



濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)
Stock Code: 2886



2019
Interim Report



The board (the "Board") of directors (the "Directors") of Binhai Investment Company Limited (the "Company" and together with its subsidiaries, the "Group") is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2019 (the "Period") together with the comparative unaudited figures for the corresponding period in 2018. 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 2019 HK\$'000	Unaudited Six months Ended 30 June 2018 HK\$'000	Percentage Change
Revenue	1,777,979	1,618,438	10%
Gross profit	245,013	264,176	-7%
Profit for the Period	67,628	73,164	-8%
Basic earnings per share attributable to owners of the Company during the Period	5.65 cent	6.1 cent	-0.45 cents

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000	Percentage Change
Total assets	5,868,904	6,018,141	-2%
Total equity	1,356,915	1,364,864	-1%
Total liabilities	4,511,989	4,653,277	-3%

FINANCIAL INFORMATION

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

		Unaudited	
		Six months ended 30 June	
		2019	2018
<i>Notes</i>		HK\$'000	HK\$'000
	Revenue	1,777,979	1,618,438
	Cost of sales and services	(1,532,966)	(1,354,262)
	Gross profit	245,013	264,176
	Other income	4,993	4,719
	Other gains and losses	558	(20,604)
	Impairment losses, net of reversal	—	6,488
	General and administrative expenses	(109,747)	(84,283)
	Interest income	6,722	18,248
	Interest expenses	(53,342)	(86,451)
	Share of profit of an associate	3,401	2,976
	Share of loss of joint ventures	(183)	(617)
	Profit before tax	97,415	104,652
	Income tax expenses	(29,787)	(31,488)
	Profit for the Period	67,628	73,164
	Profit for the Period attributable to:		
	— Owners of the Company	66,404	71,661
	— Non-controlling interests	1,224	1,503
		67,628	73,164
	Earnings per ordinary share		
	— Basic (HK cents)	5.65	6.1
	— Diluted (HK cents)	5.65	6.1

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Comprehensive income		
Profit for the Period	67,628	73,164
Other comprehensive income(expense)		
<i>Items that will not be reclassified to profit or loss</i>		
Currency translation differences	3,269	(42,253)
Total comprehensive income for the Period	70,897	30,911
Attributable to:		
— Owners of the Company	69,820	29,961
— Non-controlling interests	1,077	950
Total comprehensive income for the Period	70,897	30,911

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
ASSETS			
Non-current Assets			
Prepaid lease payments		136,977	131,728
Right-of-use assets		9,744	—
Property, plant and equipment	14	4,182,790	3,860,996
Investment properties		7,131	7,280
Goodwill		12,944	—
Intangible assets		39,887	39,566
Interest in an associate		37,208	33,840
Interests in joint ventures		24,099	24,304
Advance payment for pipeline construction	15	5,881	74,615
Pledged deposits	18(d)	12,285	12,296
Deferred tax assets	20	8,160	8,311
		4,477,106	4,192,936
Current Assets			
Inventories		126,785	90,715
Trade and other receivables	15	680,010	693,848
Contract assets		8,101	45,524
Pledged bank deposit		5,126	7,542
Bank balances and cash		571,776	987,576
		1,391,798	1,825,205
Total Assets		5,868,904	6,018,141
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital			
— Ordinary shares	16	117,435	117,435
— Redeemable preference shares	16	372,000	398,000
Share premium		157,522	157,522
Other reserves		(160,020)	(160,982)
Retained earnings		839,025	823,013
Equity attributable to owners of the Company		1,325,962	1,334,988
Non-controlling interests		30,953	29,876
Total Equity		1,356,915	1,364,864

	Notes	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
LIABILITIES			
Non-current Liabilities			
Deferred tax liabilities		2,123	—
Borrowings	18	2,386,489	2,443,690
Deferred income	19	52,454	53,427
Lease liabilities		5,060	—
		2,446,126	2,497,117
Current Liabilities			
Trade and bills payables and other payables	17	1,184,810	1,277,643
Contract liabilities		510,574	543,532
Tax liabilities		36,992	61,867
Borrowings	18	329,750	273,118
Lease liabilities		3,737	—
		2,065,863	2,156,160
Total Liabilities		4,511,989	4,653,277
Total Equity and Liabilities		5,868,904	6,018,141
Net Current Liabilities		(674,065)	(330,955)
Total Assets less Current Liabilities		3,803,041	3,861,981

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

Changes in equity of the Group during the six months ended 30 June 2019 and 2018 are as follows:

	Unaudited						Total Equity HK\$'000
	Attributable to owners of the Company					Non- controlling interests HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000		
At 1 January 2018 (audited)	547,435	157,522	(93,052)	816,701	1,428,606	33,234	1,461,840
Profit for the Period	–	–	–	71,661	71,661	1,503	73,164
Other comprehensive income for the Period							
Currency translation differences	–	–	(41,700)	–	(41,700)	(553)	(42,253)
Total comprehensive income for the Period	–	–	(41,700)	71,661	29,961	950	30,911
Dividends relating to 2017	–	–	–	(64,589)	(64,589)	–	(64,589)
Employee share options lapsed	–	–	(2,021)	2,021	–	–	–
At 30 June 2018 (unaudited)	547,435	157,522	(136,773)	825,794	1,393,978	34,184	1,428,162
At 1 January 2019 (audited)	515,435	157,522	(160,982)	823,013	1,334,988	29,876	1,364,864
Profit for the Period	–	–	–	66,404	66,404	1,224	67,628
Other comprehensive income for the Period							
Currency translation differences	–	–	3,416	–	3,416	(147)	3,269
Total comprehensive income for the Period	–	–	3,416	66,404	69,820	1,077	70,897
Dividends relating to 2018	–	–	–	(52,846)	(52,846)	–	(52,846)
Employee share options lapsed	–	–	(2,454)	2,454	–	–	–
Redemption of preference shares	(26,000)	–	–	–	(26,000)	–	(26,000)
At 30 June 2019 (unaudited)	489,435	157,522	(160,020)	839,025	1,325,962	30,953	1,356,915

