濱 海 投 資 有 限 公 司
BINHAI INVESTMENT COMPANY LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 2886)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

Year ended 31 December

	2017	2016	Changes
	HK$'000	*HK$'000*	*Percentage*
Revenue	**2,745,687**	2,145,194	28%
Gross profit	**572,329**	540,392	6%
Profit for the year	**223,886**	177,603	26%
Profit for the year attribute to owners of the Company during the year	**221,421**	172,226	29%
	HK cents	*HK cents*	*Percentage*
Earnings per ordinary share			
— Basic	**18.9**	14.7	28%
— Diluted	**18.9**	14.7	28%
	Percentage	*Percentage*	*Percentage point*
Gross profit margin *(Note 1)*	**21%**	25%	-4
Profit margin for the year *(Note 1)*	**8%**	8%	—

As at 31 December

	2017	2016	Changes
	HK$'000	*HK$'000*	*Percentage*
Current assets	**4,150,963**	1,091,716	280%
Total assets	**7,875,998**	4,071,674	93%
Total equity	**1,461,840**	1,221,861	20%
Current liabilities	**3,674,767**	1,094,769	236%
Total liabilities	**6,414,158**	2,849,813	125%

	Percentage	*Percentage*	*Percentage point*
Average finance costs *(Note 1)*	**4.1%**	3.5%	0.6
Return on average equity *(Note 1)*	**17%**	15%	2

Note:

1. 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

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors", individually a "Director") of Binhai Investment Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (thereafter collectively referred to as the "Group") for the year ended 31 December 2017, together with the audited comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*3*	**2,745,687**	2,145,194
Cost of sales and services		**(2,173,358)**	(1,604,802)
Gross profit	*3*	**572,329**	540,392
Other income	*4*	**18,373**	18,773
Other gains and losses	*5*	**(28,558)**	(79,376)
General and administrative expenses		**(195,146)**	(156,421)
Interest income	*6*	**6,249**	3,293
Interest expenses	*6*	**(75,663)**	(66,170)
Share of profit of an associate		**4,772**	3,228
Share of losses of joint ventures		**(3,192)**	(3,091)
Profit before tax	*7*	**299,164**	260,628
Income tax expense	*8*	**(75,278)**	(83,025)
Profit for the year		**223,886**	177,603
Profit for the year attributable to:			
— Owners of the Company		**221,421**	172,226
— Non-controlling interests		**2,465**	5,377
		223,886	177,603
Earnings per ordinary share			
— Basic (HK cents)	*10*	**18.9**	14.7
— Diluted (HK cents)	*10*	**18.9**	14.7

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Comprehensive income		
Profit for the year	**223,886**	177,603
Other comprehensive income (expenses)		
Item that will not be reclassified subsequently to profit or loss:		
Currency translation differences	**82,093**	(76,062)
Total comprehensive income for the year	**305,979**	101,541
Attributable to:		
— Owners of the Company	**300,639**	98,748
— Non-controlling interests	**5,340**	2,793
Total comprehensive income for the year	**305,979**	101,541

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current Assets			
Prepaid lease payments		**139,782**	66,033
Property, plant and equipment		**3,463,525**	2,833,956
Investment properties		**7,930**	—
Intangible assets		**14,741**	13,047
Interest in an associate		**29,693**	23,001
Interests in joint ventures		**25,501**	29,009
Advance payment for pipeline construction	*11*	**25,517**	2,036
Pledged deposit		**12,967**	7,702
Deferred tax assets		**5,379**	5,174
		3,725,035	2,979,958
Current Assets			
Inventories		**86,049**	44,123
Trade and other receivables	*11*	**740,832**	540,378
Amounts due from customers for contract works		**52,310**	48,731
Pledged bank deposit		**11,116**	8,651
Bank balances and cash		**3,260,656**	323,361
		4,150,963	965,244
Assets held for sale	*12*	**—**	126,472
		4,150,963	1,091,716
Total Assets		**7,875,998**	4,071,674
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital			
— Ordinary shares		**117,435**	117,435
— Redeemable preferences shares		**430,000**	430,000
Share premium		**157,522**	157,522
Other reserves		**(93,052)**	(199,802)
Retained earnings		**816,701**	681,529
Equity attributable to owners of the Company		**1,428,606**	1,186,684
Non-controlling interests		**33,234**	35,177
Total Equity		**1,461,840**	1,221,861

