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濱海投資有限公司

BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2886)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the “Board”) of directors (the “Directors”) of Binhai Investment Company Limited (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2017 (the “Period”) together with the comparative unaudited figures for the corresponding period in 2016. The unaudited condensed interim consolidated financial statements have been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

| | Unaudited Six months Ended 30 June 2017 HK\$'000 | Unaudited Six months Ended 30 June 2016 HK\$'000 | Percentage Change |
|--|---|---|------------------------------|
| Revenue | 1,165,116 | 1,076,932 | 8% |
| Gross profit | 245,265 | 258,501 | -5% |
| Profit for the period | 180,669 | 80,948 | 123% |
| Basic earnings per share attributable to owners of the Company during the period | <u>15.27 cents</u> | <u>6.66 cents</u> | <u>8.61 cents</u> |
| | Unaudited As at 30 June 2017 HK\$'000 | Audited As at 31 December 2016 HK\$'000 | Percentage Change |
| Total assets | 4,478,415 | 4,071,674 | 10% |
| Total equity | 1,367,907 | 1,221,861 | 12% |
| Total liabilities | <u>3,110,508</u> | <u>2,849,813</u> | <u>9%</u> |

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

| | | Unaudited | |
|---|------|--------------------------|----------------------|
| | | Six months ended 30 June | |
| | | 2017 | 2016 |
| | Note | HK\$'000 | HK\$'000 |
| Revenue | 6 | 1,165,116 | 1,076,932 |
| Cost of sales | | <u>(919,851)</u> | <u>(818,431)</u> |
| Gross profit | | 245,265 | 258,501 |
| Other income | 7 | 3,996 | 5,280 |
| Other gains and losses | 8 | 59,873 | (27,095) |
| General and administrative expenses | | (70,717) | (73,034) |
| Interest income | 10 | 899 | 898 |
| Interest expenses | 10 | (23,768) | (36,071) |
| Share of profit of an associate | | 2,334 | 2,280 |
| Share of losses of joint ventures | | <u>(2,015)</u> | <u>(1,851)</u> |
| Profit before income tax | | 215,867 | 128,908 |
| Income tax expenses | 11 | <u>(35,198)</u> | <u>(47,960)</u> |
| Profit for the period | | <u>180,669</u> | <u>80,948</u> |
| Profit for the period attributable to: | | | |
| — Owners of the Company | | 179,345 | 78,169 |
| — Non-controlling interests | | <u>1,324</u> | <u>2,779</u> |
| | | <u>180,669</u> | <u>80,948</u> |
| Earnings per ordinary share | | | |
| — basic (HK cents) | 13 | <u>15.27</u> | <u>6.66</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

| | Unaudited | |
|---|--------------------------|----------------------|
| | Six months ended 30 June | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Comprehensive income | | |
| Profit for the Period | <u>180,669</u> | <u>80,948</u> |
| Other comprehensive income/(expense) | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Currency translation differences | 27,571 | (35,262) |
| Total comprehensive income for the period | <u><u>208,240</u></u> | <u><u>45,686</u></u> |
| Attributable to: | | |
| — Owners of the Company | 205,837 | 43,914 |
| — Non-controlling interests | <u>2,403</u> | <u>1,772</u> |
| Total comprehensive income for the period | <u><u>208,240</u></u> | <u><u>45,686</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

| | | Unaudited As at 30 June 2017 HK\$'000 | Audited As at 31 December 2016 HK\$'000 |
|---|-------|---|---|
| | Note | | |
| ASSETS | | | |
| Non-current Assets | | | |
| Land use rights | | 78,357 | 66,033 |
| Property, plant and equipment | 14 | 2,977,673 | 2,833,956 |
| Intangible assets | | 13,290 | 13,047 |
| Interest in an associate | | 26,063 | 23,001 |
| Interests in joint ventures | | 27,838 | 29,009 |
| Advance payment for pipeline construction | 15 | 2,098 | 2,036 |
| Long-term deposit | 18(c) | 12,418 | 7,702 |
| Deferred tax assets | 20 | 5,281 | 5,174 |
| | | <u>3,143,018</u> | <u>2,979,958</u> |
| Current Assets | | | |
| Inventories | | 93,979 | 44,123 |
| Trade and other receivables | 15 | 667,910 | 589,109 |
| Restricted cash | | 36,566 | 8,651 |
| Bank balances and cash | | 406,661 | 323,361 |
| | | <u>1,205,116</u> | <u>965,244</u> |
| Asset held for sale | 23 | 130,281 | 126,472 |
| | | <u>1,335,397</u> | <u>1,091,716</u> |
| Total Assets | | <u><u>4,478,415</u></u> | <u><u>4,071,674</u></u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | | |
| — Ordinary shares | 16 | 117,435 | 117,435 |
| — Redeemable preferences shares | 16 | 430,000 | 430,000 |
| Share premium | | 157,522 | 157,522 |
| Other reserves | | (173,310) | (199,802) |
| Retained earnings | | 802,157 | 681,529 |
| | | <u>1,333,804</u> | <u>1,186,684</u> |
| Non-controlling interests | | <u>34,103</u> | <u>35,177</u> |
| Total Equity | | <u><u>1,367,907</u></u> | <u><u>1,221,861</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

| | | Unaudited As at 30 June 2017 <i>HK\$'000</i> | Audited As at 31 December 2016 <i>HK\$'000</i> |
|--|-------------|--|--|
| | <i>Note</i> | | |
| LIABILITIES | | | |
| Non-current Liabilities | | | |
| Borrowings | 18 | 298,862 | 1,721,704 |
| Deferred income | 19 | <u>34,021</u> | <u>33,340</u> |
| | | <u>332,883</u> | <u>1,755,044</u> |
| Current Liabilities | | | |
| Trade and other payables | 17 | 1,046,360 | 982,689 |
| Tax liabilities | | 27,710 | 44,044 |
| Borrowings | 18 | <u>1,703,555</u> | <u>68,036</u> |
| | | <u>2,777,625</u> | <u>1,094,769</u> |
| Total Liabilities | | <u>3,110,508</u> | <u>2,849,813</u> |
| Total Equity and Liabilities | | <u>4,478,415</u> | <u>4,071,674</u> |
| Net Current Liabilities | | <u>(1,442,228)</u> | <u>(3,053)</u> |
| Total Assets less Current Liabilities | | <u>1,700,790</u> | <u>2,976,905</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

