濱海投資有限公司

BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)

Stock Code: 2886

TEDA 泰达控股

2019 Annual Report

Content

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Shen Xiao Lin *(resigned on 27 September 2019)*
Mr. Zhang Jun *(resigned on 27 September 2019)*
Mr. Wang Gang
Ms. Cao Hong Mei *(appointed on 27 September 2019)*
Ms. Peng Bo *(appointed on 27 September 2019)*
Mr. Yu Ke Xiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Shing Hing, *J.P.*
Mr. Lau Siu Ki, Kevin
Professor Japhet Sebastian Law
Mr. Tse Tak Yin *(resigned on 10 May 2019)*

AUDIT COMMITTEE

Mr. Lau Siu Ki, Kevin *(Chairman)*
Mr. Ip Shing Hing, *J.P.*
Professor Japhet Sebastian Law
Mr. Tse Tak Yin *(resigned on 10 May 2019)*

REMUNERATION COMMITTEE

Professor Japhet Sebastian Law *(Chairman)*
Mr. Gao Liang
Mr. Ip Shing Hing, *J.P.*
Mr. Lau Siu Ki, Kevin
Mr. Tse Tak Yin *(resigned on 10 May 2019)*

NOMINATION COMMITTEE

Mr. Ip Shing Hing, *J.P. (Chairman)*
Mr. Gao Liang
Mr. Lau Siu Ki, Kevin
Professor Japhet Sebastian Law
Mr. Tse Tak Yin *(resigned on 10 May 2019)*

RISK COMMITTEE

Mr. Ip Shing Hing, *J.P. (Chairman)*
Mr. Gao Liang
Mr. Lau Siu Ki, Kevin
Professor Japhet Sebastian Law
Mr. Tse Tak Yin *(resigned on 10 May 2019)*

COMPANY SECRETARY

Mr. Yip Wai Yin

AUTHORISED REPRESENTATIVES

Mr. Gao Liang
Mr. Yip Wai Yin

AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton HM 11 Bermuda

HEAD OFFICE

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER ON HONG KONG LAW

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

PRINCIPAL BANKERS

Standard Chartered Bank China
China Merchants Bank

STOCK CODE

2886

WEBSITE

www.binhaiinv.com

Corporate Profile

Binhai Investment Company Limited	**Incorporated: Bermuda**

↓ 100%

Winstar Venture Limited	**Incorporated: BVI**

↓ 100%

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

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

		Incorporated
100%	Tianjin TEDA Binhai Clean Energy Group Company Limited	Tianjin
100%	Tianjin HuaTai Xinda Gas Company Limited	Tianjin
100%	Tianjin Taigang Gas Company Limited	Tianjin
100%	Tianjin BinNing Gas Company Limited	Tianjin
100%	Tianjin Tai Gas Energy Technology Development Limited	Tianjin
80%	Tianjin BinMing Gas Company Limited	Tianjin
100%	Tianjin Tairan New Energy Technology Company Limited	Tianjin
100%	Tianjin Tairan Technology Company Limited	Tianjin
51%	Tianjin Taihe Heating Company Limited	Tianjin
100%	Beijing Airport Wah Sang Gas Company Limited	Beijing
90%	Sanhe TEDA Gas Company Limited	Hebei Province
85%	Zhuozhou Binhai Gas Company Limited	Hebei Province
100%	Qinhuangdao TEDA Gas Company Limited	Hebei Province
100%	Tangshan Binhai Gas Company Limited	Hebei Province
100%	Tangshan TEDA Gas Company Limited	Hebei Province
98%	Jizhou Binhai Gas Company Limited	Hebei Province
100%	Anxin TEDA Gas Company Limited	Hebei Province
99.82%	Qingyuan Binhai Gas Company Limited	Hebei Province
100%	Zibo Jin Bin Gas Company Limited	Shandong Province
100%	Binzhou TEDA Gas Company Limited	Shandong Province
100%	Changle TEDA Gas Company Limited	Shandong Province
100%	Dezhou Binhai Gas Company Limited	Shandong Province
80%	Qingdao Jiaonan Wah Sang Gas Company Limited	Shandong Province