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	123,207	192,342
Income tax paid	(54,516)	(62,745)
Net cash generated from operating activities	68,691	129,597
Cash flows from investing activities		
Purchase of property, plant and equipment	(340,966)	(321,543)
Purchase of prepaid lease payments	(3,615)	(93)
Net cash outflow on acquisition of a subsidiary	(31,141)	—
Proceeds from disposal of property, plant and equipment	14	(179)
Decrease in pledged bank deposits	2,416	3,267
Interest received	6,722	18,248
Government grant received	1,004	24,335
Net cash used in investing activities	(365,566)	(275,965)
Cash flows from financing activities		
Proceeds from borrowings	110,340	—
Repayments of borrowings	(89,536)	(1,680,183)
Interest paid	(58,278)	(103,175)
Redemption of redeemable preference shares	(26,000)	—
Dividend paid	(52,846)	(64,589)
Net cash used in financing activities	(116,320)	(1,847,947)
Net decrease in cash and cash equivalents	(413,195)	(1,994,315)
Cash and cash equivalents at the beginning of the Period	987,576	3,260,656
Exchange difference on cash and cash equivalents	(2,605)	(11,121)
Cash and cash equivalents at the end of the Period	571,776	1,255,220

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

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

Adjustments recognised on adoption of HKFRS 16

The group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

	2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	19,833
Discounted using the lessee's incremental borrowing rate of at the date of initial application	14,988
(Less): short-term leases recognised on a straight-line basis as expense	(2,993)
Lease liability recognised as at 1 January 2019	11,995
Of which are:	
Current lease liabilities	5,437
Non-current lease liabilities	6,558
	11,995

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by HK\$11,995,000
- lease liabilities – increase by HK\$11,995,000.

In applying HKFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is expected to be available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Change of earnings per share as a result of the adoption of HKFRS 16 is insignificant for the six months ended 30 June 2019.

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 2018.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge certain risk exposures.

The condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

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

5.2 Liquidity risk

Compared to the year end of 2018, 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

Save for derivative financial instruments, the financial assets held by the Group include bank balances and cash, pledged bank deposit and trade and other receivables (except for the prepayments), and financial liabilities include trade and bills payables and other payables (except for the advance from customers, staff salaries and welfare payables and accrued taxes other than income tax), and their fair value is close to their face value due to their relatively short maturity. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to be their fair value. The carrying value of other borrowings are assumed to be close to their fair values.

6. SEGMENT INFORMATION

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

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

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

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

	Unaudited				
	Sales of piped natural gas HK\$'000	Gas construction and installation service income HK\$'000	Pipeline transportation income HK\$'000	Bottled natural gas sales HK\$'000	Total HK\$'000
Six months ended 30 June 2019					
Segment revenue	1,493,924	227,445	45,296	11,314	1,777,979
Segment results:	59,559	140,668	41,525	3,261	245,013
— Other income					4,993
— Other gains and losses					558
— Impairment losses, net of reversal					—
— General and administrative expenses					(109,747)
— Interest income					6,722
— Interest expenses					(53,342)
— Share of profit of an associate					3,401
— Share of losses of joint ventures					(183)
Profit before tax					97,415

	Unaudited				
	Sales of piped natural gas HK\$'000	Gas construction and installation service income HK\$'000	Pipeline transportation income HK\$'000	Bottled natural gas sales HK\$'000	Total HK\$'000
Six months ended 30 June 2019					
Other information for reportable segments:					
Depreciation of property, plant and equipment	63,927	438	3,838	134	68,337
Amortisation of prepaid lease payments	1,529	237	36	18	1,820
Amortisation of intangible assets	563	–	–	–	563

	Unaudited				
	Sales of piped natural gas HK\$'000	Gas construction and installation service income HK\$'000	Pipeline transportation income HK\$'000	Bottled natural gas sales HK\$'000	Total HK\$'000
Six months ended 30 June 2018					
Segment revenue	1,372,416	200,263	35,732	10,027	1,618,438
Segment results	93,575	135,734	31,858	3,009	264,176
– Other income					4,719
– Other gains and losses					(20,604)
– Impairment losses, net of reversal					6,488
– General and administrative expenses					(84,283)
– Interest income					18,248
– Interest expenses					(86,451)
– Share of profit of an associate					2,976
– Share of losses of joint ventures					(617)
Profit before tax					104,652

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

7. OTHER INCOME

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Assembling service	4,520	3,962
Rental income	473	757
	4,993	4,719

8. OTHER GAINS AND LOSSES

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Losses on disposal of property, plant and equipment	(53)	(1,129)
Net foreign exchange losses	(2,125)	(20,903)
Government grant	1,977	1,020
Others	759	408
	558	(20,604)

9. PROFIT BEFORE TAX

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Cost of gas purchased	1,313,686	1,183,968
Staff costs	92,442	67,899
Depreciation	68,337	53,494
Research and development expenses	25,271	18,093
Operation lease expense in respect of rented premises	6,537	6,421
Amortisation	2,383	1,568

10. INTEREST INCOME AND EXPENSES

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Interest income	(6,722)	(18,248)
Interest on USD bond	53,632	72,311
Interest on bank and other borrowings	8,070	21,700
Others	270	—
	61,972	94,011
Less: Amounts capitalised as part of the cost of property, plant and equipment	(8,630)	(7,560)
Interest expenses	53,342	86,451

11. INCOME TAX EXPENSES

	Unaudited Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Current tax:		
Current tax on profits for the Period	29,641	34,985
Deferred tax	146	(3,497)
Income tax expenses	29,787	31,488

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

There was no Hong Kong profit tax provided for the six months ended 30 June 2019 and for the six months ended 30 June 2018.