Changes in equity of the Group during the six months ended 30 June 2017 and 2016 are as follows:

| | Unaudited | | | | | | Total HK\$'000 |
|--|---------------------------------------|------------------------------|-------------------------------|----------------------------------|-------------------|--|-------------------|
| | Attributable to owners of the Company | | | | Total HK\$'000 | Non- controlling interests HK\$'000 | |
| | Share capital HK\$'000 | Share premium HK\$'000 | Other reserves HK\$'000 | Retained earnings HK\$'000 | | | |
| Balance at 1 January 2016 | 547,435 | 157,522 | (144,707) | 586,403 | 1,146,653 | 32,384 | 1,179,037 |
| Profit for the Period | — | — | — | 78,169 | 78,169 | 2,779 | 80,948 |
| Other comprehensive expense | | | | | | | |
| Currency translation differences | — | — | (34,255) | — | (34,255) | (1,007) | (35,262) |
| Total comprehensive income for the Period | — | — | (34,255) | 78,169 | 43,914 | 1,772 | 45,686 |
| Employee share options lapsed | — | — | (1,443) | 1,443 | — | — | — |
| Dividends relating to 2015 | — | — | — | (58,717) | (58,717) | — | (58,717) |
| | — | — | (1,443) | (57,274) | (58,717) | — | (58,717) |
| Balance at 30 June 2016 | <u>547,435</u> | <u>157,522</u> | <u>(180,405)</u> | <u>607,298</u> | <u>1,131,850</u> | <u>34,156</u> | <u>1,166,006</u> |
| Balance at 1 January 2017 | <u>547,435</u> | <u>157,522</u> | <u>(199,802)</u> | <u>681,529</u> | <u>1,186,684</u> | <u>35,177</u> | <u>1,221,861</u> |
| Profit for the Period | — | — | — | 179,345 | 179,345 | 1,324 | 180,669 |
| Other comprehensive income | | | | | | | |
| Currency translation differences | — | — | 26,492 | — | 26,492 | 1,079 | 27,571 |
| Total comprehensive income for the Period | — | — | 26,492 | 179,345 | 205,837 | 2,403 | 208,240 |
| Dividends relating to 2016 | — | — | — | (58,717) | (58,717) | — | (58,717) |
| Dividend paid to non-controlling interests | — | — | — | — | — | (7,989) | (7,989) |
| Disposal shares to non-controlling interests | — | — | — | — | — | 4,512 | 4,512 |
| | — | — | — | (58,717) | (58,717) | (3,477) | (62,194) |
| Balance at 30 June 2017 | <u>547,435</u> | <u>157,522</u> | <u>(173,310)</u> | <u>802,157</u> | <u>1,333,804</u> | <u>34,103</u> | <u>1,367,907</u> |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

| | Unaudited | |
|---|--------------------------|-----------------------|
| | Six months ended 30 June | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | |
| Cash generated from operations | 134,399 | 145,055 |
| Income tax paid | (51,483) | (50,478) |
| Net cash generated from operating activities | <u>82,916</u> | <u>94,577</u> |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (90,737) | (124,336) |
| Purchase of land use rights | (11,611) | (7,066) |
| Proceeds from disposal of property, plant and equipment, land use rights | 8,441 | — |
| Placement of restricted cash | (27,915) | — |
| Interest received | 899 | 898 |
| Net cash used in investing activities | <u>(120,923)</u> | <u>(130,504)</u> |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 241,463 | 349,462 |
| Repayments of borrowings | (50,579) | — |
| Interest paid | (33,037) | (27,261) |
| Transaction cost of borrowings paid | (7,474) | (14,785) |
| Dividend paid to non-controlling interests | (2,266) | — |
| Dividend paid | (58,717) | (58,717) |
| Net cash generated from financing activities | <u>89,390</u> | <u>248,699</u> |
| Net increase in cash and cash equivalents | 51,383 | 212,772 |
| Cash and cash equivalents at beginning of the Period | 323,361 | 331,184 |
| Exchange difference on cash and cash equivalents | 31,917 | 25,492 |
| Cash and cash equivalents at end of the Period | <u>406,661</u> | <u>569,448</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 8 October 1999, with its principal place of business at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company is a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The Company is an investment holding company.

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the Period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the Period.

The application of above amendments to HKFRSs in the Period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2016.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group used derivative financial instruments to hedge certain risk exposures.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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

5.2 Liquidity risk

Compared to the year end of 2016, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

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

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

6. SEGMENT INFORMATION

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

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

| | | |
|--------------------|---|---|
| Piped gas sales | — | Sales of piped gas through the Group's pipeline networks to industrial and residential users |
| Connection service | — | Construction and installation of gas pipelines and appliances to connect customers to the Group's pipeline networks under connection contract |

| | | |
|--------------------|---|-----------------------------------|
| Bottled gas sales | — | Sales of bottled gas |
| Gas transportation | — | Transportation of gas for clients |

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

No operating segments have been aggregated to derive the reportable segments of the Group.

| Six months ended 30 June 2017 | Gas Tran- sportation <i>HK\$'000</i> | Bottled gas sales <i>HK\$'000</i> | Unaudited Piped gas sales <i>HK\$'000</i> | Connection services <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|--|---|--|---|--------------------------|
| Revenue | | | | | |
| — Tianjin Pipe Group Corporation (“Tianjin Pipe”) and its subsidiaries | — | — | 47,772 | — | 47,772 |
| — Other customers | 6,987 | 7,064 | 855,470 | 247,823 | 1,117,344 |
| Revenue from external customers | 6,987 | 7,064 | 903,242 | 247,823 | 1,165,116 |
| Segment results | 3,243 | 2,279 | 85,211 | 154,532 | 245,265 |
| — Other income | | | | | 3,996 |
| — Other gains and losses | | | | | 59,873 |
| — General and administrative expenses | | | | | (70,717) |
| — Interest income | | | | | 899 |
| — Interest expenses | | | | | (23,768) |
| — Share of profit of an associate | | | | | 2,334 |
| — Share of losses of joint ventures | | | | | (2,015) |
| Profit before income tax | | | | | 215,867 |
| Other information for reportable segments: | | | | | |
| Depreciation | 3,719 | 64 | 41,258 | 600 | 45,641 |
| Amortisation of land use rights | — | 13 | 1,054 | 284 | 1,351 |
| Amortisation of intangible assets | — | — | 151 | — | 151 |