Corporate Profile

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

Financial Highlights

Year ended 31 December	**2019**	2018	**Changes**
	HK$'000	*HK$'000*	**Percentage**
Revenue	**3,557,529**	3,308,032	8%
Gross profit	**524,619**	612,062	-14%
Profit for the year	**119,624**	106,809	12%
Profit for the year attributable to owners of the Company	**81,111**	104,049	-22%
	HK cents	*HK cents*	*Percentage*
Earnings per Ordinary Share			
— Basic	**6.9**	8.9	-22%
— Diluted	**6.9**	8.9	-22%
	Percentage	*Percentage*	*Percentage point*
Gross profit margin *(Note)*	**15%**	19%	-4
Profit margin for the year *(Note)*	**3%**	3%	—

As at 31 December	**2019**	2018	**Changes**
	HK$'000	*HK$'000*	**Percentage**
Current assets	**1,417,948**	1,825,205	-22%
Total assets	**6,103,222**	6,018,141	1%
Total equity	**1,360,026**	1,364,864	—
Current liabilities	**4,638,251**	2,156,160	115%
Total liabilities	**4,743,196**	4,653,277	2%
	Percentage	*Percentage*	*Percentage point*
Average finance costs *(Note)*	**4.6%**	4.5%	—
Return on average equity *(Note)*	**6%**	8%	-2

Financial Highlights

Note: Definitions

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

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

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

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

Chairman's Statement

On behalf of the board of directors (the "Board") of Binhai Investment Company Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019. The Group recorded a revenue of approximately HK$3.56 billion for the year ended 31 December 2019 (2018: HK$3.31 billion), which represented an approximately 8% increase compared with previous year. Profit of the Group amounted to approximately HK$120 million for the year (2018: HK$107 million), representing an increase of approximately 12% from previous year.

PERFORMANCE REVIEW

In 2019, the trade friction between the USA and the PRC posed various challenges to the global economy and the reconstruction of industrial chain was further expedited. Following the further implementation of the "Three-Year Action Plan for Winning the Battle for a Blue Sky(《打贏藍天保衛戰三年行動計劃》)", the PRC continued its efforts in the prevention and control of air pollution and improved the synergy between the actions against climate change and the prevention and control of environmental pollution. The PRC government also proposed the establishment of the National Oil and Gas Pipeline Network Group Corporation Limited*(國家石油天然氣管網集團有限公司) which is principally engaged in the operation of trunk pipelines of large state-owned oil and gas enterprises, so as to improve the efficiency of oil and gas resource allocation and ensure safe and stable supply of oil and gas. In 2019, the apparent consumption of natural gas for the year reached 306.7 billion cubic meters, up by 9.4% year-on-year, indicating that the PRC's natural gas market still has much room for growth with huge potential.

For the protection of gas sources, the Group further optimized the deployment of gas resources and resolved various issues such as connectivity of long-haul transmission pipelines, gas transmission for clients, and gas storage and peak shaving using a systematic and scientific approach for 9 of its subsidiaries including Tianjin TEDA Binhai Clean Energy Group Company Limited*(天津泰達濱海清潔能源集團有限公司), Sanhe TEDA Gas Company Limited*(三河泰達燃氣有限公司)and Yizheng TEDA Gas Company Limited*(儀征泰達燃氣有限公司). Aligning with the requirements of "Opinions on Accelerating the Construction of Gas Storage Facilities and Improving the Market Mechanism of Gas Storage and Peak Shaving Auxiliary Services(《關於加快儲氣設施建設和完善儲氣調峰輔助服務市場機制的意見》)" issued by the National Development and Reform Commission, the Group completed the research on the proposal of gas storage and peak shaving and also reached consensus on cooperation regarding gas storage and peak shaving with third parties, thereby effectively saving the cost of and avoiding the risk arising from large-scale decentralized construction of gas storage and peak shaving facilities. 6 subsidiaries of the Group including Tianjin TEDA Binhai Clean Energy Group Company Limited*(天津泰達濱海清潔能源集團有限公司), Yishui Binhai Gas Company Limited*(沂水濱海燃氣有限公司)and Binzhou TEDA Gas Company Limited*(濱州泰達燃氣有限公司) implemented the connection of natural gas sources or dual gas sources supply to prevent operational risks such as shortage of gas supply and high gas prices during the period of peak shaving in winter.