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 Advanced Technological Enterprise was subject to income tax at a tax rate of 15%. The following subsidiaries of the Company were recognised as New and Advanced Technological Enterprises in accordance with the applicable laws of the People’s Republic of China (“PRC”) of Enterprise Income Tax (the “EIT Law”) of the PRC and are subject to income tax at a tax rate of 15% for the respective years:

Tianjin TEDA Binhai Clean Energy Group Company Limited (formerly known as “Tianjin Binda Gas Enterprise Company Limited”)* (“TEDA Energy”) (天津泰達濱海清潔能源集團有限公司) was recognised as New and Advanced Technological Enterprises on 9 December 2016 for 3 years and was 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 Advanced Technological Enterprises on 21 November 2016 for 3 years and was subject to income tax at a tax rate of 15% from 2016 to 2018.

To date, the two aforementioned companies have submitted information in relation to New and Advanced Technological Enterprises for review, pending the final confirmation from the relevant authority.

Other subsidiaries established in the PRC are subject to income tax at a tax rate of 25% for the six months ended 30 June 2019 (for the six months ended 30 June 2018: 25%).

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

12. DIVIDEND

During the Period, a final dividend of HK\$0.045 per ordinary share in respect of the year ended 31 December 2018 (“2018 Final Dividend”) was recommended by the Board (a final dividend of HK\$0.055 per ordinary share was recommended for the year ended 31 December 2017). The amount of the 2018 Final Dividend paid in the Period amounted to approximately HK\$52,845,700 (six months ended 30 June 2018: approximately HK\$64,589,200).

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

* For identification purposes only

13. EARNINGS PER SHARE

(a) Basic

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

	Unaudited Six months ended 30 June	
	2019	2018
Earnings		
Profit attributable to owners of the Company (HK\$'000)	66,404	71,661
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,174,348,950	1,174,348,950

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options for which the exercise of share options would have no dilutive effect to earnings per share because the exercise price of those options was higher than the average market price for share for both six months ended 30 June 2019 and six months ended 30 June 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2019 HK\$'000	Unaudited As at 30 June 2018 HK\$'000
Opening net book amount	3,860,996	3,463,525
Additions	387,875	326,252
Disposal	(236)	(493)
Depreciation expenses	(66,097)	(53,494)
Currency translation differences	252	(42,103)
Closing net book amount	4,182,790	3,693,687

Note:

The pipelines with a carrying amount of approximately HK\$376,108,000 (approximately RMB330,636,000) were pledged as security for the related borrowing as at 30 June 2019, details of which are set out in Note 18(d).

15. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Trade receivables		
— Piped gas sales receivables	49,570	71,155
— Gas construction and installation service income receivables	261,176	312,519
— Pipeline transportation income receivables	2,997	5,351
Less: allowance for impairment	(64,553)	(65,248)
	249,190	323,777
Bills receivables	8,285	28,876
	257,475	352,653
Receivables from related parties (<i>Note 22</i>)	128,681	150,297
Less: allowance for impairment	(91,996)	(92,080)
	36,685	58,217
Other receivables	106,881	105,090
Less: allowance for impairment	(3,459)	(3,462)
	103,422	101,628
Advances to suppliers	363,819	331,544
Less: allowance for impairment	(75,510)	(75,579)
	288,309	255,965
Less: advance payment for pipeline construction	(5,881)	(74,615)
	282,428	181,350
Current portion	680,010	693,848

Notes:

- (a) The carrying amounts of the Group's trade and other receivables are principally denominated in Renminbi ("RMB").
- (b) The Group grants credit period of 90 days for its customer in piped natural gas sales and customer of pipeline transportation service, whereas a longer credit period of 91-180 days after the completion of relevant stage of contract work for customer of construction and installation income are allowed. A longer credit period may be granted on a discretionary basis to certain selected customers with good credit histories or who would settle by bills.

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

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

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
0 — 90 days	56,690	112,026
91 — 180 days	12,084	44,773
181 — 365 days	85,287	108,712
Over 365 days	103,414	87,142
	257,475	352,653

16. SHARE CAPITAL

	Unaudited As at 30 June 2019		Audited As at 31 December 2018	
	Number of shares '000	Amounts HK\$'000	Number of shares '000	Amounts HK\$'000
Authorised: Ordinary shares of HK\$0.1 each	1,500,000	150,000	1,500,000	150,000
Issued and fully paid:	1,174,349	117,435	1,174,349	117,435
Redeemable preference shares of HK\$50.00 each, issued and fully paid (<i>Note</i>)	7,440	372,000	7,960	398,000
Issued and fully paid:		489,435		515,435

Note:

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

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

The redemption conditions are as follows:

- the occurrence of the fifth anniversary of the date the shares of the Company resumes trading on The Stock Exchange of Hong Kong Limited ("Resumption Date");
- the Company has declared and paid final dividends in respect of at least two consecutive financial years since the Resumption Date;
- the diluted net asset value per share at the time of any redemption of the redeemable preference shares is not less than the pro forma net asset value per share which was HK\$0.054 stated in the Circular dated 27 February 2009 which was adjusted to HK\$0.54 per share after the share consolidation of the Company that took effect on 14 May 2015; and

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

In view of the fulfilment of the redemption conditions, the Company redeemed 520,000 redeemable preference shares amounting HK\$26,000,000 from TEDA HK on 27 June 2019.

17. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
<i>Note</i>		
Trade and bills payables	534,042	591,024
Other payables	585,526	596,707
Accrued expenses	11,537	9,487
Amounts due to related parties (<i>Note 22</i>)	53,705	80,425
	1,184,810	1,277,643

Note:

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

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
0 – 90 days	172,187	278,250
91 – 180 days	113,964	56,943
181 – 365 days	96,738	60,558
Over 365 days	151,153	195,273
	534,042	591,024

18. BORROWINGS

	Notes	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
USD bond	(a)	2,329,830	2,342,674
Bank borrowing — unsecured	(b)	113,753	153,038
Bank borrowing — secured	(c)	110,340	—
Other borrowing — secured	(d)	162,316	221,096
Total		2,716,239	2,716,808
Less: Current portion		(329,750)	(273,118)
Non-current portion		2,386,489	2,443,690

Notes:

(a) USD bond

On 22 November 2017, the Company issued the bonds in the aggregate principal amount of US\$300,000,000 (equivalent to approximately HK\$2,334,750,000). The bonds will mature on 30 November 2020, unless the Company purchased and cancelled in accordance with the terms and conditions stated in the agreement (“Early Redemption Events”). When the Early Redemption Events occurred, the bond holder has the right to request the Company to redeem the USD bond at 101% of the principal amount. The estimated fair value of the rights on Early Redemption Events was insignificant at initial recognition as at 30 June 2019 and 31 December 2018. The bonds carried interest at a rate of 4.45% per annum, payable semi-annually in arrears. The effective interest rate of the bonds is 4.62% per annum.

(b) Bank borrowing — unsecured

The relevant balances was borrowings from China Construction Bank Corporation which is unsecured and carries interest at the rate of 4.5% per annum. Such loans were borrowed in November 2017 and repayable in 2019.

(c) Bank borrowing — secured

The short term bank loan was secured, borrowed in June 2019 and repayable within one year. The loan was from Bank of Communication which carries interest at the rate of 5.655% per annum.

(d) Other borrowing – secured

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

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

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

As collaterals for above financing:

- (i) The Group transferred the ownership title of the pipelines to BoCom Leasing in accordance with Agreement 1 and Agreement 2;
- (ii) The Group placed a security deposit of RMB6,900,000 (equivalent to approximately HK\$7,960,000) and RMB3,900,000 (equivalent to approximately HK\$4,512,000) with BoCom Leasing in accordance with Agreement 1 and Agreement 2 respectively and recorded as “Pledge deposits” in the Group’s consolidated statement of financial position.
- (iii) Two wholly-owned subsidiaries of the Company, Binhai Investment (Tianjin) Company Limited and Tianjin Bintai Energy Development Company Limited (which was acquired by TEDA Energy in 2016), have each executed a guarantee as a guarantor in favor of BoCom Leasing to guarantee all payment obligations of TEDA Energy under Agreement 1. Binhai Investment (Tianjin) Company Limited has executed a guarantee as a guarantor in favor of BoCom Leasing to guarantee all payment obligations of TEDA Energy under Agreement 2.

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

The maturity of the borrowings:

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Within one year	329,750	273,118
Over one year, less than two years	56,659	2,414,964
Over two years, less than five years	2,329,830	28,726
Total	2,716,239	2,716,808

19. DEFERRED INCOME

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Government grants		
At the beginning of the Period	55,406	35,862
Received during the Period	—	23,843
Credited to profit or loss	(973)	(1,878)
Currency translation differences	(34)	(2,421)
At the end of the Period	54,399	55,406
Analysed for reporting purpose as:		
Current portion (included in trade and bills payables and other payables)	1,945	1,979
Non-current portion	52,454	53,427
	54,399	55,406

TEDA Energy, a subsidiary of the Company, received a government subsidy of RMB30,900,000 (equivalent to approximately HK\$35,648,000) in 2016 and RMB20,400,000 (equivalent to approximately HK\$23,843,000) in 2018 to subsidise its projects cost related to construction of new gas pipelines for connection to certain heating enterprises in order to promote the usage of more environmentally-friendly energy. Accordingly, the government grants received were classified as deferred income and released to the profit or loss over the estimated useful lives of the relevant gas pipelines constructed.

