%
Mr. IP Shing Hing, *J.P.*	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	200,000	0.02%
Professor Japhet Sebastian LAW	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	200,000	0.02%
Mr. TSE Tak Yin	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	200,000	0.02%
Mr. LAU Siu Ki, Kevin	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	200,000	0.02%

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

Save as disclosed above, as at 30 June 2018, there were no other interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (pursuant to the meaning of Part XV of the SFO) 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 2018, the persons (not being a Director or chief executive of the Company) or companies who or which 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:

			Number of ordinary shares					
Name of shareholder	**Position**	**Capacity and nature of interest**	**Beneficial interest**	**Family interest**	**Corporate interest**	**Other interest**	**Total interest**	**Approximate percentage of the Company's total issued ordinary shares as at 30 June 2018**
Tianjin TEDA Investment Holding Co., Ltd. ("TEDA")	Long	Interest of controlled corporation	–	–	706,818,659	–	706,818,659	60.19%
Mr. SHUM Ka Sang ("Mr. SHUM")	Long	Beneficial owner/ Interest of controlled Corporation/ Interest of Spouse	308,000	127,924 *(Note 2)*	62,952,600 *(Note 1)*	–	63,388,524	5.40%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	61,952,600 *(Note 1)*	–	–	–	61,952,600	5.28%
Ms. WU Man Lee ("Ms. WU")	Long	Beneficial owner/ Interest of spouse	127,924	63,260,600 *(Note 2)*	–	–	63,388,524	5.40%

Notes:

1. Wah Sang Gas Development Group (Cayman Islands) Limited is a company entirely owned by Mr. Shum. The corporate interest held by Mr. Shum refers to his deemed interests in the 61,952,600 ordinary shares held by Wah Sang Gas Development Group (Cayman Islands) Limited and in the 1,000,000 ordinary shares held by Wah Sang Gas Development (Group) Limited which is 100%-controlled by Mr. Shum.

2. 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.

Other than as disclosed above, as at 30 June 2018, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company and recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

Pursuant to the 2010 Scheme, the Company granted 90,500,000 share options to the Directors and certain employees under continuous contract with the Group on 27 September 2010. Upon the share consolidation of the Company taking effect on 14 May 2015, the total number of shares that will be issued upon the exercise of the outstanding share options under the 2010 Scheme was adjusted from 55,500,000 ordinary shares of HK$0.01 each to 5,550,000 consolidated ordinary shares of HK$0.10 each, and the exercise price of such options had also been adjusted from HK$0.56 per ordinary share of HK$0.01 each to HK$5.60 per consolidated ordinary share of HK$0.10 each. During the Period, 700,000 share options had lapsed.

Details of share options held by the Directors and employees of the Group pursuant to the 2010 Scheme and the changes of which during the Period were as follows:

Grantee	**Date of grant**	**Exercise Period** *(Note)*	**Exercise Price** *(HK$)*	**Number of ordinary shares subject to outstanding options as at 1 January 2018**	**Number of options lapsed during the Period**	**Number of ordinary shares subject to outstanding options as at 30 June 2018**	**Approximate percentage of the Company's total issued ordinary shares as at 30 June 2018**
Directors	27.9.2010	27.9.2010 – 26.9.2020	5.6	3,900,000	(700,000)	3,200,000	0.27%
Employees	27.9.2010	27.9.2010 – 26.9.2020	5.6	1,150,000	–	1,150,000	0.10%
Total				5,050,000	(700,000)	4,350,000	0.37%

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

CHANGE IN DIRECTOR'S INFORMATION

Mr. LAU Siu Ki, Kevin, an independent non-executive Director, serves as an independent non-executive director of TCL Multimedia Technology Holdings Limited (Stock Code: 1070), which announced that its name was duly changed to TCL Electronics Holdings Limited with effect from 23 May 2018.

Save as disclosed above and as at the date of this report, the Company is not aware of any change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Main Board Listing Rules.

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 Siu Ki, Kevin, the chairman of the Audit Committee, and Mr. TSE Tak Yin 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 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 of securities approved.

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 Main Board 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 2018

As at the date of this report, the Board comprises two executive Directors, namely, Mr. ZHANG Bing Jun and Mr. GAO Liang, four non-executive Directors, namely, Mr. SHEN Xiao Lin, Mr. ZHANG Jun, Mr. WANG Gang and Mr. YU Ke Xiang, 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.