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 Annual Report

Content

Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Bing Jun *(Chairman)*
Mr. Gao Liang *(General Manager)*

NON-EXECUTIVE DIRECTORS

Mr. Shen Xiao Lin
Mr. Zhang Jun
Mr. Wang Gang
Ms. Zhu Wen Fang *(resigned on 4 May 2018)*
Ms. Shi Jing *(resigned on 26 July 2018)*
Mr. Yu Ke Xiang *(appointed on 26 July 2018)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Shing Hing, *J.P.*
Mr. Lau Siu Ki, Kevin
Professor Japhet Sebastian Law
Mr. Tse Tak Yin

AUDIT COMMITTEE

Mr. Lau Siu Ki, Kevin *(Chairman)*
Mr. Ip Shing Hing, *J.P.*
Professor Japhet Sebastian Law
Mr. Tse Tak Yin

REMUNERATION COMMITTEE

Professor Japhet Sebastian Law *(Chairman)*
Mr. Gao Liang
Mr. Ip Shing Hing, *J.P.*
Mr. Lau Siu Ki, Kevin
Mr. Tse Tak Yin

NOMINATION COMMITTEE

Mr. Ip Shing Hing, *J.P.* *(Chairman)*
Mr. Gao Liang
Mr. Lau Siu Ki, Kevin
Professor Japhet Sebastian Law
Mr. Tse Tak Yin

RISK COMMITTEE

Mr. Ip Shing Hing, *J.P.* *(Chairman)*
Mr. Gao Liang
Mr. Lau Siu Ki, Kevin
Professor Japhet Sebastian Law
Mr. Tse Tak Yin

COMPANY SECRETARIES

Mr. Yip Wai Yin
Mr. Yin Fu Gang *(resigned on 8 January 2019)*

AUTHORISED REPRESENTATIVES

Mr. Gao Liang
Mr. Yin Fu Gang *(resigned on 8 January 2019)*
Mr. Yip Wai Yin *(appointed on 8 January 2019)*

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton HM 11 Bermuda

HEAD OFFICE

Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road Pembroke HM 08 Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-16, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

LEGAL ADVISER ON HONG KONG LAW

Woo Kwan Lee & Lo
26th Floor, Jardine House, 1 Connaught Place
Central, Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank China
China Merchants Bank

STOCK CODE

2886

WEBSITE

www.binhaiinv.com

Corporate Profile

Binhai Investment Company Limited **Incorporated: Bermuda**

↓ 100%

Winstar Venture Limited **Incorporated: BVI**

↓ 100%

Binhai Investment Hong Kong Limited **Incorporated: Hong Kong**

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Share-holding		
100%	**Tianjin Binhai Xinda Real Estate Company Limited**	**Incorporated: Tianjin**
100%	**Binhai Investment (Tianjin) Company Limited**	**Incorporated: Tianjin**

Share-holding		Incorporated
100%	Tianjin TEDA Binhai Clean Energy Group Company Limited	Tianjin
100%	Tianjin HuaTai Xinda Gas Company Limited	Tianjin
100%	Tianjin Taigang Gas Company Limited	Tianjin
100%	Tianjin BinNing Gas Company Limited	Tianjin
100%	Tianjin Tai Gas Energy Technology Development Limited	Tianjin
80%	Tianjin BinMing Gas Company Limited	Tianjin
100%	Tianjin Tairan New Energy Technology Company Limited	Tianjin
100%	Tianjin Tairan Technology Company Limited	Tianjin
100%	Beijing Airport Wah Sang Gas Company Limited	Beijing
90%	Sanhe TEDA Gas Company Limited	Hebei Province
85%	Zhuozhou Binhai Gas Company Limited	Hebei Province
100%	Qinhuangdao TEDA Gas Company Limited	Hebei Province
100%	Tangshan Binhai Gas Company Limited	Hebei Province
100%	Tangshan TEDA Gas Company Limited	Hebei Province
98%	Jizhou Binhai Gas Company Limited	Hebei Province
100%	Anxin TEDA Gas Company Limited	Hebei Province
99.82%	Qingyuan Binhai Gas Company Limited	Hebei Province
100%	Zibo Jin Bin Gas Company Limited	Shandong Province
100%	Binzhou TEDA Gas Company Limited	Shandong Province
100%	Changle TEDA Gas Company Limited	Shandong Province
100%	Dezhou Binhai Gas Company Limited	Shandong Province
80%	Qingdao Jiaonan Wah Sang Gas Company Limited	Shandong Province
100%	Qingdao Jiaozhou Binhai Gas Company Limited	Shandong Province

Corporate Profile

100%	Haiyang Wah Sang Gas Company Limited	Shandong Province
100%	Zhaoyuan Binhai Gas Company Limited	Shandong Province
100%	Yishui Binhai Gas Company Limited	Shandong Province
100%	Rizhao Binhai Gas Company Limited	Shandong Province
100%	Qingdao Tairan Energy Company Limited	Shandong Province
100%	Funing TEDA Gas Company Limited	Jiangsu Province
100%	Yizheng TEDA Gas Company Limited	Jiangsu Province
100%	Nanjing Binhai Gas Company Limited	Jiangsu Province
99%	Jingjiang Wah Sang Gas Company Limited	Jiangsu Province
100%	Yizheng Jin Bin Gas Company Limited	Jiangsu Province
100%	Fengxian Binhai Gas Company Limited	Jiangsu Province
100%	Gaoan TEDA Gas Company Limited	Jiangxi Province
100%	Liuyang Binhai Gas Company Limited	Hunan Province
100%	Hainan Teda New Energy Company Limited	Hainan Province
90%	Deqing Binhai Gas Company Limited	Zhejiang Province
100%	Haiyan Tian Tai Gas Company Limited	Zhejiang Province

Financial Highlights

Year ended 31 December	2018 *HK$'000*	2017 *HK$'000*	Changes Percentage
Revenue	**3,308,032**	2,745,687	20%
Gross profit	**612,062**	572,329	7%
Profit for the year	**106,809**	223,886	-52%
Profit for the year attributable to owners of the Company	**104,049**	221,421	-53%
	HK cents	*HK cents*	*Percentage*
Earnings per Ordinary Share			
— Basic	**8.9**	18.9	-53%
— Diluted	**8.9**	18.9	-53%
	Percentage	*Percentage*	*Percentage point*
Gross profit margin *(Note)*	**19%**	21%	-2
Profit margin for the year *(Note)*	**3%**	8%	-5

As at 31 December	2018 *HK$'000*	2017 *HK$'000*	Changes Percentage
Current assets	**1,825,205**	4,150,963	-56%
Total assets	**6,018,141**	7,875,998	-24%
Total equity	**1,364,864**	1,461,840	-7%
Current liabilities	**2,156,160**	3,674,767	-41%
Total liabilities	**4,653,277**	6,414,158	-27%
	Percentage	*Percentage*	*Percentage point*
Average finance costs *(Note)*	**4.5%**	4.1%	0.4
Return on average equity *(Note)*	**8%**	17%	-9

Financial Highlights

Note: Definitions.

- **Gross profit margin**
  Gross profit/Revenue

- **Profit margin for the year**
  Profit for the year/Revenue

- **Average finance costs**
  Weighted Average Interest expenses/Weighted Average borrowings

- **Return on average equity**
  Profit attributable to owners of the Company during the year/Average equity attributable to owners of the Company

Chairman's Statement

On behalf of the board of directors (the "Board") of Binhai Investment Company Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018. The Group recorded a revenue of approximately HK$3.31 billion for the year ended 31 December 2018 (2017: HK$2.75 billion), which represented an approximately 20% increase compared with previous year. Profit of the Group amounted to approximately HK$107 million for the year (2017: HK$224 million), representing a decrease of approximately 52% from previous year.

PERFORMANCE REVIEW

In 2018, the macroeconomy of the PRC operated with stability, the supply-side structural reform was further advanced, the trend of economic transformation and upgrade was sustained, and environmental protection policies aided the natural gas market to flourish. Following the continuous implementation of the "Three-Year Action Plan for Winning the Battle for a Blue Sky"(《打贏藍天保衛戰三年行動計劃》), the PRC has introduced various environmental protection policies, in order to continuously promote air pollution management and strengthen coal-to-gas conversion in civil, heating and industrial industries in key regions. The natural gas consumption of the PRC has grown rapidly. In 2018, the apparent consumption of natural gas reached 280.3 billion cubic meters, up by 18.1% year-on-year, which was the largest annual growth in the history of natural gas utilization in the PRC.

For the protection of gas sources, facing the strong demand and tight gas supply, the Group actively and effectively reallocated resources to achieve a sustainable, stable and safe natural gas supply within service regions. In the "Binhai New Area", the main operating area, the Group has realized the connection of multi-sources of natural gas supply to improve the capability of guaranteed gas supply to Tianjin and even North China region in winter effectively, and has enhanced the strategic position of the Company. Various overseas subsidiaries of the Group have also implemented the connection of natural gas sources or dual gas sources supply to prevent operational risks such as shortage of gas supply and high gas prices during the peak season of gas source in winter.

For enterprise operation, the Group had 149,000 connected regular households in 2018, up by 33% year-on-year, and the sales of piped natural gas reached 1.529 billion cubic meters, an increase of 57% as compared with the previous year, of which the sales volume of pipeline gas was 867 million cubic meters, up by 27% year-on-year. The Company seized the business opportunities of natural gas power plants and allocation and delivery of gas sources in order to achieve 662 million cubic meters of natural gas pipeline delivery, up by 130% year-on-year, which effectively improved the utilization efficiency of the Company's natural gas pipeline and expanded the Company's new sources of profit. Leveraging on the development opportunity of "coal to gas" and "gas for coal replacement", in reliance on the solid foundation laid by the early pipeline laying and market development, the Company endeavoured to develop the surrounding markets of the pipelines, and entered into development and cooperation agreements in new markets, such as Junliangcheng bulk cargo logistics planning area(軍糧城散貨物流區規劃片區)and Xiditouzhen(西堤頭鎮). Meanwhile, the Company also completed the regional integration of the natural gas market in Nanjing Lishui by way of acquisition of the entire equity interest in Nanjing Luyuan Gas Company Limited(南京綠源燃氣有限公司)which operates gas supply business in Hefengzhen of Lishui District of Nanjing(南京市溧水區和鳳鎮)at an aggregate consideration of RMB32,500,000, in order to expand the scale of the Group and enhance the momentum of the growth of subsequent performance of the Group.

Chairman's Statement

PROSPECTS

Looking forward in 2019, the use of natural gas will continue to be strongly supported and promoted by PRC national environmental protection policies. With the promotion of market-oriented reformation of natural gas prices and the continuous improvement of natural gas pipeline networks in urban regions, the prospects for natural gas utilization are tremendously broad. The Group will continue to grasp the good development opportunities of the natural gas industry, to develop the geographical advantages of the existing operation regions and to actively expand the scale of operations to achieve a win-win situation for the interest of shareholders, investors, government and users.

On behalf of the Board, I hereby extend my sincere gratitude to the shareholders, customers, staff, business partners and other stakeholders for their strong support towards the Group.

On behalf of the Board
Binhai Investment Company Limited

Zhang Bing Jun
Chairman of the Board

Hong Kong, 15 March 2019

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the construction of gas pipeline networks, gas construction and installation service, sales of piped natural gas, pipeline transportation and bottled natural gas sales.

Gas Construction and Installation Service

The Group constructs gas pipelines for its clients and connects such pipelines to the Group's main gas pipeline networks. The Group then charges gas construction and installation service fees from industrial and commercial customers, property developers and property management companies. As at 31 December 2018, the aggregate length of all gas pipeline networks owned by the Group was approximately 2,644 kilometers, representing an increase of 345 kilometers from the length of 2,299 kilometers as at 31 December 2017. For the year ended 31 December 2018, gas construction and installation service fees received by the Group amounted to approximately HK$636,707,000, representing a decrease of HK$54,308,000 or approximately 8% compared to the HK$691,015,000 service fees received in the year ended 31 December 2017.

Piped Natural Gas Sales

In the year ended 31 December 2018, consumption of piped natural gas by domestic and industrial users amounted to approximately $7,199 \times 10^6$ and $23,826 \times 10^6$ mega-joules respectively, as compared to $4,754 \times 10^6$ and $19,297 \times 10^6$ mega-joules respectively for the year ended 31 December 2017. During the year, income of the Group from sales of piped natural gas amounted to HK$2,582,878,000, representing an increase of HK$578,233,000 or approximately 29% compared to the amount of HK$2,004,645,000 recorded in the year ended 31 December 2017.

Pipeline Transportation

The Group transports gases for clients through gas pipeline networks and charges transportation fees. For the year ended 31 December 2018, the volume of gases transported by the Group for its clients amounted to 662,391,987 cubic meters and pipeline transportation income amounted to HK$67,412,000, representing an increase of HK$33,984,000 compared to the amount of HK$33,428,000 recorded in the year ended 31 December 2017.

Property Development

As of 31 December 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.

Management Discussion and Analysis

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 emphasised the decision of the disposal of the property under development, and appointed professional staff to actively contact agents and potential buyers.

FINANCIAL REVIEW

Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2018 was HK$612 million (2017: HK$572 million) and the gross profit margin for the Group was 19% (2017: 21%). During the heat supplying season of the year, the shortage in natural gas led to an increase in purchase cost and a decrease in gross profit margin of the piped natural gas.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2018 was HK$211 million, representing an increase of HK$16 million or 8% compared to HK$195 million for the year ended 31 December 2017, which was mainly attributable to an increase in research and development expenses.

Profit Attributable to Owners of the Company

Profit attributable to equity owners of the Company for the year ended 31 December 2018 was approximately HK$104 million, as compared to HK$221 million for the year ended 31 December 2017. Profit attributable to equity owners of the Company excluding the unrealised exchange loss amounted to HK$207 million for the year ended 31 December 2018, representing an increase of 92% as compared to that for the year ended 31 December 2017. The Group recorded an unrealised exchange loss of HK$103 million caused by fluctuations in RMB exchange rate in 2018.

Basic earnings per share for the year ended 31 December 2018 was HK$8.9 cents, as compared to HK$18.9 cents for the year ended 31 December 2017.

In determining the recoverability of the trade receivables from related parties of the Group, the Group considered the credit rating and the default payment history of such related parties. For the year ended 31 December 2018, impairment loss allowance in relation to the trade receivables from related parties of the Group, including the sales of piped natural gas to Tianjin Steel Pipe Manufacturing Co., Ltd.* (天津鋼管制造有限公司), was recognised at approximately HK$13,103,000 (2017: approximately HK$80,591,000).

* *For identification purposes only*

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2018, the total borrowings of the Group amounted to HK$2,716,808,000 (31 December 2017: HK$4,825,079,000) and the cash and bank deposits of the Group amounted to HK$995,118,000 (31 December 2017: HK$3,271,772,000), which included cash and cash equivalents of HK$987,576,000 and pledged bank deposits of HK$7,542,000. As at 31 December 2018, the Group had consolidated current assets of HK$1,825,205,000 and its current ratio was approximately 0.85. As at 31 December 2018, the Group had a gearing ratio of approximately 199%, measured by the ratio of total consolidated borrowings of HK$2,716,808,000 to consolidated total equity of HK$1,364,864,000.

Borrowings Structure

As at 31 December 2018, the total borrowings of the Group amounted to HK$2,716,808,000 (31 December 2017: HK$4,825,079,000). Unsecured borrowings from PRC banks were denominated in RMB, carrying an interest at the rate of 4.5% per annum. Unsecured bonds of USD300,000,000 were issued at 100% of the issue price, bearing an interest at the 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 31 December 2018, short-term borrowings and current portion of long-term borrowings amounted to HK$273,118,000, while the remainder were long-term borrowings falling due after one year or above.

Directors' Opinion on Sufficiency of Working Capital

As at 31 December 2018, the current liabilities of the Group exceeded current assets by approximately HK$331 million (31 December 2017: the current assets of the Group exceeded current liabilities by approximately HK$476 million). The Group's ability to continue as a going concern depends on the financial resources presently available to the Group. Taking into account the expected financial performance, net cash expected to be generated from the operation of the Group, the directors of the Company ("Directors") believe that the Group is able to fully meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Exposure to Exchange Rate Fluctuations

The majority of the Group's transactions are denominated in the functional currency of the respective group entities. Part of the deposits and bank borrowings of the Group are denominated in HK Dollars and US Dollars which expose the Group to certain foreign currency risks. For the year ended 31 December 2018, net foreign exchange loss for the financing activities was HK$103 million. The Group does not currently have a foreign currency hedging policy. However, the management has been monitoring foreign exchange risks and will consider hedging significant foreign currency exposure should the need arise.

Management Discussion and Analysis

Charge on the Group's Assets

As at 31 December 2018, the Group had pledged bank deposits of HK$7,542,000 (31 December 2017: HK$11,116,000).

The net carrying amount of pipeline networks as at 31 December 2018 amounting to HK$382 million (approximately RMB335 million) were pledged as security for the related borrowing.

Contingent Liabilities

As at 31 December 2018, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 31 December 2018, the Group had 1,708 employees (as at 31 December 2017: 1,554 employees). For the year ended 31 December 2018, the salaries and wages of the employees amounted to HK$133 million (for year ended 31 December 2017: HK$117 million) and among these, HK$23 million were recorded in research and development expenses (for year ended 31 December 2017: HK$15 million).

REMUNERATION POLICY

The remuneration of the employees of the Group is determined by reference to the market rates, and the performance, qualification and experience of the relevant staff. Also, a discretionary bonus based on individual performance during the year is distributed to reward the contributions of employees to the Group. The Group also provides training opportunity and other benefits to its employees, including pension insurance, unemployment insurance, injury insurance, medical insurance, maternity insurance and housing fund, etc. In addition, share options may be granted to eligible employees of the Group (including directors of the Company) in accordance with the terms of the share option scheme adopted by the Group.

Corporate Governance Report

The Board presents the corporate governance report of the Company for the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibility for the leadership and control of the Group, including provision and formulation of the Group's business directions and strategies in the interests of the Group. The Board believes that good corporate governance practices would strengthen investors' confidence, facilitate the development of the Group, and increase transparency in the operation of the Group, which is in the long term interest of the Group and the Shareholders. During the year ended 31 December 2018, the Company had fully complied with the code provisions set out in Appendix 14 (Corporate Governance Code and Corporate Governance Report) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

SECURITIES TRANSACTIONS BY DIRECTORS

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

All Directors have confirmed, following specific enquiries by the Company, that they complied with the required standard of dealings as set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2018.

THE BOARD

As at the date of this report, the Board comprises ten Directors including two executive Directors, four non-executive Directors and four independent non-executive Directors. Mr. ZHANG Bing Jun is the chairman of the Board (the "Chairman") and an executive Director, whereas Mr. GAO Liang is the general manager of the Company (the "General Manager") and an executive Director. Mr. SHEN Xiao Lin, Mr. ZHANG Jun, Mr. WANG Gang, and Mr. YU Ke Xiang are non-executive Directors. Mr. IP Shing Hing, *J.P.*, Mr. LAU Siu Ki, Kevin, Professor Japhet Sebastian LAW and Mr. TSE Tak Yin are independent non-executive Directors. Detailed information of the Directors are set out in the section titled "BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT" herein.

It is a principle under the Corporate Governance Code that the Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board which can effectively exercise independent judgment. Non-executive directors should be of sufficient caliber and number for their views to carry weight.

Corporate Governance Report

There are no financial, business, family or other material/relevant relationships among the Board members (including between the chairman of the Board and the General Manager).

The Board is responsible for the overall management of the Company, undertaking the responsibility to lead and administer and to promote the success of the Company through providing direction and supervision. All the Directors are bound by their duties to act in the interests of the Company to make an objective decision. The Board is responsible for the major affairs of the Company, including the approval and supervision of all major policies, overall strategies, risk management and internal control systems, material transactions (in particular transactions which may involve a conflict of interests), financial information, appointment of Directors and other material financial and operational matters. The management is responsible for the Group's day-to-day administration and operations. Material transactions to be entered into by the Group are subject to approval of the Board.

A total of 6 Board meetings were held during the year ended 31 December 2018 to discuss and decide on the Company's major strategies, important business matters, financial issues and other matters set forth in the Company's bye-laws. A summary of the Directors' attendance at such meetings held during their office appointment for the year ended 31 December 2018 is as follows:

Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. ZHANG Bing Jun *(Chairman)*	4/6	67%
Mr. GAO Liang *(General Manager)*	5/6	83%

Non-Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. SHEN Xiao Lin	4/6	67%
Mr. ZHANG Jun	5/6	83%
Mr. WANG Gang	5/6	83%
Ms. ZHU Wen Fang (resigned on 4 May 2018)	1/1	100%
Ms. SHI Jing (resigned on 26 July 2018)	1/1	100%
Mr. YU Ke Xiang (appointed on 26 July 2018)	3/4	75%
Mr. ZHANG Bing Jun (alternate to Mr. YU Ke Xiang for attending and voting at a meeting held on 30 August 2018)	1/1	100%

Independent Non-Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. IP Shing Hing, *J.P.*	6/6	100%
Mr. LAU Siu Ki, Kevin	5/6	83%
Professor Japhet Sebastian LAW	5/6	83%
Mr. TSE Tak Yin	6/6	100%
Mr. LAU Siu Ki, Kevin (alternate to Professor Japhet Sebastian LAW for attending and voting at a meeting held on 30 August 2018)	1/1	100%

DIRECTORS' TRAINING

Corporate Governance Code A.6.5 requires that all directors should participate in continuing professional development, develop and update their knowledge and skills in order to ensure that they contribute to the Board with a comprehensive information. The issuer shall be responsible for arranging and funding appropriate training, placing appropriate emphasis on the roles, functions and responsibilities of directors of the listed company.

Record of training received by each Director during the year ended 31 December 2018 is summarized below:

Directors	Contents of the training
Mr. ZHANG Bing Jun	A,B
Mr. GAO Liang	C,D
Mr. SHEN Xiao Lin	B
Mr. ZHANG Jun	B
Mr. WANG Gang	B
Ms. ZHU Wen Fang (resigned on 4 May 2018)	B
Ms. SHI Jing (resigned on 26 July 2018)	E
Mr. YU Ke Xiang (appointed on on 26 July 2018)	E
Mr. IP Shing Hing, *J.P.*	F,G
Mr. LAU Siu Ki, Kevin	H
Professor Japhet Sebastian LAW	I,J
Mr. TSE Tak Yin	H

Corporate Governance Report

A. Attended Summer Davos Forum

B. Attended 2018 First Half Forum on Analysis of Economy

C. Attended Exchange Senior of enterprises cross-border investment cooperation between Tianjin and Hong Kong

D. Attended investigation and studies on the Shanghai Petroleum Exchange and Chongqing Petroleum Exchange held by Tianjin Development and Reform Commission

E. Attended opportunities and countermeasures to collaborative development of enterprises of Beijing-Tianjin

F. Attended FinTech and its benefits to Hong Kong business organized by the Hong Kong Institute of Directors

G. Attended Belt and Road Investment Disputes organized by Hong Kong International Arbitration Centre

H. Attended continuing professional development modules required by Hong Kong Institute of Certified Public Accountants

I. Attended training in relation to press release of the "Corporate Governance Code" and related "Listing Rules" provisions and "Guidance for Boards and Directors"

J. Attended training in relation to the role of independent non-executive directors in corporate governance provided by Hong Kong Stock Exchange

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

Mr. ZHANG Bing Jun is the chairman of the Board ("Chairman"). Mr. GAO Liang is the General Manager ("General Manager"). The Chairman is primarily responsible for leading the Board and ensuring the effective operation of the Board, while the General Manager is primarily responsible for the day-to-day operations of the Company. Such distinction between the respective roles and responsibilities of the Chairman and the General Manager is set out in the Company's bye-laws and the "Regulation on Operation of the Board and its Committees" of the Company.

TERM OF OFFICE AND RE-ELECTION

Independent non-executive Directors have a term of office of two years and non-executive Directors have a term of office of three years, both subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

Corporate Governance Report

GENERAL MEETINGS

At the annual general meeting of the Company held on 11 May 2018 ("2018 AGM"), a separate resolution was proposed by the Chairman in respect of each separate issue, including the re-election of each of Mr. GAO Liang, Mr. WANG Gang and Mr. IP Shing Hing, *J.P* as a Director. The representative of the external auditor of the Company attended the 2018 AGM.

The following table sets out details of the Directors' attendance of the annual general meeting of the Company held during their office of appointment for the year ended 31 December 2018:

Directors	**Number of annual general meeting attended/Number of annual general meeting held**	**Attendance percentage**
Mr. ZHANG Bing Jun	1/1	100%
Mr. GAO Liang	1/1	100%
Mr. SHEN Xiao Lin	0/1	0%
Mr. ZHANG Jun	1/1	100%
Mr. WANG Gang	1/1	100%
Ms. ZHU Wen Fang (resigned on 4 May 2018)	N/A	N/A
Ms. SHI Jing (resigned on 26 July 2018)	0/1	0%
Mr. YU Ke Xiang (appointed on 26 July 2018)	N/A	N/A
Mr. IP Shing Hing, *J.P.*	1/1	100%
Mr. LAU Siu Ki, Kevin	1/1	100%
Professor Japhet Sebastian LAW	1/1	100%
Mr. TSE Tak Yin	1/1	100%

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") currently comprises four independent non-executive Directors, namely Mr. IP Shing Hing, *J.P.* (Chairman), Mr. LAU Siu Ki, Kevin, Professor Japhet Sebastian LAW, Mr. TSE Tak Yin and an executive Director, Mr. GAO Liang.

The Terms of Reference of the Nomination Committee approved by the Board are available on the websites of the Stock Exchange and the Company.

Corporate Governance Report

The main responsibilities of the Nomination Committee include, but not limited to, the following:

1. reviewing the structure, size, and composition (including the skills, diversity, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the corporate strategy;

2. assessing the independence of independent non-executive Directors and proposed independent non-executive Directors; and

3. identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships.

Pursuant to the Corporate Governance Code, the Company adopted a nomination policy (the "Nomination Policy") on 31 December 2018 which sets out the criteria and procedures to be adopted when considering candidates to be appointed or re-elected as directors of the Company. The nomination procedures of the Nomination Committee include identification and acknowledgement of qualified individuals by the Nomination Committee, and review and approval of such nominations by the Board. The Nomination Committee will evaluate potential candidates considering factors such as professional expertise, relevant experience, personal ethics and integrity, as well as the board diversity policy of the Company (the "Board Diversity Policy") and any measurable objectives adopted for achieving diversity on the Board.

During the year, the composition of the Board changed from 11 directors to 10 directors. Ms. ZHU Wen Fang and Ms. SHI Jing resigned on 4 May 2018 and 26 July 2018 respectively and Mr. YU Ke Xiang was appointed on 26 July 2018. The Nomination Committee assessed the candidate (i.e. Mr. YU Ke Xiang) on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out his duties and responsibilities effectively, etc. and made recommendation to the Board for approval.

Pursuant to the Corporate Governance Code, the Company adopted the Board Diversity Policy on 29 August 2013 which sets out the approach to achieve and maintain diversity in the Board in order for the Board to maintain a competitive advantage. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industry experience, background, race, age, gender and other qualities. The Nomination Committee will consider and, if appropriate, set measurable objectives to implement the Board Diversity Policy and review such objectives to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Corporate Governance Report

During the year ended 31 December 2018, 1 meeting was held by the Nomination Committee. The Nomination Committee mainly discussed matters relating to committee responsibility and operating mechanism as well as areas to further utilize its functions. Attendance of each member of the Nomination Committee are set out as follows:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. IP Shing Hing, *J.P. (Chairman)*	1/1	100%
Mr. LAU Siu Ki, Kevin	1/1	100%
Professor Japhet Sebastian LAW	1/1	100%
Mr. TSE Tak Yin	1/1	100%
Mr. GAO Liang	1/1	100%

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises four independent non-executive Directors, namely Professor Japhet Sebastian LAW (Chairman), Mr. IP Shing Hing, *J.P*, Mr. LAU Siu Ki, Kevin, Mr. TSE Tak Yin and an executive Director, Mr. GAO Liang.