20. DEFERRED TAX ASSETS

The deferred tax assets are confirmed and the movements thereof during the Period are as follows:

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Government grants		
At the beginning of the Period	8,311	5,379
Debit for the Period	—	3,576
Credit for the Period	(146)	(281)
Currency translation differences	(5)	(363)
At the end of the Period	8,160	8,311

22. COMMITMENTS

(a) Capital commitments

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided in the consolidated financial statements	172,988	125,887

(b) 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 properties and equipments:

	Unaudited As at 30 June 2019 HK\$'000	Audited As at 31 December 2018 HK\$'000
Within one year	1,663	1,978
During the second to fifth year	1,581	2,000
After five years or above	4,036	4,261
	7,280	8,239

22. RELATED PARTY TRANSACTIONS

In addition to the transactions with related parties stated in the notes to the condensed consolidated financial statements the Group entered into the following transactions with its related parties during the Period:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
(a) Transactions with the following fellow subsidiaries of the holding company:		
Sale of natural gas to Tianjin TEDA Gas Company Limited ("TEDA Gas") (Note (i))	135,139	99,651
Sale of natural gas to Sinopec Binhai Investment (Tianjin) Natural Gas Utilisation ("SBI") (Note (i))	30,823	16,598
Sale of natural gas to Tianjin Steel Pipe Manufacturing Co., Ltd ("Tianjin Steel Pipe") and its subsidiaries (Note (i))	15,831	19,155
Sale of natural gas to Tianjin Eco-city TEDA Thermal Power Co.,Ltd ("Eco-city TEDA Thermal Power") (Note (i))	12,015	8,757
Sale of natural gas to Tianjin Sai-rui Machinery Equipment Company Limited ("Sai Rui") (Note (i))	11,904	14,027
Sale of natural gas to Tianjin Eco-City Energy Investment Construction Company Limited ("Tianjin Eco-city") (Note (i))	7,059	13,302
Provision of gas construction and installation service to Tianjin Eco-city TEDA Ocean Technology Development Company Limited ("Eco-city Ocean Technology") (Note (iii))	2,789	—
Provision of gas construction and installation service to Tianjin Xingtian Real Estate Development Company Limited ("Xingtian Real Estate") (Note (iii))	2,357	—
Sale of natural gas to Tianjin TEDA Transportation Hub Operations Management Company Limited ("TEDA Transportation Hub") (Note (i))	1,009	1,072
Sale of natural gas to Tianjin Binhai Tourist Area Gas Investment Development Company Limited ("Binhai Tourist Area Gas") (Note (i))	551	—

Unaudited
Six months ended 30 June

	2019	2018
	HK\$'000	HK\$'000
Sale of natural gas to Tianjin YAT-SEN Scientific Industrial Park International Inc ("Tianjin YAT-SEN") (Note (i))	471	93
Rental income from SBI (Note (ii))	389	616
Provision of gas construction and installation service to TEDA Investment Holding Company Limited ("TEDA Investment") (Note (iv))	378	3,457
Provision of gas construction and installation service to Eco-city TEDA Thermal Power (Note (iii))	261	—
Provision of gas construction and installation service to Beike TEDA Investment Development Company Limited ("Beike TEDA") (Note (iii))	244	—
Gas transportation to SBI (Note (ix))	169	150
Sale of natural gas to Tianjin Xing Cheng Investment and Development Company Limited ("Tianjin Xing Cheng") (Note (i))	64	69
Sale of natural gas to TEDA Zhongtang Investment & Development co., Ltd ("TEDA Zhongtang") (Note (i))	35	63
Sale of natural gas to TEDA (Tianjin) Business Management Company Limited Eco-city Branch ("TEDA (Tianjin) Business") (Note (i))	17	—
Payment of gas processing procurement fee to SBI (Note (x))*	(679)	(278)
Advertising service from Tianjin TEDA Football Club Co., Ltd. (Note (xi))*	(1,503)	—
Purchase of steel pipe materials from TPCO & TISCO Welding Pipe Corporation Co., Ltd. ("Tianguan Taigang") (Note (v))*	(4,940)	(1,895)
Purchase of gas from Binhai Tourist Area Gas (Note (vii))*	(14,263)	(9,253)
Gas transportation to TEDA Gas (Note (ix))	—	869
Sale of natural gas to Thriving Future Property Management Co., Ltd. ("Thriving Future Property") (Note (i))	—	74
Construction supervision service from Tianjin Eco-City Environmental Technology Consulting Co., Ltd. ("Eco-City Environmental Technology") (Note (viii))*	—	(36)
Insurance premium paid to Bohai Property Insurance Company Limited ("Bohai") (Note (vi))*	—	(1,898)

Notes:

- (i) The Group supplied natural gas to related parties via its pipeline network at a price determined 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 gas construction and installation services to related parties located in Tianjin.
- (iv) The Group was engaged to provide gas construction and installation services to ultimate holding company located in Tianjin.
- (v) The Group entered into the Steel Pipes Agreement with Tianguan Taigang for the supply of steel pipe materials by Tianguan Taigang.
- (vi) The Group entered into insurance arrangement with Bohai as insurer, pursuant to which Bohai will provide insurance coverage to various subsidiaries of the Group.
- (vii) The Group purchased natural gas from Binhai Tourist Area Gas.
- (viii) The Group purchased construction supervision services from Eco-City Environmental Technology.
- (ix) The Group provided gas transportation to TEDA Gas and SBI.
- (x) The Group purchased compressed gas processing services from SBI.
- (xi) The Group purchased advertising services from Tianjin TEDA Football Club Co., Ltd..