| Six months ended 30 June 2016 | Unaudited | | | Total <i>HK\$'000</i> |
|--|---|---------------------------------------|---|--------------------------|
| | Bottled gas sales <i>HK\$'000</i> | Piped gas sales <i>HK\$'000</i> | Connection services <i>HK\$'000</i> | |
| Revenue | | | | |
| — Tianjin Pipe and its subsidiaries | — | 212,235 | — | 212,235 |
| — Other customers | 6,666 | 660,850 | 191,181 | 864,697 |
| | <u>6,666</u> | <u>660,850</u> | <u>191,181</u> | <u>864,697</u> |
| Revenue from external customers | <u>6,666</u> | <u>879,085</u> | <u>191,181</u> | <u>1,076,932</u> |
| Segment results | <u>1,653</u> | <u>125,713</u> | <u>131,135</u> | 258,501 |
| — Other income | | | | 5,280 |
| — Other gains and losses | | | | (27,095) |
| — General and administrative expenses | | | | (73,034) |
| — Interest income | | | | 898 |
| — Interest expenses | | | | (36,071) |
| — Share of profit of an associate | | | | 2,280 |
| — Share of losses of joint ventures | | | | (1,851) |
| | | | | <u>128,908</u> |
| Profit before income tax | | | | <u>128,908</u> |
| Other information for reportable segments: | | | | |
| Depreciation | 54 | 41,119 | 389 | 41,562 |
| Amortisation of land use rights | 10 | 863 | 179 | 1,052 |
| | <u>10</u> | <u>863</u> | <u>179</u> | <u>1,052</u> |

7. OTHER INCOME

| | Unaudited | |
|--------------------|---|-------------------------|
| | Six months ended 30 June 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
| Rental income | 1,303 | 1,624 |
| Assembling service | 2,693 | 3,656 |
| | <u>3,996</u> | <u>5,280</u> |

8. OTHER GAINS AND LOSSES

| | Unaudited | |
|--|--------------------------|-----------------|
| | Six months ended 30 June | |
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Gain/(losses) on disposal of property, plant and equipment and land use rights | 5,613 | (89) |
| Fair value gain on derivative financial instruments – net | — | 9,793 |
| Reversal of impairment of trade and other receivables | 1,350 | 2,825 |
| Net foreign exchange gain/(losses) | 47,365 | (39,214) |
| Sundry income | 3,865 | — |
| Others | 1,680 | (410) |
| | <u>59,873</u> | <u>(27,095)</u> |

9. PROFIT BEFORE INCOME TAX

| | Unaudited | |
|---|--------------------------|-----------------|
| | Six months ended 30 June | |
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cost of gas purchased | 738,700 | 673,013 |
| Staff costs | 66,043 | 66,570 |
| Depreciation | 45,641 | 41,562 |
| Research and development expenses | 8,039 | 12,441 |
| Amortisation | 1,502 | 1,052 |
| Operation lease rentals in respect of rented premises | 2,818 | 4,789 |
| | <u>738,700</u> | <u>673,013</u> |

10. INTEREST INCOME AND EXPENSES

| | Unaudited | |
|---|--------------------------|----------------|
| | Six months ended 30 June | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Interest on USD bond | 27,603 | 27,353 |
| Interest on bank and other borrowings | 7,293 | 1,868 |
| Interest expense on convertible bonds | — | 16,365 |
| | <u>34,896</u> | <u>45,586</u> |
| <i>Less: Amounts capitalised as part of the cost of property, plant and equipment</i> | <u>(11,128)</u> | <u>(9,515)</u> |
| Interest expenses | <u>23,768</u> | <u>36,071</u> |
| Interest income | <u>(899)</u> | <u>(898)</u> |

11. INCOME TAX EXPENSES

| | Unaudited | |
|---------------------------------------|--------------------------|---------------|
| | Six months ended 30 June | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Current tax: | | |
| Current tax on profits for the Period | 35,149 | 47,960 |
| Deferred tax | 49 | — |
| Income tax expenses | <u>35,198</u> | <u>47,960</u> |

There was no Hong Kong profits tax provided for the six months ended 30 June 2017 and for the six months ended 30 June 2016.

In accordance with the “Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax”, new and high technical enterprises are subject to income tax at a tax rate of 15%. The following subsidiaries of the Company have been recognised as new and high technical enterprises in accordance with the applicable Enterprise Income Tax Law (the “EIT Law”) of the People’s Republic of China (the “PRC”) and are subject to income tax at a tax rate of 15% for the respective years.

Tianjin Binda Gas Enterprise Company Limited* (“Tianjin Binda”) (天津濱達燃氣實業有限公司) was recognised as a new and high technical enterprise on 9 December 2016 for 3 years in accordance with the applicable EIT Law of the PRC and is subject to income tax at a tax rate of 15% from 2016 to 2018.

Zhuozhou Binhai Gas Company Limited * (涿州濱海燃氣有限公司) was recognised as a new and high technical enterprise on 21 November 2016 for 3 years in accordance with the applicable EIT Law of the PRC and is subject to income tax at a tax rate of 15% from 2016 to 2018.

Other subsidiaries established in the PRC were subject to income tax at a tax rate of 25% for the six months ended 30 June 2017 (for the six months ended 30 June 2016: 25%).

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

12. DIVIDEND

During the Period, a final dividend of HK\$0.05 per ordinary share in respect of the year ended 31 December 2016 (“2016 Final Dividend”) was recommended by the Board (a final dividend of HK\$0.05 per ordinary share was recommended for the year ended 31 December 2015). The amount of the 2016 Final Dividend paid in the Period amounted to approximately HK\$58,717,400 (six months ended 30 June 2016: approximately HK\$58,717,400).