Chairman's Statement

For enterprise operation, the Group had 200,000 regular customers from the construction and gas pipeline installation service segment in 2019, up by 34% year-on-year, and recorded sales volume of piped natural gas of 1.915 billion cubic meters, up by 25% year-on-year, of which the sales volume of pipeline gas accounted for 1.0 billion cubic meters, up by 15.3% year-on-year, achieving 915 million cubic meters of natural gas pipeline delivery for the year, up by 38% year-on-year. The Group made aggressive efforts in exploring new districts and market projects and signed development cooperation agreements with a number of new markets, such as Tianjin Future Science and Technology City Beijing-Tianjin Cooperation Demonstration Zone*（天津未來科技城京津合作示範區）and Gas Project of Donglihu District*（東麗湖區域燃氣專案）. Meanwhile, the Group also implemented the preliminary process of development projects such as unifying the natural gas pipelines operated by three towns in the eastern part of Deqing and pushing forward the gas market integration in Lishui District, Nanjing. All these efforts have laid a solid foundation for the future growth and development of the Group's core business.

PROSPECTS

Due to the impact of the novel coronavirus (COVID-19) at the beginning of 2020, the resumption of work has been delayed in various industries in China, causing a considerable impact on the real economy. However, with the deployment of the Chinese central government's prevention and control measures, such measures have improved the nationwide prevention and control of the epidemic and will enhance the resumption of economic and social development. On the other hand, the collapse of international oil prices, as a result of the negotiation breakdown between OPEC and Russia on reduction in crude oil production and Saudi Arabia's sharp increase in crude oil production, can to a certain extent relieve the pressure on the cost side of natural gas upstream companies, which can be transmitted downstream and effectively reduce end-user costs. At the same time, following the establishment of the National Oil and Gas Pipeline Network Group Corporation Limited, a new natural gas market landscape characterized by full competition among the upstream and downstream markets will be formed in 2020, bringing new opportunities and challenges to the development of natural gas industry in the future. According to the "13th Five-Year Plan for Energy Development（《能源發展十三五規劃》）", in 2020, the total natural gas pipeline mileage has reached 100,000 kilometers, with an annual gas transmission capacity of above 400 billion cubic meters. Also, the urban gasification rate has reached 57% and the population with access to natural gas has reached 470 million. In light of the above, natural gas is expected to become the world's largest energy source by 2030. The Group will closely follow the national policies and market trend, leverage on the existing geographical advantages of operations, increase the popularization rate of natural gas supply, fully release the industrial and household demand for natural gas, develop scientific planning and overall layout, organize and push forward the construction of natural gas pipeline networks, and strengthen the coordination, mutual assistance and supply capacity and end user coverage capacity between regions. While focusing on business development, the Group will also sharpen its focus on development of clean energy as the main direction and step up its efforts to develop and promote energy-efficient technologies and products, optimize the layout and structure of energy production, and dovetail with the national environmental policies to promote the construction of ecological civilization. Last but not least, the Group will also fully capitalize on the financing platform of capital market to actively expand the scale of operation so as to achieve a multi-win situation for the interests of investors, governments, users and other parties, continuously maximize shareholder returns, and promote the sustainable development of the Group's business in the future.

Chairman's Statement

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

On behalf of the Board
Binhai Investment Company Limited

Zhang Bing Jun
Chairman of the Board

Hong Kong, 25 March 2020

* *For identification purposes only*

Management Discussion and Analysis

BUSINESS REVIEW

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

Sales of Piped Natural Gas

For the year ended 31 December 2019, consumption of piped natural gas by domestic and industrial users amounted to approximately 8,689 x 10^6 and 26,408 x 10^6 mega-joules respectively, as compared to 7,199 x 10^6 and 23,826 x 10^6 mega-joules respectively for the year ended 31 December 2018. During the year, income of the Group from sales of piped natural gas amounted to HK$2,893,232,000, representing an increase of HK$310,354,000 or approximately 12% compared to the amount of HK$2,582,878,000 recorded for the year ended 31 December 2018.

Construction and Gas Pipeline 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 construction and gas pipeline installation service fees from industrial and commercial customers, property developers and property management companies. As at 31 December 2019, the aggregate length of all gas pipeline networks owned by the Group was approximately 3,048 kilometers, representing an increase of 404 kilometers from the length of 2,644 kilometers as at 31 December 2018. For the year ended 31 December 2019, construction and gas pipeline installation service fees received by the Group amounted to approximately HK$560,820,000, representing a decrease of HK$75,887,000 or approximately 12% compared to the HK$636,707,000 service fees recorded for the year ended 31 December 2018.

Gas Passing Through Service

The Group transports gases for clients through gas pipeline networks and charges passing through fees. For the year ended 31 December 2019, the volume of gases transported by the Group for its clients amounted to 914,935,616 cubic meters and gas passing through service income amounted to HK$81,423,000, representing an increase of HK$14,011,000 or approximately 21% compared to the amount of HK$67,412,000 recorded in the year ended 31 December 2018.