The Terms of Reference of the Remuneration Committee approved by the Board are available on the websites of the Stock Exchange and the Company. The main responsibilities of the Remuneration Committee include, but not limited to, the following:

1. making recommendations to the Board on the Company's policy and structure for all Director's and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and

3. making recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Corporate Governance Report

During the year ended 31 December 2018, 2 meetings were held by the Remuneration Committee. The Remuneration Committee reviewed the remuneration of executive Directors and senior management and made recommendations to the Board. Attendance of each member of the Remuneration Committee are set out as follows:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Professor Japhet Sebastian LAW *(Chairman)*	2/2	100%
Mr. IP Shing Hing, *J.P.*	2/2	100%
Mr. LAU Siu Ki, Kevin	2/2	100%
Mr. TSE Tak Yin	2/2	100%
Mr. GAO Liang	2/2	100%

The remuneration of members of the senior management by band for the year ended 31 December 2018 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	11
HK$1,000,001 to HK$2,000,000	5

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to the Listing Rules are set out in Note 12 to the financial statements.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in accordance with Rule 3.21 of the Listing Rules. The Terms of Reference of the Audit Committee approved by the Board are available on the websites of the Stock Exchange and the Company. The main responsibilities of the Audit Committee include, but not limited to, the followings:

1. primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor;

2. monitoring the integrity of the Company's financial statements, the annual report and accounts, half-year report and quarterly report (if any); and

3. reviewing the Company's financial controls, internal control and risk management systems.

Corporate Governance Report

The Audit Committee comprises four independent non-executive Directors, namely Mr. LAU Siu Ki, Kevin (Chairman), Mr. IP Shing Hing, *J.P.*, Professor Japhet Sebastian LAW and Mr. TSE Tak Yin, where Mr. LAU Siu Ki, Kevin and Mr. TSE Tak Yin are qualified accountants.

5 meetings were held by the Audit Committee during the year ended 31 December 2018. At the meetings, the Audit Committee reviewed and discussed the following matters:

1. the audited annual results and financial statements of the Group for the year ended 31 December 2017;

2. the unaudited interim results of the Group for the 6 months ended 30 June 2018;

3. financial reporting system and internal control procedures;

4. relationship with the external auditor including introducing and discussing the scope of services it offers and the arrangements of work of external auditor;

5. review of the risk management and internal control systems; and

6. function of corporate governance, and disclosure policy of the Company.

The following table sets out the details of attendance of each member of the Audit Committee at the meetings held during the year ended 31 December 2018:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. LAU Siu Ki, Kevin *(Chairman)*	5/5	100%
Mr. IP Shing Hing, *J.P.*	5/5	100%
Professor Japhet Sebastian LAW	4/5	80%
Mr. TSE Tak Yin	5/5	100%

The Audit Committee has also reviewed the audited annual results of the Group for the year ended 31 December 2018, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Audit Committee opined and viewed that:

1. The Group's accounting and management system and controls procedures have been maintained at a generally satisfactory and acceptable standard; and

2. The interim and annual financial statements for the relevant reporting periods are complete and accurate in all respects.

Corporate Governance Report

RISK COMMITTEE

The Company established the Risk Committee (the "Risk Committee") in March 2016. The Risk Committee comprises four independent non-executive Directors, namely Mr. IP Shing Hing, *J.P.* (Chairman), Mr. LAU Siu Ki, Kevin, Professor Japhet Sebastian LAW, Mr. TSE Tak Yin. and an executive Director, Mr. GAO Liang.

The main responsibilities of the Risk Committee include, but not limited to, the followings:

1. oversee the development, implementation and maintenance of the Company's overall risk management framework and its risk appetite, strategy, principles and policies, to ensure they are in line with relevant requirements under the Listing Rules;

2. review the scope and quality of the Company's ongoing monitoring of risk management systems;

3. consider or advise the Board on any other risk-related matters of the Company.

During the year ended 31 December 2018, 1 meeting was held by the Risk Committee. The Risk Committee mainly discussed matters relating to its terms of reference and operational mechanism as well as the overview of the Group's principal risks. Attendance of each member of the Risk Committee are set out as follows:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. IP Shing Hing, *J.P. (Chairman)*	1/1	100%
Mr. LAU Siu Ki, Kevin	1/1	100%
Professor Japhet Sebastian LAW	1/1	100%
Mr. TSE Tak Yin	1/1	100%
Mr. GAO Liang	1/1	100%

CORPORATE GOVERNANCE FUNCTIONS

The Company has not established a corporate governance committee and the corporate governance functions are performed by the Audit Committee as set out in its terms of reference. The Audit Committee had considered the policies and practices for corporate governance as set out in the Corporate Governance Code, reviewed the compliance with the Corporate Governance Code and the disclosures in this report.

Corporate Governance Report

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The statement of responsibility to the financial statements by Deloitte Touche Tohmatsu, the external auditor of the Group, is set out in the section of "INDEPENDENT AUDITOR'S REPORT" on pages 77 to 82 of this Annual Report. The remuneration for the audit services provided by the external auditor of the Group in respect of the year ended 31 December 2018 amounted to RMB2.8 million. For the year ended 31 December 2018, there was no non-audit services provided by the external auditor of the Group to the Group.

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements for the year ended 31 December 2018 in accordance with statutory requirements and applicable standards.

The Directors consider that in preparing the financial statements, the Group adopts appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed. The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy the financial position of the Group, and facilitate the preparation of the financial statements in accordance with the applicable accounting standards.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems. The risk management and internal control systems are to safeguard the assets of the Group and the Shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirements of the applicable rules of the Stock Exchange.

During the year ended 31 December 2018, the management of the Company provided training to the internal audit team, accounting team and operation team, so as to ensure effective implementation of the risk management and internal control systems and procedures. The Audit Committee paid great attention to risk management and internal controls and made efforts to improve the risk management and internal control systems during the year ended 31 December 2018.

Corporate Governance Report

As of 31 December 2018, the internal control and legal department at headquarter level had conducted review with respect to the finance department and the strategic investment department. The internal control and legal department had also conducted review at Tianjin company level in respect of the marketing department, finance department and high-pressure pipeline department of the Tianjin company. By these researches, deficiencies regarding departmental duties, departmental structure as well as the system and process of the abovementioned business departments were identified and corresponding rectifying plans were formulated. Meanwhile, the internal control and legal department followed up the subsequent rectification of functional departments in 2017 to ensure that the follow-up implementation of supervision and rectification has been well performed.

As for the purpose of authorization and management, through measures such as data analysis and determination of the significance of risk, the process of authorization and approval were enhanced, the rules of authorization, implementation and supervision can be optimized; the responsibility of authorization and supervision can be identified, thereby lowering the operational management risk.

As for connected transactions, data of connected transaction shall be known well in real time by way of daily supervision on connected transactions, to strictly control the annual cap of transaction amounts. Also, the master agreements for continuing connected transactions to be carried out in 2019 – 2021 have been signed and announced to consolidate a foundation for the carrying out of connected transactions.

As for anti-corruption, the internal control and legal department continued to follow-up the subsequent development of the corruption case in relation to Jiaozhou company's staff, to recover fraudulent money. Based on the experience and lesson learnt from this case, the internal control and legal department made a negative list in relation to corruption and have reinforced a zero-tolerance attitude towards corruption of the Company. The Company will deal with any person(s) who trigger the corruption behaviors on the negative list strictly in accordance with the relevant laws or regulations. The Company will also continue to provide more comprehensive protection from mechanisms and talents perspective, and will endeavor to promote the internal control of all employees to achieve the aim of further reducing the risk of corruption and protecting the interests of the Group.

The Directors conducted annual review on the risk management and internal control systems to ensure the effectiveness and adequacy of the systems. The Company convened meetings regularly to review the finance, operation and compliance controls and to consider the adequacy of resources, staff qualification and experience, training programs and budget of the Company's accounting, internal audit and financial reporting function. The Directors are of the view that the existing risk management and internal control systems are effective and adequate for the Group.

(a) The process used by the Group to identify, evaluate and manage significant risks is summarised as follows:

(1) Risk identification: identify risks that may pose a potential impact on the Group's business and operations through the Risk Committee, the management and the internal control department;

(2) Risk evaluation: evaluate the identified risks based on the likelihood of the occurrence and impact level of the risk;

(3) Response to risk: according to the evaluation results on the magnitude of the risk, risk management strategies are determined by the internal control department, and through appropriate mechanisms of the Company to ensure the effective implementation of internal control procedures to prevent and reduce the risks.

(b) The main features of the Group's risk management and internal control systems are the focus on establishment of a sound internal control environment, continuous improvement in risks evaluation, activities control, information and communication, and internal supervision so as to enhance the Company's operating efficiency and ensure the reliability of financial reporting and effective compliance with applicable laws and regulations, in order to avoid any financial losses as a result of fraud.

(c) The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

(d) At subsidiaries level, the internal control and legal department completed 10 audit projects of subsidiaries in 2018 and discovered common problems at the implementation level of financial management, operational management and engineering management. The internal control and legal department had reported those relevant problems to the corresponding departments and management of headquarter to promote the implementation of subsequent rectifying plans. At the same time, the internal control and legal department had strengthened the punishment in relation to the audit of subsidiaries. On the one hand, problems shall be eliminated during the early stage; on the other hand, the warning effect can be demonstrated to the other subsidiaries by way of the punishment. Leveraging on the abovementioned work, the internal control and legal department continued to strengthen the principal role of the subsidiaries' operational management and the supervisory role of the headquarters' functional departments against subsidiaries. The internal control and legal department continued to strengthen the internal control concept of the entire staff within the Group, and continue to drive the enhancement of the standard of the Company's overall internal control.

(e) In relation to the handling and dissemination of inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the Group has adopted measures including raising awareness of confidentiality of inside information of the Group, issuing notices regarding "black-out" period and restrictions on dealings to directors and employees on a regular basis, and ensuring compliance when handling and disclosing inside information.

JOINT COMPANY SECRETARIES

Mr. YIN Fu Gang ("Mr. YIN"), the Routine Deputy General Manager of the Group, was appointed as a company secretary of the Company. The Company also engaged and appointed Mr. YIP Wai Yin ("Mr. YIP"), a Hong Kong practicing solicitor, as a company secretary of the Company. They worked together as joint company secretaries of the Company in handling the corporate secretarial matters of the Company. Mr. YIN had day-to-day involvement in the affairs of the Company. The primary corporate contact person at the Company with Mr. YIP was Mr. YIN.

The joint company secretaries of the Company had duly complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

Mr. YIN resigned as a joint company secretary of the Company with effect from 8 January 2019. Mr. YIP remains as the company secretary of the Company and the primary corporate contact person at the Company with Mr. YIP is Mr. WANG Long, the Deputy General Manager of the Company and the secretary to the Board.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning a special general meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company signed and deposited in accordance with the bye-laws of the Company, Bermuda Companies Act 1981, require the Directors to call a special general meeting for the transaction of business specified in the requisition.

(b) Procedures for putting forward proposals at general meetings

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 Shareholders may, at their expense, provide a written request to the attention of the company secretary of the Company signed and deposited in accordance with the Bermuda Companies Act 1981.

(c) Communication with Shareholders and investors

General meetings of the Company provide a direct forum of communication between Shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the personnel at management level, chairman of the Board (or in his absence, an executive Director), the chairmen of the Nomination Committee, Remuneration Committee, Audit Committee and Risk Committee (or in their absence, other members of the respective committees) and where applicable, the independent board committee, will commonly be present and available to answer questions. Shareholders may also contact the company secretary of the Company to direct their written enquires.

The Company is committed to enhancing communications and relationships with its investors. Designated senior management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.binhaiinv.com, where updates on the Company's business development, operations, financial information and news can always be found.

As regards shareholders' communication policy, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.binhaiinv.com.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Hong Kong

Address:	Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Tel:	(852) 2572 9228
Fax:	(852) 2572 9283
Email:	prd@binhaiinv.com

Tianjin

Address:	Suites 501-502, Block 6, East Area, Airport Business Park, 80 Huanhe Road North, Airport Industrial Park, Tianjin, China
Tel:	86-22-5880 1800
Fax:	86-22-5880 1801
P.C.:	300308
E-mail:	wsg@binhaiinv.com

The Memorandum of Association and New Bye-laws of the Company have been posted on the website of the Company at www.binhaiinv.com and the designated website of the Stock Exchange at www.hkexnews.hk. There was no change to the Memorandum of Association and New Bye-laws of the Company during the year ended 31 December 2018.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This Environmental, Social and Governance Report (this "Report") provides an up-to-date overview of Binhai Investment Company Limited (the "Company") and its subsidiaries' (the "Group" or "Binhai Investment") sustainable development in 2018, mainly addressing issues deemed material by stakeholders. This Report aims to provide key stakeholders with a better understanding of the Group's sustainability development philosophies, measures, and performance. This Report is intended to be read in conjunction with the Company's 2018 Annual Report (in particular the "Corporate Governance Report" contained therein), providing a comprehensive overview of the Group's environmental, social, and governance performance.

1.1 Scope of this Report

This Report covers sustainable development issues relating to the Group's direct operating businesses in the People's Republic of China (the "PRC"), including its core businesses of constructing gas pipeline networks, providing connection services, supplying and providing natural gas, and selling liquified petroleum gas ("LPG"). As the business operation of the Group's gas pipeline network construction is outsourced to third parties, and not within the Group's direct operational boundary, unless remarked otherwise, environmental and social key performance metrics for this business segment has not been included in the Report. Unless stated otherwise, the information and data disclosed in this Report covers the period from 1 January 2018 to 31 December 2018 (the "Reporting Period").

1.2 Reporting Framework

The Group has prepared this Report in accordance with the Environmental, Social and Governance Reporting Guide (the "Reporting Guide") under Appendix 27 of the Main Board Listing Rules (the "Listing Rules") of the Stock Exchange of Hong Kong Limited ("HKEX"). This Report adheres to the "Comply or Explain" provisions of the Reporting Guide.

1.3 Reporting Statement

This Report introduces the Group's philosophies, actions taken, and results achieved. The information disclosed within the Report is sourced from the Group's documents and statistics. The Board of the Group are responsible for the reliability, accuracy, objectiveness and completeness of the information. This Report has been prepared in Traditional Chinese and English. Should there be any discrepancies between the two versions, the Traditional Chinese Version shall prevail.

Environmental, Social and Governance Report

1.4 Feedback

Thanks to various stakeholders' participation and support in the preparation of this Report, the Group is able to better understand its progress toward sustainable development. For any further information on environmental, social and governance aspects, please refer to the Group's website (www.binhaiinv.com). The Group looks forward to receiving your valuable comments and feedback, and this may be directed to: prd@binhaiinv.com.

2. ABOUT THE GROUP

The Group is chiefly engaged in the construction of gas pipeline networks, provision of connection services and the sales of LPG and piped gas etc. Binhai Investment has always strived to expand the gas market in the PRC, and was one of the first foreign-funded enterprises participating in the public utilities industry in the PRC. Over the last decade, the Group has been committed to aligning with the national policy of the PRC in providing clean energy for commercial and industrial users, as well as urban citizens.

2.1 Sustainable Development Management

The Group deeply recognises the importance of managing internal and external Environmental, Social and Governance ("ESG") risks, and that a good internal control and risk management system is closely linked to the sustainable development of an enterprise. The Board assumes full responsibility for the Group's ESG strategy and reporting content. Accordingly, the Group has initiated the establishment of an ESG Working Group which reports to the Board, and manages and implements matters relating to sustainable development. Under the guidance of the Board of Directors office, the ESG Working Group coordinates required actions from various departments, and the heads of these departments are also members of the ESG Working Group. The ESG Working Group is chiefly responsible for preparing ESG Reports, collecting, aggregating and screening ESG-related data, and analysing and developing corresponding follow-up action plans on a regular basis.

2.2 Stakeholder Participation

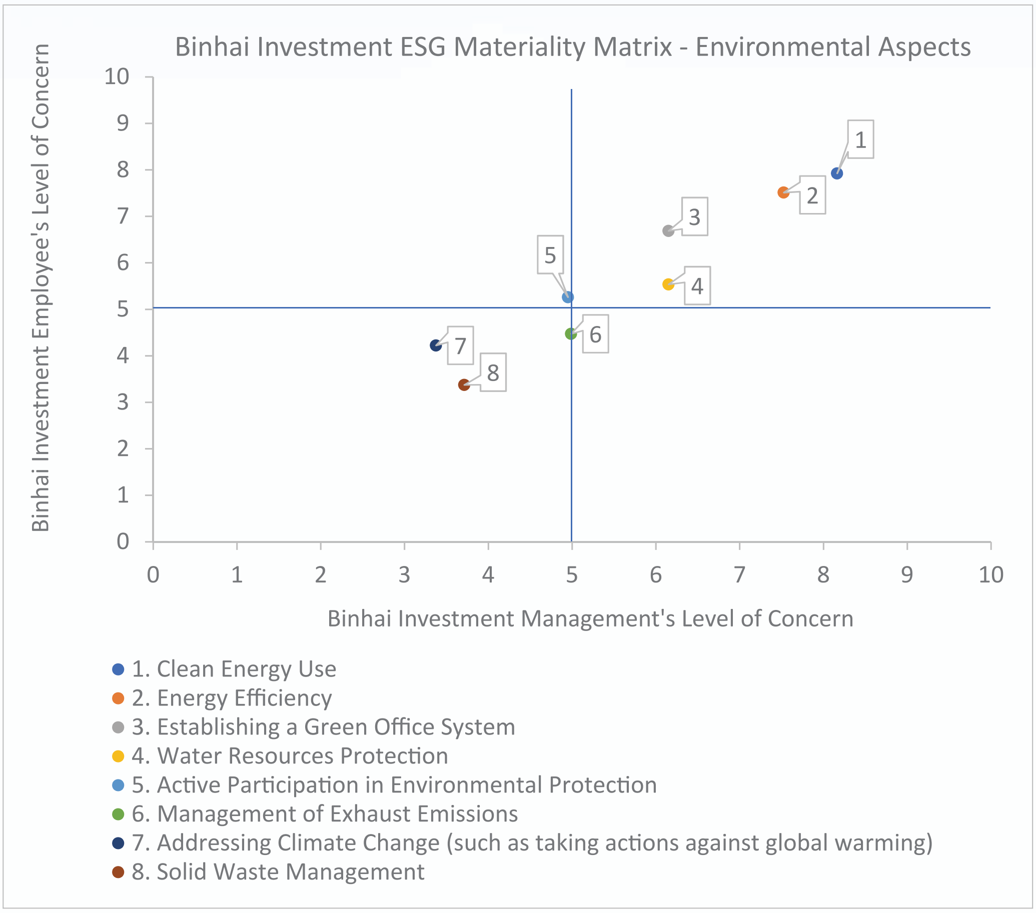
Ongoing communication with stakeholders is an integral part of the Group's daily operations, and an important way to examine potential risks and business opportunities. The Group's key stakeholders include shareholders, government and regulators, customers, employees, business partners, suppliers, media, and the surrounding community.

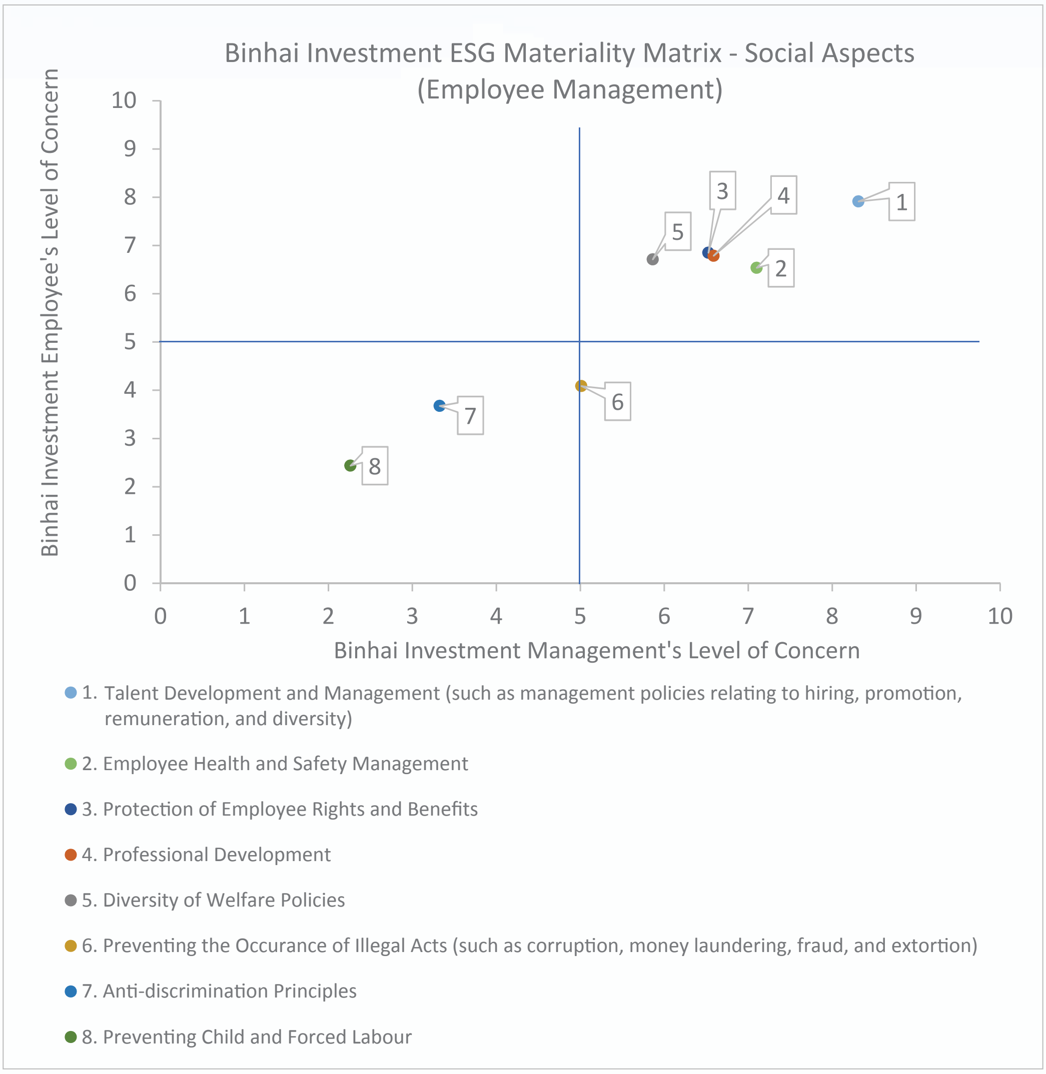
Stakeholders	Communication Channels
Shareholders	Annual Reports, Interim Reports, Announcements, Press Releases, Annual General Meetings, Individual and Group Meetings
Government and Regulators	Government Meetings, Regulations, Assessments, Questionnaire, Site Visits
Customers	Customer Meetings, Customer Satisfaction Surveys
Employees	Company and Departmental Meetings, Annual Staff Meetings, Questionnaires, Internet Mail
Business Partners and Suppliers	Business Partner Meetings, Questionnaires, Seminars, Site Visits
Media	Press Releases, Interviews and Announcements
Surrounding Community	Media Conferences, Public Interest Events, Contributions, Interviews

In preparing this report, the Group commissioned a third-party consultant to conduct a materiality assessment with the Group's internal stakeholders. Firstly, the ESG Working Group consolidated a list of ESG issues with reference to the Reporting Guide, international reporting guidelines and standards and industry characteristics. This list of ESG issues were then screened by the Group's management, and selected issues were categorised into environment, operating practices, and employee management aspects. Following this, stakeholders (including employees and management) were invited to complete a survey, which involved prioritising ESG issues in each of the three aspects according to their level of concern. The results of this survey were analysed by the third-party consultant and presented to the Group as a series of materiality matrices. The Board of the Group then validated the matrices and the material issues[1] therein, to ensure the rationality, balance and completeness of this Report.

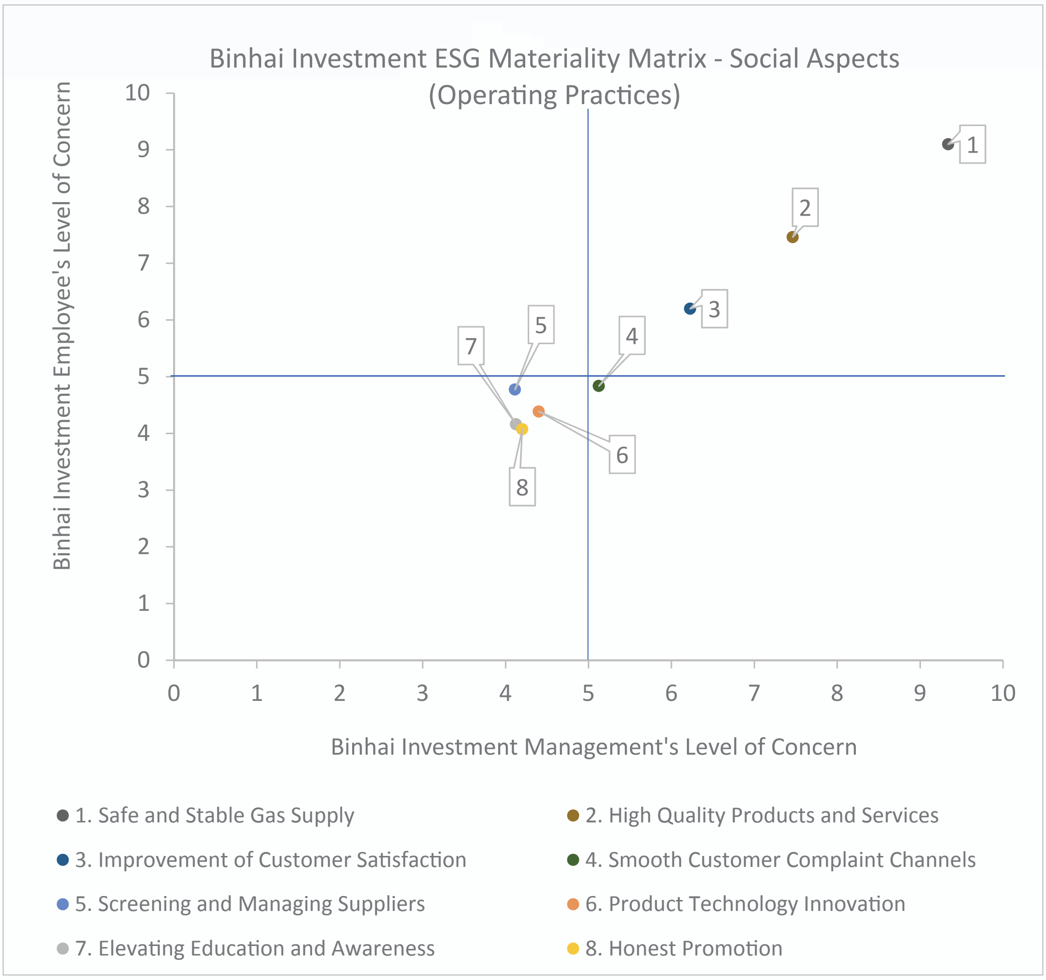
1 Material issues were defined as those ranked 5 points or above (Out of 10 points) at employee and management level, and validated by the Board.