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

13. EARNINGS PER SHARE

(a) Basic

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

| | Unaudited | |
|--|---------------------------------|----------------------|
| | Six months ended 30 June | |
| | 2017 | 2016 |
| Earnings | | |
| Profit attributable to owners of the Company (HK\$'000) | <u>179,345</u> | <u>78,169</u> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | <u>1,174,348,950</u> | <u>1,174,348,950</u> |

(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. Dilutive potential ordinary shares of the Company are share options. 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 the six months ended 30 June 2017 and for the six months ended 30 June 2016.

* English translation for identification only

14. PROPERTY, PLANT AND EQUIPMENT

| | Unaudited As at 30 June 2017 <i>HK\$'000</i> | Unaudited As at 30 June 2016 <i>HK\$'000</i> |
|----------------------------------|--|--|
| Opening net book amount | 2,833,956 | 2,732,293 |
| Additions | 101,442 | 68,765 |
| Disposal | (2,262) | (165) |
| Depreciation | (45,641) | (41,562) |
| Reversal of impairment charge | 219 | 20 |
| Currency translation differences | 89,959 | (57,768) |
| Closing net book amount | 2,977,673 | 2,701,583 |

Note: Pipelines with a net carrying amount of HK\$409,773,000 (approximately RMB356,379,000) were pledged as security for the related borrowing as at 30 June 2017, details of which are set out in Note 18.

15. TRADE AND OTHER RECEIVABLES

| | Unaudited As at 30 June 2017 <i>HK\$'000</i> | Audited As at 31 December 2016 <i>HK\$'000</i> |
|--|--|--|
| Trade receivables | | |
| — Piped gas sales receivables | 97,073 | 116,163 |
| — Amounts due from customers for contract work | 233,982 | 218,885 |
| <i>Less:</i> allowance for impairment | (41,228) | (41,365) |
| | 289,827 | 293,683 |
| Bills receivables | 12,476 | 22,786 |
| | 302,303 | 316,469 |
| Advances to suppliers | 198,862 | 165,586 |
| <i>Less:</i> allowance for impairment | (75,512) | (73,304) |
| | 123,350 | 92,282 |
| Prepayments and other receivables | 89,373 | 51,577 |
| <i>Less:</i> allowance for impairment | (8,059) | (7,823) |
| | 81,314 | 43,754 |

| | Unaudited | Audited |
|--|-----------------------|-----------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Receivables from related parties (<i>Note 22</i>) | <u>163,041</u> | <u>138,640</u> |
| | 670,008 | 591,145 |
| <i>Less:</i> advance payment for pipeline construction | <u>(2,098)</u> | <u>(2,036)</u> |
| Current portion | <u>667,910</u> | <u>589,109</u> |

Notes:

- (a) The carrying amounts of the Group's trade and other receivables are principally denominated in Renminbi ("RMB").
- (b) The carrying amounts of trade and other receivables approximate their fair values due to their short-term maturities.
- (c) Aging analysis of the trade receivables is as follows:

| | Unaudited | Audited |
|----------------|-----------------------|-----------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| 0 — 90 days | 167,435 | 227,391 |
| 91 — 180 days | 8,320 | 18,937 |
| 181 — 360 days | 79,535 | 22,682 |
| Over 360 days | <u>47,013</u> | <u>47,459</u> |
| | <u>302,303</u> | <u>316,469</u> |

16. SHARE CAPITAL

| | Unaudited | | Audited | |
|---|--|----------------------------|--|----------------------------|
| | As at 30 June 2017 | | As at 31 December 2016 | |
| | Number of shares <i>Thousand</i> | Amounts <i>HK\$'000</i> | Number of shares <i>Thousand</i> | Amounts <i>HK\$'000</i> |
| Ordinary shares of HK\$0.1 each Authorised: | <u>1,500,000</u> | <u>150,000</u> | <u>1,500,000</u> | <u>150,000</u> |
| Issued and fully paid: | <u>1,174,349</u> | <u>117,435</u> | <u>1,174,349</u> | <u>117,435</u> |
| Redeemable preference shares of HK\$50.00 each, issued and fully paid | <u>8,600</u> | <u>430,000</u> | <u>8,600</u> | <u>430,000</u> |
| Issued and fully paid: | | <u>547,435</u> | | <u>547,435</u> |

17. TRADE AND OTHER PAYABLES

| | <i>Notes</i> | Unaudited | Audited |
|---|--------------|---|---|
| | | As at 30 June 2017 <i>HK\$'000</i> | As at 31 December 2016 <i>HK\$'000</i> |
| Trade payables | (a) | 340,141 | 303,498 |
| Advance from customers | | 209,164 | 235,101 |
| Other payables | | 444,914 | 414,407 |
| Bills payables | (a) | 27,654 | — |
| Accrued expenses | | 11,212 | 16,650 |
| Amounts due to related parties (<i>Note 22</i>) | | <u>13,275</u> | <u>13,033</u> |
| | | <u>1,046,360</u> | <u>982,689</u> |

Notes:

(a) The aging analysis of the trade and bill payables based on invoice date is as follows:

| | Unaudited As at 30 June 2017 HK\$'000 | Audited As at 31 December 2016 HK\$'000 |
|----------------|--|--|
| 0 — 90 days | 130,927 | 120,764 |
| 91 — 180 days | 30,138 | 22,648 |
| 181 — 360 days | 63,257 | 39,551 |
| Over 360 days | 143,473 | 120,535 |
| | <u>367,795</u> | <u>303,498</u> |

Bill payables are bank accepted and mature within six months from the issue date.