Property Development

As at 31 December 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.

Management Discussion and Analysis

In view of 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 construction. The management emphasises the decision of the disposal of the property under construction, and has 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 2019 was HK$525 million (2018: HK$612 million) and the gross profit margin for the Group was 15% (2018: 19%). The decrease in gross profit margin was mainly due to the increase in purchase cost of the piped natural gas.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2019 was HK$262 million, representing an increase of HK$51 million or 24% compared to HK$211 million for the year ended 31 December 2018, which was mainly attributable to an increase in employee benefits expenses.

Profit Attributable to Owners of the Company

Profit attributable to equity owners of the Company for the year ended 31 December 2019 was approximately HK$81 million, as compared to HK$104 million for the year ended 31 December 2018. Profit attributable to equity owners of the Company excluding the unrealised exchange loss amounted to HK$116 million for the year ended 31 December 2019, representing a decrease of 44% as compared to HK$207 million for the year ended 31 December 2018. The Group recorded an unrealised exchange loss of HK$35 million caused by fluctuations in RMB exchange rate in 2019.

Basic earnings per share for the year ended 31 December 2019 was HK$6.9 cents, as compared to HK$8.9 cents for the year ended 31 December 2018.

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2019, the total borrowings of the Group amounted to HK$2,540,226,000 (31 December 2018: HK$2,716,808,000) and the cash and bank deposits of the Group amounted to HK$706,881,000 (31 December 2018: HK$677,060,000), which included cash and cash equivalents of HK$699,998,000 and pledged bank deposits of HK$6,883,000. As at 31 December 2019, the Group had consolidated current assets of HK$1,417,948,000 and its current ratio was approximately 0.31. As at 31 December 2019, the Group had a gearing ratio of approximately 187%, measured by the ratio of total consolidated borrowings of HK$2,540,226,000 to consolidated total equity of HK$1,360,026,000.

Borrowings Structure

As at 31 December 2019, the total borrowings of the Group amounted to HK$2,540,226,000 (31 December 2018: HK$2,716,808,000). Secured borrowings from PRC banks were denominated in RMB, carrying an interest at the rate of 5.155% per annum. Unsecured bonds of USD300,000,000 were issued at 100% of the issue price, bearing an interest at the rate of 4.45% per annum. 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% above the RMB benchmark lending rate published by the People's Bank of China for the same period, the outstanding balance of the aforesaid collateralised borrowings amounted to RMB96,910,000 (equivalent to approximately HK$107,978,000) (2018: RMB194,189,000 (equivalent to approximately HK$221,096,000)). As at 31 December 2019, short-term borrowings and current portion of long-term borrowings amounted to HK$2,512,222,000, 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 2019, the total current liabilities of the Group exceeded its total current assets by HK$3,220 million. The Group's ability to continue as a going concern largely depends on the financial resources available to the Group. Tianjin TEDA Investment Holding Company Limited*（天津泰達投資控股有限公司）("TEDA") has confirmed its intention to provide financial support for the continuing operation of the Group. Therefore, the Directors believe that the Group is able to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the next twelve months from 31 December 2019 Accordingly, the Group's 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 2019, net foreign exchange loss for the financing activities was HK$35 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 2019, the Group had pledged bank deposits of HK$6,883,000 (31 December 2018: HK$7,542,000).

Pipeline networks with net carrying amount as at 31 December 2019 of HK$358 million (approximately RMB321 million) were pledged as security for the related borrowings.

Contingent Liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 31 December 2019, the Group had 1,809 employees (31 December 2018: 1,708 employees). For the year ended 31 December 2019, the salaries and wages of the employees amounted to HK$174 million (year ended 31 December 2018: HK$134 million) and among these, HK$23 million were recorded in research and development expenses (year ended 31 December 2018: HK$23 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.

** For identification purposes only*

Corporate Governance Report

The Board presents the corporate governance report of the Company for the year ended 31 December 2019.

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 2019, the Company had fully complied with the code provisions set out in Appendix 14 (Corporate Governance Code and Corporate Governance Report) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

SECURITIES TRANSACTIONS BY DIRECTORS

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

All Directors have confirmed, following specific enquiries by the Company, that they have 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 2019.