Environmental, Social and Governance Report





Binhai Investment ESG Materiality Matrix - Social Aspects
(Employee Management)
Binhai Investment Employee's Level of Concern
Binhai Investment Management's Level of Concern
0 1 2 3 4 5 6 7 8 9 10
1
2
3
4
5
6
7
8
1. Talent Development and Management (such as management policies relating to hiring, promotion, remuneration, and diversity)
2. Employee Health and Safety Management
3. Protection of Employee Rights and Benefits
4. Professional Development
5. Diversity of Welfare Policies
6. Preventing the Occurance of Illegal Acts (such as corruption, money laundering, fraud, and extortion)
7. Anti-discrimination Principles
8. Preventing Child and Forced Labour



The Group's materiality assessment results are presented in the following table:

Environment	Social (Employee Management)	Social (Operating Practices)
Clean Energy Use	Talent Development and Management	Safe and Stable Gas Supply
Energy Efficiency	Employee Health and Safety Management	High Quality Products and Services
Establishing a Green Office System	Protection of Employee Rights and Benefits	Improvement of Customer Satisfaction
Water Resources Protection	Professional Development	
	Diversity of Welfare Policies	

Through the identification of material issues, Binhai Investment's understanding and management of material issues is strengthened, allowing it to be well poised to seize ESG-related opportunities and reduce ESG-related risks. Following the careful consideration and corresponding actions taken by the Group's management against these material issues, the contents of this Report will revolve around these material issues. We look forward to expanding the types of stakeholders included in our materiality assessments, to gain a more comprehensive understanding of issues material to them, whilst enabling the Group to better review its own progress toward sustainable development.

3. GREEN DEVELOPMENT

The Group adopts an innovative, compliant, profitable, and cooperative approach as its business philosophy within the gas industry. It has a strong base in Binhai, and leverages its strategic location in Binhai New Area to seize opportunities for cooperative development in the Jing-Jin-Ji Metropolitan Region. As a means of striving to become an influential clean energy service provider, the Group has carefully constructed an energy supply and service network surrounding the Bohai Sea. In response to the PRC's call for managing air pollutants, the Group has actively accelerated the use and promotion of gas, and is committed to taking responsibility for the environment through effective sustainable development work. The Group also takes effective measures to utilise resources efficiently. In its daily operations, the Group strictly complies with laws and regulations relating to the emission of exhaust gases and greenhouse gases, discharges into water and land, and generation of hazardous and non-hazardous waste, including the *Environmental Protection Law of the PRC, Law of the PRC on Environmental Impact Assessment*, etc. During the Reporting Period, the Group did not have any non-compliance incidents relating to the emission of exhaust gases and greenhouse gases, discharges into water and land, and generation of hazardous and non-hazardous waste.

3.1 Promoting Clean Energy Use

The Group is committed to protecting and improving the environment, with the goal of becoming a national advocate and operator of clean energy, providing clean energy for both industrial and commercial use, as well as for urban citizens' use. In 2018, subsidiaries of the Group located in Tianjin, Zhuozhou, Jizhou, Qingyuan, Anxin, Zibo and others, serviced 44,511 coal-to-gas users, and supplied 67.4 million cubic metres of natural gas. The Group attaches great importance to environmental protection and actively promotes the popularisation of clean energy. The Group strives to provide clean energy with professionalism, executed through projects for gas-fired boilers, Combined Cooling, Heat and Power (CCHP) and coal-to-gas in the Jing-Jin-Ji Metropolitan Region, and providing vehicles and ships with compressed natural gas (CNG) or liquified natural gas (LNG), etc. In the near future, the Group will take up its responsibility to continually promote the popularisation and development of clean energy.

3.2 Environmental Protection

In order to implement environmental protection work, the Group endeavours to reduce the pollution generated and emitted during its operations. Although the Group's direct operating scope does not involve significant pollutant emissions, the impact on the ecological environment and natural resources are mainly reflected in the mechanical noise pollution, small amount of residual soil waste and atmospheric emissions generated during the installation of pipelines and in earthworks. To address these impacts, the Group has taken a series of measures: 1) the Group has referred to the *Standards of Environmental Noise Emission for Construction Site Boundaries* (GB 12523-2011), and formulated the *Safety Management Regulations for Engineering Construction* policy, requiring equipment that generate noise pollution to be placed to one side away from residential areas; noise levels are prohibited to exceed 55 decibels between 10 pm and 6am the following day. Under special circumstances and progress requirements, noise reduction and sound insulation measures are taken, or work is stopped altogether. Where residential areas are located near construction sites, vehicles entering and exiting the site in the evening are strictly prohibited from honking their horns, and required to lightly onload and offload cargo; 2) in order to reduce residual earthwork generated during construction works of gas pipeline connections, backfill methods are used. To reduce earthwork generated from other processes, further processing is conducted by third parties recognised by local municipal and environmental departments. Vehicles transporting sand or soil are required to seal loads to prevent leakage and spoilage, and disposed of at designated points in accordance with the requirements of local authorities. Moreover, effective directional drills are adopted in drilling works, improving drilling accuracy and greatly minimising unnecessary destruction to the soil; 3) to address atmospheric emissions generated from mechanical operations, the Group strictly requires vehicles to use machinery with tail gas emissions that meet environmental monitoring requirements before operations. To reduce the use of generators, the Group encourages the temporary use of electricity during construction processes, and machinery that make use of clean energy (such as gas-powered vehicles).

The Group's air emissions mainly come from daily office operations and the use of vehicles. Vehicle exhaust gases constitute the main source of air pollutants, and electricity and heating are the main sources of greenhouse gas emissions. To reduce emissions generated from fuel combustion in vehicles, the Group encourages employees to take public transportation and reduce the use of private vehicles. The Group arranges for regular maintenance and repair works for its fleet of vehicles to reduce the use of inefficient vehicles and associated higher fuel consumption levels and atmospheric emissions. The Group also provides drivers with low-carbon training such as the avoidance of driving at high speeds with low gears, and sudden acceleration and others.

3.3 Establishing a Green Office System

The Group's offices consume electricity, water, and other resources in their daily operations. In order to reduce the indirect greenhouse gas emissions from electricity consumption, the Group has established a Green Office System. As a means of reducing such emissions, the Group has taken the following measures: 1) adopting a Central Control and Monitoring System (CCMS) and Building Management System (BMS). The office is divided into several lighting areas and has installed automatic lighting control in different zones; (2) adopting high energy efficiency lighting devices such as T5 fluorescent lamp tube and Light Emitting Diodes ("LED") lamps, of which up to 80% more energy is saved compared with conventional light bulbs; (3) installing Variable Speed Drives (VSD) in pumps and fans adjustable to actual needs; and (4) avoiding the installation of air-conditioners in areas with direct sunlight, thereby fostering a reduction in the use of energy and natural resources.

The Group also requires employees to turn off electronic equipment and air-conditioners that are not in use during non-working hours; regularly cleans air-conditioning filters and fans; and reduces the number of lamps in locations with sufficient lighting. Through these and other measures, in 2018, the Group saved 22,903 kWh of electricity.

3.4 Conserving Water Resources

The Group has a philosophy of paying undivided attention to conserving water usage, and has implemented the following measures in its daily operations to reduce water wastage: 1) arranging for the maintenance officer to conduct regular checks on water meter readings and to carry out leakage tests of concealed water pipes; 2) installing dual flush toilets; 3) installing faucets and urinals with water-saving labels and infra-red sensors; 4) advocating water-saving through emails, posters, intranet and memos placed in toilets; and 5) regularly providing employees with environmental protection-related training courses.

During the Reporting Period, the Group consumed 30.47 cubic metres[1], which was 1.93 cubic metres less than the amount consumed in 2017.

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1 As the property management company of the Group's rented office spaces consolidates and manages tenants' water consumption, the water consumption data disclosed in this Report does not include water consumed at these offices. The Group's water consumption reflects the water consumed from water carboys, and the figures disclosed for 2018 and 2017 were extrapolated from the number of water carboys purchased in both years.

3.5 Waste Management

The Group pays great attention to waste disposal and management, in strict compliance with the *Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes, Standard for Pollution Control on Hazardous Waste Storage*, and other national laws and regulations and standards. The Group's waste meters and steel pipes are major wastes generated in pipe-connection works and relevant handling procedures are as follows: waste meters are compressed or drilled and photographed for documentation. Under the supervision of the Operating Centre, meters are subject to strict approval and declaration before being handled as recycled waste. The remuneration from recycled waste must be transferred in accordance with company rules for prohibiting the re-entry of declared waste meters to the market. The remaining gas in the waste steel pipes must be discharged with the use of nitrogen or water. After that, discharge waste steel pipes, waste valves and other objects must be managed properly, where necessary, by sealing and disassembling the wastes. All information concerning the replacement of steel pipes and location of old steel pipes must be reported to the relevant government department for filing.

The Group has implemented an Office Automation System (OA System) to replace paper-oriented office administration for the reduction of paper consumption. Binhai Investment has actively promoted paper recycling, and during the Reporting Period, successfully recycled over 800 sheets of paper, thereby reducing the amount of paper sent to landfill sites. Moreover, the Group encourages employees to use duplex printing, and has set printers to use duplex printing and ink-saving modes as default settings. In addition, notices have been posted in eye-catching positions on printers, with the intention of reminding employees about paper-saving practices. Furthermore, ink cartridges used by the Group are recyclable to reduce their impact on the environment. Through the use of recycling bins, the Group collects used plastic bottles and arranges for them to be sent to a recycling company for further processing; hazardous wastes such as batteries, electronic wastes and mercury-containing light tubes are aggregated by the Group's property management company, and sent to a third-party for further processing.

4. CARING FOR EMPLOYEES

The Group views the career development and training of its employees as means of enhancing their skills, and continually refines its internal mechanisms to identify internal and external talent. Tailor-made training courses are provided to these talented individuals, enabling them to develop their careers. To this end, the Group recognises its employees as its most valuable assets, and pays particular attention to safeguarding their rights, viewing them as business partners that are vital to the business development of the Group. The Group strives to provide employees with a healthy working environment, and comprehensive development opportunities so that they can grow alongside the Group.

4.1 Talent Development and Management

The Group acts in accordance with national laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including the *Labour Law of the PRC*, the *Labour Contract Law of the PRC*, the *Employment Ordinance* of the Hong Kong Special Administrative Region ("HKSAR"), and other significant laws and regulations which have a significant impact on the Group, and formulated the *Employee Code of Conduct* and other human resources policies. These policies protect the reasonable working hours and working duration of its employees, and entitle them to five social insurances and one housing fund (endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund), performance bonuses and other benefits and welfare. In addition, the Group strictly complies with the *Provisions on the Prohibition of Using Child Labour* of the PRC, the *Employment of Children Regulations* of the HKSAR, and other laws and regulations relating to preventing child and forced labour, resolutely eliminating the use of either practice. During the Reporting Period, the Group did not have any non-compliance incidents relating to the above aspects.

4.2 Protection of Employee Rights

Following a "fair and just, right person for the right job" philosophy, the Group upholds a capability-driven principle to ensure that all job applicants are granted equal opportunities and fair competition. The Group objects to any forms of discrimination and is proud to have a diverse team coming from 20 different provinces and municipalities in the PRC. The Group has formulated an *Employee Reward and Punishment Management System*, which requires employees to provide accurate and reliable personal information upon initiating their employment, and if any falsified documents or resumes are found, the Group reserves the right to terminate employees' probationary period or to dismiss the employment contract of the employee concerned. The Group implements three types of working hour schemes including irregular, consolidated and standardised working hour schemes according to the business characteristics, safety requirements and job requirement of the Group's subsidiaries. All employees within the Group are entitled to sick leave, personal leave, marriage leave, bereavement leave, maternity leave, work injury leave, annual leave and statutory holiday leave.

4.3 Diversity of Welfare Policies

The Group has adopted a remuneration policy for its employees based on their position, performance, contribution and performance bonus, and has constructed an internal salary scale accordingly. The Group's human resources department is responsible for managing employees' salaries and uses the internal salary scale whilst considering employees' job responsibilities, work experience, education, qualifications and other specific indicators relating to employees' abilities, track record, and work performance to set salary standards. At the end of each year, the Group evaluates the performance of its employees and elevates the position and/or remuneration of outstanding employees and offers discretionary performance bonuses as appropriate. Additionally, the Group provides contract employees with the five social insurances and one housing fund and other benefits and welfare.

4.4 Professional Development

The Group is well aware that its continued development is dependent on the level of knowledge and competence of its employees, and therefore, encourages employees to participate in on-the-job training and refreshment courses, and to improve their working performance and personal capabilities through self-study, experiential learning, updating their skillset, and participating in various educational training activities. The Group has also dedicated itself to nurturing its internal talent, providing employees with various training opportunities, including via videos and demonstrative activities. In accordance with its *Staff Training Management System, Internal Trainer Management System, Training Incentive and Restraint Regulations*, and other management systems, the Group has developed an annual training plan, strategising internal and external training and continuous development opportunities. This training plan is developed in order to elevate the performance level of the Group's employees, creating career development opportunities and enhancing the employees' sense of belonging to the enterprise.

The Group's in-house trainers and managers form the backbone of the Company, and are the pillars of providing internal training. The Group has progressively developed an internal training system to set the training content and approach, which has provided job guidance and knowledge or job experience sharing with employees. Internal training is mainly based around business characteristics, and the various job categories of employees in the Company's headquarter and the Group's subsidiaries (such as marketing, operational, engineering, safety, legal, financial, human resources and administration, front-line, etc.); this helps to elevate employees' technical and management capabilities.

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Examples of Binhai Investment's Internal and External Training Sessions during the Reporting Period

Figure 1

In 2018, management training was provided for middle and senior cadres. More than 90 middle and senior management cadres from 34 branches of Binhai Investment participated in the training. The training was initiated with a crisis story, leading the Group's management to face the crisis, identify the crisis, and to manage the crisis. The theme revolved round Binhai Investment's key years of development, and how to navigate through the complex internal and external environment, improve the forecasting and management of risks, effectively ensuring economic development, and the safe and stable supply of natural gas.

In 2018, the Group hosted an entry-level technician skill competition amongst its subsidiaries, and a total of 69 candidates from 33 subsidiaries took part in the competition. The competition greatly enhanced the skills of the frontline staff, and formed an atmosphere of "performance benchmarking", elevating employees' enthusiasm for work.

Figure 2

Figure 3

In 2018, Binhai Investment organised a re-test training for its junior technicians. The training was jointly carried out between the Human Resources Department, the Department of Safety and Technology, and the Operations Department. Following the completion of written examinations and selection of questions, participants were brought to the dispatch centre for skills practice. A total of 59 junior technicians were selected from this exercise, and they were given the responsibility of managing their respective subsidiaries' skills training, apprenticeships and mentoring, enabling the Company to take a solid step forward in skill sequencing.

In 2018, a lecture on tax reform and special deduction declarations were attended by functional departments of the Group's headquarters and functional departments, heads of operation centres, and personnel managers of the Group's Tianjin company. Foreign companies attended via video conference. The lecture focused on the 2019 new taxation and special deductions, and how to make declarations, how to differentiate between "withholding payment", "withholding prepayment" and others, and offered detailed practical guidance on employee making declarations, settlements and payments, and other actions in accordance with the Company's withholding obligations.

Figure 4

4.5 Occupational Health and Safety

The Group deeply recognises that safe operations play an important role in safeguarding employees' well-being and as its mission, ensures that employees are in good health and operate in a safe working environment. The Group strictly complies with national and regional laws and regulations, including the *Administrative Regulations on the Work Safety of Construction Projects and Measures for the Administration of Contingency Plans for Work Safety Incidents* and others, and has implemented relevant management systems based upon laws and regulations which have significant impacts on the Group: such as the *Safety Production Supervision and Management System and Accident Prevention and Contingency Management System*; the Group also takes steps to supervise its subsidiaries through setting contingency plans. In order to reduce accident rates and ensure employees' safety, the Group has established subsidiary self-checking, headquarters inspection, safety training, and regular evaluation. Specific details of the above processes are as follows: 1) subsidiaries are required to carry out regular self-checking on a monthly basis and to report any potential safety hazards; 2) annual safety hazard checks and rectification works on subsidiaries are performed by representatives from the Company's headquarters, so as to minimize safety hazards; 3) regular safety regulations and emergency management training for existing and new employees, rehearsing emergency and rescue procedures under different scenarios. Moreover, through organising regular fire drills, the provision of protective equipment for employees and the setting up of alarm systems and designated measures, appropriate actions are performed in response to potential emergency scenarios; 4) setting up a clear incentive and penalty mechanism for safety, and carrying out annual safety management assessments at the Group's subsidiary companies. The incentive and penalty system are implemented across the Group's subsidiaries to ensure that every company meets required standards. During the Reporting Period, the Group did not receive any reports of major safety incidents. During the Reporting Period, the Group did not have any non-compliance incidents relating to the provision of a safe working environment and protecting employees from occupational hazards, and the Group did not receive any reports of major safety incidents.

5. QUALITY CONTROL

The Group is committed to providing customers with high quality products and services, and continuously communicates with its customers to identify areas for improvement. In addition, the Group views business ethics and corporate social responsibility as the Group's foundation. The Group acts in strict compliance with the relevant regulations and standards in the aspects of supply chain management, products and services, production promotion and privacy protection, and anti-corruption. The Group upholds the principle of business ethics and dedicates itself to being an ethical and responsible enterprise.

5.1 High Quality Products and Services

For sales of LPG and piped gas, the Strategic Investment Department of the Group has formulated the *Administrative Measures of Suppliers of Piped Gas and Administrative Measures of the Procurement of Non-piped Gas Goods*, requiring subsidiaries to consider suppliers' credit rating, qualifications, stability of gas supply, sources of gas, approach to sourcing gas, warranty of gas equipment, quality of gas and others. The Group has developed the *Notice of Centralised Procurement, Guiding Regulations of the Procurement of Gas Materials and Equipment*, and other procedures to standardise subsidiaries' procurement procedures. In addition, as gas suppliers are distributed across different Chinese cities, local procurement policies are used when purchasing piped gas, CNG, LNG, and LPG from suppliers in order to save non-essential energy consumption associated with long-distance transportation.

With regard to gas pipeline laying and connection projects, the Group has formulated *Guiding Regulations on Construction Works and Guiding Regulations of Construction Works upon Completion and Acceptance*. The Group strictly screens for high-quality contractors, including selecting designs and outsourced engineering contractors proposed by subsidiaries, and other processes up until the completion of construction projects. In addition, subsidiaries are responsible for carrying out regular inspection works, and project administrators are appointed to regularly supervise project quality and materials used, monitor construction progress, and record relevant inspection data.

5.2 Safe and Stable Gas Supply

The Group aims to provide safe, excellent and healthy products and services. The Group maintains strict regulations on the quality of natural gas and LPG purchased by its subsidiaries. The quality of natural gas is required to meet national standards of Gas I or Gas II category under *Natural Gas*, whilst LPG is required to meet relevant regulations and national standards of *Liquefied Petroleum Gas*. In order to ensure the safety of construction projects, the Group has formulated the *Construction Safety Management Regulations* to outline safety responsibilities of construction, design, supervisory and implementation units. For example, implementation units should prepare specialised safety construction plans for dangerous operations, and implement this plan upon approval. The Group organises at least one training session on construction safety management for engineering management personnel, regularly checks the implementation of safety measures and others.

In order to monitor the real-time quality of natural gas more effectively, each subsidiary is required to request natural gas and LPG suppliers to provide reports on quality. For stations that receive a large intake of gas and LPG, real-time monitoring through online chromatography is arranged. For stations that receive a smaller intake, *Certifications of Product Quality* must be obtained from suppliers on a quarterly basis as a minimum, and these stations are responsible for tracking the quality of gas on an irregular basis. For example, stations located in the Tianjin, Zhuozhou, Qinhuangdao and other upstream stations have applied the use of online chromatography and use online monitoring to objectively analyse purchased gas components. Should the quality of gas not pass quality controls, online chromatography will immediately sound an alarm. Furthermore, the Group will immediately switch gas sources to restrict purchases of substandard gas. In addition, the Group requires suppliers to provide PE pipes and fittings, gas meters, galvanised pipes, pressure regulators, valves and flowmeters that comply with national and industrial standards, and strictly monitors the quality of such products.

5.3 Improvement of Customer Satisfaction

In order to standardise procedures for servicing and handling customer complaints, the Group has formulated the *Customer Complaints Management Measures*, which forms an effective complaint management mechanism to ensure the timely, effective, fair and reasonable resolution of customer complaints, and the provision of high quality services. Subsidiaries are required to comply with and to implement this mechanism. Customers can report problems and provide requests to customer services through the customer service hotline. Customer services are then required to designate responsibilities and follow-up actions necessitated by the Group's headquarters and subsidiaries as per the severity level of complaints, and subsidiaries are given the first line of responsibility for customer complaints, and required to handle all cases within 24 hours, categorise the complaints within prescribed time limits, conduct tracking management, resolve issues swiftly, and to carry out customer satisfaction surveys as well as to keep good records of these. Group headquarters conduct monitoring and spot checks on customer complaint details and incident follow up details. If customer complaints are found to have been handled in a manner not as required, reports are found to be have been misrepresented or falsified, and causing significant impacts to the Group as a result, punishments will be imposed in accordance with the Group's relevant procedures.

5.4 Ensuring Customer Privacy

The Group acts in strict compliance with the *Advertisement Law of the PRC*, the *Trademark Law of the PRC*, and other laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. Moreover, the Group acts in strict compliance with requirements relating to sales and credibility control, forbidding the use of false or misleading descriptions under any circumstances, when promoting products and conducting transactions. The Group also emphasis mutual privacy and information security between itself and its customers, and requires employees exposed to confidential information to sign a confidentiality agreement. These employees are also required to commit themselves to strict protection customer information when servicing them. The Group forbids the disclosure of relevant information to a third part without the consent of both parties. During the Reporting Period, the Group did not have any non-compliance incidents relating to the aspects above.

5.5 Anti-corruption

The Group attaches great importance to anti-corruption, corporate integrity and honesty, and with reference to the *Criminal Law of the PRC, Supervision Law of the PRC, Anti-unfair Competition Law of the PRC, Anti-money Laundering Law of the PRC, Interim Provisions on Banning Commercial Bribery*, and other laws and regulations relating to bribery, extortion, fraud and money laundering, has developed policies such as the *Binhai Investment's Whistle-blowing Administrative Measures*, which details whistle-blowing procedures of reporting and eliminating any forms of bribery and corruption. During the Reporting Period, the Group had no non-compliance incidents relating to the aspects above.

With regard to eliminating corruption during construction works, the Group has outlined responsibilities, and formulated the procedures for the procurement of materials and equipment. The Tender Team of the Group's headquarters are responsible for the selection of materials and suppliers through tenders, and gas meters, flow meters and PE pipes are centrally procured by the Group's headquarters. The Tender Team is responsible for validating the information provided by shortlisted suppliers including their company information, and the price and quantity of supplied materials and equipment, and forbids any forms of bribery between the Group's subsidiaries and their suppliers. Moreover, the Tender Team monitors all tendering procedures in construction works to ensure that these procedures are conducted in an open, fair and just manner. The Group strictly enforces its *Procurement Procedures* policy to eliminate any abuse of authority by personnel involved in tender processes. The Tender Team is made up of personnel from different departments, creating a transparent organisational structure under which any forms of extortion, fraud and money laundering are prevented. All tenders involve the participation of internal control supervisors, and for each tender project, phone numbers and email addresses of supervisors are publicly disclosed. Through a transparent and traceable mechanism, video recordings capture the whole tender process, which prevent any acts of corruption from occurring.

For further details on the Group's stance on anti-corruption, please refer to the Corporate Governance Report in the Company's 2018 Annual Report.

6. CARING ACTION

The Group holds an important position in society, and strives to give back to the community through practical actions, participating in various community activities, and establishing harmonious relationships with local communities. From time to time, Binhai Investment hosts safety lectures in communities and schools, and arranges for security personnel to conduct safety inspections in key communities and schools, which improves users' awareness of gas safety and eliminates unsecure elements. The Group also contributes to community building through donating money, goods, services, or direct assistance in order to build a safer, greener, and more harmonious community.

Examples of Binhai Investment's Community Services during the Reporting Period

Figure 1

The Company conducted "Safe Production Month"

On 5 March 2018, Yizheng Company carried out a "Safe Production Month" event. A total of 7 employees participated in the event, and the company contributed RMB500 towards the event. The event enhanced the public's knowledge on the safe use of gas, and strengthened the public awareness of safe gas. This also helped to actively generate awareness on the safe adoption of urban gas, the prevention and curbing of gas accidents, and the company's achievement of sustainable development.

Safe Use of Gas to Build a Happy Life – Deqing County Experiment School Holiday Event

On 10 February 2018, the Deqing Company arranged for the Deqing County Experiment School Holiday Team to visit the Deqing Company City Pressure Regulating Station. A total of 4 employees participated in the event, and the company contributed RMB300 towards the event. The event enabled classmates from the Deqing County Experiment Holiday Team to learn about the principles of working with gas meters, taking readings, and how to use gas safely. Following the site visit, classmates travelled around the surrounding community and raised their awareness of safe gas consumption.

Figure 2

Figure 3

The subsidiaries of the Group joined community-bonding activities and visits to the elderly.

On 11 October 2018, a total of 4 volunteers from the Group's subsidiaries joined community-bonding activities and visits to the elderly, and the Group contributed RMB1,400 towards these activities and visits. Gifts were sent to elderly living alone, allowing them to feel the compassion and warmth from local enterprises.

Subsidiaries of the Group carried out visits to elderly homes.

On 21 August 2018, a total of 9 participants from subsidiaries of the Group carried out visits to elderly homes. The Group contributed RMB1,800 towards these visits, and their positive energy brought warmth and compassion to the elderly.

Figure 4

7. THE GROUP'S ESG PERFORMANCE DATA

Where appropriate, data measurement and calculation methods in this Report are stated.

Environmental Key Performance Indicators	Unit	2018	2017
Resource Consumption[1]			
Purchased Electricity	kWh	154,040	176,943
	kWh/employee[2]	1,750.45	2,131.84
Purchased Freshwater	m^3	30.47	32.4
	m^3/employee	0.35	0.39
Purchased Heat	GJ	217,232	148,075
	GJ/employee	2,468.55	1,784.04
Hazardous Waste Generation by Type[4]			
Electronic Waste	kg	20	75
	kg/employee	0.23	0.90
Battery	Pieces	200	500
	Pieces/employee	2.27	6.02
Mercury-containing Light Tubes	Tubes	70	120
	Tubes/employee	0.80	1.45
Ink Cartridges	Pieces	9	11
	Pieces/employee	0.10	0.13
Non-hazardous Waste Generation by Type[5]			
Paper	kg	1,800	1,247
	kg/employee	20.45	15.03
Waste Used Meters	Pieces	39,332	Not disclosed
	Pieces/employee	23.03	
Waste Used Pipes	m	7,548	
	m/employee	4.42	

1 The scope of these figures covers the resources used at the Group's headquarters in Tianjin.
2 Calculated based on the Group's total number of employees as at 31 December 2018. Where the scope of the figures in this table solely covers the Group's headquarters, corresponding intensity calculations were based on the number of employees at the Group's headquarters.
3 The Group does not have issues in sourcing water fit for purpose. Water consumption refers to water consumed from purchased water carboys.
4 The scope of these figures covers the hazardous waste generated at the Group's headquarters.
5 The scope of paper waste generated covers the Group's headquarters, whilst waste used meters and waste used pipes generated covers the Group and all its subsidiaries.