18. BORROWINGS

| | <i>Notes</i> | Unaudited As at 30 June 2017 HK\$'000 | Audited As at 31 December 2016 HK\$'000 |
|----------------------------|--------------|--|--|
| USD bond | <i>(a)</i> | 1,551,047 | 1,538,899 |
| Bank borrowing — unsecured | <i>(b)</i> | 91,986 | 21,208 |
| Other borrowing — secured | <i>(c)</i> | 359,384 | 229,633 |
| Total | | 2,002,417 | 1,789,740 |
| Less: Current portion | | <u>(1,703,555)</u> | <u>(68,036)</u> |
| Non-current portion | | <u>298,862</u> | <u>1,721,704</u> |

Notes:

(a) USD bond

On 6 May 2015, the Company issued the bonds in the aggregate principal amount of US\$200,000,000 (equivalent to approximately HK\$1,546,740,000). The bonds will mature on 6 May 2018, unless purchased or cancelled by the Company in accordance with the terms and conditions stated in the agreement, and except for the following early redeemed events which are stated in the terms and conditions of the agreement: (i) as a result of any change in the laws or regulations of Hong Kong, Bermuda or the PRC or any political subdivision or any authority thereof having power to tax or any change in the application or official in interpretation of such laws or regulations which change became effective on or after 28 April 2015, which the Company would be required to pay additional tax amounts in respect of the bonds and such obligation cannot be avoided by the Company taking reasonable measures available to it and (ii) at any time

following the occurrence of a change of control of the Company (the “Early Redemption Events”). If the Early Redemption Events occur, the bond holders will have the right to request the Company to redeem the USD bond at 101% of the principal amount. The estimated fair value of the rights on Early Redemption Events was insignificant at initial recognition as at 30 June 2017 and 31 December 2016. The bonds carry 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.

(b) Bank borrowing — unsecured

HK\$57,491,000 of the balance belong to borrowing from China Construction Bank Corporation which is unsecured, carries interest at the rate of 5.44% per annum and is repayable within one year. HK\$34,495,000 of the balance belong to borrowing from China Min Sheng Bank Corporation which is unsecured, carries interest at the rate of 4.75% per annum and is repayable within two years.

(c) Other borrowing — secured

On 29 April 2016, Tianjin Binda entered into an agreement (the “2016 Agreement”) with Bank of Communications Financial Leasing Co., Ltd. (“BoCom Leasing”) pursuant to which the Group drew down RMB230,000,000 (equivalent to approximately HK\$265,344,000) from BoCom Leasing (included in other borrowings) repayable by 20 quarterly installments plus annual interest rate being the RMB benchmark lending rate published by the People’s Bank of China for the same period decreased by 12%. Notwithstanding that the 2016 Agreement took the legal form of a lease, the Group accounted for the 2016 Agreement as collateralised borrowing to reflect the actual substance of the 2016 Agreement.

As collaterals for above financing:

- (i) The Group transferred the ownership title of the second gas pipeline network and ancillary equipment and facilities to BoCom Leasing;
- (ii) The Group placed a security deposit of RMB6,900,000 (equivalent to approximately HK\$7,934,000) with BoCom Leasing;
- (iii) Two wholly-owned subsidiaries of the Company, Binhai Investment (Tianjin) Company Limited (“Binhai Investment Tianjin”) and Tianjin Bintai Energy Development Company Limited (which was acquired by Tianjin Binda in 2016), each executed a guarantee as a guarantor in favor of BoCom Leasing to guarantee all payment obligations of Tianjin Binda under the 2016 Agreement.

Upon discharging all the Group’s obligations under the 2016 Agreement, BoCom Leasing will return the ownership title of the pipelines to the Group for a nominal amount of RMB1.00.

On 29 June 2017, Tianjin Binda entered into an agreement (the “2017 Agreement”) with BoCom Leasing pursuant to which the Group drew down RMB130,000,000 (equivalent to approximately HK\$149,477,000) from BoCom Leasing (included in other borrowings) repayable by 12 quarterly installments plus annual interest rate being the RMB benchmark lending rate published by the People’s Bank of China for the same period increased by 2%. Notwithstanding that the 2017 Agreement took the legal form of a lease, the Group accounted for the 2017 Agreement as collateralised borrowing to reflect the actual substance of the 2017 Agreement.

As collaterals for above financing:

- (i) The Group transferred the ownership title of certain other pipeline network and equipment to BoCom Leasing;
- (ii) The Group placed a security deposit of RMB3,900,000 (equivalent to approximately HK\$4,484,000) with BoCom Leasing;
- (iii) A wholly-owned subsidiary of the Company, Binhai Investment Tianjin executed a guarantee as a guarantor in favor of BoCom Leasing to guarantee all payment obligations of Tianjin Binda under the 2017 Agreement.

Upon discharging all the Group's obligations under the 2017 Agreement, 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.

| | Unaudited As at 30 June 2017 HK\$'000 | Audited As at 31 December 2016 HK\$'000 |
|---|--|--|
| Within one year | 95,017 | 46,828 |
| Within a period of more than one year but not exceeding two years | 100,527 | 48,864 |
| Within a period of more than two years but not exceeding five years | <u>163,840</u> | <u>133,941</u> |
| Total | <u>359,384</u> | <u>229,633</u> |

19. DEFERRED INCOME

| | Unaudited As at 30 June 2017 HK\$'000 | Audited As at 31 December 2016 HK\$'000 |
|--|--|--|
| Government grants | | |
| At the beginning of the Period | 34,490 | — |
| Received during the Period | — | 35,648 |
| Credited to profit or loss | (319) | — |
| Currency translation differences | <u>1,034</u> | <u>(1,158)</u> |
| At the end of the Period | 35,205 | 34,490 |
| Analysed for reporting purpose as: | | |
| Current portion (included in trade and other payables) | 1,184 | 1,150 |
| Non-current portion | <u>34,021</u> | <u>33,340</u> |
| | <u>35,205</u> | <u>34,490</u> |

In 2016, Tianjin Binda, a subsidiary of the Company, received a government subsidy of RMB30,900,000 to subsidize its projects costs related to construction of new gas pipelines for connection to certain heating enterprises in order to promote the usage of more environmental friendly energy. Accordingly, subsidy received is deferred and released to the profit or loss over the estimated useful lives of the relevant gas pipelines constructed.