THE BOARD

As at the date of this report, the Board comprises nine Directors including two executive Directors, namely Mr. ZHANG Bing Jun (Chairman) and Mr. GAO Liang (General Manager), four non-executive Directors, namely Mr. WANG Gang, Ms. CAO Hong Mei, Ms. PENG Bo 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. Detailed information of the Directors is set out in the section titled "BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT" herein.

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

Corporate Governance Report

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

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

A total of four Board meetings were held during the year ended 31 December 2019 to discuss and decide on the Company's major strategies, important business matters, financial issues and other matters set forth in the Company's bye-laws. A summary of the Directors' attendance at such meetings held during their office appointment for the year ended 31 December 2019 is as follows:

Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. ZHANG Bing Jun *(Chairman)*	4/4	100%
Mr. GAO Liang *(General Manager)*	4/4	100%

Non-Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. SHEN Xiao Lin (resigned on 27 September 2019)	4/4	100%
Mr. ZHANG Jun (resigned on 27 September 2019)	4/4	100%
Mr. WANG Gang	3/4	75%
Ms. CAO Hong Mei (appointed on 27 September 2019)	N/A	N/A
Ms. PENG Bo (appointed on 27 September 2019)	N/A	N/A
Mr. YU Ke Xiang	4/4	100%

Independent Non-Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. IP Shing Hing, *J.P.*	4/4	100%
Mr. LAU Siu Ki, Kevin	4/4	100%
Professor Japhet Sebastian LAW	4/4	100%
Mr. TSE Tak Yin (resigned on 10 May 2019)	1/1	100%

DIRECTORS' TRAINING

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

Record of training received by each Director during the year ended 31 December 2019 is summarized below:

Directors	Contents of the training
Mr. ZHANG Bing Jun	A
Mr. GAO Liang	B
Mr. SHEN Xiao Lin (resigned on 27 September 2019)	C
Mr. ZHANG Jun (resigned on 27 September 2019)	D
Mr. WANG Gang	E
Ms. CAO Hong Mei (appointed on 27 September 2019)	E
Ms. PENG Bo (appointed on 27 September 2019)	E
Mr. YU Ke Xiang	F
Mr. IP Shing Hing, *J.P.*	G, H
Mr. LAU Siu Ki, Kevin	I, J, L
Professor Japhet Sebastian LAW	K
Mr. TSE Tak Yin (resigned on 10 May 2019)	L

A. Attended Belt and Road International Co-operation Forum

B. Attended 2019 Natural Gas Industry High-end Seminar

C. Attended Forum on Energy Utilization and Environmental Protection

D. Attended Performance Assessment Training Session organized by TEDA

E. Attended 2019-2020 Winter Heating Mobilization Conference

F. Attended a talk about "Hong Kong is the intersection of two major national strategies – One Country, Two Systems and Belt and Road" organized by Tianjin Development Holdings Limited

G. Attended a seminar about "Rising to Legal Challenges in the Age of Artificial Intelligence" organized by The University of Hong Kong

H. Attended Global Risk Landscape 2019 Forum

I. Attended training on "Updates on Listing Rules Requirements" provided by PricewaterhouseCoopers

J. Attended Independent Non-executive Director Forum organized by KPMG

K. Attended training in relation to ESG Reporting Guide and FAQs provided by the Hong Kong Stock Exchange

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

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

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

TERM OF OFFICE AND RE-ELECTION

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

Corporate Governance Report

GENERAL MEETINGS

The Company held an annual general meeting and three special general meetings in 2019.

At the annual general meeting of the Company held on 10 May 2019 ("2019 AGM"), a separate resolution was proposed by the Chairman in respect of each separate issue, including the re-election of each of Mr. SHEN Xiao Lin, Mr. ZHANG Jun, Mr. YU Ke Xiang and Mr. LAU Siu Ki, Kevin as a Director. The representative of the external auditor of the Company attended the 2019 AGM.

At the three special general meetings of the Company (the "SGM") held in 2019, independent non-executive Directors were available to answer questions at two SGMs for approval of continuing connected transactions and one SGM for approval of change of external auditors. The chairman of the SGMs had explained the procedures of conducting a poll during the SGMs. All resolutions proposed at the SGMs were voted by way of polls. All the votes cast at the SGMs were properly counted and recorded.