* *Figures in brackets indicate purchases from related parties*

	Unaudited as at 30 June 2019 HK\$'000	Audited as at 31 December 2018 HK\$'000
(b) Balances with the following related parties		
Account receivable from Tianjin Steel Pipe	98,598	119,184
Account receivable from TEDA Zhongtang	19,793	19,811
Account receivable from Xingtian Real Estate	3,449	1,094
Account receivable from SBI	2,923	653
Account receivable from Tianjin Eco-city	1,116	1,236
Account receivable from Eco-city TEDA Thermal Power	920	2,001
Account receivable from Tianjin YAT-SEN	790	702
Account receivable from TEDA Investment	699	699
Account receivable from Tianjin Xingcheng Property Company Limited	341	342
Account receivable from Binhai Tourist Area Gas	52	750
Account receivable from Sai Rui	—	3,662
Account receivable from Bohai	—	153
Account receivable from TEDA (Tianjin) Business	—	10
	128,681	150,297
Account payable to Qinhuangdao Taixing Gas Company Limited	(34,126)	(34,157)
Account payable to TEDA Gas	(10,395)	(28,706)
Account payable to SBI	(4,551)	(4,099)
Account payable to Tianguan Taigang	(1,907)	(1,909)
Account payable to Tianhai High Pressure Container Company Limited	(1,135)	(697)
Account payable to Tianjin Seamless Investment Co., Ltd	(729)	(872)
Account payable to Sai Rui	(395)	—
Account payable to Tianjin Rail Transit Group Engineering Construction Co., Ltd.	(284)	(285)
Account payable to Beike TEDA	(94)	(337)
Account payable to Eco-city Ocean Technology	(56)	—
Account payable to TEDA Transportation Hub	(27)	(1,014)
Account payable to TEDA (Tianjin) Business	(6)	—
Account payable to TEDA Hong Kong Property Company Limited	—	(7,048)
Account payable to Binhai Tourist Area Gas	—	(617)
Account payable to TEDA Investment	—	(378)
Account payable to Eco-city TEDA Thermal Power	—	(261)
Account payable to TEDA Zhongtang	—	(36)
Account payable to Tianjin Xing Cheng	—	(9)
	(53,705)	(80,425)

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

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

Other than those mentioned above in Notes (a) and (b) above and the issuance of redeemable preference shares mentioned in Note 16, the majority of the Group’s cash and bank balances and borrowings as at 30 June 2019 were deposited with state-controlled banks or borrowed from state-controlled financial institutions.

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
(d) Key management compensation:		
Fees	(1,191)	(1,328)
Salaries, share options and other allowances	(3,812)	(3,222)
Pension costs	(83)	(111)

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Gas Construction and Installation Service

The Group constructs gas pipelines for its clients and connects such pipelines to the Group's main gas pipeline networks. The Group then charges gas construction and installation service fees from industrial and commercial customers, property developers and property management companies. As at 30 June 2019, the Group's total gas pipeline network was approximately 2,782 kilometers, representing an increase of 138 kilometers of the pipeline network from 2,644 kilometers as at 31 December 2018. During the Period, the gas construction and installation service income amounted to approximately HK\$227,445,000, representing an increase of HK\$27,182,000 or 14% as compared to HK\$200,263,000 for the corresponding period last year.

Piped Gas Sales

During the Period, consumption of piped gas by residential and industrial customers amounted to approximately $4,954 \times 10^6$ and $12,636 \times 10^6$ mega-joules respectively, as compared to $4,006 \times 10^6$ and $12,068 \times 10^6$ mega-joules respectively for the corresponding period last year. During the Period, the piped gas sales income of the Group amounted to HK\$1,493,924,000, representing an increase of HK\$121,508,000 or 9% as compared to HK\$1,372,416,000 for the corresponding period last year. The increase in piped gas sales income is mainly due to the increase in natural gas sales volume.

Pipeline Transportation

The Group transports gases for clients through gas pipeline networks and charges transportation fees. During the Period, the volume of gases transported by the Group for its clients amounted to 538,077,550 cubic meters and pipeline transportation income amounted to HK\$45,296,000, representing an increase of HK\$9,564,000 or 27% as compared to HK\$35,732,000 for the corresponding period last year.

Property Development

As at 30 June 2019, the Group held a piece of land under development of approximately 15,899.6 square meters located to the east of Central West Road, west of Central Road, north of Xi San Road and south of Xi Er Road in the Tianjin Airport Economic Area in the Binhai New Area of the PRC, under land use rights for commercial use for a term of 40 years from 31 December 2009.

In view of the incompatibility of real estate business with the Group's current strategic direction which focuses on the development of the gas business, the Group plans to dispose of the above property under development. The management emphasized the decision of the disposal of the real estate, and has appointed professional staff to actively contact agents and potential buyers.

Prospects

Following the energy transformation and the further promotion of the plan of "Winning the Battle for a Blue Sky", there is an enormous potential for domestic demand for clean energy. During the first half of the year, the national demand for natural gas demonstrated a steady growth. The national apparent consumption volume of natural gas reaches 149.3 billion cubic metres, representing a year-on-year growth of 10.8%.

In respect of reform of the natural gas system, the PRC government has decided to establish a national pipeline network company as a key step in the marketisation reform of natural gas. This allows the state-owned oil and gas enterprises to concentrate on exploration and enhancement of production volume in order to improve the supply capacity of natural gas. Also, the increase in number and further diversification in the nature of suppliers, users and intermediary service agents will benefit the progress of marketisation reform of natural gas prices.

The promulgation of the latest "Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition)*" (《外商投資准入特別管理措施(負面清單)(2019年版)》) has completely opened up the market access of city gas for foreign investment which encourages the development of city gas and is beneficial to the downstream utilisation of natural gas, bringing new development opportunities to large-scale Hong Kong-listed and overseas-registered domestic urban gas companies including our Group. The Group will continue to capitalise on its geographical advantages in the existing operating regions in order to proactively expand its scale of operation and promote the steady growth of operating results.

* for identification purpose only

Financial Review

Gross Profit Margin

During the Period, the gross profit of the Group was HK\$245,013,000 (for the six months ended 30 June 2018: HK\$264,176,000) and the gross profit margin for the Group was 13.8% (for the six months ended 30 June 2018: 16.3%).