20. DEFERRED TAX ASSETS

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

| | Government grant RMB'000 |
|----------------------------------|---|
| At 31 December 2016 | 5,174 |
| Credit for the year | (49) |
| Currency translation differences | 156 |
| | <hr/> |
| At 30 June 2017 | <u>5,281</u> |

21. COMMITMENTS

(a) Capital commitments

| | Unaudited As at 30 June 2017 HK\$'000 | Audited As at 31 December 2016 HK\$'000 |
|---|--|--|
| Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided in the consolidated financial statements | <u>73,040</u> | <u>75,362</u> |

(b) Operating leases commitment — Group as lessee

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

| | Unaudited As at 30 June 2017 HK\$'000 | Audited As at 31 December 2016 HK\$'000 |
|---|--|--|
| Within one year | 6,538 | 6,979 |
| In the second to fifth years, inclusive | 6,306 | 9,912 |
| Other five years | 1,503 | 750 |
| | <hr/> | <hr/> |
| | <u>14,347</u> | <u>17,641</u> |

(c) **Operating leases commitment — Group as lessor**

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

| | Unaudited | Audited |
|---|------------------|---------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Within one year | 2,175 | 1,879 |
| In the second to fifth years, inclusive | 4,109 | 4,742 |
| Other five years | 4,846 | 4,890 |
| | <u>11,130</u> | <u>11,511</u> |

22. RELATED PARTY TRANSACTIONS

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

| | Unaudited | |
|--|---------------------------------|----------|
| | Six months ended 30 June | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |

(a) **Transactions with fellow subsidiaries of holding company:**

| | | |
|--|---------|---------|
| Sale of gas to TEDA Gas (<i>Note (i)</i>) | 112,078 | 56,108 |
| Sale of gas to Tianjin Pipe and its associates (<i>Note (i)</i>) | 47,772 | 212,235 |
| Sale of gas to Tianjin Sai-rui Machinery Equipment Company Limited (“Sai Rui”) (<i>Note (i)</i>) | 14,381 | 20,257 |
| Provision of connection service to TEDA Zhongtang (<i>Note (iii)</i>) | 7,846 | — |
| Sale of gas to Tianjin Eco-city (<i>Note (i)</i>) | 5,949 | 2,272 |
| Provision of connection service to TEDA Investment Holding Co., Ltd (“TEDA Investment”) (<i>Note (iv)</i>) | 4,546 | — |
| Sale of gas to Tianjin Eco-city TEDA Thermal Power Co.,Ltd (“Eco-city TEDA Thermal Power”) (<i>Note (i)</i>) | 2,810 | — |
| Sale of gas to Sinopec Binhai Investment (Tianjin) Natural Gas Utilisation (“SBI”) (<i>Note (i)</i>) | 890 | 3,272 |
| Sale of gas to Tianjin TEDA Transportation Hub Operations Management Company Limited (“TEDA Transportation Hub”) (<i>Note (i)</i>) | 762 | 710 |
| Sale of gas to Tianjin YAT-SEN Scientific Industrial Park International Inc (“Tianjin YAT-SEN”) (<i>Note (i)</i>) | 596 | 552 |
| Gas transportation to TEDA gas (<i>Note (ix)</i>) | 582 | — |

| | Unaudited | |
|--|---------------------------------|-----------------------|
| | Six months ended 30 June | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| Rental income from SBI (<i>Note (ii)</i>) | 557 | 197 |
| Sale of gas to Tianjin Xing Cheng (<i>Note (i)</i>) | 49 | 49 |
| Sale of gas to Thriving Future Property Management Co., Ltd. (“Thriving Future Property”) (<i>Note (i)</i>) | 39 | — |
| Sale of gas to Tianjin TEDA Zhongtang Investment & Development Co., Ltd (“TEDA Zhongtang”) (<i>Note (i)</i>) | 13 | 47 |
| Provision of connection service to Tianjin Xing Cheng Investment Development Co., Ltd. (“Tianjin Xingcheng”) (<i>Note (iii)</i>) | — | 264 |
| Construction supervision service from Tianjin Eco-City Environmental Technology Consulting Co., Ltd. (“Eco-City Environmental”) (<i>Note (viii)</i>) | (79) | — |
| Insurance premium paid to Bohai Property Insurance Company Limited (“Bohai”) (<i>Note (vi)</i>) | (1,703) | (2,202) |
| Purchase gas from Tianjin Binhai Tourist Area Gas Investment Development Co.,Ltd (“Binhai Tourist Area Gas”) (<i>Note (vii)</i>) | (3,314) | — |
| Purchase of steel pipe materials from TPCO & TISCO Welding Pipe Corporation Co., Ltd. (“Tianguan Taigang”) (<i>Note (v)</i>) | (7,684) | (1,181) |
| | <u>(7,684)</u> | <u>(1,181)</u> |

Notes:

- (i) The Group supplied gas to related parties via its pipe network at a price regulated by the State Government and the Tianjin Municipal Government.
- (ii) The Group leased its own equipment to SBI.
- (iii) The Group was engaged to provide the connection services to related parties located in Tianjin.
- (iv) The Group was engaged to provide the connection services to ultimate holding company located in Tianjin.
- (v) The Group entered into the Steel Pipes Agreement Tianguan Taigang for the supply of steel pipe materials by Tianguan Taigang.
- (vi) The Group entered into insurance arrangement with Bohai as insurer, pursuant to which Bohai will provide insurance coverage to various subsidiaries of the Group.
- (vii) The Group purchased gas from Binhai Tourist Area Gas.
- (viii) The Group purchased supervision services of construction from Eco-City Environmental.
- (ix) The Group provided gas transportation to TEDA gas.