Environmental Key Performance Indicators	Unit	2018	2017
Air Pollutant Emissions[1]			
Nitrogen Oxides (NOx)	tonnes	1.2×10^{-2}	2.6×10^{-2}
Sulphur Oxides (SOx)	tonnes	1.4×10^{-4}	3.5×10^{-4}
Greenhouse Gas Emissions[2]			
Scope 1 – Direct Emissions			
Vehicle Fleet[3]	tonnes CO_2e	21.50	53.64
	tonnes CO_2e / employee	0.24	0.64
Scope 2 – Indirect Emissions			
Purchased Electricity[4]	tonnes CO_2e	136.22	156.47
Purchased Heat[5]	tonnes CO_2e	23,895.52	16,288.25
Scope 2 Total Emissions	tonnes CO_2e / employee	273.09	198.13
Scope 3 – Other Indirect Emissions			

1 The figures were the total amount of air pollution emissions caused by vehicle use. The scope of these figures covers the air pollutants emitted from vehicles owned by the Group and operated at the Group's headquarters. These figures were calculated with reference to the Technical Guide for Air Pollutant Emission Inventory for Road Vehicles (Trial) published by the National Development and Reform Commission of the PRC.

2 The scope of these figures covers the greenhouse gas emissions generated from the Group's headquarters.

3 Figures were calculated with reference to the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions from Land-based Transportation Enterprises (Trial) published by the National Development and Reform Commission of the PRC.

4 Figures were calculated with reference to the 2011 and 2012 PRC's Regional Grid Average Carbon Dioxide Emission Factor published by National Development and Reform Commission of the PRC.

5 Figures were calculated with reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial) published by the National Development and Reform Commission of the PRC.

Environmental Key Performance Indicators	Unit	2018	2017
Waste Paper Disposed at Landfill Sites[1]	tonnes CO_2e	4.80	7.92
Business Travel[2]	tonnes CO_2e	4.39	3.20
Scope 3 Total Emissions	tonnes/employee	0.10	0.13
Social Key Performance Indicators[3]	**Unit**	**2018**	**2017**
Total Number of Employees	Persons	1,708	1,554
Number of Employees by Employment Type			
Contract Employee	Persons	1,703	1,521
Dispatched Employee	Persons	5	33
Number of Employees by Region			
Hebei, Beijing, Tianjin	%	60.4	58.1
Shandong	%	17.3	18.7
Zhejiang, Hunan, Jiangxi	%	12.7	13.1
Jiangsu, Anhui	%	9.7	10.1
Number of Employees by Gender			
Male	%	63.3	61.8
Female	%	36.7	38.2
Number of Employees by Age Group			
Below 25	%	11.6	9.1
26 to 35	%	38.9	41.4
36 to 50	%	43.1	42.4
Over 51	%	6.4	7.1
Number of Employees by Academic Qualification			
Bachelor's Degree or Above	%	24	24

1 Figures were calculated with reference to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong 2010 version published by the Hong Kong Environmental Protection Department and Electrical and Mechanical Services Department.

2 Figures were calculated with reference to the methodology of calculation of carbon emissions generated from air travels published by The International Civil Aviation Organization (ICAO) under the United Nations Agency.

3 The scope of these figures covers the Group and all its subsidiaries.

Social Key Performance Indicators	Unit	2018	2017
Percentage of Employee Turnover by Employment Contract			
Contract Employee	%	9.6	5.21
Dispatched Employee	%	0	0.13
Percentage of Employee Turnover by Gender			
Male	%	7.9	2.83
Female	%	1.7	2.51
Training and Development	**Unit**	**2018**	**2017**
Training and Development			
Total number of training hours received by employees	Hours	1,810	1,666
Average hours of training received per employee	Hours/employee	1.06	1.4
Number of Employees (by Gender) that Received Training			
Male	%	81.0	80.8
Female	%	19.0	19.2
Number of Employees (by Employment Grade) that Received Training			
Upper Management	%	0.5	Not disclosed
Middle Management	%	1.7	
General Staff	%	97.8	

8. HKEX ESG REPORTING GUIDE CONTENT INDEX

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Relevant Page(s)
	Environmental		
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3, 3.2, 3.5	34-35, 37
KPI A1.1	The types of emissions and respective emissions data.	7	49
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7	49-50
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7	48
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7	15, 48
KPI A1.5	Description of measures to mitigate emissions and results achieved.	3.2	35
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.5	37
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3.2, 3.3	35-36
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	7	48
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7	48
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	3.3	36
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.3, 7	36, 48
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable[1]	
Aspect A3: Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	3.2	35
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.2	35

[1] As the Group does not use packaging materials, this KPI is not applicable.

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Relevant Page(s)
Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	4.1	38
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	7	50
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	7	51
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.5	42
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.5	42
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.4	39
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4.1	38
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1	43
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.1	43

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation	Relevant Page(s)
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.4	45
KPI B6.4	Description of quality assurance process and recall procedures.	5.3	44
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.4	45
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.5	45-46
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.5	45-46
Community			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6	46-47
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6	46-47
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	6	46-47

Biographical Information of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. ZHANG Bing Jun, aged 55, has been the Chairman and an executive Director of the Company since 25 February 2011. Mr. ZHANG graduated from Xidian University (西安電子科技大學) with a Bachelor of Engineering Science degree in July 1984 and is a qualified senior engineer of the People's Republic of China (the "PRC"). Mr. ZHANG studied the State-owned Enterprises course at the Beijing Motorola University (北京摩托羅拉大學) and the Executive Master of Business Administration course at the Guanghua School of Management of the Beijing University (北京大學光華管理學院) in 1999. Mr. ZHANG is currently the Party Secretary and Chairman of Tianjin TEDA Investment Holding Company Limited ("**TEDA**"), a wholly State-owned company established in the PRC which indirectly held 60.19% of the total issued Ordinary Shares through TEDA HK as at 31 December 2018. Mr. ZHANG has nearly thirty years' experience in electronic engineering, corporate strategy and planning, management, operation and investment. Mr. ZHANG was the General Manager and Deputy Party Secretary of TEDA from June 2006 to January 2011, the Deputy General Manager of Tianjin Zhonghuan Electronic Information Group Company Limited (天津中環電子信息集團有限公司) from November 2005 to June 2006, the Chairman,General Manager and Deputy Party Secretary of Tianjin Optical Electrical Group Company Limited (天津光電集團有限公司) from April 2003 to November 2005 and the Chairman and General Manager of Tianjin Optical Electrical Communications Company (天津光電通信公司) from July 1999 to April 2003. From April 2011 to February 2014, he was chairman of Sihuan Pharmaceutical Company Limited (四環藥業股份有限公司) (a company listed on Shenzhen Stock Exchange). From February 2013 to October 2014, he was the chairman of Tianjin TEDA Company Limited (天津泰達股份有限公司) (a company listed on Shenzhen Stock Exchange).

Mr. GAO Liang, aged 51, has been the General Manager and an executive Director of the Company since 4 August 2009. He has been the Compliance Officer of the Company since February 2010. He is also the general manager of Binhai Investment (Tianjin) Company Limited, a wholly-owned subsidiary of the Company incorporated in the PRC since April 2009. Mr. GAO is a senior engineer. He graduated from Wuhan Urban Construction Institute (武漢城市建設學院) with a major in environment hygiene engineering in 1988, and obtained a master's degree in business administration from Nankai University (南開大學) in 2005. He was the deputy director of the Science Promotion Center of Urban and Rural Development Administrative Committee of Tianjin Municipal (天津市城鄉建設管理委員會科技推廣中心) for the period from 1993 to 1995 and the deputy director of the Tianjin Municipal Environmental and Hygienic Engineering Design Council (天津市環衛工程設計院) for the period from 1995 to 2001.

Mr. GAO is a member of the Remuneration Committee, the Nomination Committee and the Risk Committee of the Company.

Biographical Information of Directors and Senior Management

Non-Executive Directors

Mr. SHEN Xiao Lin, aged 51, has been a non-executive Director since 25 February 2011. Mr. SHEN is a Doctor of Management Studies who graduated from the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) with a Doctorate degree in Technical Economics and Management in December 2001. Mr. SHEN obtained a master's degree in Economics and Management at the School of Management of Huazhong University of Science and Technology (華中科技大學管理學院) in July 1992 and a Bachelor of Industrial Electrical Automation degree at the Wuhan University of Science and Technology (武漢科技大學) in July 1989, and is a qualified senior economist and accountant of the PRC. Mr. SHEN is currently the Deputy General Manager of TEDA. Mr. SHEN was appointed as a full-time supervisor of the Supervisory Board for Key Large State-Owned Enterprises of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國資委國有重點大型企業監事會) from March 2003 to August 2008, a full-time supervisor of the Supervisory Board for Key Large State-Owned Enterprises of the Central Enterprises Work Committee (中央企業工作委員會國有重點大型企業監事會) from September 2002 to March 2003 and the Deputy Head of Project Finance of Shougang Company (首鋼總公司) from January 1999 to September 2002. He worked in the Economic Development Research Centre of the State Metallurgical Industry Bureau (國家冶金部經濟發展研究中心) from July 1992 to December 1998. From April 2011 to February 2014, he was a director of Sihuan Pharmaceutical Company Limited (四環藥業股份有限公司), a company listed on Shenzhen Stock Exchange.

Mr. ZHANG Jun, aged 51, has been a non-executive Director since 9 February 2010. Mr. ZHANG worked as an executive Director since June 2009, and was re-designated as a non-executive Director in February 2010. Mr. ZHANG graduated from Beijing Normal University (北京師範大學) with a degree in philosophy in July 1990 and completed a course in economics from Nankai University (南開大學) in 1998. He is currently the deputy general manager of TEDA. Prior to that, Mr. ZHANG was the general manager of Tianjin TEDA Group Company Limited, a wholly owned subsidiary of TEDA, an administrative officer of TEDA and a deputy administrative officer of TEDA Administrative Commission (天津經濟技術開發區管理委員會) and administrative officer of Tianjin TEDA Eco-Landscape Development Company Limited (天津經濟技術開發區總公司園林綠化公司). He acted as the chairman of Tianjin TEDA Company Limited (天津泰達股份有限公司) (a company listed on Shenzhen Stock Exchange) from May 2011 to February 2013. He has been a director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (listed on the Hong Kong Stock Exchange) from April 2008 to May 2014.

Mr. WANG Gang, aged 53, has been a non-executive Director since 9 February 2010. Mr. WANG worked as an Executive Director from 2004, and was re-designated as a Non-Executive Director in February 2010. Mr. WANG graduated from the thermal engineering branch of Tinjian University (天 津大學) with a bachelor's degree in Engineering in July 1990 and acquired a postgraduate degree at Tianjin University of Finance & Economics in July 2001. He is a senior engineer. He is currently assistant general manager of TEDA. He has ample professional experience in thermal engineering. From August 2003 to May 2004, he was the chairman and general manager of Tianjin TEDA Gas Company Limited (which is a wholly-owned subsidiary of Tianjin TEDA Investment Holding Company Limited). Mr. WANG was the vice manager of TEDA Heat and Power Company (泰達熱電公司), a wholly owned subsidiary of TEDA, the vice general manager of Tianjin TEDA Tsinlien Heat & Power Company Limited (泰達津聯熱電公司), a subsidiary of Tianjin Development Holdings Limited, and the general manager of Guohua Energy Development (Tianjin) Company Limited (國華能源發展(天津)有限公司) from August 1997 to August 2003. Mr. WANG was responsible for the day-to-day operation of the Group from May 2004 to July 2007.

Mr. YU Ke Xiang, aged 48, was appointed as a non-executive Director on 26 July 2018. He graduated from The Tianjin University of Finance and Economics with a Bachelor's Degree in Economics in 1993 and a Master's Degree in Economics in 1999. Mr. YU has been in financial asset investment management (foreign and domestic capital markets) and fund operations for many years. He joined Tianjin Development Holdings Limited (天津發展控股有限公司) (Stock Code: 882) ("Tianjin Development", which is interested in approximately 4.23% of the total issued ordinary shares of the Company) since 2010 and has served in various roles including deputy general manager and general manager of Tianjin Development Assets Management Company Limited (天津發展資產管理有限公司), a wholly-owned subsidiary of Tianjin Development. Prior to joining Tianjin Development, Mr. YU was an assistant to manager of investment banking division and manager of securities division of Northern International Trust and Investment Company Limited (北方國際信托投資股份有限公司), head of operations of Tianjin Guoneng Investment Company Limited (天津國能投資有限公司), senior project manager of fund utilization department of Bohai Property Insurance Company Limited (渤海財產保險股份有限公司), etc. He is currently the head of capital operation department of Tianjin Development, general manager of Tsinlien (Tianjin) Asset Management Company Limited (津聯(天津)資產管理有限公司) (a wholly-owned subsidiary of Tsinlien Group Company Limited (津聯集團有限公司) ("Tsinlien")), head of capital operation department of Tianjin Tsinlien Investment Holdings Company Limited (天津津聯投資控股有限公司) ("Tsinlien Investment Holdings") (both Tsinlien and Tsinlien Investment Holdings being the controlling shareholders of Tianjin Development), as well as a director of certain subsidiaries of Tianjin Development, Tsinlien and Tsinlien Investment Holdings.

Independent Non-Executive Directors

Mr. IP Shing Hing *J.P.*, aged 63, has been an independent non-executive Director since 23 March 2009. He holds a Bachelor of Laws (Hons.) Degree from the University of Hong Kong and a Master of Arts: Arbitration and Alternative Dispute Resolution from the City University of Hong Kong. He is a solicitor and Notary Public, Hong Kong SAR and China-Appointed Attesting Officer, and Justice of Peace, and has been a practising solicitor in Hong Kong for more than 30 years. He also serves as an independent non-executive director of Far East Hotels and Entertainment Limited and PC Partner Group Limited (both listed on the Hong Kong Stock Exchange). He was an independent non-executive director of Quam Limited (listed on the Hong Kong Stock Exchange) during the period from 1 October 2006 to 30 September 2008. He is enthusiastic in community activities which include serving as the President of The Law Society of Hong Kong (2002-2004), Vice-President of The Law Society of Hong Kong (1999-2002), Council Member of the Association of China-Appointed Attesting Officers Limited (since 2002), part-time Member of Central Policy Unit (2004-2005), Director of Hong Kong Chinese General Chamber of Commerce (since 1997), Deputy Chairman of the Council of Lingnan University (since 2014) and member of Committee of the Action Committee Against Narcotics.

Mr. IP is the chairman of the Nomination Committee and the Risk Committee, and a member of the Audit Committee and the Remuneration Committee of the Company.

Mr. LAU Siu Ki, Kevin, aged 60, has been an independent non-executive Director since March 2009. He is currently running his own management consultancy firm, Hin Yan Consultants Limited. Mr. LAU has previously worked at Ernst & Young for over 15 years. He graduated from the Hong Kong Polytechnic in 1981. Mr. LAU is a Fellow Member of both the ACCA and the HKICPA. Mr. LAU was a Member of the World Council of ACCA from May 2002 to September 2011 and the Chairman of ACCA Hong Kong in 2000/2001. Mr. LAU is currently the company secretary of Yeebo (International Holdings) Limited and Hung Fook Tong Group Holdings Limited. He has been appointed an independent non-executive director of Comba Telecom Systems Holdings Limited, Embry Holdings Limited, FIH Mobile Limited, Samson Holdings Ltd and TCL Electronics Holdings Limited respectively and the shares of these companies are listed on the Main Board of the Hong Kong Stock Exchange. Mr. Lau has also been appointed the company secretary of Expert Systems Holdings Limited, the shares of which are listed on the Growth Enterprise Market of the Hong Kong Stock Exchange.

Mr. LAU is the chairman of the Audit Committee and a member of the Nomination Committee, the Remuneration Committee and the Risk Committee of the Company.

Professor Japhet Sebastian LAW, aged 67, has been an independent non-executive Director since 23 March 2009. He obtained his Ph.D. in Mechanical/Industrial Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Professor LAW has acted as a consultant with various corporations in Hong Kong and overseas and is currently an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange: Tianjin Port Development Holdings Limited, Beijing Capital International Airport Company Limited, Global Digital Creations Holdings Limited, Shougang Fushan Resources Group Limited, Regal Hotels International Holdings Limited and Tianjin Binhai Teda Logistics (Group) Corporation Limited. He was an independent non-executive director of Cypress Jade Agricultural Holdings Limited from December 2011 to July 2013. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government, and various Government and charitable boards and committees.

Professor LAW is the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Risk Committee of the Company.

Mr. TSE Tak Yin, aged 70, has been an independent non-executive Director since March 2009. He has 17 years of experience in finance and operation of the gas industry. He was the Chief Accountant of a local piped gas company in 1980 and was appointed as General Manager of Customer Services Division in 1993 and General Manager of Corporate Development Division until 1997. He is currently the Director of ITApps Limited. Mr. TSE is an Associate Member of Hong Kong Institute of Certified Public Accountants ("HKICPA").

Mr. TSE is a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Committee of the Company.

SENIOR MANAGEMENT

Mr. WANG Long, aged 37, joined the Group in January 2019. He is currently the Deputy General Manager and the secretary to the Board. He was a post-graduate in Finance at the Nankai University (南開大學), and has the qualification of an Intermediate Economist of the PRC. He worked for Heng An Standard Life Insurance Company Limited Tianjin Branch from January 2014 to October 2015 and took the post of Head of Bank Distribution. Mr. Wang had acted as the chief financial officer and subsequently the chairman of the board of directors of Beijing Sihuan Airport Pharmaceutical Technology Company Limited (北京四環空港藥業科技有限公司) during the period from October 2015 to September 2017, and was a deputy manager of the asset management department of TEDA from August 2016 to January 2019. He has work experience in the fields of asset management and financing.

Mr. HUI Ji Wen, aged 51, joined the Group in June 2017. He is currently the Chief Finance Officer of the Company. Mr. HUI holds a master's degree of Business Administration in Nankai University (南開大學). Mr. HUI is a qualified senior accountant of the PRC and also has the qualifications as a CPA of the PRC. During the period from 2008 to 2017, he was the Chief Finance Officer of the China-Africa TEDA Investment Company Limited (中非泰達投資股份有限公司).

Mr. XING Dong, aged 50, joined the Group in June 2007. He is currently the Deputy General Manager of the Group. Mr. XING graduated from Tianjin University (天津大學) in 1989. During the period from 1990 to 2007, he was the Minister of the Engineering Department, Diversion Operation Department and Investment Management Department of Tianjin Economic-Technological Development Area Water Corporation (天津經濟開發區總公司自來水公司).

Mr. DONG Jian Min, aged 52, joined the Group in August 2009 and is currently the Deputy General Manager. Mr. DONG graduated from Tianjin University of Finance and Economics in 1990. He holds a bachelor's degree and qualifications in economics, human resources management and senior professional management. He was appointed as assistant to the Chairman of Tianjin Jingzhao Investment Group and assistant to Chairman of Tianjin 609 Cable Company Limited.

Mr. LUO Dong Xiao, aged 57, joined the Group in 2015 and is currently the chief engineer of the Group and a senior engineer at the professor level. Mr. LUO graduated from Wuhan Engineering University in 1983. He has long term experiences working in the energy industry of production and operation, research, development and management in a large energy and chemical enterprise. He is a part-time professor in the Zhongshan University, Tongji University and other colleges and universities, and a member of the editorial board in the published works such as "Natural Gas Industry" and "Gas and Heat". He has 20 national technology invention patents, published nearly 100 papers and a number of projects which received provincial and ministerial level science and technology awards and has won the Guangzhou high-level talent with the title of outstanding experts.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND OPERATION ANALYSIS

The Company is an investment holding company. Details of the principal activities of the Company's subsidiaries are set out in Note 41 to the financial statements. The analysis of the Group's performance for the year by business segments is set out in Note 7 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out in the sections headed "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" from pages 5 to 6, pages 7 to 8 and pages 9 to 12 respectively of this Annual Report.

SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it engages. Acting in an environmentally responsible manner, the Group endeavours to identify and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Details of which are set out in the "Environmental, Social and Governance Report" on pages 28 to 54 of this Annual Report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2018, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

Stimulated by "coal to gas conversion", the growth rate of natural gas consumption of PRC grew steadily in 2018. The overall growth of production volume was lower than that of the consumption. The overall demand and supply of the natural gas was sufficient and the trading was more active. The construction of production, supply, storage and sales of domestic natural gas system accelerated, while various policy supported the coordination development of the industry. The consumption of natural gas, storage and production and the external dependency continued to increase. The source of import of natural gas has been further diversified.

Directors' Report

The demand and supply dynamics of the natural gas market in the world will remain under constant adjustment in 2019. Factors such as the increase in export of natural gas of the USA, Qatar's withdrawal from OPEC, the expiration of certain Japanese LNG long-term contracts and the trade dispute between USA and PRC will further affect the global natural gas trading environment, which influence the procurement cost of the Company's peak-shaving gas and additional gas. In the downstream sector, however, along with the increase in power generation of Nanjiang power plant and Jun Liang Cheng power plant in 2019, the utilization rate of the high-pressure pipeline of the Company (particularly the Tianjin company) will gradually increase.

The Company issued US$300 million bonds in December 2017. The Company currently has not adopted a foreign exchange hedging policy, but the Company has been monitoring the risk of foreign exchange and has been extensively contacting banks and financial institutions for considering the use of hedging instruments.

FINANCIAL RESULTS AND DIVIDEND

The financial results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 83.

Based on the annual profit of the Company for the year ended 31 December 2018 and taking into account the financial position of the Company, the Board recommended a final dividend of HK$0.045 per ordinary share (the "Final Dividend") for the year ended 31 December 2018 (year ended 31 December 2017: HK$0.055 per ordinary share).

The Final Dividend is subject to approval by holders of the ordinary shares at the annual general meeting (the "AGM") of the Company to be held on 10 May 2019 and is expected to be paid on 28 June 2019.

CLOSURES OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the AGM

Shareholders of the Company whose names appear on the register of members of the Company on Friday, 10 May 2019 will be eligible to attend and, in relation to holders of ordinary shares, to vote at the AGM. The register of members of the Company will be closed from Tuesday, 7 May 2019 to Friday, 10 May 2019 (both days inclusive). All completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 6 May 2019.

(b) For determining the entitlement to the Final Dividend

The Final Dividend will be payable to the holders of ordinary shares whose names appear on the register of members of the Company on Thursday, 6 June 2019 and the register of members of the Company will be closed from Tuesday, 4 June 2019 to Thursday, 6 June 2019 (both days inclusive). In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 3 June 2019.

FINANCIAL HIGHLIGHTS

A summary of the financial results, assets and liabilities of the Group for the last five financial years ended 31 December 2018 is set out on page 198.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 18 to the financial statements.

SHARE CAPITAL

As at 31 December 2018, the Company had 1,174,348,950 ordinary shares at par value of HK$0.10 each ("Ordinary Share(s)") and 7,960,000 redeemable preference shares at par value of HK$50.00 each ("Redeemable Preference Share(s)") in issue.

8,600,000 Redeemable Preference Shares were issued to Cavalier Asia Limited for the consideration of HK$430 million on 4 May 2009, all of which were subsequently transferred to TEDA Hong Kong Property Company Limited in August 2011.The Redeemable Preference Shares are redeemable at the discretion of the Company at their par value of HK$50.00 per Redeemable Preference Share as from the fifth anniversary of the date of resumption of trading of the Ordinary Shares on The Growth Enterprise Market on the Stock Exchange (i.e. 12 May 2009), subject to various conditions.

In view of the fulfillment of the conditions, the Company redeemed 640,000 Redeemable Preference Shares at the redemption amount of HK$50 per Redeemable Preference Share on 28 November 2018.

Details of the movements in the share capital of the Company during the year ended 31 December 2018 including particulars of the above redemption of Redeemable Preference Shares are set out in Note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which impose an obligation on the Company to offer new shares on a pro-rata basis to the Shareholders.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 30 and Note 42 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had no reserves available for cash distribution and/or distribution in specie as calculated under the Companies Act of Bermuda as at 31 December 2018 (as at 31 December 2017: Nil).

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report relating to the share option scheme of the Company, which subsisted as at 31 December 2018, no equity-linked agreements were entered into during the year ended 31 December 2018 or subsisted at the end of the year.

CHARITABLE DONATIONS

During the year ended 31 December 2018, the Group made no charitable donations or other donations (for year ended 31 December 2017: Nil).

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 20 August 2010, the Shareholders approved the adoption of a new share option scheme (the "2010 Scheme") in place of the previous scheme which had lapsed. The Company has been operating the 2010 Scheme for the purpose of providing the Company with a flexible means of giving incentives to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants of the 2010 Scheme (the "Participants"). Participants include the Directors (including independent non-executive Directors) and employees of the Group. The 2010 Scheme became effective on 20 August 2010 and, unless otherwise cancelled or amended, will remain in force until 19 August 2020.

The maximum number of share options permitted to be granted under the 2010 Scheme was an amount equivalent, upon their exercise, to 10% of the Ordinary Shares in issue as at the date of approval of the 2010 Scheme. The total number of Ordinary Shares issued under the 2010 Scheme and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) under the 2010 Scheme in any 12-month period shall not exceed 1% of the total number of Ordinary Shares in issue unless approved by the Shareholders.

Directors' Report

There is no minimum period for which an option under the 2010 Scheme must be held before such option can be exercised. HK$1 is payable by each Participant to the Company upon acceptance of an offer under the 2010 Scheme.

The exercise price of the share options under the 2010 Scheme is determinable by the Board and will at least be the highest of (a) the closing price of the Ordinary Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer under the 2010 Scheme; (b) the average closing prices of the Ordinary Shares as stated in the Stock Exchange's quotations sheets for the 5 business days immediately preceding the date of the offer under the 2010 Scheme; and (c) the par value of the Ordinary Shares.

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 year ended 31 December 2018, 700,000 share options had lapsed.

As at 31 December 2018, a total of 54,578,120 Ordinary Shares (representing approximately 4.65% of the issued Ordinary Shares as at 31 December 2018) could be issued upon exercise of all options which may be but were not yet granted under the 2010 Scheme, and a total of 4,350,000 Ordinary Shares (representing approximately 0.37% of the issued Ordinary Shares as at 31 December 2018) could be issued upon exercise of all options which had been granted and yet to be exercised under the 2010 Scheme.

Details of movement of share options granted under the 2010 Scheme during the year ended 31 December 2018 are 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 year	Number of Ordinary Share subject to outstanding options as at 31 December 2018	Approximate percentage of the Company's total issued Ordinary Shares as at 31 December 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.

Save as disclosed above, no share option was granted, exercised, cancelled or lapsed during the year ended 31 December 2018.

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors:

Mr. ZHANG Bing Jun *(Chairman)*
Mr. GAO Liang *(General Manager)*

Non-executive Directors:

Mr. SHEN Xiao Lin
Mr. ZHANG Jun
Mr. WANG Gang
Ms. ZHU Wen Fang *(resigned on 4 May 2018)*
Ms. SHI Jing *(resigned on 26 July 2018)*
Mr. YU Ke Xiang *(appointed on 26 July 2018)*

Directors' Report

Independent Non-executive Directors:

Mr. IP Shing Hing, *J.P.*
Mr. LAU Siu Ki, Kevin
Professor Japhet Sebastian LAW
Mr. TSE Tak Yin

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

In accordance with code provision A.4.2 of Appendix 14 of the Listing Rules and Bye-Law 87(1) of the Bye-laws of the Company, Mr. SHEN Xiao Lin and Mr. ZHANG Jun (non-executive Directors) and Mr. LAU Siu Ki, Kevin and Mr. TSE Tak Yin (Independent non-executive Directors), who are longest in office since their previous re-election, will retire by rotation and will be eligible for re-election at the AGM of the Company.