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current Liabilities			
Borrowings	15	**2,704,765**	1,721,704
Deferred income	13	**34,626**	33,340
		2,739,391	1,755,044
Current Liabilities			
Amounts due to customers for contract works		**35,579**	35,189
Trade and bills payables and other payables	14	**1,454,518**	947,500
Tax liabilities		**64,356**	44,044
Borrowings	15	**2,120,314**	68,036
		3,674,767	1,094,769
Net Current Assets (Liabilities)		**476,196**	(3,053)
Total Assets less Current Liabilities		**4,201,231**	2,976,905
Total Liabilities		**6,414,158**	2,849,813
Total Equity and Liabilities		**7,875,998**	4,071,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION

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

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

For the purpose of these consolidated financial statements, the directors 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$"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the 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.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

3. SEGMENT INFORMATION

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

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

Note: In 2017, the contribution of pipeline transportation business to the results of the Group was significant and hence it was considered as a separate major line of business. As the business was insignificant during 2016, the amount of pipeline transportation income was presented as other income in the consolidated statement of profit or loss as at 31 December 2016.

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

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

All of the Group's revenue is generated in the People's Republic of China ("PRC") (place of domicile of the Group entities that derive revenue). Revenue of piped gas sales from Tianjin Pipe Group Corporation ("Tianjin Pipe") and its subsidiaries contributed HK$85,452,000 which represented 3% (2016: HK$318,643,000, which represented 15%) of the total revenue of the Group. There was no other individual customer of the Group which contributed sales of over 10% of the Group's total revenue for the years ended 31 December 2017 and 2016.

Year ended 31 December 2017

	Sales of piped gas *HK$'000*	Gas connection service income *HK$'000*	Pipeline transportation income *HK$'000*	Bottled gas sales *HK$'000*	Total *HK$'000*
Revenue					
— Tianjin Pipe and its subsidiaries	**85,452**	**—**	**—**	**—**	**85,452**
— Other customers	**1,919,193**	**691,015**	**33,428**	**16,599**	**2,660,235**
Revenue from external customers	**2,004,645**	**691,015**	**33,428**	**16,599**	**2,745,687**
Segment results	**187,053**	**356,343**	**25,471**	**3,462**	**572,329**
Other income					**18,373**
Other gains and losses					**(28,558)**
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 gas *HK$'000*	Gas connection service income *HK$'000*	Pipeline transportation income *HK$'000*	Bottled gas sales *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the segment results						
Depreciation	**89,677**	**732**	**7,946**	**269**	**5,922**	**104,546**
Amortisation of prepaid lease payments	**1,136**	**397**	**19**	**9**	**304**	**1,865**
Amortisation of intangible assets	**475**	**—**	**—**	**—**	**—**	**475**
Recognised impairment losses on property, plant and equipment	**34,140**	**—**	**—**	**—**	**—**	**34,140**

Year ended 31 December 2016

	Sales of piped gas *HK$'000*	Gas connection service income *HK$'000*	Bottled gas sales *HK$'000*	Total *HK$'000*
Revenue				
— Tianjin Pipe and its subsidiaries	318,643	—	—	318,643
— Other customers	1,353,099	459,759	13,693	1,826,551
Revenue from external customers	1,671,742	459,759	13,693	2,145,194
Segment results	219,657	316,782	3,953	540,392
Other income				18,773
Other gains and losses				(79,376)
General and administrative expenses				(156,421)
Interest income				3,293
Interest expenses				(66,170)
Share of profit of an associate				3,228
Share of losses of joint ventures				(3,091)
Profit before tax				260,628