| | Unaudited | Audited |
|---|---------------------------------|--------------------|
| | as at | as at |
| | 30 June | 31 December |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| (b) Balances with related parties | | |
| Account receivable from Tianjin Pipe and its associates | 117,668 | 76,128 |
| Account receivable from TEDA Zhongtang | 17,685 | 8,580 |
| Account receivable from TEDA Gas | 9,834 | 19,155 |
| Account receivable from Sai Rui | 9,495 | 11,181 |
| Account receivable from Tianjin Xingcheng | 6,010 | 8,445 |
| Account receivable from Tianjin Eco-City | 980 | 380 |
| Account receivable from Tianjin YAT-SEN | 951 | 508 |
| Account receivable from SBI | 394 | 474 |
| Advance to Binhai Tourist Area Gas | 23 | 2,743 |
| Account receivable from Thriving Future Property | 1 | 15 |
| Advance to Tianguan Taigang | — | 8,767 |
| Account receivable from TEDA Investment | — | 1,833 |
| Account receivable from TEDA Urban Development | — | 431 |
| | <u>163,041</u> | <u>138,640</u> |
| Account advance received from Eco-City TEDA Thermal Power | — | (523) |
| Account advance received from TEDA Transportation Hub | (67) | (295) |
| Account payable to Tianguan Taigang | (94) | — |
| Account payable to Tianjin Development Zone Engineering Supervision Company | (207) | (335) |
| Account advance received from Tianjin Rail Transit Group Engineering Construction Co., Ltd. | (288) | (279) |
| Account payable to SBI | (5,160) | (5,928) |
| Account payable to TEDA Property | (7,459) | (5,673) |
| | <u>(13,275)</u> | <u>(13,033)</u> |
| | Unaudited | |
| | Six months ended 30 June | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| (c) Key management compensation: | | |
| Fees | (1,428) | (1,428) |
| Salaries, share options and other allowances | (3,033) | (7,382) |
| Pension costs | (192) | (99) |
| | <u>(1,428)</u> | <u>(7,382)</u> |

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

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

Other than those mentioned above in Notes (a) and (b) above and the issuance of Redemption Preference Shares mentioned in Note 16, the majority of the Group’s bank balances and cash and borrowings as at 30 June 2017 were deposited with state-controlled banks or borrowed from state-controlled financial institutions.

23. ASSET HELD FOR SALE

| | Unaudited | Audited |
|--|-----------------------|-----------------------|
| | As at | As at |
| | 30 June | 31 December |
| | 2017 | 2016 |
| | HK\$’000 | HK\$’000 |
| Property under development | | |
| Land use rights | 17,458 | 16,947 |
| Construction costs and capitalised expenditure | <u>112,823</u> | <u>109,525</u> |
| | <u>130,281</u> | <u>126,472</u> |

Note: The property under development is located in Tianjin Airport Economic Area in Binhai New Area, the PRC which is land held under land use rights for commercial use for a term of 40 years from 31 December 2009. On 25 June 2012, as approved by the Board, the Group planned to dispose of the property under development, which was measured using cost method prior to classification to assets held for sale. As at 31 December 2015, the sale was considered highly probable as the Company identified a potential buyer. However, the purchase transaction was not completed in 2016 as the potential buyer had internal restructuring and did not pursue the purchase transaction further.

During the year of 2016, the Directors were still committed to selling the property under development and considered that the disposal remained highly probable. Accordingly, the Directors considered that the completion of sales was highly probable within one year and it was appropriate that the property under development continued to be classified as held-for-sales in the consolidated statement of financial position as at 31 December 2016.

During the Period, the Group still actively pushed forward the disposal and had identified potential buyers, the disposal thus remains highly probable. The Directors therefore consider that it is highly probable that the disposal will be completed within one year and that it is appropriate that the property under development continued to be classified as held-for-sales in the condensed consolidated statement of financial position as at 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Connection Services

The Group constructs gas pipelines for its clients and connects their pipelines to the Group's main gas pipeline networks, and receives connection service fees from industrial and commercial customers, property developers and property management agents. As at 30 June 2017, the Group's total gas pipeline network was approximately 2,199 kilometers, representing an increase of 70 kilometers of the pipeline network from 2,129 kilometers as at 31 December 2016. During the Period, the connection service fees amounted to HK\$247,823,000, representing an increase of HK\$56,642,000 or 30% as compared with HK\$191,181,000 for the corresponding period last year.

Piped Gas Sales

During the Period, consumption of piped gas by residential and industrial customers amounted to approximately $2,252 \times 10^6$ and $8,874 \times 10^6$ mega-joules respectively, as compared with $1,914 \times 10^6$ and $8,907 \times 10^6$ mega-joules respectively for the corresponding period last year. For the Period, the piped gas sales income of the Group amounted to HK\$903,242,000, representing an increase of HK\$24,157,000 or 3% as compared with HK\$879,085,000 for the corresponding period last year. The increase in piped gas sales income is mainly due to the increase in natural gas sales volume.

Property Development

As at 30 June 2017, the Group held a piece of land under development of approximately 15,899.6 square meters located to the east of Central West Road, west of Central Road, north of Xi San Road and south of Xi Er Road in the Tianjin Airport Economic Area in the Binhai New Area of the PRC, under land use rights for commercial use for a term of 40 years from 31 December 2009.

In view of the incompatibility of real estate business with the Group's current strategic direction which focuses on the development of the gas business, the Group plans to dispose of the above property under development. The management emphasized the decision of the disposal of the real estate, and has appointed professional staff to actively contact agents and potential buyers and has made positive progress in the negotiation. It is estimated that the real estate will be sold within one year under the situation of the brisk real estate market around Tianjin Airport Economic Area.

Gas Transportation

The Group transports gases for clients through gas pipeline networks and charges transportation fees. During the Period, the volume of gases transported by the Group for its clients amounted to 68,694,839 square meters and gas transportation income amounted to HK\$6,987,000. There was no such business in the corresponding period last year.

Prospects

As stated in the “Opinions on Accelerating the Use of Natural Gas” issued by the National Development and Reform Commission of the PRC in July 2017 (the “Opinions”), natural gas will gradually be developed to become one of the main sources of energy in the modern clean energy system of PRC, and will strive for its proportion in one-time energy consumption to reach approximately 10% by 2020. The proportion of natural gas in one-time energy consumption will be endeavored to be raised to approximately 15% by 2030, and promoting clean heating in winters in Northern regions and speeding up the development of natural gas vehicles and vessels are focused on.

In relation to the enhancement of the pricing mechanism of natural gas, the Opinions urge the promotion of the marketisation process of natural gas price for non-residential usage and improvement of the price-fixing mechanism for residential usage. Local governments are encouraged to allocate financial support in line with their local conditions. The development of projects including natural gas pipeline, town gas pipeline network, storage and peak-shaving facilities, replacement of coal with gas and distributed natural gas are also promoted.

In relation to the reform of natural gas system, the Opinions propose the extension of financing channels, strengthening of financial services for private investment and active promotion of public-private partnership (PPP) in order to attract social capital to invest in, construct and operate natural gas infrastructures. It was also stated that pilot and demonstration will be launched.