In accordance with the Bye-law 86(2) of the Bye-laws of the Company, Mr. YU Ke Xiang, who was appointed by the Board as a non-executive Director on 26 July 2018, shall hold office until the conclusion of the AGM and will be eligible for re-election at the AGM of the Company.

RESIGNATION OF DIRECTORS

Ms. ZHU Wen Fang resigned as a non-executive director of the Company with effect from 4 May 2018 in pursuit of her career development. Ms. SHI Jing resigned as a non-executive director of the Company with effect from 26 July 2018 in pursuit of her career development. During the year, no director resigned from his office or refused to stand for re-election to his office due to reasons relating to the affairs of the Company.

DIRECTORS' SERVICE CONTRACTS

Independent non-executive Directors have a term of office of two years and non-executive Directors have a term of office of three years, both subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for (1) the contracts with TEDA and its subsidiaries and associates particulars of which are set out in the sections headed "CONTINUING CONNECTED TRANSACTIONS"; (2) the master gas supply agreement and the master gas supply connection agreement dated 19 November 2018 between the Company and TEDA for continuation of the aforesaid continuing connected transactions for a term from 1 January 2019 to 31 December 2021, which are on substantially the same terms as the master gas supply agreement and the master gas supply connection agreement dated 2 December 2015; and (3) an agreement dated 30 August 2018 for the grant of a RMB200 million term loan by a subsidiary of the Company to TEDA together with a mortgage over land use rights of 41 plots of land in Tianjin Economic – Technological Development Area created by TEDA as security for the loan which were subsequently terminated by agreement on 9 November 2018 (as disclosed in the announcements of the Company dated 30 August 2018 and 9 November 2018), there were no material contracts between the Group and its controlling shareholder or its associates during the year ended 31 December 2018.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director had any interest in any business which competes or is likely to compete with the business of the Group as at 31 December 2018.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party which subsisted at the end of the year ended 31 December 2018 or at any time during the period.

Directors' Report

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals are set out in Note 14 to the consolidated financial statement to this report. More particulars are also set out in the section headed "REMUNERATION COMMITTEE" in the "CORPORATE GOVERNANCE REPORT".

CHANGE IN DIRECTOR'S INFORMATION

Mr. LAU Siu Ki, Kevin, an independent non-executive Director, retired as an independent non-executive director of China Medical & HealthCare Group Limited (a company listed on the Stock Exchange (Stock code: 383)) with effect from 6 December 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 Listing Rules.

PERMITTED INDEMNITY PROVISION

The Bye-Laws of the Company provides that for the time being acting in relation to any of the affairs of the Company, every director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of duties of his/her office or otherwise in relation thereto.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the directors of the Company and its subsidiaries.

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 31 December 2018, 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 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

		Interest 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 31 December 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%
Mr. LAU Siu Ki, Kevin	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%

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 or debentures".

Director's rights to acquire shares or debentures

Pursuant to the 2010 Scheme, the Company granted options to subscribe for Ordinary Shares to the Directors, the details of which are 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 31 December 2018	Approximate percentage of the Company's total issued ordinary shares as at 31 December 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%
Mr. LAU Siu Ki, Kevin	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%

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

Save as disclosed above, at no time during the year ended 31 December 2018 were rights to acquire benefit by means of the acquisition of any class of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such right in any other body corporate.

Save as disclosed above, as at 31 December 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 (as defined under 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 Model Code.

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

As at 31 December 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:

			Interest in Ordinary Shares/underlying Ordinary Shares							
			Number of Ordinary Shares				Number of underlying Ordinary Shares			
Name of shareholder	Position	Capacity	Beneficial interest	Family interest	Corporate interest	Other interest	Corporate interest	Other Interest	Total interest	Approximate percentage of the total issued Ordinary Shares of the Company as at 31 December 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 *(Note2)*	–	–	–	–	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 31 December 2018, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO.

Directors' Report

CONTROLLING SHAREHOLDER'S INTERESTS IN NON-COMPETING GAS SUPPLY BUSINESSES

The Group disposed of its interests in thirty subsidiaries ("Disposed Subsidiaries") to Cavalier Asia Limited to hold on behalf of TEDA HK pursuant to an agreement (the "2008 Disposal Agreement") dated 28 May 2008 (as amended) between Cavalier Asia Limited and a subsidiary of the Company. The 2008 Disposal Agreement was deemed completed in May 2009. Since then, the Group has repurchased interests in six of the Disposed Subsidiaries from TEDA HK, TEDA HK has disposed of interests in eighteen of the Disposed Subsidiaries to independent third parties, and three of the Disposed Subsidiaries were de-registered. As at 31 December 2018, TEDA HK still held interests in one of the Disposed Subsidiaries, namely Weishan Wah Sang Gas Co., Ltd. Although the businesses carried on by this Disposed Subsidiary is similar to the business of the Group, it operates in an area where the Group does not have any business, namely Weishan in Shangdong province. Therefore, the Directors are of the view that the business of that Disposed Subsidiary which TEDA HK is currently interested in do not compete directly with the businesses of the Group.

Apart from the Disposed Subsidiary as mentioned above, TEDA owns a 100% of the equity interest in Tianjin TEDA Gas Company Limited ("TEDA Gas") and a minority interest in Tianjin Eco-City Energy Investment Construction Company Limited ("Tianjin Eco-City") which are engaged in the supply of gas to end users.

TEDA Gas mainly serves the purpose of supplying natural gas to the Tianjin Economic and Technological Development Area at preferential rates in order to enhance the appeal of such area to investors and is not a purely commercial enterprise. As the Company understands, TEDA Gas is loss making and requires government subsidies to operate, whereas the Group supplies gas to TEDA Gas on a market basis and accordingly earns profit. The Group does not have the operating right granted by the government of the Tianjin Economic and Technological Development Area to supply gas to the local end users in such area. Besides, the Company does not consider it commercially desirable for the Group to supply gas to the local end users in such area.

Tianjin Eco-City is directly owned as to 51% equity interest by Tianjin Eco-City Investment Development Company Limited (owned by TEDA as to 35% equity interest), a company established under a national-grade cooperation project between the PRC government and the Singapore Government that manages and operates a particular district in the Binhai New Area. Tianjin Eco-City purchases gas from the Group for its own use and to satisfy the demand of end users in such district in accordance with the intention of the local government, and does not carry out the business of sale of gas to customers. The Group does not have the operating right granted by the government of such district to supply gas to the local end users.

Directors' Report

As the business of the remaining Disposed Subsidiary held by TEDA HK is differentiated from the businesses of the Group by location, and the businesses of TEDA Gas and Tianjin Eco-City are differentiated from the business of the Group by target customers, the Directors consider that there is no business competition between the Group and the TEDA Group. Save for TEDA's interest in the abovementioned Disposed Subsidiary, TEDA Gas and Tianjin Eco-City, none of the Directors or controlling shareholders of the Company or their respective associates had any interest in a business which may compete with the business of the Group.

CONTINUING CONNECTED TRANSACTIONS

As at the date of this report, TEDA through its wholly-owned subsidiary holds approximately 60.19% of the total issued ordinary shares of the Company and is the controlling shareholder of the Company. TEDA and its associates are connected persons of the Company.

During the year, the Group's continuing connected transactions with the above connected persons were as follows:

(a) Master gas supply agreement

Date of the agreement:	2 December 2015
Duration:	From 1 January 2016 to 31 December 2018
Parties:	TEDA The Company
Transaction involved:	Supply of piped natural gas by the Group to TEDA and its subsidiaries and associates pursuant to agreements for supply of piped natural gas to be entered into from time to time
Annual cap for the period from 1 January 2018 to 31 December 2018	RMB777,987,000
Actual transaction amount in the period from 1 January 2018 to 31 December 2018	RMB192,441,000

(b) Master gas supply connection agreement

Date of the agreement:	2 December 2015
Duration:	From 1 January 2016 to 31 December 2018
Parties:	TEDA
	the Company
Transaction involved:	Provision of gas supply connection services by the Group to TEDA and its subsidiaries and associates pursuant to the agreement for services of construction of gas connection facilities entered into from time to time
Annual cap for the period from 1 January 2018 to 31 December 2018	RMB38,196,000
Actual transaction amount in the period from 1 January 2018 to 31 December 2018	RMB17,243,000

Details on related party transactions for the year are set out in Note 40 to the consolidated financial statements. Details of any related party transaction which also constitute connected transaction or continuing connected transaction not exempted under rule 14A.73 of the Listing Rules are disclosed above. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of such transactions.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions of the Group disclosed on pages 73 and 74 of the Annual Report in accordance with rule 14A.56 of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions referred to above for the year ended 31 December 2018 and confirm that these transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

EVENTS AFTER THE REPORTING PERIOD

There is no event after the reporting period which would have a material impact on the Company's financial position.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, sales to the five largest customers of the Group accounted for 16% (year ended 31 December 2017: 19%) of the total revenue from sales of goods and service, and revenue from sales to the largest customer (Tangshan Lanxin Glass Company Limited(唐山市藍欣玻璃有限公司)) included therein accounted for 5% (for year ended 31 December 2017: 8% (The largest customer was Tianjin TEDA Gas Company Limited)).

Purchases from the five largest suppliers of the Group accounted for 50% (for year ended 31 December 2017: 54%) of the total purchases for the year ended 31 December 2018 and purchases from the largest supplier included therein accounted for 32% (for year ended 31 December 2017: 21%).

Among the five largest customers of the Group, Tianjin TEDA Gas Company Limited is a connected person of the Company.

Save as disclosed above, none of the Directors of or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued ordinary share capital) had any beneficial interest in any of the five largest customers and suppliers of the Group.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

Directors' Report

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the total issued Ordinary Shares as required under the Listing Rules.

AUDITOR

The financial statements have been audited by Deloitte Touche Tohmatsu who are due to retire and, being eligible, have offered themselves for re-appointment at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as external auditor of the Company.

Deloitte Touche Tohmatsu was appointed as the external auditor of the Company at the special general meeting of the Company held on 23 November 2015, and was re-appointed at the annual general meeting of the Company held on 11 May 2018.

On behalf of the Board
Binhai Investment Company Limited

Gao Liang
Executive Director

Hong Kong, 15 March 2019

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF
BINHAI INVESTMENT COMPANY LIMITED
濱海投資有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Binhai Investment Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 197, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS — continued

Key Audit Matters	How our audit addressed the key audit matter
Impairment assessment of property under development included in the construction in progress of property, plant and equipment	
We identified the impairment assessment of property under development included in the construction in progress of property, plant and equipment (the "PUD") as a key audit matter due to the involvement of significant inputs in determining the recoverable amount of the PUD used by the management. Impairment of PUD is assessed by the management by comparing the recoverable amount and carrying amount of the asset at the end of the reporting period. The recoverable amount is determined at the higher of value in use and fair value less costs of disposal. For the purpose of the assessment of the recoverable amount of the PUD, the recoverable amount is determined by fair value less cost of disposal, which involved key inputs such as construction cost index and residue ratio. Details of the impairment assessment of PUD and related key estimation uncertainties are set out in Note 18 and Note 5 to the consolidated financial statements, respectively.	Our procedures in relation to the management's impairment assessment of the PUD included: • Understanding key controls for the impairment assessment of PUD; • Evaluating the independent external valuer's competence, capability and objectivity; • Evaluating the reasonableness of the methodology used by the management and the external valuer; and • Testing key inputs adopted by the management and the external valuer against relevant supporting information.

KEY AUDIT MATTERS — continued

Key Audit Matters	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the involvement of subjective judgment and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 December 2018, the Group recorded net trade receivables amounting to approximately HK$410,870,000. As disclosed in Note 5 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns. Estimated loss rates are based on historical observed default rates and are adjusted for forward-looking information. In addition, trade receivables that are credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As disclosed in Note 38 to the consolidated financial statements, the Group recognised an impairment loss of HK$10,522,000 for trade receivables for the year and the Group's lifetime ECL on trade receivables as at 31 December 2018 amounted to approximately HK$157,328,000.	Our procedures in relation to the estimated provision of expected credit losses for trade receivables included: • Understanding of the Group's process of key controls on how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2018, on a sample basis, by comparing individual items in the analysis with the relevant supporting information; • Challenging management's basis and judgment in determining credit loss allowance on trade receivables as at 31 December 2018, including their identification of credit-impaired trade receivables and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); • Evaluating the disclosures regarding the impairment assessment of trade receivables in Notes 3, 5 and 38 to the consolidated financial statements; and • Testing subsequent settlements of credit-impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chin Cheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6, 7	**3,308,032**	2,745,687
Cost of sales and services		**(2,695,970)**	(2,173,358)
Gross profit		**612,062**	572,329
Other income	8	**15,644**	18,373
Other gains and losses	9	**(101,837)**	81,160
Impairment losses, net of reversal	11	**(9,199)**	(109,718)
General and administrative expenses		**(211,254)**	(195,146)
Interest income	10	**15,024**	6,249
Interest expenses	10	**(144,611)**	(75,663)
Share of profit of an associate		**5,833**	4,772
Share of results of joint ventures		**126**	(3,192)
Profit before tax	12	**181,788**	299,164
Income tax expenses	13	**(74,979)**	(75,278)
Profit for the year		**106,809**	223,886
Profit for the year attributable to:			
— Owners of the Company		**104,049**	221,421
— Non-controlling interests		**2,760**	2,465
		106,809	223,886
Earnings per Ordinary Share			
— Basic (HK cents)	16	**8.9**	18.9
— Diluted (HK cents)	16	**8.9**	18.9

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	2018 *HK$'000*	2017 *HK$'000*
Comprehensive income		
Profit for the year	**106,809**	223,886
Other comprehensive (expense) income		
Item that will not be reclassified subsequently to profit or loss:		
Currency translation differences	**(103,267)**	82,093
Total comprehensive income for the year	**3,542**	305,979
Attributable to:		
— Owners of the Company	**2,971**	300,639
— Non-controlling interests	**571**	5,340
Total comprehensive income for the year	**3,542**	305,979

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current Assets			
Prepaid lease payments	17	**131,728**	139,782
Property, plant and equipment	18	**3,860,996**	3,463,525
Investment properties	19	**7,280**	7,930
Intangible assets	20	**39,566**	14,741
Interest in an associate	21	**33,840**	29,693
Interests in joint ventures	22	**24,304**	25,501
Advance payment for pipeline construction	24	**74,615**	25,517
Pledged deposits	31(d)	**12,296**	12,967
Deferred tax assets	33	**8,311**	5,379
		4,192,936	3,725,035
Current Assets			
Inventories	23	**90,715**	86,049
Trade and other receivables	24	**693,848**	740,832
Contract assets	25	**45,524**	—
Amounts due from customers for contract work	26	**—**	52,310
Pledged bank deposits	27	**7,542**	11,116
Bank balances and cash	27	**987,576**	3,260,656
		1,825,205	4,150,963
Total Assets		**6,018,141**	7,875,998
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital			
— Ordinary shares	28	**117,435**	117,435
— Redeemable preferences shares	28	**398,000**	430,000
Share premium		**157,522**	157,522
Other reserves	30	**(160,982)**	(93,052)
Retained earnings		**823,013**	816,701
Equity attributable to owners of the Company		**1,334,988**	1,428,606
Non-controlling interests		**29,876**	33,234
Total Equity		**1,364,864**	1,461,840

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current Liabilities			
Borrowings	31	**2,443,690**	2,704,765
Deferred income	32	**53,427**	34,626
		2,497,117	2,739,391
Current Liabilities			
Amounts due to customers for contract work	26	**–**	35,579
Trade and bills payables and other payables	34	**1,277,643**	1,454,518
Contract liabilities	35	**543,532**	–
Tax liabilities		**61,867**	64,356
Borrowings	31	**273,118**	2,120,314
		2,156,160	3,674,767
Net Current (Liabilities) Assets		**(330,955)**	476,196
Total Assets less Current Liabilities		**3,861,981**	4,201,231
Total Liabilities		**4,653,277**	6,414,158
Total Equity and Liabilities		**6,018,141**	7,875,998

The consolidated financial statements on pages 83 to 197 were approved and authorised for issue by the board of directors on 15 March 2019 and are signed on its behalf by:

Director	*Director*
Zhang Bing Jun	**Gao Liang**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company						
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Other reserves** *(Note 30)* *HK$'000*	**Retained earnings** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 31 December 2016	547,435	157,522	(199,802)	681,529	1,186,684	35,177	1,221,861
Profit for the year	–	–	–	221,421	221,421	2,465	223,886
Other comprehensive income for the year, net of tax	–	–	79,218	–	79,218	2,875	82,093
Total comprehensive income for the year	–	–	79,218	221,421	300,639	5,340	305,979
Dividends distribution	–	–	–	(58,717)	(58,717)	(7,283)	(66,000)
Transfer to statutory reserve	–	–	27,532	(27,532)	–	–	–
At 31 December 2017	**547,435**	**157,522**	**(93,052)**	**816,701**	**1,428,606**	**33,234**	**1,461,840**
Profit for the year	**–**	**–**	**–**	**104,049**	**104,049**	**2,760**	**106,809**
Other comprehensive expenses for the year, net of tax	**–**	**–**	**(101,078)**	**–**	**(101,078)**	**(2,189)**	**(103,267)**
Total comprehensive (expenses) income for the year	**–**	**–**	**(101,078)**	**104,049**	**2,971**	**571**	**3,542**
Employee share options lapsed	**–**	**–**	**(2,021)**	**2,021**	**–**	**–**	**–**
Dividends distribution	**–**	**–**	**–**	**(64,589)**	**(64,589)**	**(3,929)**	**(68,518)**
Redemption of preferences shares	**(32,000)**	**–**	**–**	**–**	**(32,000)**	**–**	**(32,000)**
Transfer to statutory reserve	**–**	**–**	**35,169**	**(35,169)**	**–**	**–**	**–**
At 31 December 2018	**515,435**	**157,522**	**(160,982)**	**823,013**	**1,334,988**	**29,876**	**1,364,864**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 *HK$'000*	2017 *HK$'000*
OPERATING ACTIVITIES		
Profit before tax	**181,788**	299,164
Adjustments for:		
Interest expenses	**144,611**	75,663
Interest income	**(15,024)**	(6,249)
Share of profit of an associate	**(5,833)**	(4,772)
Share of results of joint ventures	**(126)**	3,192
Depreciation of property, plant and equipment	**103,821**	104,546
Impairment losses, net of reversal		
— property, plant and equipment	**—**	34,140
— investment of a joint venture	**—**	2,302
— trade and other receivables	**4,105**	109,718
— contract assets	**5,094**	—
Amortisation of prepaid lease payments	**7,183**	1,865
Amortisation of intangible assets	**758**	475
Depreciation of investment properties	**247**	—
Loss on disposal of property, plant and equipment	**3,481**	2,293
Foreign exchange loss (gain)	**103,406**	(113,526)
Interest income from wealth management products	**(9,889)**	—
Amortisation of government grant	**(1,878)**	1,993
Operating cash flows before movements in working capital	**521,744**	510,804
Increase in inventories	**(4,666)**	(41,926)
Increase in trade and other receivables	**(115,336)**	(253,875)
Increase in contract assets	**(45,524)**	—
Decrease (increase) in amounts due from customers for contract work	**52,310**	(3,579)
(Decrease) increase in trade and bills payables and other payables	**(65,225)**	379,585
(Decrease) increase in amounts due to customers for contract work	**(35,579)**	390
Increase in contract liabilities	**543,532**	—
Cash generated from operations	**851,256**	591,399
Income tax paid	**(70,824)**	(70,309)
NET CASH FROM OPERATING ACTIVITIES	**780,432**	521,090

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 *HK$'000*	2017 *HK$'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(653,370)**	(418,835)
Purchase of intangible assets	**(27,023)**	(1,157)
Purchase of prepaid lease payments	**(6,334)**	(44,803)
Proceeds on disposal of property, plant and equipment	**5,858**	2,036
Withdrawal of pledged bank deposits	**3,080**	36,212
Placement of pledged bank deposits	**—**	(37,957)
Acquisition of wealth management products	**(873,072)**	—
Proceed from redemption of wealth management products	**882,961**	—
Interest received	**24,913**	6,249
Government grant received	**23,843**	—
NET CASH USED IN INVESTING ACTIVITIES	**(619,144)**	(458,255)
FINANCING ACTIVITIES		
Proceeds from borrowings	**—**	3,073,850
Repayments of borrowings	**(2,114,446)**	(95,475)
Pledged deposit paid	**—**	(4,512)
Interest paid	**(167,630)**	(67,530)
Transaction cost of borrowings paid	**—**	(10,680)
Dividend paid	**(64,589)**	(58,717)
Dividend paid to non-controlled interests	**(3,929)**	(7,283)
Payment on repurchase of redeemable preferences shares	**(32,000)**	—
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(2,382,594)**	2,829,653
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,221,306)**	2,892,488
Cash and cash equivalents at 1 January	**3,260,656**	323,361
Effect of foreign exchange rate changes	**(51,774)**	44,807
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH	**987,576**	3,260,656

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. GENERAL

Binhai Investment Company Limited (the "Company") was incorporated in Bermuda on 8 October 1999, with its principal place of business at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 41. The Company and its subsidiaries are hereafter together referred to as the Group.

For the purpose of these consolidated financial statements, the directors of the Company (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$") and the functional currency of the Company and its subsidiaries is Renminbi ("RMB").

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018, the current liabilities of the Group exceeded its current assets by approximately HK$331 million. The Group's ability to continue as a going concern depends on the financial resources presently available to the Group. Taking into account of 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 and to carry on its business without a significant curtailment of operations for the next twelve months from the date of approval of this consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) — Int 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 HKFRSs 2014 — 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has early applied Amendments to HKFRS 9 Prepayment Features with Negative Compensation which will be mandatorily effective for the Group for the financial year beginning on 1 January 2019.

Except as described below, the application of the new and amendments to the HKFRSs in the current year has had no material impact on the Group's financial performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 HKFRS 15 Revenue from Contracts with Customers

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

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 (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions 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.

The Group recognises revenue from the following sources:

- *Sales of piped natural gas*

  The Group sells piped natural gas to customers, including both residential households and commercial and industrial customers. Revenue recognised at a point in time when the piped natural gas is consumed by customers of which the volume of gas sold is measured by gas meters installed at customer sites.

- *Gas construction and installation service income*

  The Group provides gas construction and installation service under construction contracts with its customers. Revenue is recognised as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

  The excess of cumulative revenue recognised in profit or loss over the cumulative billings to the customers is recognised as contract assets. The contract assets will be reclassified as receivables when the process billings are issued as this is the point of time that the consideration is unconditional.

  The excess of cumulative billings over the cumulative revenue recognised in profit or loss is recognised as contract liabilities. The contract liabilities is recognise as revenue when Group satisfies its performance obligations.

- *Pipeline transportation income*

  Pipeline transportation income represents revenue generated from transportation of piped natural gas of supplies to customers through the use of the Group's pipeline networks and the Group performs as an agent. Revenue recognised at a point in time on a net basis 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.

- *Bottled natural gas sales*

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

  The accounting policies resulting from application of HKFRS 15 and information about the Group's performance obligations are disclosed in Note 4 and Note 6, respectively.

Summary of effects arising from initial application of HKFRS 15

There is no material impact of applying to HKFRS 15 on retained earnings at 1 January 2018.

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

	Notes	Carrying amounts previously reported at 31 December 2017 *HK$'000*	Reclassification *HK$'000*	Carrying amounts under HKFRS 15 at 1 January 2018 *HK$'000*
Current Assets				
Contract assets		—	52,310	52,310
Amounts due from customers for contract work	*(a)*	52,310	(52,310)	—
Total		52,310	—	52,310
Current liabilities				
Trade and bills payables and other payables	*(b)*	1,454,518	(368,411)	1,086,107
Contract liabilities		—	403,990	403,990
Amounts due to customers for contract work	*(a)*	35,579	(35,579)	—
Total		1,490,097	—	1,490,097

Notes:

(a) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. HK$52,310,000 and HK$35,579,000 of amounts due from/ to customers for contract work were reclassified to contract assets and contract liabilities respectively.

(b) As at 1 January 2018, received in advance from customers of HK$368,411,000 for piped natural gas sales previously included in trade and bills payables and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

(i) *Impact on the consolidated statement of financial position*

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Current Assets			
Contract assets*	45,524	(45,524)	—
Amounts due from customers for contract work	—	45,524	45,524
Total	45,524	—	45,524
Current Liabilities			
Trade and bills payables and other payables	1,277,643	499,873	1,777,516
Contract liabilities	543,532	(543,532)	—
Amounts due to customers for contract work	—	43,659	43,659
Total	1,821,175	—	1,821,175

* The amount presented is not taken into impact of the application of HKFRS 9.

(ii) *Impact on the consolidated statement of cash flows*

	As reported *HK$'000*	Adjustments *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
OPERATING ACTIVITIES			
Increase in contract assets	(45,524)	45,524	—
Decrease in amounts due from customers for contract work	52,310	(45,524)	6,786
Decrease trade and bills payables and other payables	(65,225)	499,873	434,648
Increase in contract liabilities	543,532	(543,532)	—
Decrease in amounts due to customers for contract work	(35,579)	43,659	8,080

3.2 HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied HKFRS 9 Financial Instruments, Amendments to HKFRS 9 Prepayment Features with Negative Compensation 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 and other items (for example, contract assets) and 3) general hedge accounting.

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 under ECL model) 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.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 4.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assests

Pledge deposits, trade and other receivables, pledged bank deposits and bank balances and cash originally measured as loans and receivables under HKAS 39 were measured as financial assets at amortised cost under HKFRS 9 at the date of initial application on 1 January 2018.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit-impaired under HKAS 39, contract assets and trade receivables have been assessed based on past due analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit-impaired under HKAS 39, ECL for other financial assets at amortised cost, including pledged bank deposits, bank balances and other receivables, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

No additional credit loss allowance has been recognised against retained earnings as at 1 January 2018.

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

Based on the current assessment on existing contracts, the Directors don't identify that the application of all new standards, amendments and interpretation have a material impact on opening consolidated statement of financial position.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 — 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of leases modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where that Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$19,833,000 as disclosed in Note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of HK1,270,000 as right under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4.

Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3)

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 or service (or a bundle of goods or services) 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 an asset with an alternative use to the Group and the Group has 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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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

Input method

The progress towards complete satisfaction of a performance obligation of the gas construction and installation service is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of the gas construction and installation services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Gas construction and installation services income

When the outcome of a gas construction and installation services contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. The percentage of completion method is used to determine the appropriate amount of revenue and costs to be recognised in a given period. The stage of completion is measured for each specific contracted work by reference to the contract costs incurred to date as a percentage of total estimated costs for each contract.

When it is probable that total costs will exceed total revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated with reasonable certainty, contract revenue is recognised only to the extent of contract costs incurred that it is probably recoverable. Contract costs are recognised when incurred.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work in consolidated statement of financial position. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work in consolidated statement of financial position. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Sales of piped natural gas

Revenue from the sales of piped natural gas is recognised on the transfer of risks and rewards of ownership (which generally coincides with the time when the natural gas is delivered to customers and title has passed) and when it is probable that future economic benefits will flow to the Group.