Other segment information

	Sales of piped gas *HK$'000*	Gas connection service income *HK$'000*	Bottled gas sales *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the segment results					
Depreciation	77,123	352	82	4,411	81,968
Amortisation of prepaid lease payments	1,096	57	8	984	2,145
Amortisation of intangible assets	82	—	—	—	82
Reversal impairment losses on property, plant and equipment	(18,710)	—	—	—	(18,710)

4. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Compensation	**10,467**	3,742
Assembling services	**7,357**	8,216
Rental income	**549**	1,877
Pipeline transportation income	**—**	4,938
	18,373	18,773

5. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Fair value gain on:		
— Derivative component of convertible bonds	**—**	9,793
— Redemption of wealth management products purchased from financial institutions	**—**	442
Impairment loss recognised in respect of property, plant and equipment	**(34,140)**	—
Impairment loss recognised in respect of investment in a joint venture	**(2,302)**	—
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments	**(2,293)**	2,296
Reversal of impairment of property, plant and equipment	**—**	18,710
Allowance for impairment of trade and other receivables	**(113,866)**	(10,774)
Reversal of impairment of trade and other receivables	**4,148**	12,228
Net foreign exchange gain (loss)	**113,526**	(115,235)
Government grant	**3,185**	—
Others	**3,184**	3,164
	(28,558)	(79,376)

6. INTEREST INCOME AND EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Interest income	**6,249**	3,293
Interest on USD bond	**(64,578)**	(54,808)
Interest on bank and other borrowings	**(23,943)**	(8,354)
Interest on convertible bonds	**—**	(19,765)
	(88,521)	(82,927)
Less: Amounts capitalised as part of the cost of property, plant and equipment *(Note)*	**12,858**	16,757
Interest expenses	**(75,663)**	(66,170)

Note: Amount included interest expenses from general borrowings capitalised at a rate of 3.57% (2016: 4.20%).

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2017	2016
	HK$'000	*HK$'000*
Cost of gas purchased	**1,656,785**	1,298,437
Staff costs including directors' and supervisors' remuneration *(Note)*		
— Salaries, allowances and benefits in kind	**102,002**	94,724
— Retirement benefits	**2,214**	2,172
— Other welfares	**41,488**	40,703
	145,704	137,599
Depreciation of property, plant and equipment		
— Cost of sales	**98,624**	77,557
— General and administrative expenses	**5,922**	4,411
	104,546	81,968
Amortisation of prepaid lease payments	**1,865**	2,145
Amortisation of intangible assets	**475**	82
Auditor's remuneration	**3,239**	3,057
Operating lease expense in respect of rented premises	**6,830**	8,141
Research and development expenses	**59,873**	35,839

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 2017, staff cost included in general and administrative expenses amounted to HK$76,747,000 (2016: HK$75,791,000).

8. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Current tax on profits for the year	**75,099**	88,199
Deferred tax	**179**	(5,174)
Income tax expense	**75,278**	83,025

There was no Hong Kong profit tax provided for the year ended 31 December 2017 and 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 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 2017. (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.

* *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:

	2017	2016
	HK$'000	*HK$'000*
Profit before tax	**299,164**	260,628
Tax at the domestic income tax rate of 25%	**74,791**	65,157
Tax effect of preferential tax rates on income of certain subsidiaries	**(19,417)**	(17,034)
Tax effect of income tax deduction granted to subsidiaries in research and development expenditures	**(5,339)**	(4,480)
Tax effect of share of profit of an associate	**(1,193)**	(807)
Tax effect of share of losses of joint ventures	**798**	773
Tax effect of expenses not deductible for the tax purpose	**12,590**	31,494
Tax effect of income not taxable for the tax purpose	**(28,467)**	(2,448)
Tax effect of deductible temporary difference not recognised	**36,540**	(4,678)
Tax effect of tax losses not recognised	**7,817**	16,474
Utilisation of tax losses previously not recognised	**(2,842)**	(1,634)
Others	**—**	208
Income tax expenses for the year	**75,278**	83,025

9. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year — Final dividend for 2016 paid of HK$0.05 (2016: final dividend for 2015 paid of HK$0.05) per share on 16 June 2017 (2016: 14 June 2016)	**58,717**	58,717

Subsequent to the end of reporting period, a dividend in respect of the year ended 31 December 2017 of HK$0.055 per ordinary share is proposed by the Directors in March 2018. 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.

10. EARNINGS PER ORDINARY SHARE

(a) Basic

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**221,421**	172,226
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 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 2017 and 2016.

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of diluted earnings per share	**221,421**	172,226
Number of shares		
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,174,348,950**	1,174,348,950

Note: The convertible bonds of the Company became due and had been redeemed in August 2016. The computation of diluted earnings per share for the year ended 31 December 2016 did not assume the conversion of the Company's outstanding convertible bond because the assumed conversion would result in an increase in earnings per share.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables		
— Piped gas sales receivables	**129,962**	116,163
— Gas connection service income receivables	**247,592**	170,154
— Pipeline transportation income receivables	**12,724**	—
Less: allowance for impairment	**(71,538)**	(41,365)
	318,740	244,952
Bills receivables	**14,845**	22,786
	333,585	267,738
Receivables from related parties		
— Piped gas sales receivables	**180,639**	117,805
— Gas connection service income receivables	**27,036**	20,835
Less: allowance for impairment	**(83,639)**	—
	124,036	138,640
Other receivables	**101,120**	51,577
Less: allowance for impairment	**(8,412)**	(7,823)
	92,708	43,754
Advances to suppliers	**297,550**	165,586
Less: allowance for impairment	**(81,530)**	(73,304)
	216,020	92,282
Less: advance payment for pipeline construction	**(25,517)**	(2,036)
	190,503	90,246
Current portion	**740,832**	540,378

Notes:

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

(b) The Group has a policy of allowing a credit period of 90 days for piped gas sales customers and pipeline transportation income, whereas longer credit terms of 91-180 days after the completion of relevant stage of contract work for gas connection services income are allowed to certain selected customers with good repayment histories or settled by bills. The ageing analysis of trade and bills receivables net of allowance presented based on the revenue recognition date are as follows:

	2017	2016
	HK$'000	*HK$'000*
0-90 days	**217,871**	178,660
91-180 days	**26,249**	18,937
181-365 days	**16,181**	22,682
Over 365 days	**73,284**	47,459
	333,585	267,738

12. ASSETS HELD FOR SALE

	2017	2016
	HK$'000	*HK$'000*
Property under development		
— prepaid lease payments	—	16,947
— construction costs	—	109,525
	—	126,472

Note: Property under development is located in Tianjin Airport Economic Area in Binhai New Area, the PRC and is located on a land held under land use rights for commercial use for a term of 40 years from 31 December 2009. As approved by the Board, the Group planned to dispose the property under development, which was measured at cost less impairment prior to classify as assets held for sale.

On 31 August 2017, the sale transaction ceased as the potential buyer underwent internal restructuring. The Directors consider that the possibility of this asset to be sold within next 12 months is low and decide to classify 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.

13. DEFERRED INCOME

	2017	2016
	HK$'000	*HK$'000*
Government grants:		
As at 1 January	**34,490**	—
Received during the year	**—**	35,648
Credited to profit	**(1,192)**	—
Currency translation differences	**2,564**	(1,158)
As at 31 December	**35,862**	34,490

	2017	2016
	HK$'000	*HK$'000*
Analysed for reporting purpose as:		
Current portion (included in trade and bills payables and other payables)	**1,236**	1,150
Non-current portion	**34,626**	33,340
	35,862	34,490

During the year ended 2016, TEDA Energy, a subsidiary of the Group, received a government subsidy of RMB30,900,000 (equivalent to HK$35,648,000) to subsidise its projects costs related to construction of new gas pipelines for connection to certain heating enterprises in order to promote the usage of more 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. The construction was completed in 2017.

14. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade and bills payables	**487,131**	303,498
Advance from customers	**368,411**	199,912
Other payables	**504,847**	414,407
Accrued expenses	**9,098**	6,500
Interest payables	**31,646**	10,150
Amounts due to related parties	**53,385**	13,033
	1,454,518	947,500

Note:

At 31 December 2017, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	2017	2016
	HK$'000	*HK$'000*
0-90 days	**268,626**	120,764
91-180 days	**35,298**	22,648
181-365 days	**45,190**	39,551
Over 365 days	**138,017**	120,535
	487,131	303,498

15. BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
USD bond *(Note)*	**3,879,706**	1,538,899
Bank borrowing — unsecured	**156,081**	21,208
Bank borrowing — secured	**462,240**	—
Other borrowing — secured	**327,052**	229,633
Total	**4,825,079**	1,789,740
Less: Current portion	**(2,120,314)**	(68,036)
Non-current portion	**2,704,765**	1,721,704

Note: **USD bond**

On 6 May 2015, the Company issued the bonds in the aggregate principal amount of US$200,000,000 (equivalent to HK$1,556,500,000). The bonds will mature on 6 May 2018, unless the Company purchased and cancelled in accordance with the terms and conditions stated in the agreement ("Early Redemption Events"). When the Early Redemption Events occurred, the bond holder has the right to request the Company to redeem the USD bond at 101% of the principal amount. The estimated fair value of the rights on Early Redemption Events is insignificant at initial recognition as at 31 December 2016 and 2017. 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.

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

PERFORMANCE REVIEW

In 2017, the annual consumption of natural gas in the PRC was 235.2 billion cubic meters, representing a year-on-year increase of 34 billion cubic meters, marking a record high in the consumption growth of natural gas in China, supported by the steadily growing macroeconomy and the "coal to gas conversion" environmental policy at the industrial and residential levels and other favorable factors in China. In the Bohai Sea Region where the Company's operations are principally located, the growth of natural gas consumption outpaced the overall increase with a year-on-year growth of 21.2%, mainly attributable to increases from residential use, heating and industrial "coal to gas conversion". In face of the relatively severe shortage in the natural gas supply in the northern China and high natural gas prices over the heating season under the remarkable increase in natural gas consumption in 2017, the Group has taken proactive measures and effectively deployed its resources to secure the continuously stable and safe natural gas supply in its regions of presence.

With the objective of consolidating its foundations in order to promote expedited development, the Group engaged the following major steps in 2017:

The Protection of Gas Sources:

On 16 October 2017, the National Development and Reform Commission (國家發展改革委員會)'s Notice on Preparation for Peak Consumption of Natural Gas in the Winter in 2017 (Fa Gai Yun Xing [2017] No.1813)* (關於做好2017年天然氣迎峰度冬工作的通知(發改運行[2017]1813號)) proposed "speeding up the procedures for working on and connecting the Binda Gas Pipelines* (濱達燃氣管線) (the "Pipeline Project") between the Lingang Distribution Station* (臨港分輸站) of LNG receiver station of CNOOC Tianjin Company and PetroChina Tianjin Dagangmen Station* (中石油天津大港門站)". The Pipeline Project, a pipeline network owned by the Group, commenced operations on 6 December 2017. The operations of the Pipeline Project not only generated pipeline transmission income for the Group, improved the value of the pipeline resources of the Group; but also through the pipeline network of the Group achieved the connection of pipelines between CNOOC Gas & Power Group Limited and PetroChina Company Limited for the first time, effectively increasing the protection of gas supply in the northern part of China particularly the Tianjin area, and alleviating the lack of clean heat supply in the winter in the Beijing-Tianjin-Hebei area.