During the Period, the increase in gas procurement cost led to a decrease in gross profit margin of the piped natural gas.

Administrative Expenses

Administrative expenses of the Group during the Period were HK\$109,747,000, representing an increase of HK\$25,464,000 or 30% as compared to HK\$84,283,000 for the corresponding period last year, which was mainly attributable to an increase in staff cost.

Profit attributable to owners of the Company

The profit attributable to owners of the Company was HK\$66,404,000 during the Period, representing a decrease of HK\$5,257,000 or 7% as compared to HK\$71,661,000 for the corresponding period last year.

Basic earnings per ordinary share of the Company for the Period were HK5.65 cents, representing a decrease of HK0.45 cents as compared to HK6.1 cents for the corresponding period last year.

Liquidity and financial resources

As at 30 June 2019, the total borrowings of the Group were HK\$2,716,239,000 (as at 31 December 2018: HK\$2,716,808,000) and the cash and bank deposit of the Group was HK\$576,902,000 (as at 31 December 2018: HK\$995,118,000), including bank balances and cash of HK\$571,776,000 and pledged bank deposits of HK\$5,126,000. As at 30 June 2019, the Group had consolidated current assets of approximately HK\$1,391,798,000 and its current ratio was 0.67. As at 30 June 2019, the Group had a gearing ratio of approximately 200%, measured by the ratio of total consolidated borrowings of approximately HK\$2,716,239,000 to total equity of approximately HK\$1,356,915,000.

Borrowings Structure

As at 30 June 2019, the total borrowings of the Group amounted to HK\$2,716,239,000 (as at 31 December 2018: HK\$2,716,808,000). Unsecured loans from PRC banks were denominated in RMB and borrowed in November 2017, carrying interest at the rate of 4.5% per annum. Secured loans from PRC banks were denominated in RMB and borrowed in June 2019, carrying interest at the rate of 5.655% per annum. Unsecured bonds of US Dollars 300,000,000 were issued at 100% of the issue price, bearing interest at a rate of 4.45%. Other secured borrowings include borrowings with principal amounts of RMB230,000,000 and RMB130,000,000 respectively with the annual interest rate being 12% less than the RMB benchmark lending rate published by the People's Bank of China for the same period and with the annual interest rate being 2% more than the RMB benchmark lending rate published by the People's Bank of China for the same period. As at 30 June 2019, short-term borrowings and current portion of long-term borrowings amounted to HK\$329,750,000, 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 2019, net unrealized foreign exchange loss for the financing activities was HK\$2,125,000. 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 2019, the Group had pledged bank deposit of HK\$5,126,000 (as at 31 December 2018: HK\$7,542,000).

Save as disclosed above, pipelines with a net carrying amount of HK\$376 million (approximately RMB331 million) were pledged as security for the related borrowing as at 30 June 2019.

Final Dividend

Based on the annual profit of the Company for the year ended 31 December 2018 and taking into account the financial position of the Company, the Board recommended a final dividend of HK\$0.045 per ordinary share for the year ended 31 December 2018 ("2018 Final Dividend") (a final dividend of HK\$0.055 per ordinary share was recommended for the year ended 31 December 2017). The 2018 Final Dividend was approved by the holders of ordinary shares at the annual general meeting of the Company held on 10 May 2019, and was paid on 26 June 2019. The actual amount of the 2018 Final Dividend paid was approximately HK\$52,845,700.

Interim Dividend

The Board does not declare any interim dividend for the Period (2018: 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 2019, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 30 June 2019, the Group had a total of 1,759 employees (as at 31 December 2018: 1,708). During the Period, the salaries and wages of the employees were HK\$105,265,000 (for the six months ended 30 June 2018: HK\$78,533,000) and among these, HK\$12.8 million was recorded as research and development expenses (for the six months ended 30 June 2018: HK\$10.6 million).

During the Period, there has been no material change to the Group's employee remuneration policies. Details of which have been set out in the published annual report of the Company for the year ended 31 December 2018.

OTHER INFORMATION

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

(a) *Interests and Short Positions of the Directors and the Chief Executives in the Share Capital of the Company and its Associated Corporations*

As at 30 June 2019, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong) which were required to be: (a) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors referred to in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Main Board Listing Rules were as follows:

Name of Director	Capacity	Interests in ordinary shares				Total interests pursuant to share options	Interests in underlying ordinary shares and underlying shares	Approximate percentage of the Company's total issued ordinary shares as at 30 June 2019
		Personal interests	Corporate interests	Family interests	Total interests			
Mr. GAO Liang	Beneficial owner	–	–	–	–	1,000,000	1,000,000	0.09%
Mr. ZHANG Jun	Beneficial owner	–	–	–	–	700,000	700,000	0.06%
Mr. WANG Gang	Beneficial owner	–	–	–	–	700,000	700,000	0.06%
Mr. IP Shing Hing, J.P.	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Professor Japhet Sebastian LAW	Beneficial owner	100,000	–	–	100,000	200,000	300,000	0.03%
Mr. LAU Siu Ki, Kevin	Beneficial owner	–	–	–	–	200,000	200,000	0.02%

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

Director's rights to acquire shares

Pursuant to the share option scheme adopted by the Company on 20 August 2010, the Company granted options on its ordinary shares to the Directors, the details of such options outstanding as at 1 January 2019 and as at 30 June 2019 were as follows:

Name of Director	Date of grant	Exercise Period	Exercise Price (HK\$)	Number of ordinary shares subject to outstanding options as at 1 January 2019	Number of ordinary shares subject to outstanding options as at 30 June 2019	Approximate percentage of the Company's total issued ordinary shares as at 30 June 2019
Mr. GAO Liang	27.9.2010	27.9.2010 – 26.9.2020	5.6	1,000,000	1,000,000	0.09%
Mr. ZHANG Jun	27.9.2010	27.9.2010 – 26.9.2020	5.6	700,000	700,000	0.06%
Mr. WANG Gang	27.9.2010	27.9.2010 – 26.9.2020	5.6	700,000	700,000	0.06%
Mr. IP Shing Hing, J.P.	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	200,000	0.02%
Professor Japhet Sebastian LAW	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	200,000	0.02%
Mr. LAU Siu Ki, Kevin	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	200,000	0.02%
Mr. TSE Tak Yin (Note 2)	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	–	–

Notes:

- The exercisable period of the above share options is 10 years from the date of grant.
- Mr. TSE Tak Yin has tendered his resignation as an independent non-executive Director with effect from 10 May 2019. The share options held by Mr. TSE Tak Yin lapsed accordingly.

Save as disclosed above, as at 30 June 2019, there were no other interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (pursuant to the meaning of Part XV of the SFO) entered in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors referred to in the Model Code.

(b) Interests and Short Positions of Substantial Shareholders and Other Persons in the Share Capital of the Company

As at 30 June 2019, the persons (not being a Director or chief executive of the Company) or companies who or which had interests or short positions in the shares or underlying shares of the Company which were notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO are listed as follows:

Name of shareholder	Position	Capacity and nature of interest	Number of ordinary shares				Total interest	Approximate percentage of the Company's total issued ordinary shares as at 30 June 2019
			Beneficial interest	Family interest	Corporate interest	Other interest		
Tianjin TEDA Investment Holding Co., Ltd. ("TEDA Investment")	Long	Interest of controlled corporation	–	–	706,818,659	–	706,818,659	60.19%
Mr. SHUM Ka Sang ("Mr. SHUM")	Long	Beneficial owner/Interest of controlled Corporation/ Interest of Spouse	308,000	127,924 (Note 2)	62,952,600 (Note 1)	–	63,388,524	5.40%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	61,952,600 (Note 1)	–	–	–	61,952,600	5.28%
Ms. WU Man Lee ("Ms. WU")	Long	Beneficial owner/ Interest of spouse	127,924	63,260,600 (Note 2)	–	–	63,388,524	5.40%

Notes:

1. Wah Sang Gas Development Group (Cayman Islands) Limited is a company entirely owned by Mr. Shum. The corporate interest held by Mr. Shum refers to his deemed interests in the 61,952,600 ordinary shares held by Wah Sang Gas Development Group (Cayman Islands) Limited and in the 1,000,000 ordinary shares held by Wah Sang Gas Development (Group) Limited which is 100%-controlled by Mr. Shum.
2. Mr. Shum and Ms. Wu are a couple and are deemed to be interested in such ordinary shares by virtue of the interests in such ordinary shares owned by each other.

Other than as disclosed above, as at 30 June 2019, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company and recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

Pursuant to the 2010 Scheme, the Company granted 90,500,000 share options to the Directors and certain employees under continuous contract with the Group on 27 September 2010. Upon the share consolidation of the Company taking effect on 14 May 2015, the total number of shares that will be issued upon the exercise of the outstanding share options under the 2010 Scheme was adjusted from 55,500,000 ordinary shares of HK\$0.01 each to 5,550,000 consolidated ordinary shares of HK\$0.10 each, and the exercise price of such options had also been adjusted from HK\$0.56 per ordinary share of HK\$0.01 each to HK\$5.60 per consolidated ordinary share of HK\$0.10 each. During the Period, 850,000 share options had lapsed.

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

Grantee	Date of grant	Exercise Period (Note)	Exercise Price (HK\$)	Number of ordinary shares subject to outstanding options as at 1 January 2019	Number of options lapsed during the Period	Number of ordinary shares subject to outstanding options as at 30 June 2019	Approximate percentage of the Company's total issued ordinary shares as at 30 June 2019
Directors	27.9.2010	27.9.2010 – 26.9.2020	5.6	3,200,000	(200,000)	3,000,000	0.26%
Employees	27.9.2010	27.9.2010 – 26.9.2020	5.6	1,150,000	(650,000)	500,000	0.04%
Total				4,350,000	(850,000)	3,500,000	0.30%

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

CHANGE IN DIRECTOR'S INFORMATION

Mr. LAU Siu Ki Kevin, an independent non-executive Director, was appointed as an independent non-executive director of IVD Medical Holding Limited (華檢醫療控股有限公司) (Stock code: 1931) with effect from 21 June 2019, the shares of which commenced trading on the Stock Exchange on 12 July 2019.

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

AUDIT COMMITTEE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

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

CORPORATE GOVERNANCE CODE

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

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

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

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

Hong Kong, 16 August 2019

As at the date of this report, the Board comprises two executive Directors, namely, Mr. ZHANG Bing Jun and Mr. GAO Liang, four non-executive Directors, namely, Mr. SHEN Xiao Lin, Mr. ZHANG Jun, Mr. WANG Gang and Mr. YU Ke Xiang, and three independent non-executive Directors, namely, Mr. IP Shing Hing, J.P., Mr. LAU Siu Ki, Kevin and Professor Japhet Sebastian LAW.