Revenue recognition (prior to 1 January 2018)

Pipeline transportation income

Pipeline transportation income is recognised when natural gas has been transported.

Service income

Service income is recognised when services are provided.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

A series of transactions that involve the legal form of a lease is linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The accounting reflects the substance of the arrangement.

An arrangement that involves a legal form of a lease is not, in substance, is accounted for as a lease if:

- the Group retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement;
- the primary reason for the arrangement is not to convey the right to use an asset; and
- an option is included on terms that make its exercise almost certain.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising from the translation of group entities to the presentation currency of the Group are recognised in other comprehensive income and accumulated in equity under the heading of other reserves.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the year in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Pension obligations

All eligible employees of the Group's subsidiaries which operate in the People's Republic of China ("PRC") participate in a central pension scheme operated by the local municipal government.

All eligible employees in Hong Kong participate in a defined contribution Mandatory Provident Fund retirement scheme under the Mandatory Provident Fund Schemes Ordinance.

Contributions made are based on a percentage of the participating employees' salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the respective scheme.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred. When the share options are lapsed after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the assets is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Properties in the course of construction for production, supply or administrative purposes represent gas station properties, machinery, pipelines and related assets under construction/installation are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the asset are ready for their intended use.

Depreciation is recognised so as to write off the cost of the assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land and buildings	30 years
Machinery and equipments	20 years
Gas pipelines	30 years
Office equipment and motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties measured using the cost method

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

The estimated useful lives of the investment properties is 20 years.

Intangible assets

Intangible assets acquired separately

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income. If that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) 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 includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, pledged deposits, pledged bank deposits, bank balances and contract assets). 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, 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 Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors collectively using a provision matrix with appropriate groupings of receivables based on shared credit risk characteristics for the remaining balances. The Group examined historical credit loss rates to identify if there are significantly different loss patterns for different customers. Examples of criteria that might be used for grouping include product and service type and customers' credit rating.

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.

(i) 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 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 debtor;
- 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.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and other receivables, when the amounts are over years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the past due basis:

- Nature of financial instruments (i.e. the Group's trade receivables and contract assets are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 asset.

The Group recognised an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and contract assets where the corresponding adjustment is recognising through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets of the Group are classified into the following specified categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is designated as at FTVPL.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial assets and is included in the 'other gains and losses' line item.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including pledged deposits, trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments including redeemable preference shares issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including borrowings and trade and bills payables and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated statement of financial position in the period in which the dividends are approved by the Company's shareholders.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future period.

Critical judgment in applying accounting policy

The following is the critical judgment, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Other borrowing

The Group entered into agreements with a financial leasing institution. A series of transactions that involve the legal form of a lease is linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The accounting reflects the substance of the arrangement and the Group accounted for the agreements as collateralised borrowing in accordance with the actual substance. Details of the agreements are set out in Note 31(d).

Principal versus agent consideration (agent)

Under HKAS 18, the Group recognised pipeline transportation income on a net basis, i.e. the Group was considered as an agent. Upon application of HKFRS 15, the Group reassessed whether the Group should continue to recognise revenue on net basis based on the requirements in HKFRS 15. The Group concluded that the Group acts as an agent, the performance obligation is to arrange for the provision of gas transportation service to the customers by others and the Group did not obtain the control over gas before delivering to the customers.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment of the PUD

The Group identified assets with indication of impairment loss to determine whether there is any risk on recovery of its property, plant and equipment and property under development.

Determining whether the PUD is impaired requires an estimation of the recoverable amount which represents the higher of values use and fair value less cost of disposal. The determination of the recoverable amount of the PUD as at 31 December 2018 and 2017 is based on the fair value less cost of disposal. Key inputs adopted by the Group in order to calculate the fair value of the PUD are construction cost index and residue ratio. Where the recoverable amount is less than expected, an impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 18.

Provision of lifetime ECL for trade receivables and contract assets

The Group estimates the amount of lifetime ECL based on provision matrix through grouping of various debtors that have similar loss patterns. The provision matrix is based on the debtor's historical default rates after considering ageing analysis, repayment history and past due status of respective trade receivables and are adjusted for forward-looking information. At every reporting date, the historically observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables that are credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Note 38, Note 24 and Note 25.

Income taxes

As at 31 December 2018, no deferred tax asset is recognised in respect of deductible temporary differences amounting to HK$646,662,000 (2017: HK$614,532,000) due to the unpredictable of the utilisation of the temporary difference in the future. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, a recognition of deferred tax asset may arise, which would be recognised in the consolidated statement of profit or loss for the period in which such recognition takes place.

6. REVENUE

Revenue represents revenue from sales of piped natural gas, gas construction and installation service income, pipeline transportation income and bottled natural gas sales, net of related taxes and levies during the year.

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	2018 *HK$'000*
Type of goods and service	
Sales of piped natural gas	**2,582,878**
Gas construction and installation service income	**636,707**
Pipeline transportation income	**67,412**
Bottled natural gas sales	**21,035**
	3,308,032
Timing of revenue recognition	
A point in time	**2,671,325**
Over time	**636,707**
	3,308,032

(a) Sales of piped natural gas (revenue recognised at a point in time)

The Group sells piped natural gas to customers, including both residential households and commercial and industrial customers. Revenue is 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.

(b) *Gas construction and installation service income (revenue recognised over time)*

The Group provides gas construction and installation service under construction contracts to its customers. Revenue is recognised over time based on the stage of completion of the contract determined as the proportion of the costs incurred for the works performed to date relative to estimated total cost to complete of these services and the margin of each project, to extent that the amount can be measured reliably and its recovery is considered probable.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group requires most of its customers to pay upfront deposit range from 30% to 50% of the total contract sum upon the commencement of the construction and installation, which will give rise to contract liabilities at the start of a construction, until the revenue recognised on the specific contract exceeds the amount of the deposit.

The warranties associated with gas construction and installation service serve as an assurance that the gas construction and installation services performed comply with agreed upon specifications and such assurance cannot be purchased separately.

Gas construction and installation service income is derived from customer with fixed-price contract. The performance obligation of provision of service are satisfied over time within one year.

(c) *Pipeline transportation income (revenue recognised at a point in time)*

The Group provides transportation of piped natural gas service to customers through the Group's pipeline networks. Revenue is recognised on net basis 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.

(d) *Bottled natural gas sales (revenue recognised at a point in time)*

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

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as following:

	2017 *HK$'000*
Sales of piped natural gas	2,004,645
Gas construction and installation service income	691,015
Pipeline transportation income	33,428
Bottled natural gas sales	16,599
	2,745,687

(ii) Transaction price allocated to the remaining performance obligation for contract with customers

All gas construction and installation service are for a period of one year or less, as permitted by HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. OPERATING SEGMENT

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

The Group's reportable and operating segments under HKFRS 8 are as follows:

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

No operating segments have been aggregated in arriving at the reportable segments of the Group.

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

Information regarding assets and liabilities of the Group are not regularly reviewed by the CODM for the purpose of resources allocation and assessment of segment performance.

All of the Group's revenue is generated in the PRC (place of domicile of the Group entities that derive revenue). There was no individual customer of the Group which contributed sales over 10% of the Group's total revenue for the years ended 31 December 2018 and 2017.

The accounting policies of the reportable operating segments are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit earned by each segment without allocation of central general and administrative expenses, share of results of an associate and joint ventures, other income, other gains and losses, impairment losses, net of reversal interest income and expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Geographical information

The Group's operations and non-current assets are all located in the PRC by location of assets and all revenue are earned from customers located in the PRC. Accordingly, no geographical information is presented.

For the year ended 31 December 2018

	Sales of piped natural gas *HK$'000*	Gas construction and installation service income *HK$'000*	Pipeline transportation income *HK$'000*	Bottled natural gas sales *HK$'000*	Total *HK$'000*
Segment revenue	2,582,878	636,707	67,412	21,035	3,308,032
Segment profit	185,786	362,074	60,039	4,163	612,062
Other income					15,644
Other gains and losses					(101,837)
Impairment losses, net of reversal					(9,199)
General and administrative expenses					(211,254)
Interest income					15,024
Interest expenses					(144,611)
Share of profit of an associate					5,833
Share of profits of joint ventures					126
Profit before tax					181,788

For the year ended 31 December 2018

Other segment information

	Sales of piped natural gas *HK$'000*	Gas construction and installation service income *HK$'000*	Pipeline transportation income *HK$'000*	Bottled natural gas sales *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment	90,085	1,446	7,216	130	98,877
Amortisation of prepaid lease payments	5,388	1,304	140	44	6,876
Amortisation of intangible assets	630	–	–	–	630

	Depreciation and amortisation 2018 *HK$'000*
Segment total	**106,383**
Unallocated *(Note)*	**5,626**
	112,009

Note: Unallocated depreciation and amortisation represent amounts incurred for corporate headquarters and are not allocated to operating segments.

For the year ended 31 December 2017

	Sales of piped natural gas *HK$'000*	Gas construction and installation service income *HK$'000*	Pipeline transportation income *HK$'000*	Bottle natural gas sales *HK$'000*	Total *HK$'000*
Segment revenue	2,004,645	691,015	33,428	16,599	2,745,687
Segment profit	187,053	356,343	25,471	3,462	572,329
Other income					18,373
Other gains and losses					81,160
Impairment losses, net of reversal					(109,718)
General and administrative expenses					(195,146)
Interest income					6,249
Interest expenses					(75,663)
Share of profit of an associate					4,772
Share of losses of joint ventures					(3,192)
Profit before tax					299,164

Other segment information

	Sales of piped natural gas *HK$'000*	Gas construction and installation service income *HK$'000*	Pipeline transportation income *HK$'000*	Bottled natural gas sales *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment	89,677	732	7,946	269	98,624
Amortisation of prepaid lease payments	1,136	397	19	9	1,561
Amortisation of intangible assets	475	–	–	–	475

	Depreciation and amortisation 2017 *HK$'000*
Segment total	100,660
Unallocated *(Note)*	6,720
	107,380

Note: Unallocated depreciation and amortisation represent amounts incurred for corporate headquarters and are not allocated to operating segments.

8. OTHER INCOME

	2018 ***HK$'000***	2017 *HK$'000*
Assembling services	**9,888**	7,357
Compensation	**4,292**	10,467
Rental income	**1,464**	549
	15,644	18,373

9. OTHER GAINS AND LOSSES

	2018 *HK$'000*	2017 *HK$'000*
Interest income from wealth management products	**9,889**	—
Loss on disposal of property, plant and equipment	**(3,481)**	(2,293)
Net foreign exchange (loss) gain	**(103,406)**	113,526
Impairment loss recognised in respect of property, plant and equipment *(Note 18(b))*	**—**	(34,140)
Impairment loss recognised in respect of investment in a joint venture	**—**	(2,302)
Government grant	**2,947**	3,185
Others	**(7,786)**	3,184
	(101,837)	81,160

10. INTEREST INCOME AND EXPENSES

	2018 *HK$'000*	2017 *HK$'000*
Interest income	**15,024**	6,249
Interest on US$ bonds	**(126,599)**	(64,578)
Interest on bank and other borrowings	**(37,483)**	(23,943)
	(164,082)	(88,521)
Less: Amounts capitalised as part of the cost of property, plant and equipment *(Note)*	**19,471**	12,858
Interest expenses	**(144,611)**	(75,663)

Note: Amount included interest expenses from general borrowings capitalised at a rate of 3.84% (2017: 3.57%).

11. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 HK$'000	2017 HK$'000
Impairment losses recognised on trade and other receivables	**(4,105)**	(109,718)
Impairment losses recognised on contract assets	**(5,094)**	—
	(9,199)	(109,718)

12. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2018 HK$'000	2017 HK$'000
Cost of gas purchased	**2,219,427**	1,656,785
Staff costs including directors' and supervisors' remuneration *(Note)*		
— Salaries, allowances and benefits in kind	**109,666**	102,002
— Retirement benefits	**2,545**	2,214
— Other welfares	**42,790**	41,488
	155,001	145,704

	2018 *HK$'000*	2017 *HK$'000*
Depreciation of property, plant and equipment		
— Cost of sales	**98,877**	98,624
— General and administrative expenses	**4,944**	5,922
	103,821	104,546
Amortisation of prepaid lease payments	**7,183**	1,865
Amortisation of intangible assets	**758**	475
Depreciation of investment properties	**247**	494
	112,009	107,380
Auditor's remuneration	**3,214**	3,239
Research and development expenses	**67,828**	59,873
Loss on disposal of property plant and equipment	**3,481**	2,293

Note: Certain selling and marketing personnel and research and development personnel are also handling administrative activities and their respective employee benefit expenses cannot be allocated reasonably. Therefore, all the employee benefit expenses are included in general and administrative expenses. During the year ended 31 December 2018, staff cost included in general and administrative expenses amounted to HK$74,752,000 (2017: HK$76,747,000).

13. INCOME TAX EXPENSES

	2018 *HK$'000*	2017 *HK$'000*
Current tax:		
Current tax on profits for the year	**78,274**	75,099
Deferred tax *(Note 33)*	**(3,295)**	179
Income tax expenses	**74,979**	75,278

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

There was no Hong Kong profit tax provided for the years ended 31 December 2018 and 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 the Law of the People's Republic of China 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 year ended 31 December 2018 (2017: 25%).

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

* Identification for English translation only.

The tax charge for the year can be reconciled to the profit before tax per consolidated statement of profit or loss as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit before tax	**181,788**	299,164
Tax at the domestic income tax rate of 25%	**45,447**	74,791
Tax effect of preferential tax rates on income of certain subsidiaries	**(22,405)**	(19,417)
Tax effect of income tax deduction granted to subsidiaries in research and development expenditures	**(6,216)**	(5,339)
Tax effect of share of profit of an associate	**(1,458)**	(1,193)
Tax effect of share of results of joint ventures	**(31)**	798
Tax effect of expenses not deductible for the tax purpose	**42,295**	12,590
Tax effect of income not taxable for the tax purpose	**(3,756)**	(28,467)
Tax effect of deductible temporary difference not recognised	**2,300**	36,540
Tax effect of tax losses not recognised	**18,803**	7,817
Utilisation of tax losses previously not recognised	**–**	(2,842)
Income tax expenses for the year	**74,979**	75,278

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordicance (the "CO") are as follows:

Year ended 31 December 2018

	Directors' fees HK$'000	Salaries HK$'000	Performance related bonus HK$'000 *(Note i)*	Retirement benefits HK$'000	Others HK$'000	Total HK$'000
Executive Directors:						
Mr. ZHANG Bing Jun	400	–	–	–	–	400
Mr. GAO Liang *(Note (ii))*	200	675	318	44	187	1,424
Sub-total	600	675	318	44	187	1,824
Non-Executive Directors:						
Mr. SHEN Xiao Lin	200	–	–	–	–	200
Mr. ZHANG Jun	200	–	–	–	–	200
Mr. WANG Gang	200	–	–	–	–	200
Ms. ZHU Wen Fang *(Note(iii))*	68	–	–	–	–	68
Ms. SHI Jing *(Note(iv))*	114	–	–	–	–	114
Mr. YU Ke Xiang *(Note(v))*	87	–	–	–	–	87
Sub-total	869	–	–	–	–	869
Independent Non-Executive Directors:						
Mr. IP Shing Hing *J.P.*	264	–	–	–	–	264
Mr. LAU Siu Ki, Kevin	264	–	–	–	–	264
Professor Japhet Sebastian LAW	264	–	–	–	–	264
Mr. TSE Tak Yin	264	–	–	–	–	264
Sub-total	1,056	–	–	–	–	1,056
Total	2,525	675	318	44	187	3,749

Year ended 31 December 2017

	Directors' fees HK$'000	Salaries HK$'000	Performance related bonus HK$'000 (Note i)	Retirement benefits HK$'000	Others HK$'000	Total HK$'000
Executive Directors:						
Mr. ZHANG Bing Jun	400	–	–	–	–	400
Mr. GAO Liang *(Note (ii))*	200	1,074	93	41	171	1,579
Sub-total	600	1,074	93	41	171	1,979
Non-Executive Directors:						
Mr. SHEN Xiao Lin	200	–	–	–	–	200
Mr. ZHANG Jun	200	–	–	–	–	200
Mr. WANG Gang	200	–	–	–	–	200
Ms. ZHU Wen Fang	200	–	–	–	–	200
Mr. LI Wei *(Note(vi))*	42	–	–	–	–	42
Ms. SHI Jing	200	–	–	–	–	200
Mr. HE Xiang Li *(Note(vii))*	145	–	–	–	–	145
Sub-total	1,187	–	–	–	–	1,187
Independent Non-Executive Directors:						
Mr. IP Shing Hing *J.P.*	264	–	–	–	–	264
Mr. LAU Siu Ki, Kevin	264	–	–	–	–	264
Professor Japhet Sebastian LAW	264	–	–	–	–	264
Mr. TSE Tak Yin	264	–	–	–	–	264
Sub-total	1,056	–	–	–	–	1,056
Total	2,843	1,074	93	41	171	4,222

Notes:

(i) Certain Executive Directors are entitled to bonus which is determined based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustment.

(ii) Mr. GAO Liang is also the chief executive of the Company and his emolument as chief executive is included in above.

(iii) Ms. ZHU Wen Fang resigned as non-executive director of the Company on 4 May 2018.

(iv) Ms. SHI Jing resigned as non-executive director of the Company on 26 July 2018.

(v) Mr. YU Ke Xiang was appointed as non-executive director of the Company on 26 July 2018.

(vi) Mr. LI Wei resigned as non-executive director of the Company on 17 March 2017.

(vii) Mr. HE Xiang Li was appointed as non-executive director of the Company on 17 March 2017 and resigned on 5 December 2017.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(b) Employees' Emoluments

Of the five individuals with highest emoluments in the Group for the year ended 31 December 2018 included one director (2017: one director) whose emolument is included in the disclosures above. The remuneration of the remaining four (2017: four) highest paid employees for the year are as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries	**2,092**	2,664
Performance related bonuses	**1,808**	1,320
Retirement benefits	**132**	164
Other welfares	**561**	685
	4,593	4,833

The emoluments are within the following bands:

	Number of individuals	
	2018	2017
HK$1,000,001 — HK$1,500,000	**4**	4

No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for leaving office during both years.

None of directors has waived any emoluments in the years ended 31 December 2018 and 2017.

15. DIVIDENDS

	2018 HK$'000	2017 HK$'000
Dividend recognised as distribution during the year —		
Final dividend for 2017 paid of HK$0.055 (2017: final dividend for 2016 paid of HK$0.05) per share on 29 June 2018 (2017: 30 June 2017)	**64,589**	58,717

Subsequent to the end of reporting period, a dividend in respect of the year ended 31 December 2018 of HK$0.045 per ordinary share is proposed by the Directors in March 2019. This proposed dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting. These consolidated financial statements do not reflect this proposed dividend.

16. EARNINGS PER ORDINARY SHARE

(a) Basic

	2018 HK$'000	2017 HK$'000
Earnings		
Profit attributable to owners of the Company	**104,049**	221,421
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 for which the exercise of share options 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 2018 and 2017.

17. PREPAID LEASE PAYMENTS

Movements of the Group's interests in prepaid lease payments held under leases of between 10 to 50 years in the PRC are as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**139,782**	66,033
Additions	**6,334**	44,803
Transfer from assets held for sale *(Note (b))*	**–**	23,991
Disposals	**–**	(681)
Amortised for the year	**(7,183)**	(1,865)
Currency translation differences	**(7,205)**	7,501
At 31 December	**131,728**	139,782

Notes:

(a) The Group is in the process of applying for the certificates to certain prepaid lease payments with net carrying amounts of approximately HK$16,490,000 (approximately RMB14,483,000) as at 31 December 2018 (2017: HK$10,624,000 or approximately RMB8,849,000). The Directors believe that certificates will be obtained in due course without significant cost.

(b) The Directors considered that the possibility of the assets held for sale to be sold within next 12 months was low and classified the land cost as "Prepaid lease payments" and the construction costs as "Property, plant and equipment" in the consolidated statement as at 31 December 2017.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold lands and buildings HK$'000 (Note (a))	Machinery and equipments HK$'000	Gas pipelines HK$'000	Office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2017						
Opening carrying amount	60,731	46,599	2,204,416	10,188	512,022	2,833,956
Currency translation differences	6,498	4,790	176,123	42	41,975	229,428
Additions	11,951	3,930	1,859	4,903	420,384	443,027
Transfer from assets held for sale *(Note (b))*	–	–	–	–	107,089	107,089
Disposals	(2,193)	(1,063)	(792)	(1,889)	–	(5,937)
Transfers	35,948	64,065	293,581	–	(393,594)	–
Transfer to investment properties	(7,641)	–	–	–	–	(7,641)
Depreciation charge	(5,320)	(15,012)	(80,731)	(3,483)	–	(104,546)
Impairment loss recognised in the year *(Note (b))*	–	–	–	–	(34,140)	(34,140)
Written off impairment charge upon disposed	–	–	–	2,289	–	2,289
Closing carrying amount	99,974	103,309	2,594,456	12,050	653,736	3,463,525
At 31 December 2017						
Cost	178,621	211,678	2,970,823	47,450	689,167	4,097,739
Accumulated depreciation	(52,652)	(55,500)	(340,801)	(33,526)	–	(482,479)
Accumulated impairment allowance *(Note (c))*	(25,995)	(52,869)	(35,566)	(1,874)	(35,431)	(151,735)
Closing carrying amount	99,974	103,309	2,594,456	12,050	653,736	3,463,525
Year ended 31 December 2018						
Opening carrying amount	**99,974**	**103,309**	**2,594,456**	**12,050**	**653,736**	**3,463,525**
Currency translation differences	**(5,527)**	**(4,729)**	**(150,671)**	**(226)**	**(34,186)**	**(195,339)**
Additions	**863**	**1,466**	**3,653**	**8,195**	**691,793**	**705,970**
Disposals	**(2,064)**	**(7,460)**	**(1,911)**	**(954)**	**–**	**(12,389)**
Transfers	**1,726**	**8,853**	**691,909**	**1,191**	**(703,679)**	**–**
Depreciation charge	**(5,443)**	**(9,269)**	**(85,554)**	**(3,555)**	**–**	**(103,821)**
Depreciation disposal	**1,216**	**1,068**	**–**	**735**	**–**	**3,019**
Written off impairment charge upon disposed	**–**	**26**	**–**	**5**	**–**	**31**
Closing carrying amount	**90,745**	**93,264**	**3,051,882**	**17,441**	**607,664**	**3,860,996**
At 31 December 2018						
Cost	**169,992**	**202,782**	**3,492,457**	**53,509**	**641,264**	**4,560,004**
Accumulated depreciation	**(54,636)**	**(59,404)**	**(406,997)**	**(34,738)**	**–**	**(555,775)**
Accumulated impairment allowance *(Note (c))*	**(24,611)**	**(50,114)**	**(33,578)**	**(1,330)**	**(33,600)**	**(143,233)**
Closing carrying amount	**90,745**	**93,264**	**3,051,882**	**17,441**	**607,664**	**3,860,996**

Notes:

(a) The Group is in the process of applying for the certificates to certain leasehold land and buildings with net carrying amounts of approximately HK$49,022,000 (approximately RMB43,056,000) as at 31 December 2018 (2017: HK$50,800,000 (approximately RMB42,310,000)). The Directors believe that the certificates will be obtained in due course without significant additional cost.

(b) The Group reviewed the recoverable amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or have a potential reversal of impairment allowance previously made.

During the year ended 31 December 2017, the PUD ceased to be classified as assets held for sale and therefore classified the construction cost of the PUD back to construction in progress. For the impairment assessment, recoverable amount is determined at the higher of value in use and fair value less cost of disposal amount.

The Management reviewed the carrying amount with reference to a valuation carried out on 31 December 2018 by an independent qualified professional valuer. The fair value was determined based on the replacement cost method and considered the cost of disposal, which using construction cost index and residue ratio as key inputs. The construction cost index is the trend of price fluctuation compared between the current period and the construction period. It is the basis of the construction cost adjustment and comparable to industry parameter in public information. The residue ratio is an estimation developed by reference to the expected useful life of the asset.

Based on the valuation carried out on 31 December 2018 by an independent qualified professional value, the Group concluded that no further impairment need to be recognised as at 31 December 2018 (2017:HK$34,140,000).

(c) Movements of the impairment allowance of property, plant and equipment are as follows:

	2018 ***HK$'000***	2017 *HK$'000*
At 1 January	**151,735**	109,498
Impairment loss recognised in the year	**–**	34,140
Write off of impairment allowance upon disposals *(Note (d))*	**(31)**	(2,289)
Currency translation differences	**(8,471)**	10,386
At 31 December	**143,233**	151,735

(d) The impairment allowance of HK$31,000 (2017: HK$2,289,000) was written off because of the assets disposed of during the year.

(e) The net carrying amount of gas pipelines worth approximately to HK$381,668,000 (approximately RMB335,219,000) as at 31 December 2018 (31 December 2017 HK$419,000,000 (approximately RMB349,000,000)) are pledged as security for the related borrowing, details of which are set out in Note 31 (d).

19. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 January 2017	—
Transfer from property, plant and equipment *(Note)*	8,135
Currency translation differences	308
At 31 December 2017	8,443
Currency translation differences	(436)
At 31 December 2018	8,007
DEPRECIATION	
At 1 January 2017	—
Transfer from property, plant and equipment *(Note)*	(494)
Currency translation differences	(19)
At 31 December 2017	(513)
Charge for the year	(247)
Currency translation differences	33
At 31 December 2018	(727)
CARRYING AMOUNTS	
At 31 December 2017	7,930
At 31 December 2018	7,280

The fair value of the investment properties approximates its carrying amounts based on the best estimated of the Directors by referring to the market information.

Note: The Group changed the usage of a building owned by Tianjin HuaTai Xinda Gas Company Limited* ("Tianjin HuaTai XinDa")(天津華泰信達燃氣有限公司) from self-used to earn rentals and transferred it to investment property as at 31 December 2017.

* *Identification for English translation only.*

20. INTANGIBLE ASSETS

	Operating rights HK$'000	Software HK$'000	Total HK$'000
COST			
At 1 January 2017	17,427	—	17,427
Additions	1,157	—	1,157
Currency translation differences	1,362	—	1,362
At 31 December 2017	19,946	—	19,946
Additions for the year *(Note)*	25,479	1,544	27,023
Currency translation differences	(1,689)	(40)	(1,729)
At 31 December 2018	43,736	1,504	45,240
AMORTISATION AND IMPAIREMENT			
At 1 January 2017	(4,380)	—	(4,380)
Charge for the year	(475)	—	(475)
Currency translation differences	(350)	—	(350)
At 31 December 2017	(5,205)	—	(5,205)
Charge for the year	(630)	(128)	(758)
Currency translation differences	286	3	289
At 31 December 2018	(5,549)	(125)	(5,674)
CARRYING AMOUNTS			
At 31 December 2017	14,741	—	14,741
At 31 December 2018	38,187	1,379	39,566

Note: Zhaoyuan Binhai Gas Company Limited is wholly owned subsidiaries of the Company. It obtained operating rights of piped natural gas sales in Zhaoyuan, Shandong Province in the PRC with consideration of HK$25,479,000 (equivalent to RMB21,800,000) during the year ended 31 December 2018. The operating rights are amortised on a straight-line basis over the operation periods of 30 years.