- **Business Development:**

In 2017, the Company was proactive in its foray into new areas, new markets and new clients in an endeavor to gather momentum for the Company's continuous development. In addition to expanding certain new concession areas in Zhuozhou City of Hebei province and Deqing County of Zhejiang province, the Company tapped into new markets of gas-fired power plants among other fields as well as acquired significant new clients such as FAW Volkswagen Base. Such milestones include:

1. In December 2017, TEDA Energy, a wholly-owned subsidiary of the Company, entered into the Natural Gas Entrusted Pipeline Transmission Four-party Agreement (the "Agreement") with Tianjin Natural Gas Sales Company of PetroChina Company Limited* (中國石油天然氣股份有限公司天然氣銷售天津分公司) ("PetroChina Tianjin Company"), PetroChina Dagang Oil Fields Natural Gas Company* (中國石油大港油田天然氣公司) ("PetroChina Dagang Company", and together with TEDA Energy, the "Transmitting Companies") and Tianjin Huadian Nanjiang Thermal Power Company Limited* (天津華電南疆熱電有限公司) ("Tianjin Nanjiang"). The validity period of the Agreement is one year. The entering into of the Agreement is favorable for furthering the development of the Group's pipeline transmission business, increasing the Group's pipeline transmission income and earnings as well as enhancing the usage rate of the Group's pipelines.

2. In April 2017, "TEDA Energy" entered into an agreement (the "HMIP Gas Supply Agreement") with Tianjin Binhai Heavy Machinery Industrial Park Heat Supply Co., Ltd.* (天津市濱海重機工業園供熱有限公司) (the "Heat Supply Co") in relation to the supply of natural gas by TEDA Energy for the purpose of the "Binhai Heavy Machinery Industrial Park Industrial Boilers — Replacement of Coal by Gas Project" (the "HMIP Replacement Project"); and an agreement (the "HMIP Ancillary Gas Facilities Construction Agreement") with Heat Supply Co in relation to the construction of ancillary gas facilities by TEDA Energy for Heat Supply Co., pursuant to which natural gas would be supplied to the site of the HMIP Replacement Project by way of pipeline transmission for a term of three years ranging from September 2017 to September 2020.

3. In March 2017, "TEDA Energy" entered into an agreement (the "CITIC Guoan Project Gas Supply Agreement") with Tianjin Guoan MGL New Energy Technology Co., Ltd.* (天津國安盟固利新能源有限公司) ("Tianjin Guoan MGL") in relation to the supply of natural gas by "TEDA Energy" for the purpose of the "CITIC Guoan 300 Million Milliamperes Lithium Battery Project" located in the west expansion area of Tianjin Baodi District Jiuyuan Industrial Park (the "CITIC Guoan Project"), pursuant to which natural gas would be supplied to the site where CITIC Guoan Project operates by ways of pipeline transmission for a term of three years commencing in July 2017.

- **Finance and Taxation Management:**

1. In November 2017, the Group once again issued US$300 million 4.45 per cent bonds due in 2020 and obtained a letter of support entered into by Tianjin TEDA Investment Holding Co., Ltd. in favour of the Company, representing the Company's another significant initiative in the offshore capital market following the issuance of US$200 million bonds in 2015. The insurance of bonds this time was set to optimize the asset structure of the Company.

2. In June 2017, "TEDA Energy" entered into the Finance Lease Agreement with Bank of Communications Financial Leasing Co., Ltd. ("BoCom Leasing"), pursuant to which the ownership of the Leased Assets has been transferred from TEDA Energy to BoCom Leasing for a term of 36 months, and TEDA Energy will lease back the Leased Assets from BoCom Leasing. The principal amount of the finance leasing arrangement under the Finance Leasing Agreement is RMB130 million. Such finance leasing provided for substitution of current loans by medium-to-long term loan capital, which is conductive to optimizing the structure of financial statements, increasing working capital, improving the current ratio and mitigating the Group's financial risk.