As seen from the above, the natural gas industry in the PRC is flourishing and has huge potential for development. The Company being based in Binhai New Area and while taking advantage of the Beijing-Tianjin-Hebei integration, will certainly eye on the national layout at the same time, participate actively in the tide of PRC’s natural gas industry reform, grasp the opportunities to develop while consolidating existing markets, expand the scope of business and improve the Group’s size and scale so as to achieve win-win results, in order to create greater returns for the society and the shareholders, employees and the other stakeholders of the Company.

Financial Review

Gross Profit Margin

For the Period, the gross profit of the Group was HK\$245,265,000 (for the six months ended 30 June 2016: HK\$258,501,000) and the gross profit margin for the Group was 21.1% (for the six months ended 30 June 2016: 24.0%).

During the Period, the gas sales volume under the Group's coal-to-fuel project increased substantially, which led to an increase in the Group's profit. However, since the gas sales price under such project was slightly lower than that charged to most of the other industrial clients, the gross profit margin had decreased.

Administrative Expenses

Administrative expenses of the Group for the Period were HK\$70,717,000, representing a decrease of HK\$2,317,000 or 3% as compared to HK\$73,034,000 for the corresponding period last year. The reduction in administrative expenses is mainly due to the lower management costs resulting from the Group's efforts to control its expenses.

Profit attributable to owners of the Company

The profit attributable to owners of the Company was approximately HK\$179,345,000 for the Period, representing an increase of HK\$101,176,000 or 129% as compared to HK\$78,169,000 for the corresponding period last year. Such significant increase was mainly due to (i) increase in foreign exchange gain resulting from the appreciation of Renminbi; (ii) reduced finance costs and (iii) less income tax expenses owing to the granting of preferential tax treatment to the Company's subsidiaries operating in Tianjin and Zhuozhou.

Basic earnings per share of the Company for the Period were HK15.27 cents, representing an increase of HK8.61 cents as compared to HK6.66 cents for the corresponding period last year.

Liquidity and financial resources

As at 30 June 2017, the total borrowings of the Group were HK\$2,002,417,000 (as at 31 December 2016: HK\$1,789,740,000) and the cash and bank deposit of the Group was HK\$443,227,000 (as at 31 December 2016: HK\$332,012,000), including cash and cash equivalents of HK\$406,661,000 and pledged bank deposits of HK\$36,566,000. As at 30 June 2017, the Group had consolidated current assets of HK\$1,335,397,000 and its current ratio was 0.48. As at 30 June 2017, the Group had a gearing ratio of approximately 146%, measured by the ratio of total consolidated borrowings of HK\$2,002,417,000 to total equity of HK\$1,367,907,000.

Borrowings Structure

As at 30 June 2017, the total borrowings of the Group amounted to HK\$2,002,417,000 (as at 31 December 2016: HK\$1,789,740,000). Unsecured borrowings from PRC banks were denominated in RMB, carrying interest at the rate of 4.75% and 5.44% per annum. Unsecured bonds of US Dollars 200,000,000 were issued at 100% of the issue price, bearing interest at a rate of 3.25%. Other secured borrowings include borrowings with principal amounts of RMB230,000,000 and RMB130,000,000 respectively with the annual interest rate being 12% less than the RMB benchmark lending rate published by the People's Bank of China for the same period and with the annual interest rate being 2% more than the RMB benchmark lending rate published by the People's Bank of China for the same period. As at 30 June 2017, short-term borrowings and current portion of long-term borrowings amounted to HK\$1,703,555,000, while the remainder were long-term borrowings falling due after one year or above.

Directors' opinion on sufficiency of working capital

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

Exposure to risks created by exchange rate fluctuations

The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the Group's respective entities. Part of the bank balances and bank borrowings are denominated in HK Dollars and US Dollars which expose the Group to foreign currency exchange risk. For the six months ended 30 June 2017, net unrealized foreign gain for the financing activities was HK\$47,365,000. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange risks and will consider hedging significant foreign currency exposure should the need arise.

Charge over the Group's assets

As at 30 June 2017, the Group had pledged bank deposits of HK\$36,566,000 (as at 31 December 2016: HK\$8,651,000).

Apart from the above, pipelines with a net carrying amount of HK\$410 million (approximately RMB 356 million) were pledged as security for the related borrowing as at 30 June 2017.

Final Dividend

Based on the annual profit of the Company for the year ended 31 December 2016 and taking into account the financial position of the Company, the Board recommended a final dividend of HK\$0.05 per ordinary share for the year ended 31 December 2016 (“2016 Final Dividend”) (a final dividend of HK\$0.05 per ordinary share was recommended for the year ended 31 December 2015). The 2016 Final Dividend was approved by the holders of ordinary shares at the annual general meeting of the Company (the “AGM”) held on 5 May 2017, and was paid on 30 June 2017. The actual amount of the 2016 Final Dividend paid was approximately HK\$58,717,400.

Interim Dividend

The Board does not declare any interim dividend for the Period (2016: Nil).

Significant acquisition and disposals

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

Contingent Liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 30 June 2017, the Group had 1,531 employees (as at 31 December 2016: 1,521). For the Period, the salaries and wages of the employees was HK\$73,681,000 (for the six months ended 30 June 2016: HK\$70,574,000) and among these, HK\$7.6 million was recorded as research and development expenses (for the six months ended 30 June 2016: HK\$4 million).

AUDIT COMMITTEE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as referred to in the Model Code for Securities Transactions by Directors of Listed Issues (the “Model Code”) as set out in Appendix 10 to the Main Board Listing Rules. Trading of securities by Directors shall be approved by the chairman of the Board and shall be entered into in accordance with the time frame and the number of securities approved.

All Directors have confirmed, following specific enquiries by the Company, that they had complied with the required standard of dealings as set out in the Model Code and the Company’s Code of Conduct during the Period.

CORPORATE GOVERNANCE CODE COMPLIANCE

During the Period, the Company had complied with the code provisions set out in the Corporate Governance Code set out in Appendix 14 to the Main Board Listing Rules.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Period.

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

Hong Kong, 18 August 2017

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