21. INTEREST IN AN ASSOCIATE

The movement of interest in an associate is as follows:

	2018 HK$'000	2017 HK$'000
Cost of unlisted investment	**17,229**	17,229
Share of post-acquisition result of an associate	**18,198**	12,365
Currency translation differences	**(1,587)**	99
	33,840	29,693

As at 31 December 2018 and 2017, the Group had interest in an associate:

Name of an Associate	Place of business/ country of incorporation	% of ownership interest	Principal activities
Qinhuangdao Taixing Gas Company Limited* ("Qinhuangdao Taixing") (秦皇島市泰興天燃氣有限公司)	Qinhuangdao, China	45	Gas construction and installation services and sales of piped natural gas

* *Identification for English translation only.*

Set out below are the summarised financial information of an associate which is accounted for using equity method:

	2018 HK$'000	2017 HK$'000
Non-current assets	**51,024**	34,337
Cash and cash equivalents	**16,275**	15,562
Other current assets (excluding cash and cash equivalents)	**54,009**	51,291
Current assets	**70,284**	66,853
Current liabilities	**46,108**	35,206
Net assets	**75,200**	65,984

	2018 HK$'000	2017 HK$'000
Revenue	**81,105**	74,075
Profit and total comprehensive income for the year	**12,962**	10,605

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2018 HK$'000	2017 HK$'000
Net assets of Qinhuangdao Taixing	**75,200**	65,984
Carrying amount of the Group's interest	**33,840**	29,693

22. INTERESTS IN JOINT VENTURES

The movements of interests in joint ventures are as follows:

	2018 **HK$'000**	2017 HK$'000
Cost of unlisted investments	**40,488**	40,488
Share of post-acquisition results of joint ventures	**(9,203)**	(9,329)
Currency translation differences	**(4,715)**	(3,270)
	26,570	27,889
Impairment loss recognised in respect of investment of a joint venture *(Note c)*	**(2,326)**	(2,302)
Currency translation differences	**60**	(86)
	24,304	25,501

As at 31 December 2018 and 2017, the Group had interests in the following joint ventures:

Name of Joint Venture	**Place of business/ country of incorporation**	**% of ownership interest**	**Principal activities**
Tianjin Airport Economic Area Gas Company Limited * ("Tianjin Airport Gas")(天津空港燃氣有限公司) *(Note a)*	Tianjin, China	40	Gas construction and installation service and sales of piped natural gas
Sinopec Binhai Investment (Tianjin) Natural Gas Utilisation* ("SBI")(中石化濱投(天津)天然氣利用有限公司) *(Note b)*	Tianjin, China	50	Gas utilisation technology development

* *Identification for English translation only.*

Notes:

(a) On 12 April 2010, Binhai Investment (Tianjin) Company Limited* ("Binhai Investment Tianjin")(濱海投資(天津)有限公司), the subsidiary of the Company entered into a joint venture agreement ("JV Agreement 1") with two independent third parties for the establishment of Tianjin Airport Gas. The principal activity of Tianjin Airport Gas is the operation and management of gas pipeline connection and the sale and distribution of piped natural gas. Upon establishment, Tianjin Airport Gas owned as to 40% by the Group, 40% and 20% by the other two investors respectively. The board of directors of Tianjin Airport Gas comprise 5 directors, 2 of which are appointed by the Group. Under the JV Agreement 1, unanimous agreement is required for decision on directing the relevant activities of Tianjin Airport Gas and hence in the opinion of the Directors, the Group's interest in Tianjin Airport Gas is accounted for as a joint venture.

(b) On 28 April 2013, Binhai Investment Tianjin entered into a joint venture agreement ("JV Agreement 2") with an independent third party for the establishment of SBI. The principal activity of SBI is engaged in gas utilisation technology development. Upon establishment, SBI owned as to 50% by the Group and 50% by another investor. The board of directors of SBI comprise 5 directors, 2 of which are appointed by the Group. Under the JV Agreement 2, the quorum of the board of directors meeting requests two-third of the voting from attendants on all vote, hence in the opinion of the Directors, the Group's interest in SBI is accounted for as a joint venture.

(c) The Directors conducted a review on the recoverable amounts of the Group's interest in SBI by adopting value in use calculation. The value in use is determined based on the Group's share of the present value of the estimated future cash flows expected to be generated by SBI. The management assumed the growth rate will remain constant throughout the coming five years with 8% and zero for the remaining years beyond 5 years. The pre-tax discount rates used by the Group is 15%. After assessment, an impairment loss of HK$2,302,000 was recognised on the investment of SBI as at 31 December 2017. The Group concluded that no further impairment need to be recognised or reversed as at 31 December 2018.

The joint ventures of the Group are private companies and there is no quoted market price available.

There are no contingent liabilities relating to the Group's interests in the joint ventures.

Summarised financial information

Set out below are the summarised financial information of the joint ventures which are accounted for using equity method.

	Tianjin Airport Gas		SBI.		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets	**29,766**	32,663	**19,581**	22,793	**49,347**	55,456
Cash and cash equivalents	**11,066**	12,824	**6,262**	9,268	**17,328**	22,092
Other current assets (excluding cash and cash equivalents)	**1,771**	620	**8,518**	9,157	**10,289**	9,777
Current assets	**12,837**	13,444	**14,780**	18,425	**27,617**	31,869
Current liabilities	**10,788**	10,853	**2,515**	9,100	**13,303**	19,953
Non-current liabilities	**5,197**	5,679	**–**	–	**5,197**	5,679

	Tianjin Airport Gas		SBI.		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**12,912**	13,112	**59,554**	13,609	**72,466**	26,721
(Losses) profit and total comprehensive (expenses) income for the year	**(1,466)**	(430)	**1,424**	(6,041)	**(42)**	(6,471)

Reconciliation of the above summarised financial information to the carrying amount of the interests in the joint ventures recognised in the consolidated financial statements:

	Tianjin Airport Gas		SBI.		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Net assets	**26,618**	29,575	**31,846**	32,118	**58,464**	61,693
Carrying amount of the Group's interests	**10,647**	11,830	**15,923**	16,059	**26,570**	27,889

23. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Materials for gas pipelines	**87,833**	81,614
Gases	**2,882**	4,435
	90,715	86,049

The cost of inventories recognised as an expense and included in the cost of sales and services amounted to HK$2,482,351,000 (2017: HK$1,998,739,000).

24. TRADE AND OTHER RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade receivables			
— Piped natural gas sales receivables		**71,155**	129,962
— Gas construction and installation service income receivables		**312,519**	247,592
— Pipeline transportation income receivables		**5,351**	12,724
Less: allowance for impairment	*(h)*	**(65,248)**	(71,538)
		323,777	318,740
Bills receivables	*(b)*	**28,876**	14,845
		352,653	333,585
Receivables from related parties *(Note 40)*			
— Piped natural gas sales receivables		**126,164**	180,639
— Gas construction and installation service income receivables		**24,133**	27,036
Less: allowance for impairment	*(i)*	**(92,080)**	(83,639)
	(g)	**58,217**	124,036
Other receivables		**105,090**	101,120
Less: allowance for impairment	*(j)*	**(3,462)**	(8,412)
		101,628	92,708
Advances to suppliers		**331,544**	297,550
Less: allowance for impairment	*(k)*	**(75,579)**	(81,530)
		255,965	216,020
Less: advance payment for pipeline construction		**(74,615)**	(25,517)
		181,350	190,503
Current portion		**693,848**	740,832

Notes:

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

(b) The Group grants credit period of 90 days for its customer in piped natural gas sales and customer of pipeline transportation service, whereas a longer credit period of 91-180 days after the completion of relevant stage of contract work for customer of construction and installation income are allowed. A longer credit period may granted on a dictionary basis to certain selected customers with good repayment histories or settled by bills.

Trade receivables related to a number of independent customers that have a good track record with the Group. The allowance for doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of individual trade debts performed by the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the ageing of overdue receivables, the past repayment history of each customer and taking into consideration of forward looking information.

The aged analysis of trade and bills receivables net of allowance presented based on the revenue recognition date is as follows:

	2018 ***HK$'000***	2017 *HK$'000*
0 — 90 days	**112,026**	217,871
91 — 180 days	**44,773**	26,249
181 — 365 days	**108,712**	16,181
Over 365 days	**87,142**	73,284
	352,653	333,585

As at 31 December 2018, total bills receivables amounting to HK$28,876,000 (31 December 2017: HK$14,845,000) are held by the Group, of which certain bills were endorsed to suppliers by the Group amount to: HK$15,382,000 (2017: Nil). As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

(c) As at 31 December 2017, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$91,295,000 which are past due as the reporting date for which the Group has not provided for impairment loss. The Group holds collateral over part of these receivables. No allowance has been provided for these balances as there is no significant change in credit quality of those customers and the balance are still considered fully recoverable.

(d) The ageing analysis of the trade receivables from piped natural gas sales receivables that are past due but not considered impaired is as follows:

	2017 *HK$'000*
91 — 180 days	1,830
181 — 365 days	3,028
Over 365 days	12,121
	16,979

(e) The Group has a policy of allowing a credit period of 180 days for gas construction and installation service income after the completion of relevant stage of contract work. The Group provide a longer credit terms to certain selected customers with good credit histories or settled by bills. The ageing analysis of the gas connection service income receivables that are overdue 180 days but not considered impaired is as follows:

	2017 *HK$'000*
181 — 365 days	13,154
Over 365 days	61,162
	74,316

(f) The Group has a policy of allowing a credit period of 90 days for pipeline transportation income. The ageing analysis of the pipeline transportation income receivables is all within 90 days.

(g) The ageing analysis of receivables from related parties (including piped natural gas sales receivables and gas construction and installation service income receivables) net of allowance presented based on revenue recognition date is as follows:

	2018 ***HK$'000***	2017 *HK$'000*
0 — 90 days	**8,782**	55,809
91 — 180 days	**1,855**	18,140
181 — 365 days	**1,698**	38,288
Over 365 days	**45,882**	11,799
	58,217	124,036

The aging analysis of the receivables from related parties of the piped natural gas sales receivables that are past due but not considered impaired is as follows:

	2017
	HK$'000
91 — 180 days	11,831
181 — 365 days	38,288
	50,119

The Group has a policy of allowing a credit period of 180 days for gas construction and installation service income after the completion of relevant stage of contract work. The ageing analysis of the gas construction and installation service income receivables from related parties that are overdue credit period but not considered impaired is as follows:

	2017
	HK$'000
Over 365 days	11,799

In determining the recoverability of receivables from related parties, the Group considers that any change in credit quality of the receivables from initial recognition day to the balance sheet date. Accordingly, the Directors believe no further allowance for impairment is required.

(h) Movements of the Group's allowance for impairment of trade receivables are as follows:

	2017
	HK$'000
At 1 January	41,365
Impairment losses recognised	30,692
Impairment losses reversed	(4,146)
Amount written off as uncollectible	(487)
Currency translation differences	4,114
At 31 December	71,538

As at 31 December 2017, the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$71,538,000. They mainly relate to customers, which are in unexpectedly difficult economic situations.

(i) Movements of the Group's allowance for impairment of receivables from related parties are as follows:

	2017 *HK$'000*
At 1 January	—
Impairment losses recognised	80,591
Currency translation differences	3,048
At 31 December	83,639

In determining the recoverability of the trade receivables from related parties, the Group considers any change in credit quality of the trade receivables from initial recognition day to the balance sheet date.

(j) Movements of the Group's allowance for impairment of other receivables are as follows:

	2017 *HK$'000*
At 1 January	7,823
Impairment losses reversed	(2)
Currency translation differences	591
At 31 December	8,412

(k) Movements of the Group's allowance for impairment of advances to suppliers are as follows:

	2018 ***HK$'000***	2017 *HK$'000*
At 1 January	**81,530**	73,304
Impairment losses recognised	**—**	2,583
Impairment losses reversed	**(1,783)**	—
Currency translation differences	**(4,168)**	5,643
At 31 December	**75,579**	81,530

As at 31 December 2018, the Group settled partial of the accounts with suppliers and recovered the advance payment, therefore, the impairment recognised in prior years are reversed.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in Note 38(b).

25. CONTRACT ASSETS

	31 December 2018 HK$'000	1 January 2018* HK$'000
Current portion:		
Contract assets	**50,487**	52,310
Less: Impairment losses recognised	**(4,963)**	—
	45,524	52,310

* *The amounts in this column are after the adjustments from the application of HKFRS 15.*

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets typically are transferred to trade receivables within 90 days when the rights become unconditional.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Details of impairment assessment of contract assets for the year ended 31 December 2018 are set out in Note 38(b).

26. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	2017 HK$'000
Contract costs incurred plus profits recognised	388,034
Less: progress billings	(371,303)
	16,731
Analysis for reporting purposes as:	
Amounts due from customers for contract work	52,310
Amounts due to customers for contract work	(35,579)
	16,731

27. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSIES

	2018	2017
	HK$'000	*HK$'000*
Bank balances and cash	**987,576**	3,260,656
Pledged bank deposits *(Note)*	**7,542**	11,116

Note: The amount of pledged bank deposits represents deposits pledged to certain banks as collaterals for trade with suppliers and expected to be withdrawn within one year.

For the year ended 31 December 2018, the Group performed impairment assessment on bank balances and pledged bank deposits and concluded that the probability of default of the counterparties is low and accordingly, no allowance for credit losses is provided.

Bank balances and pledged bank deposits carry interest at prevailing bank saving deposit rate ranging from at 0.3% to 1.43% (2017: 0.01% to 1.35%) per annum.

The carrying amounts of the Group's bank balances and cash and the pledged bank deposits are denominated in the following currencies:

	2018	2017
	HK$'000	*HK$'000*
RMB	**971,727**	931,713
HK$	**23,126**	16,044
US Dollars ("US$")	**265**	2,324,015
	995,118	3,271,772

28. SHARE CAPITAL

	2018 Number of shares '000	2018 HK$'000	2017 Number of shares '000	2017 HK$'000
Authorised: Ordinary shares of HK$0.1 each	**1,500,000**	**150,000**	1,500,000	150,000
Fully paid: As at 1 January and 31 December	**1,174,349**	**117,435**	1,174,349	117,435
Redeemable preference shares of HK$50.00 each, authorised, issued and fully paid *(Note)*	**8,600**	**430,000**	8,600	430,000
Redeemed during the year	**(640)**	**(32,000)**	—	—
	7,960	**398,000**	8,600	430,000
Issued and fully paid:		**515,435**		547,435

Note:

The Company issued 8.6 million redeemable preference shares on 4 May 2009 to Cavalier Asia Limited, all of which were subsequently transferred to TEDA Hong Kong Property Company Limited ("TEDA HK") in August 2011. These redeemable preference shares are:

- not entitled to dividend;
- non-voting;
- non-convertible and at zero coupon; and
- redeemable into their full nominal amount after the fulfilment of certain redemption conditions.

The redemption conditions are as follows:

(i) the occurrence of the fifth anniversary of the date the shares of the Company resumes trading on The Stock Exchange of Hong Kong Limited ("Resumption Date");

(ii) the Company has declared and paid final dividends in respect of at least two consecutive financial years since the Resumption Date;

(iii) the diluted net asset value per share at the time of any redemption of the redeemable preference shares is not less than the pro forma net asset value per share which was HK$0.054 stated in the Circular dated 27 February 2009 which was adjusted to HK$0.54 per share after the share consolidation of the Company that took effect on 14 May 2015; and

(iv) the aggregate principal amount of all redeemable preference shares redeemed in a financial year of the Company shall not exceed 50% of the total amount of dividend declared and paid to shareholders in that financial year of the Company.

In view of the fulfilment of the redemption conditions, the Company redeemed 640,000 redeemable preference shares amounting HK$32,000,000 from TEDA HK on 28 November 2018.

29. SHARE-BASED PAYMENTS

On 27 September 2010, the Company granted share options (the "Share Option") to the Directors and certain employees to subscribe for a total 9,050,000 ordinary shares of HK$0.1 each of the share of the Company under the share option scheme adopted by the Company on 20 August 2010, all of which are immediately exercisable on date of grant. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

(a) Movements in the number of share option outstanding and their related exercise prices are as follows:

	2018		2017	
	Exercise prices HK$	***Share options '000***	*Exercise prices HK$*	*Share options '000*
Beginning balance	**5.6**	**5,050**	5.6	5,050
Lapsed	**5.6**	**(700)**	—	—
Ending balance	**5.6**	**4,350**	5.6	5,050

(b) Share options at the end of reporting period and their remaining contractual lives are as follows:

	2018		2017	
	Remaining contractual life number of years	***Share options '000***	*Remaining contractual life number of years*	*Share options '000*
Exercise price HK$5.6 (31.12.2017: HK$5.6)	**1.7**	**4,350**	2.7	5,050

30. OTHER RESERVES

	Capital surplus HK$'000 (Note (a))	Exchange reserve HK$'000 (Note (b))	Statutory reserves HK$'000 (Note (c))	Employee share option reserve HK$'000	Others HK$'000	Total HK$'000
Balance at 1 January 2017	4,091	(221,691)	22,387	14,580	(19,169)	(199,802)
Other comprehensive income for the year, net tax	–	79,218	–	–	–	79,218
Transfer to statutory reserve	–	–	27,532	–	–	27,532
Balance at 31 December 2017	4,091	(142,473)	49,919	14,580	(19,169)	(93,052)
Other comprehensive expense for the year, net tax	–	(101,078)	–	–	–	(101,078)
Employee share options lapsed	–	–	–	(2,021)	–	(2,021)
Transfer to statutory reserve	–	–	35,169	–	–	35,169
Balance at 31 December 2018	4,091	(243,551)	85,088	12,559	(19,169)	(160,982)

Notes:

(a) Capital surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation on 26 February 2000 in preparation for the listing of the Company's shares on Stock Exchange and the nominal value of the Company's shares issued.

(b) The exchange reserve arose upon translation of the consolidated financial statements from the functional currency to the presentation currency.

(c) In accordance with the relevant PRC regulations, the subsidiaries of the Company established in the PRC are required to transfer a certain percentage (as determined by the board of directors of each of the subsidiaries) of their profits after tax (as determined in accordance with PRC generally accepted accounting principles), if any, to the statutory reserves. The statutory reserves can be used to offset accumulated losses or to increase capital upon approval by their respective board of directors. The statutory reserves are not distributable unless the respective subsidiaries in the PRC are dissolved.

31. BORROWINGS

	Notes	2018 HK$'000	2017 HK$'000
US$ bond	(a)	**2,342,674**	3,879,706
Bank borrowing — unsecured	(b)	**153,038**	156,081
Bank borrowing – secured	(c)	**–**	462,240
Other borrowing – secured	(d)	**221,096**	327,052
Total	(e)	**2,716,808**	4,825,079
Less: current portion	(f)	**(273,118)**	(2,120,314)
Non-current portion		**2,443,690**	2,704,765

Notes:

(a) US$ bond

On 6 May 2015, the Company issued the bonds in the aggregate principal amount of US$200,000,000 (equivalent to HK$1,563,900,000). 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 matured 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 HK$2,340,450,000). The bonds will mature on 30 November 2020, unless the Company redeemed and cancelled in accordance with the terms and conditions stated in the agreement ("Early Redemption Events"). When the Early Redemption Events occurred, the bond holder has the right to request the Company to redeem the US$ bond at 101% of the principal amount, together with accrued but unpaid interest. The estimated fair value of the rights on Early Redemption Events is insignificant at initial recognition. 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.

The carrying amount of US$ bond are repayable:

	2018 HK$'000	2017 HK$'000
Within one year	**9,221**	1,555,340
Within a period of more than one year but not exceeding two years	**2,333,453**	–
Within a period of more than two year but not exceeding five years	**–**	2,324,366
	2,342,674	3,879,706

(b) Bank borrowing — unsecured

The balances of bank borrowing as at 31 December 2018 and 31 December 2017 were borrowings from China Construction Bank Corporation, amounted to HK$148,013,000 (equivalent to RMB130,000,000) (2017: HK$156,081,000, which equivalent to RMB130,000,000) which is unsecured, carries interest at the rate of 4.5% per annum and is repayable in 2019.

(c) Bank borrowing — secured

The short-term bank borrowing were all secured and repayable within one year. The secured bank borrowings are repaid 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 HK$265,344,000) from BoCom Leasing (included in other borrowings) which is repayable by 20 quarterly installments. The borrowing carried interest by reference to 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 HK$150,393,000) from BoCom Leasing (included in other borrowings) which is to be repayable by 12 quarterly installments. The borrowing carried interest by reference to the RMB benchmark lending rate published by the People's Bank of China for the same period increased by 2%.

Despite the Agreement 1 and Agreement 2 involves a legal form of a lease, the Group accounted for the Agreement 1 and Agreement 2 as collateralised borrowing in accordance with the actual substance of the Agreement 1 and Agreement 2.

As collaterals for above financing:

(i) The Group transferred the ownership title of the pipelines to the BoCom Leasing for both Agreement 1 and Agreement 2;

(ii) The Group placed a security deposit of RMB6,900,000 (equivalent to HK$7,856,000) and RMB3,900,000 (equivalent to HK$4,440,000), with BoCom Leasing for Agreement 1 and Agreement 2, respectively, recorded as Pledged deposit 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, have each executed a guarantee as a guarantor in favor of BoCom Leasing to guarantee all payment obligations of TEDA Energy under the 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 the Agreement 2.

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

The carrying amounts of the other borrowing are repayable:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**110,859**	102,734
Within a period of more than one year but not exceeding two years	**81,511**	106,825
Within a period of more than two year but not exceeding five years	**28,726**	117,493
	221,096	327,052

(e) The carrying amounts of the borrowings are denominated in the following currencies:

	2018	2017
	HK$'000	*HK$'000*
US$	**2,342,674**	3,879,706
RMB	**374,134**	945,373
	2,716,808	4,825,079

(f) The maturity of the borrowings:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**273,118**	2,120,314
Over one year, less than two years	**2,414,964**	262,906
Over two years, less than five years	**28,726**	2,441,859
	2,716,808	4,825,079

32. DEFERRED INCOME

	2018 HK$'000	2017 HK$'000
Government grants:		
As at 1 January	**35,862**	34,490
Received during the year	**23,843**	—
Credit to profit or loss	**(1,878)**	(1,192)
Currency translation differences	**(2,421)**	2,564
As at 31 December	**55,406**	35,862

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposes as:		
Current portion (included in trade and bills payables and other payables, Note 34)	**1,979**	1,236
Non-current portion	**53,427**	34,626
	55,406	35,862

During the year ended 2018, government grants of HK$23,843,000 (2017: Nil) have been received by the Group. The projects cost is related to construction of new gas pipelines for construction and installation to certain heating enterprises in order to promote the usage of more environmental friendly energy. Accordingly, the government grants received classified as deferred income and released to the profit or loss over the estimated useful lives of the relevant gas pipelines constructed.

33. DEFERRED TAX ASSETS

The following is the major deferred tax assets recognised and movements thereon during the year:

	Government grant *HK$'000*
At 1 January 2017	5,174
Credit for the year	(179)
Currency Translation differences	384
At 31 December 2017	5,379
Addition	3,576
Credit for the year	(281)
Currency Translation differences	(363)
At 31 December 2018	8,311

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK$64,956,000 (2017: HK$51,312,000) in respect of losses amounting to HK$259,823,000 (2017: HK$205,246,000) due to the unpredictability of future profit streams of the respective entities. Losses amounting to HK$40,507,000 (2017: HK$10,572,000), HK$57,086,000 (2017: HK$42,714,000), HK$60,650,000 (2017: HK$60,197,000), HK$26,370,000(2017: HK$63,955,000) and HK$75,210,000 (2017: HK$27,808,000) will expire in the following five years respectively.

Under the new EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profit earned by PRC subsidiaries from 1 January 2008 onwards at 5% or 10% according the relevant tax treaties. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries and an associate as at 31 December 2018 amounting to RMB1,265,143,000 (equivalent to HK$1,440,445,000) (2017: RMB882,806,000, equivalent to HK$1,059,918,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

No deferred tax asset is recognised in respect of deductible temporary differences amounting to HK$646,662,000 (2017: HK$614,532,000) due to the unpredictable of the utilisation of the temporary difference in the future.

34. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade and bills payables	(a)	**591,024**	487,131
Advance from customers		**—**	368,411
Other payables	(b)	**596,707**	504,847
Accrued expenses		**9,487**	9,098
Interest payables		**—**	31,646
Amounts due to related parties *(Note 40)*	(c)	**80,425**	53,385
		1,277,643	1,454,518

Notes:

(a) At 31 December 2018, the aging analysis of the trade and bills payables based on invoice date is as follows:

	2018 HK$'000	2017 HK$'000
0 — 90 days	**278,250**	268,626
91 — 180 days	**56,943**	35,298
181 — 365 days	**60,558**	45,190
Over 365 days	**195,273**	138,017
	591,024	487,131

(b) At 31 December 2018, the details of the Group's other payables are as follows:

	2018 HK$'000	2017 HK$'000
Other payables for pipeline construction	**464,187**	402,010
Other tax payables	**54,687**	46,561
Payroll payables	**3,103**	1,993
Others	**74,730**	54,283
	596,707	504,847

(c) The aging analysis of payable to related parties presented based on invoice date is as follows:

	2018 **HK$'000**	2017 *HK$'000*
0 — 90 days	**33,676**	34,989
91 — 180 days	**872**	1,073
181 — 365 days	**34,157**	4,426
Over 365 days	**11,720**	12,897
	80,425	53,385

(d) The carrying amounts of the Group's trade and bills payables and other payables are denominated in the following currencies:

	2018 **HK$'000**	2017 *HK$'000*
RMB	**1,277,643**	1,434,791
HK$	**—**	2,732
US$	**—**	16,995
	1,277,643	1,454,518

35. CONTRACT LIABILITIES

Contract liabilities (recorded in advances from customers within trade and bills payables and other payables and amounts due to customers for contract work) represent the obligations to provide sales of piped natural gas and gas construction and installation service to customers.

	31 December 2018 **HK$'000**	1 January 2018* *HK$'000*
Sales of piped natural gas	**499,873**	368,411
Gas construction and installation service income	**43,659**	35,579
Current portion	**543,532**	403,990

* *The amounts in this column are after the adjustments from the application of HKFRS 15.*

Contract liabilities are expected to be settled within the Group's normal operating cycle and classified as current liability.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Construction contracts *HK$'000*	**Sales of gas** *HK$'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	368,411	35,579

Typical payment terms of contract liabilities recognised are as follows:

— Gas construction and installation service

When the Group receives a deposit before the construction activity commences, this will give rise to contract liabilities until the revenue recognised on the relevant contract exceeds the amount of the deposit. For most of its customers, the Group typically receives a 30% to 50% of total contract sum upon the commencement of the construction and installation.

— Sales of piped natural gas

When the Group receives an advance payment before gas sales, this will give rise to contract liabilities, until the revenue recognised on the relevant contract exceeds the amount of the advance payment. The Group typically receives a 100% advance payment before sales of gas.

36. COMMITMENTS

(a) Capital commitments

	2018 ***HK$'000***	2017 *HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided in the consolidated financial statements	**125,887**	126,887

(b) Operating leases commitment — Group as lessee

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

	2018	2017
	HK$'000	*HK$'000*
Within one year	**8,890**	5,927
In the second to fifth year, inclusive	**7,736**	3,585
Other five years	**3,207**	372
	19,833	9,884

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 1 year and rentals are fixed for an average of 2 years.