The following table sets out details of the Directors' attendance of the general meetings of the Company held during their office of appointment for the year ended 31 December 2019:

Directors	Number of general meetings attended/ Number of general meetings held	Attendance percentage
Mr. ZHANG Bing Jun	1/4	25%
Mr. GAO Liang	3/4	75%
Mr. SHEN Xiao Lin (resigned on 27 September 2019)	3/3	100%
Mr. ZHANG Jun (resigned on 27 September 2019)	3/3	100%
Mr. WANG Gang	2/4	50%
Ms. CAO Hong Mei (appointed on 27 September 2019)	1/1	100%
Ms. PENG Bo (appointed on 27 September 2019)	1/1	100%
Mr. YU Ke Xiang	4/4	100%
Mr. IP Shing Hing, *J.P.*	4/4	100%
Mr. LAU Siu Ki, Kevin	4/4	100%
Professor Japhet Sebastian LAW	4/4	100%
Mr. TSE Tak Yin (resigned on 10 May 2019)	1/1	100%

NOMINATION COMMITTEE

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

Corporate Governance Report

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

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

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

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

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

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

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

During the year, the composition of the Board changed from 10 directors to 9 directors. Mr. TSE Tak Yin resigned on 10 May 2019. Mr. SHEN Xiao Lin and Mr. ZHANG Jun resigned on 27 September 2019 and Ms. CAO Hong Mei and Ms. PENG Bo were appointed on 27 September 2019. The Nomination Committee assessed the candidates (i.e. Ms. CAO Hong Mei and Ms. PENG Bo) on criteria such as integrity, independence, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively etc. and made recommendations to the Board for approval. It was also considered that the appointment of two new female Directors to the Board (which then comprised only male Directors) would contribute to the diversity of the composition of the Board in terms of gender.

Corporate Governance Report

During the year ended 31 December 2019, one meeting was held by the Nomination Committee. The Nomination Committee mainly discussed matters relating to committee responsibility and operating mechanism as well as areas to further utilize its functions. Attendance of each member of the Nomination Committee are set out as follows:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. IP Shing Hing, *J.P. (Chairman)*	1/1	100%
Mr. LAU Siu Ki, Kevin	1/1	100%
Professor Japhet Sebastian LAW	1/1	100%
Mr. TSE Tak Yin (resigned on 10 May 2019)	N/A	N/A
Mr. GAO Liang	1/1	100%

REMUNERATION COMMITTEE

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

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

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

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

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

During the year ended 31 December 2019, three meetings were held by the Remuneration Committee. The Remuneration Committee reviewed the remuneration of executive Directors and senior management, as well as the director's fees of the two newly appointed non-executive Directors, and made recommendations to the Board. Attendance of each member of the Remuneration Committee are set out as follows:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Professor Japhet Sebastian LAW *(Chairman)*	3/3	100%
Mr. IP Shing Hing, *J.P.*	3/3	100%
Mr. LAU Siu Ki, Kevin	3/3	100%
Mr. TSE Tak Yin (resigned on 10 May 2019)	1/1	100%
Mr. GAO Liang	3/3	100%

The remuneration of members of the senior management by band for the year ended 31 December 2019 is set out below:

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

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to the Listing Rules are set out in Note 12 and Note 43 to the financial statements.

AUDIT COMMITTEE

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

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

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

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

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. LAU Siu Ki, Kevin (Chairman), Mr. IP Shing Hing, *J.P.* and Professor Japhet Sebastian LAW, where Mr. LAU Siu Ki, Kevin is a qualified accountant.

Four meetings were held by the Audit Committee during the year ended 31 December 2019. At the meetings, the Audit Committee reviewed and discussed the following matters:

1. the audited annual results and financial statements of the Group for the year ended 31 December 2018;

2. the unaudited interim results of the Group for the 6 months ended 30 June 2019;

3. financial reporting system and internal control procedures;

4. relationship with the external auditor, including reviewing the resignation of auditor, making recommendations to the Board on the appointment of the new auditor and approving the remuneration and terms of engagement of the new auditor;

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

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

The following table sets out the details of attendance of each member of the Audit Committee at the meetings held during the year ended 31 December 2019:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. LAU Siu Ki, Kevin *(Chairman)*	4/4	100%
Mr. IP Shing Hing, *J.P.*	4/4	100%
Professor Japhet Sebastian LAW	4/4	100%
Mr. TSE Tak Yin (resigned on 10 May 2019)	1/1	100%

The Audit Committee has also reviewed the audited annual results of the Group for the year ended 31 December 2019, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Audit Committee considered that:

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

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

Corporate Governance Report

RISK COMMITTEE

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

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

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

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

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

During the year ended 31 December 2019, two meetings were held by the Risk Committee. The Risk Committee mainly discussed matters relating to the overview and assessment of the Group's principal risks. Attendance of each member of the Risk Committee are set out as follows:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. IP Shing Hing, *J.P. (Chairman)*	2/2	100%
Mr. LAU Siu Ki, Kevin	2/2	100%
Professor Japhet Sebastian LAW	2/2	100%
Mr. TSE Tak Yin (resigned on 10 May 2019)	1/1	100%
Mr. GAO Liang	2/2	100%

CORPORATE GOVERNANCE FUNCTIONS

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

Corporate Governance Report

DIVIDEND POLICY

The Board adopted a dividend policy for the Company with effect from 1 January 2019 (the "Dividend Policy"). According to the Dividend Policy, the Company may from time to time declare dividend to be paid to the Shareholders up to the amount recommended by the Board. When the Company determines whether to declare any dividend and the amount of dividend to be declared, the Board will take into account a number of factors, including but not limited to:

1. the actual and expected financial performance of the Group;

2. retained earnings and distributable reserves of the Company and each of the members of the Group;

3. the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

4. any restrictions on payment of dividends that may be imposed by the Group's lenders;

5. the Group's expected working capital requirements and future expansion plans;

6. general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

7. any other factors that the Board deems appropriate.

The Company does not have any pre-determined dividend payout ratio. The declaration, recommendation and/or payment of dividends of the Company shall be at the discretion of the Board. The Board endeavors to maintain a balance between meeting the Shareholders' expectations and prudent capital management with a sustainable dividend policy.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The statement of responsibility to the financial statements by PricewaterhouseCoopers, the external auditor of the Group, is set out in the section of "INDEPENDENT AUDITOR'S REPORT" on pages 82 to 88 of this Annual Report. The remuneration for the audit services provided by the external auditor of the Group in respect of the year ended 31 December 2019 amounted to RMB2.75 million. For the year ended 31 December 2019, there was no non-audit services provided by the external auditor of the Group to the Group.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements for the year ended 31 December 2019 in accordance with statutory requirements and applicable standards.

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

The Directors have made reasonable enquiries as to whether the Group has adequate resources. TEDA has confirmed its intention to provide financial support for the continuing operation of the Group. Therefore, the Directors believe that the Group is able to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the next twelve months from 31 December 2019. Accordingly, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements of the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year ended 31 December 2019, the management of the Company provided training to the internal audit team, accounting team and operation team, so as to ensure effective implementation of the risk management and internal control systems and procedures. The Audit Committee paid great attention to risk management and internal controls and made efforts to improve the risk management and internal control systems during the year ended 31 December 2019.

In 2019, the internal control and legal department adhered to the working principle of being stable and orderly, prudent yet progressive without compromising safety and compliance and continued to make progress with the main focus of work revolving around the anti-fraud governance, the refinement of institutional process system, the handling of material litigations, and the optimization of control environment.

Corporate Governance Report

For the anti-fraud governance, based on the "Negative List of Fraudulent Behavior for Personal Gain"(《營私舞弊負面清單》), on the one hand, it strengthened audit supervision, revised and improved the "Administrative Measures for Internal Audit"(《內部審計工作管理辦法》), and completed 15 audit projects for 13 subsidiaries for the year, whereby the audit coverage of subsidiaries was expanded; on the other hand, it carried out 4 training sessions on studying cases of fraudulent behavior for personal gain and 5 legal trainings, with over 2,000 employees participated, to actively build a good corporate environment characterized by a fraud-free cultural atmosphere for entrepreneurship. At the same time, it investigated into the management of the Company's procurement and tender, standardized the system and procedures of procurement and tender, took precautions against procurement and tender risks, lowered procurement costs, and maintained a sound foundation of anti-fraud system and a long-term effective mechanism.

For the refinement of institutional process system, it further revised the "Administrative Measures for Connected Transactions"(《關連交易管理辦法》) and improved the reporting and approval process, strengthened the price management and information disclosure of connected transactions and ensured compliance with the laws and regulations when conducting a connected transaction. In addition, it carried out follow-up investigations on 5 functional departments, including the operation department, engineering department and safety technology department of the headquarters as well as the operation and safety department and engineering department of Binhai Investment (Tianjin) Company Limited*(濱海投資(天津)有限公司), to verify the rectification of problems and continue to promote enhancement of internal control and risk management among departments. Complemented by the Enterprise Resource Planning (ERP) in place, it improved the implementation of the informationization of approval and authorization, refined the authorization system and adjusted the authorization limit to continuously improve the Company's supervision system of authorization, combat against rent-seeking and fraud behaviors and improve the approval efficiency and effectiveness.