3. TEDA Energy and Zhuozhou Binhai Gas, two important subsidiaries of the Group, have both obtained the High Technology Enterprise Certificate (the "Certificate"). Such certificate is valid for a term of three years, thereby bringing about preferential tax treatment which has a positive impact on the operating results of the Group.

FINAL DIVIDEND

The Board has recommended a final dividend for the year ended 31 December 2017 of HK$0.055 per ordinary share of the Company (the year ended 31 December 2016: HK$0.05 per ordinary share).

After approval by the holders of ordinary shares of the Company ("Shareholders") at the forthcoming annual general meeting to be held on 11 May 2018, the above dividend is expected to be paid on 29 June 2018 to those Shareholders whose names appear on the register of holders of ordinary shares of the Company as at 6 June 2018, being the record date for such dividend.

The dates of closure of register of members of the Company for the purpose of determining the identity of the Shareholders entitled to the said final dividend and attending and voting at the forthcoming annual general meeting will be announced later.

BUSINESS REVIEW

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

Connection Services

The Group constructs gas pipelines for its clients and connects such pipelines to the Group's main gas pipeline networks. The Group then charges connection service fees from industrial and commercial customers, property developers and property management companies. As at 31 December 2017, the aggregate length of all of the gas pipeline networks owned by the Group was approximately 2,299 kilometers, representing an increase of 170 kilometers from the length of 2,129 kilometers as at 31 December 2016. For the year ended 31 December 2017, connection service fees received by the Group amounted to approximately HK$691,015,000, representing an increase of HK$231,256,000 or approximately 50% compared to the HK$459,759,000 service fees received in the year ended 31 December 2016.

Piped Gas Sales

In the year ended 31 December 2017, consumption of piped gas by domestic and industrial users amounted to approximately 4,754 x 10^6 and 19,297 x 10^6 mega-joules respectively, as compared to 3,576 x 10^6 and 17,177 x 10^6 mega-joules respectively for the year ended 31 December 2016. During the year, sales income of the Group from piped gas amounted to HK$2,004,645,000, representing a increase of HK$332,903,000 or approximately 20% compared to the amount of HK$1,671,742,000 recorded in the year ended 31 December 2016.

Pipeline Transportation

The Group transports gases for clients through gas pipeline networks and charges transportation fees. For the year ended 31 December 2017, the volume of gases transported by the Group for its clients amounted to 288,458,254 square meters and Pipeline transportation income amounted to HK$33,428,000, representing an increase of HK$28,490,000 compared to the amount of HK$4,938,000 recorded in the year ended 31 December 2016.

Property Development

As of 31 December 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 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 2017 was HK$572 million (2016: HK$540 million) and the gross profit margin for the Group was 21% (2016: 25%). During the year, 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 during heat supply period was slightly lower than that charged to other clients, gross profit margin has decreased.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2017 was HK$195 million, representing a increase of HK$39 million or 25% compared to HK$156 million for the year ended 31 December 2016, 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 2017 was approximately HK$221 million, as compared to HK$172 million for the year ended 31 December 2016. Profit attributable to equity owners of the Company excluding the unrealised exchange gain amounted to HK$108 million for the year ended 31 December 2017. The Group recorded an unrealised exchange gain of HK$113 million caused by fluctuations in RMB exchange rate in 2017.

Basic earnings per share for the year ended 31 December 2017 was HK$18.9 cents, as compared to HK$14.7 cents for the year ended 31 December 2016.