(c) Operating leases commitment — Group as lessor

Property rental income earned during the year was HK$890,000 (2017: HK$752,000). All of the properties held have committed tenants for the next 17 years.

At the end of the reporting period, the Group had contracted with lessees for the following future minimum lease payments in respect of investment properties and equipments:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**1,978**	2,021
In the second to fifth year, inclusive	**2,000**	3,480
After five years	**4,261**	4,860
	8,239	10,361

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of borrowings and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and new share issuance.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018	2017
	HK$'000	*HK$'000*
Financial assets at amortised cost		
Trade and other receivables	**671,503**	709,906
Bank balances and cash and pledged bank deposit	**995,118**	3,271,772
Pledged deposits	**12,296**	12,967
	1,678,917	3,994,645
Financial liabilities at amortised cost		
Other financial liabilities at amortised cost		
— Borrowings	**2,716,808**	4,825,079
— Trade and bills payables and other payables excluding non-financial liabilities	**1,222,956**	1,080,071
	3,939,764	5,905,150

(b) Financial risk management objectives and policies

The major financial instruments of the Group include trade and other receivables, pledged deposits, trade and bills payables and other payables, borrowings, bank balances and cash and pledged bank deposits. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group collects most of its revenue in RMB and incurs most of its expenditure including capital expenditure in RMB. The Directors considered that the Group's exposure to foreign currency exchange risk from daily operation 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 borrowings are denominated in HK$ and US$ which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in HK$ and US$ against RMB, represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the change taking place at the beginning of the year and held constant throughout the year. A positive number below indicates an increase in post-tax profit where RMB strengthen 10% (2017: 10%) against the HK$ and US$. For a 10% (2017: 10%) weakening of RMB against the HK$ and US$, there would be an equal and opposite impact on the result for the year and the balance below would be negative.

	HK$ Impact		**US$ Impact**	
	2018	*2017*	***2018***	*2017*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(Decrease) increase in post-tax profit for the year	**(2,263)**	(688)	**240,457**	151,126

(ii) *Cash flow and fair value interest rate risks*

The Group's interest rate risk arises from deposits and borrowings which are obtained at fixed rates. The deposits interest rate risk is considered not material. The Group is also exposed to fair value interest rate risk in relation to fixed rate bank borrowings.

Management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

No sensitivity analysis related to cash flow interest rate risk has been presented for the years ended 31 December 2018 and 2017, as all the borrowings of the Group are fixed rate borrowings.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risks is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers. In this regard, the Directors consider the Group's credit risk is significantly reduced.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Trade receivables/ contract assets	Other financial assets
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12 m ECL
Doubtful	There have been significant increases in credit risk since initial recognition	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	*Note*	**Internal credit rating** *Note*	**12-month or lifetime ECL**	**Gross carrying amount** *HK'000*
Trade receivables: piped natural gas sales receivables	24	(i)	Lifetime ECL (not credit-impaired) (provision matrix)	53,157
		(i)	Lifetime ECL (Credit-impaired)	17,998
Trade receivables: gas construction and installation service income receivables	24	(i)	Lifetime ECL (not credit-impaired) (provision matrix)	192,687
		(i)	Lifetime ECL (Credit-impaired)	119,832
Trade receivables from pipeline transportation income	24	(i)	Lifetime ECL (not credit-impaired)	5,351
Receivables from related parties: piped natural gas sales receivables	24	(i)	Lifetime ECL (not credit-impaired) (provision matrix)	6,977
		(i)	Lifetime ECL (Credit-impaired)	119,187
Receivables from related parties: gas construction and installation service income receivables	24	(i)	Lifetime ECL (not credit-impaired) (provision matrix)	5,418
		(i)	Lifetime ECL (Credit-impaired)	18,715
Bill receivables	24		12m ECL	28,876
Contract assets	25	(i)	Lifetime ECL (not credit-impaired)	50,487
Other receivables	24	(ii)	12m ECL	105,090
Pledged bank deposits	27	(iii)	12m ECL	7,542
Bank balances and cash	27	(iii)	12m ECL	987,576

Notes:

(i) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS9 to measure the loss allowance at lifetime ECL. Except for debtors are credit-impaired, the Group determines the ECL on these items by using a provision matrix, estimated based on the ageing analysis, repayment history and pass due status and taking into consideration of forward-looking information.

For customers of pipeline transportation service since the historical repayment record was good and the Directors expects the credit rating of most customers in this category will not change significantly, thus insignificant ECL rate assigned to this type of customers.

(ii) In determining the ECL for other receivables, the Directors have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default on individual basis of the other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. For the purposes of impairment assessment, other receivables are considered to have low credit risk as the counterparties to these financial assets have a high credit rating. Accordingly, the loss allowance is measured at an amount equal to 12m ECL, as there is no significant increase in credit risk since initial recognition.

(iii) No allowance has been provided for bills receivables, pledged bank deposits and bank balances since the balance are all with the banks which have low credit risks.

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired). Debtors are credit-impaired as at 31 December 2018 are assessed individually.

Gross carrying amount of sales of piped natural gas

	Average loss rate	Trade receivables *HK$'000*
Current (not past due)	5.78%	58,074
1-90 days past due	6.95%	1,425
91-270 days past due	9.27%	635
		60,134

Gross carrying amount of gas construction and installation service

	Average loss rate	Trade receivables HK$'000
Current (not past due)	6.47%	81,719
1-180 days past due	9.27%	116,386
		198,105

	Average loss rate	Contract assets HK$'000
Current (not past due)	4.78%	46,914
1-90 days past due	76.14%	3,573
		50,487

As the Group's historical credit loss experience show significantly different loss patterns for different customers portfolio (including customers of sales of piped natural gas and customers of gas construction and installation service), the provision for loss allowance was distinguished between the Group's customer portfolio of different risk type.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018, the Group reversed HK$7,867,000 and provided HK$5,094,000 impairment allowance for trade receivables and contract assets respectively, based on the provision matrix. Impairment allowance of HK$18,389,000 were made on credit impaired debtors, which included the debtors of trade receivables.

Movement in lifetime ECL that has been recognised for trade receivables of non-related parties in accordance with the simplified approach set out in HKFRS 9 for the year ended 31 December 2018 is as follows:

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2018	22,179	49,359	71,538
Changes due to financial instruments recognised as at 1 January:			
— Impairment losses recognised	4,238	7,267	11,505
— Impairment losses reversed	(6,440)	(7,646)	(14,086)
— Write-offs	(80)	—	(80)
Foreign exchange losses	(1,088)	(2,541)	(3,629)
As at 31 December 2018	18,809	46,439	65,248

Movement in lifetime ECL that has been recognised for trade receivables from the related parties in accordance with the simplified approach set out in HKFRS 9 for the year ended 31 December 2018 is as follows:

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2018	5,147	78,492	83,639
Changes due to financial instruments recognised as at 1 January:			
— Impairment losses recognised	118	17,294	17,412
— Impairment losses reversed	(4,309)	—	(4,309)
Foreign exchange losses	(157)	(4,505)	(4,662)
As at 31 December 2018	799	91,281	92,080

Movement in lifetime ECL that has been recognised contract assets in accordance with the simplified approach set out in HKFRS 9 for the year ended 31 December 2018 is as follows:

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 January 2018	—
Changes due to financial instruments recognised as at 1 January:	
— Impairment losses recognised	5,094
Foreign exchange losses	(131)
As at 31 December 2018	4,963

Movement in 12m ECL that has been recognised for other receivables set out in HKFRS 9 for the year ended 31 December 2018 is as follows:

	12-month ECL
	HK$'000
As at 1 January 2018	8,412
Changes due to financial instruments recognised as at 1 January:	
— Impairment losses reversed	(4,634)
Foreign exchange losses	(316)
As at 31 December 2018	3,462

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Ultimate the Directors take the responsibility for liquidity risk management , which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 31 December 2018, the Group has available unutilised short-term bank loan facilities of approximately HK$850,000,000.

The following table details the Group's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to repay, including both interest and principal cash flows.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Weighted average effective interest rate	Less than 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2018					
Non-derivative financial liabilities					
Trade and bills payables and other payables	**–**	**1,222,956**	**–**	**1,222,956**	**1,222,956**
US$ bonds	**3.58% to 4.62%**	**104,023**	**2,444,600**	**2,548,623**	**2,342,674**
Bank borrowing – unsecured	**4.50%**	**153,446**	**–**	**153,446**	**153,038**
Other borrowing – secured	**4.72% to 6.43%**	**114,524**	**115,572**	**230,096**	**221,096**
2017					
Non-derivative financial liabilities					
Trade and bills payables and other payables	–	1,080,071	–	1,080,071	1,080,071
US$ bonds	3.58% to 4.62%	1,679,354	2,542,543	4,221,897	3,879,706
Bank borrowing – unsecured	4.50%	–	170,344	170,344	156,081
Bank borrowing – secured	4.35% to 5.44%	483,299	–	483,299	462,240
Other borrowing – secured	4.72% to 6.43%	117,481	237,489	354,970	327,052

(c) **Fair value measurements of financial instrument**

Fair value of the financial assets and financial liabilities that are not measured at fair value on recurring basis

The Directors consider that the carrying amounts of other financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

	1 January 2018	Interest accrued	Financing cash flow	Foreign exchanges	31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings	4,856,725	164,082	(2,282,076)	(21,923)	2,716,808

40. RELATED PARTY TRANSACTIONS

The Group's ultimate holding company is TEDA Investment, a state-owned enterprise under supervision of the Tianjin State-owned Assets Supervision and Administration Commission. TEDA Investment is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). Accordingly, the Group is government-related entities in accordance with HKAS 24. In addition to those mentioned elsewhere in the consolidated financial statements, the followings are significant related party transactions entered between the Group, its related parties and other PRC government-related entities.

	2018	2017
	HK$'000	*HK$'000*
(a) Transactions with related parties		
Sale of piped natural gas to Tianjin TEDA Gas Company Limited* ("Tianjin TEDA GAS") (天津泰達燃氣有限責任公司) *(Note (i))*	**123,248**	215,002
Sale of piped natural gas to Tianjin Pipe and its subsidiaries *(Note (i))*	**37,597**	85,452
Sale of piped natural gas to Tianjin Sai-rui Machinery Equipment Company Limited* ("Sai Rui") (天津賽瑞機器設備有限公司) *(Note (i))*	**27,004**	31,181
Sale of piped natural gas to SBI *(Note (i))*	**22,694**	12,099
Sale of piped natural gas to Tianjin Eco-City Energy Investment Construction Company Limited* ("Tianjin Eco-City") (天津生態城能源投資建設有限公司) *(Note (i))*	**15,592**	16,962
Sale of piped natural gas to Tianjin Eco-City TEDA Thermal Power Company Limited* ("Eco-City TEDA Thermal Power") (天津生態城泰達熱電有限公司) *(Note (i))*	**15,427**	7,585
Provision of gas construction and installation service to Tai-hua Real Estate Development Company Limited* ("Tai-hua Real Estate") (天津泰華房地產開發有限公司) *(Note (ii))*	**6,247**	—
Provision of gas construction and installation service to TEDA Investment *(Note (iii))*	**5,240**	17,145
Provision of gas construction and installation service to Eco-City TEDA Thermal Power *(Note (ii))*	**5,071**	—

	2018 HK$'000	2017 HK$'000
Sale of piped natural gas to Tianjin Binhai Tourist Area Gas Investment Development Company Limited* ("Binhai Tourist Area Gas") (天津濱海旅遊區燃氣投資發展有限公司) *(Note (i))*	**3,245**	—
Provision of gas construction and installation service to Xingtian Real Estate (天津星天房地產開發有限公司) *(Note (ii))*	**1,895**	—
Sale of piped natural gas to Tianjin TEDA Transportation Hub Operations Management Company Limited* ("TEDA Transportation Hub") (天津泰達交通樞紐運營管理有限公司) *(Note (i))*	**1,830**	1,716
Provision of gas construction and installation service to TEDA Zhongtang Investment Development Company Limited*("TEDA Zhongtang") (天津泰達中塘投資開發有限公司) *(Note (iii))*	**1,083**	9,099
Rental income from SBI *(Note (iv))*	**890**	752
Pipeline transportation to Tianjin TEDA GAS *(Note (x))*	**767**	1,127
Sale of piped natural gas to Tianjin YAT-SEN Scientific Industrial Park International Inc.* ("Tianjin YAT-SEN") (天津逸仙科學園國際有限公司) *(Note (i))*	**752**	878
Provision of gas construction and installation service to Tianjin Xingcheng Property Company Limited*(Xingcheng Property) (天津星城置業有限公司) *(Note (ii))*	**398**	—
Provision of gas construction and installation service to BeikeTianjin TEDA Investment (北科泰達投資發展有限公司) *(Note (ii))*	**173**	—
Provision of consulting service to Tianjin TEDA Investment *(Note (xi))*	**110**	—
Sale of piped natural gas to Tianjin Xing Cheng Investment and Development Company Limited* ("Tianjin Xingcheng") (天津星城投資發展有限公司) *(Note (i))*	**87**	96
Sale of piped natural gas to TEDA Zhongtang *(Note (i))*	**73**	68

	2018 **HK$'000**	2017 HK$'000
Sale of piped natural gas to Thriving Future Property Management Company Limited* ("Thriving Future Property") (天津天孚物業管理有限公司) *(Note (i))*	**48**	65
Provision of gas construction and installation service to Tianjin Xingcheng *(Note (ii))*	**44**	
Sale of piped natural gas to Xingcheng Property	**13**	—
Sale of piped natural gas to TEDA (Tianjin) Business Management Company Limited Eco-City Branch*(TEDA (Tianjin) Business) (泰達(天津)商業管理有限公司生態城分公司)	**8**	—
Provision of gas construction and installation service to Tianjin TEDA Gas (天津泰達燃氣有限公司) *(Note (ii))*	**—**	467
Purchase piped natural gas from Binhai Tourist Area Gas *(Note (viii))*	**(17,013)**	(8,438)
Insurance premium paid to Bohai Property Insurance Company Limited*("Bohai") (渤海財產保險股份有限公司) *(Note (vii))*	**(1,859)**	(1,843)
Purchase of steel pipe materials from Tianjin TPCO & TISCO Welding Pipe Company Limited* ("Tianguan Taigang") (天津天管太鋼焊管有限公司) *(Note (vi))*	**(1,607)**	(9,198)
Purchase of Gas Processing service from SBI *(Note(v))*	**(358)**	—
Construction supervision service from Tianjin Eco-City Environmental Technology Consulting Company Limited* ("Eco-City Environmental") (天津生態城環境技術諮詢有限公司) *(Note (ix))*	**(56)**	(164)
Construction supervision service from Tianjin Development Zone Construction Engineering Supervision Company Limited* ("Development Zone Engineering Supervision") (天津開發區建設工程監理公司) *(Note (ix))*	**(33)**	(139)
Property management fee to Thriving Future Property	**—**	(84)

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 was engaged to provide the gas construction and installation services to related parties located in Tianjin.

(iii) The Group was engaged to provide the gas construction and installation services to ultimate holding company located in Tianjin.

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

(v) The Group purchase Compress Natural Gas from SBI.

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

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

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

(ix) The Group purchased supervision services of construction from related parties.

(x) The Group provide pipeline transportation services to related parties.

(xi) The Group provide consulting service to ultimate holding company located in Tianjin.

* *Identification for English translation only.*

(b) **Balances with related parties**

	2018 HK$'000	2017 HK$'000
Account receivable from TEDA Investment	**699**	843
Account receivable from Tianjin Pipe	**119,184**	134,418
Account receivable from TEDA Zhongtang	**19,811**	19,735
Account receivable from Sai Rui	**3,662**	8,422
Account receivable from ECO-City TEDA Thermal Power	**2,001**	1,122
Account receivable from Tianjin Eco-City	**1,236**	5,885
Account receivable from Xingtian Real Estate	**1,094**	—
Account receivable from Binhai Tourist Area Investment	**750**	—
Account receivable from Tianjin YAT-SEN	**702**	797
Account receivable from SBI	**653**	8,363
Account receivable from Tianjin Xingcheng Property	**342**	—
Account receivable from Bohai	**153**	—
Account receivable from TEDA (Tianjin) Business	**10**	—
Account receivable from Tianjin Xingcheng	**—**	1,202
Advance to Binhai Tourist Area Gas	**—**	670
Account receivable from TEDA GAS	**—**	26,198
Account receivable from Thriving Future Property	**—**	20
	150,297	207,675
Account payable to TEDA Property	**(7,048)**	(4,804)
Account payable to Qinhuangdao Taixing	**(34,157)**	(36,019)
Account payable to TEDA GAS	**(28,706)**	—
Account payable to SBI	**(4,099)**	(5,188)
Account payable to Tianguan Taigang	**(1,909)**	(99)
Account payable to TEDA Transportation Hub	**(1,014)**	(533)
Account payable to Dawufeng	**(872)**	—
Account payable to Tianjin Tianhai High Pressure Container Company Limited	**(697)**	—
Account payable to Binhai Tourist Area Investment	**(617)**	—
Account payable to TEDA Investment	**(378)**	(5,172)
Account payable to Beike TEDA Investment	**(337)**	—

	2018 HK$'000	2017 HK$'000
Account payable to Tianjin Rail Transit Group Engineering Construction Company Limited* (天津軌道交通集團工程建設有限公司)	**(285)**	(300)
Account payable to Eco-City TEDA Thermal Power	**(261)**	(1,196)
Account payable to Tianjin TEDA Zhongtang	**(36)**	(28)
Account payable to Tianjin Xingcheng	**(9)**	(46)
	(80,425)	(53,385)

* *Identification for English translation only.*

(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 those state-controlled entities are 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 redemption preference shares mentioned in Note 28, majority of the Group's bank balances and cash as of years ended 31 December 2018 and 2017 and bank borrowing as of year ended 31 December 2018 are also with state controlled banks. In addition, the other borrowing as of year ended 31 December 2018 is with a state controlled financial institution.

(d) Key management compensation

The remuneration of directors and other members of key management during the year was as follows:

	2018 HK$'000	2017 HK$'000
Short-term employee benefits	**8,166**	8,850
Retirement benefits costs	**176**	205
	8,342	9,055

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

At 31 December 2018 and 2017, the Group had the following subsidiaries.

(a) Investment holding companies:

Name of entity	Kind of legal entity and place of incorporation	Particulars of issued and fully paid capital	Effective interest held
Winstar Venture Limited ("Winstar")	British Virgin Islands	US$200 ordinary shares	100%
Binhai Investment Hong Kong Limited ("Binhai HK")	Hong Kong	HK$2 ordinary shares, HK$29,000,000 non-voting deferred shares *(Note (ii))*	100%
Binhai Investment (Tianjin) Company Limited	Wholly foreign owned enterprise, PRC	US$235,000,000	100%

Notes:

(i) All companies are indirectly held by the Company except Winstar which is directly held.

(ii) The principal rights and restrictions of non-voting deferred shares, which hold by Winstar, issued by Binhai HK are set out below:

- No part of the profits shall be distributed among the holders of the non-voting deferred shares, which is Winstar.
- On return of assets on winding up or otherwise, one half of balance of the assets of Binhai HK, after the first HK$100,000,000,000,000 shall belong to the holders of non-voting deferred shares, which is Winstar.
- Non-voting deferred shareholders are not entitled to receive notice of or to attend to vote at any general meeting of Binhai HK.

(b) Other subsidiaries:

	Name of subsidiary	Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *HK$'000* *(Note (i))*	Potential capital contributions *HK$'000* *(Note (ii))*	Effective indirect interest *(%)* *(Note (iii))*
1	Zibo Jin Bin Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	25,000	–	100
2	TEDA Energy	Wholly foreign owned enterprises, PRC	Gas construction and installation service and sales of piped natural gas, PRC	769,000	–	100
3	Binzhou TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	27,000	–	100
4	Zhaoyuan Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	20,000	–	100
5	Deqing Binhai Gas Company Limited	Sino-foreign equity joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	18,000	–	90
6	Zhuozhou Binhai Gas	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	11,000	–	100
7	Nanjing Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	12,000	–	100

	Name of subsidiary	Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital HK$'000 (Note (i))	Potential capital contributions HK$'000 (Note (ii))	Effective indirect interest (%) (Note (iii))
8	Yizheng TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	13,000	–	100
9	Qinhuangdao TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	12,000	–	100
10	Qingdao Jiaonan Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	11,000	–	100
11	Sanhe TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	7,000	–	90
12	Changle TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	8,000	–	100
13	Dezhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	12,000	–	100
14	Qingdao Jiaozhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	17,000	–	100

	Name of subsidiary	Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital HK$'000 (Note (i))	Potential capital contributions HK$'000 (Note (ii))	Effective indirect interest (%) (Note (iii))
15	Jingjiang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	3,000	13,000	100
16	Funing TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	7,000	–	100
17	Yishui Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	13,000	–	100
18	Rizhao Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	13,000	–	100
19	Haiyan Tian Tai Gas Company Limited	Wholly foreign owned enterprises, PRC	Gas construction and installation service and sales of piped natural gas, PRC	25,000	–	100
20	Beijing Airport Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	12,000	–	100
21	Haiyang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	2,000	10,000	100

	Name of subsidiary	Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *HK$'000* *(Note (i))*	Potential capital contributions *HK$'000* *(Note (ii))*	Effective indirect interest *(%)* *(Note (iii))*
22	Tianjin Binhai Xinda Real Estate Company Limited	Wholly foreign owned enterprises, PRC	Real estate investment, PRC	–	156,000	100
23	Yizheng Jin Bin Gas Company Limited	Wholly foreign owned enterprises, PRC	Gas construction and installation service and sales of piped natural gas, PRC	12,000	–	100
24	Tangshan Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	Gas construction and installation service and sales of piped natural gas, PRC	24,000	65,000	100
25	Tianjin HuaTai Xinda	Wholly foreign owned enterprises, PRC	Gas construction and installation service and sales of piped natural gas, PRC	6,000	–	100
26	Tangshan TEDA Gas Company Limited	Wholly foreign owned enterprises, PRC	Gas construction and installation service and sales of piped natural gas, PRC	47,000	–	100
27	Jizhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	14,000	–	98
28	Anxin TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	2,000	–	100

Name of subsidiary		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital HK$'000 (Note (i))	Potential capital contributions HK$'000 (Note (ii))	Effective indirect interest (%) (Note (iii))
29	Qingyuan Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	11,000	–	99.82
30	Liuyang Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	19,000	–	100
31	Fengxian Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	Gas construction and installation service and sales of piped natural gas, PRC	16,000	–	100
32	Gaoan TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	18,000	–	100
33	Tianjin Taigang Gas Company Limited	Wholly foreign owned enterprises, PRC	Gas construction and installation service and sales of piped natural gas, PRC	13,000	–	100
34	Tianjin BinMing Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gas, PRC	3,000	7,000	80
35	Tianjin Tairan Energy Technology Develop Limited	Wholly foreign owned enterprises, PRC	Energy Technology development and consulting, PRC	116	–	100

	Name of subsidiary	Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital HK$'000 (Note (i))	Potential capital contributions HK$'000 (Note (ii))	Effective indirect interest (%) (Note (iii))
36	Tianjin BinNing Gas Company Limited	Sino-foreign co- operative joint ventures, PRC	Gas construction and installation service and sales of piped natural gases, PRC	11,688	–	100
37	Tianjin Tairan Technology Company Limited	Wholly foreign owned enterprises, PRC	Energy technology development and consulting, PRC	–	73,901	100
38	Hainan Teda New Energy Company Limited	Wholly foreign owned enterprises, PRC	Energy technology development and consulting, PRC	–	11,688	100
39	Tianjin Tairan New Energy Technology Company Limited	Wholly foreign owned enterprises, PRC	Energy technology development and consulting, PRC	–	77,920	100
40	Qingdao Tairan Energy Company Limited	Wholly foreign owned enterprises, PRC	Gas construction and installation service and sales of piped natural gases, PRC	–	1,169	100

Notes:

(i) Paid up capital of each subsidiary has been translated from original currency of contributions to HK Dollars equivalent.

(ii) The Company's committed capital contributions, through Binhai Investment Tianjin, into these subsidiaries amounted to approximately HK$415,678,000 (31 December 2017: HK$251,000,000). Although the deadlines for injecting the capital to all these subsidiaries have expired, these subsidiaries are all still operating as at date of these consolidated financial statements.

(iii) Effective interests held are determined by assets appropriation upon the dissolution of the subsidiaries, instead of by proportion of the capital injection and profit share. The position as at 31 December 2018 is unchanged from 31 December 2017.

42. STATEMENT OF FINANCIAL POSITIONS AND RESERVES OF THE COMPANY

	2018 *HK$'000*	2017 *HK$'000*
ASSETS		
Non-current Assets		
Interests in subsidiaries	**1,602,681**	1,540,357
Amounts due from subsidiaries	**1,284,519**	2,309,474
	2,887,200	3,849,831
Current Assets		
Cash and cash equivalents	**510**	767,872
Total Assets	**2,887,710**	4,617,703
EQUITY AND LIABILITIES		
Share capital		
— Ordinary shares	**117,435**	117,435
— Redeemable preferences shares	**398,000**	430,000
Share premium	**157,522**	157,522
Other reserves	**(106,193)**	(61,184)
Retained earnings	**(24,064)**	74,617
Total Equity	**542,700**	718,390
LIABILITIES		
Non-current liability		
Borrowings	**2,342,674**	2,324,366
Current Liabilities		
Trade and other payables	**2,336**	19,607
Borrowings	**—**	1,555,340
	2,336	1,574,947
Total Liabilities	**2,345,010**	3,899,313
Total Equity and Liabilities	**2,887,710**	4,617,703
Net Current Liabilities	**(1,826)**	(807,075)
Total Assets less Current Liabilities	**2,885,374**	3,042,756

The Company's movement in reserves for the years ended 31 December 2018 and 2017 are as follows:

		Other reserves				
	Share premium	Capital surplus	Exchange reserve	Employee share option reserve	Total	Retained earnings
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 31 December 2016	157,522	4,091	(120,536)	14,580	(101,865)	221,254
Loss for the year	–	–	–	–	–	(87,920)
Other comprehensive income for the year, net of tax	–	–	40,681	–	40,681	–
Total comprehensive income (expenses) for the year	–	–	40,681	–	40,681	(87,920)
Dividends distribution	–	–	–	–	–	(58,717)
Balance at 31 December 2017	157,522	4,091	(79,855)	14,580	(61,184)	74,617
Loss for the year	–	–	–	–	–	(36,113)
Other comprehensive expenses for the year, net of tax	–	–	(42,988)	–	(42,988)	–
Total comprehensive expenses for the year	–	–	(42,988)	–	(42,988)	(36,113)
Employee share options lapsed	–	–	–	(2,021)	(2,021)	2,021
Dividends distribution	–	–	–	–	–	(64,589)
Balance at 31 December 2018	157,522	4,091	(122,843)	12,559	(106,193)	(24,064)

Five-Year Financial Summary

The following table summarized the results, assets and liabilities of the Group for the five years ended 31 December 2017.

	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**3,308,032**	2,745,687	2,145,194	2,554,762	2,543,237
Profit attributable to owners of the Company	**104,049**	221,421	172,226	198,860	213,635

	31 December 2018	31 December 2017	31 December 2016	31 December 2015	31 December 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**6,018,141**	7,875,998	4,071,674	3,967,942	3,988,555
Total liabilities	**4,653,277**	6,414,158	2,849,813	2,788,905	2,905,105
Equity attributable to owner of the Company	**1,334,988**	1,428,606	1,186,684	1,146,653	1,054,286
Non-controlling interest	**29,876**	33,234	35,177	32,384	29,164