Liquidity and Financial Resources

As at 31 December 2017, the total borrowings of the Group amounted to HK$4,825,079,000 (2016: HK$1,789,740,000) and the cash and bank deposits of the Group amounted to HK$3,271,772,000 (2016: HK$332,012,000), which included cash and cash equivalents of HK$3,260,656,000 and pledged bank deposits of HK$11,116,000. As at 31 December 2017, the Group had consolidated current assets of HK$4,150,963,000 and its current ratio was approximately 1.13. As at 31 December 2017, the Group had a gearing ratio of approximately 330%, measured by the ratio of total consolidated borrowings of HK$4,825,079,000 to consolidated total equity of HK$1,461,840,000.

Borrowings Structure

As at 31 December 2017, the total borrowings of the Group amounted to HK$4,825,079,000 (2016: HK$1,789,740,000). Unsecured borrowings from PRC banks were denominated in RMB, carrying interest at the rate of 4.5% per annum. Secured borrowing from PRC banks were denominated in RMB, carrying interest at the rate from 5% to 5.44% per annum. Unsecured bonds of USD200,000,000 and USD300,000,000 were issued at 100% of the issue price, bearing interest at a rate of 3.25% and 4.45% respectively. 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 2017, short-term borrowings and current portion of long-term borrowings amounted to HK$2,120,314,000, 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 2017, the current assets of the Group exceeded current liabilities by approximately HK$476 million (31 December 2016: the current liabilities of the Group exceeded current assets approximately HK$3 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 and the available banking facilities, the 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 for 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 2017, net foreign exchange gain for the financing activities was HK$113 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.

Charge on the Group's Assets

As at 31 December 2017, the Group had restricted cash of HK$11,116,000 (2016: HK$8,651,000).

The net carrying amount of pipelines as at 31 December 2017 amounting to HK$419 million (approximately RMB349 million) were pledged as security for the related borrowing.

Contingent Liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities.

PROSPECTS

With continuous progresses in China's green and low-carbon energy strategy, the development of clean low-carbon energy has become the prime conduit to enhancing the energy structure, taking up the important role of natural gas in the PRC in the long-term future. As China's economic growth remains on a steady track in 2018, the natural gas industry is anticipated to maintain strong momentum under the support of different policies, with immense potential in the natural gas resources and natural gas markets, whereas the supply of natural gas resources will continue to increase. The Group is confident in the enhanced development opportunities for the natural gas industry in China.

- Stay alert to the national price reform policies for the natural gas industry to increase the weight of natural gas consumption and focus on market development;

- Sustain the development of industrial customers to tap into more consumer markets for natural gas; secure industrial natural gas safety;

- Further strengthen the close communication and cooperation amongst stakeholders such as shareholders, investors, the government and creditors to achieve mutual benefits for all parties.

EMPLOYEES

As at 31 December 2017, the Group had 1,554 employees (as at 31 December 2016: 1,521 employees). For the year ended 31 December 2017, the salaries and wages of the employees amounted to HK$117 million (year ended 31 December 2016: HK$103 million) and among these, HK$15 million were recorded in research and development expenses (year ended 31 December 2016: HK$8 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 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 2017, 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").

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in accordance with Rule 3.21 of the Listing Rules. The Audit Committee comprises four independent non-executive Directors, namely Mr. LAU Siu Ki, Kevin (chairman), Professor Japhet Sebastian LAW, Mr. TSE Tak Yin and Mr. IP Shing Hing, *J.P.* Mr. LAU Siu Ki, Kevin and Mr. TSE Tak Yin are qualified accountants.

The Audit Committee has reviewed the consolidated financial results of the Group for the year ended 31 December 2017 and has provided advice and comments thereon.

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 2017.

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 2017.

ISSUANCE OF ANNUAL REPORT

The Annual Report for the year ended 31 December 2017 will be published and dispatched to the Shareholders on or about 29 March 2018 and 3 April 2018 respectively.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 16 March 2018

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. ZHANG Bing Jun and Mr. GAO Liang, five non-executive Directors, namely, Mr. SHEN Xiao Lin, Mr. ZHANG Jun, Mr. WANG Gang, Ms. ZHU Wen Fang and Ms. SHI Jing 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.

* *For identification purposes only*