For the handling of material lawsuits, it successfully recovered the fuel costs owed by Tianjin Pipe Manufacturing Company(天津鋼管製造公司) and the related litigation costs through arbitration and application to the court for execution. The final judgement regarding the Jiaozhou corruption case had been handed down, pursuant to which, fixed-term imprisonment and fines together with the order to repay the proceeds of crime were imposed on the defendants including Wu Baohua(吳保華).

For the optimization of control environment, it carried out evaluation of the management structure and leadership of the Company's leaders and cadres at all levels to further improve the structure and management capabilities of the Company's core teams. At the same time, the Company's general manager held several meetings discussing the corporate core values with the middle and senior management teams, potential cadres, young cadres and subsidiaries' middle and senior management teams, during which it deeply analyzed and provided insights in understanding the meanings behind the philosophies of loyalty, cleanliness, responsibility and collaboration and consensus was reached on a broad range of issues.

Corporate Governance Report

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

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

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

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

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

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

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

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

Corporate Governance Report

COMPANY SECRETARY

The Company engaged and appointed Mr. YIP Wai Yin ("Mr. YIP"), a Hong Kong practicing solicitor, as the company secretary of the Company. The primary corporate contact person at the Company with Mr. YIP is Mr. WANG Long, the Deputy General Manager of the Company and the secretary to the Board. They work together in handling the corporate secretarial matters of the Company. Mr. WANG has day-to-day involvement in the affairs of the Company.

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

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning a special general meeting

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

(b) Procedures for putting forward proposals at general meetings

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

(c) Communication with Shareholders and investors

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

Corporate Governance Report

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

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

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

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

Hong Kong

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

Tianjin

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

The Memorandum of Association and New Bye-laws of the Company have been posted on the website of the Company at www.binhaiinv.com and the designated website of the Stock Exchange at www.hkexnews.hk. There was no change to the Memorandum of Association and New Bye-laws of the Company during the year ended 31 December 2019.

** For identification purposes only*

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This Environmental, Social and Governance Report (this "Report") provides an up-to-date overview of Binhai Investment Company Limited (the "Company") and its subsidiaries' (hereinafter collectively the "Group" or "Binhai Investment") sustainable development in 2019, mainly addressing material issues relating to the Group's sustainability development that stakeholders concern themselves with. This Report aims to provide key stakeholders with a better understanding of the Group's sustainability development concepts, measures, and performance. This Report is intended to be read in conjunction with this Annual Report (in particular the "Corporate Governance Report" contained within), providing a comprehensive overview of the Group's environmental, social, and governance performance.

1.1 Scope of this Report

The Group's core businesses include the sales of piped natural gas, construction and gas pipeline installation service, gas passing through service and sales of bottled natural gas, and these are primarily based in Tianjin, Beijing, Hebei Province, Shandong Province, Jiangsu Province, Jiangxi Province, Hunan Province, Hainan Province, and Zhejiang Province. As these core businesses are outsourced to third parties, and not within the Group's direct operational boundary, unless remarked otherwise, this Report contains information pertaining to the Group's direct operations in the People's Republic of China (the "PRC"), including the Group's office headquarters in Tianjin. Unless stated otherwise, the information and data disclosed in this Report covers the period from 1 January 2019 to 31 December 2019 (the "Reporting Period").

1.2 Reporting Framework

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

1.3 Reporting Statement

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

1.4 Feedback

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

2. ABOUT THE GROUP

The Group is principally engaged in the sales of piped natural gas, construction and gas pipeline installation service, gas passing through service and sales of bottled natural gas. Binhai Investment has always strived to expand the gas market in the PRC, and was one of the first foreign-funded enterprises in the public utilities industry in the PRC. Over the last decade or so, the Group has been committed to aligning with the national policy of the PRC as a priority, providing clean energy for industrial and commercial users, as well as urban citizens.

2.1 Sustainable Development Management

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

2.2 Compliance and Management

The Group actively promotes compliance management across all of its operations. Using compliance as a guide, corresponding management departments formulate rules and regulations in line with the operational characteristics of the Group; subsidiaries under the Group are required to operate in accordance with these rules and regulations. This strictly controls the healthy development of business operations. For details related to laws and regulations that had a significant impact on Binhai Investment and which were complied with by the Group during the Reporting Period, please refer to Chapter 8 in this Report.

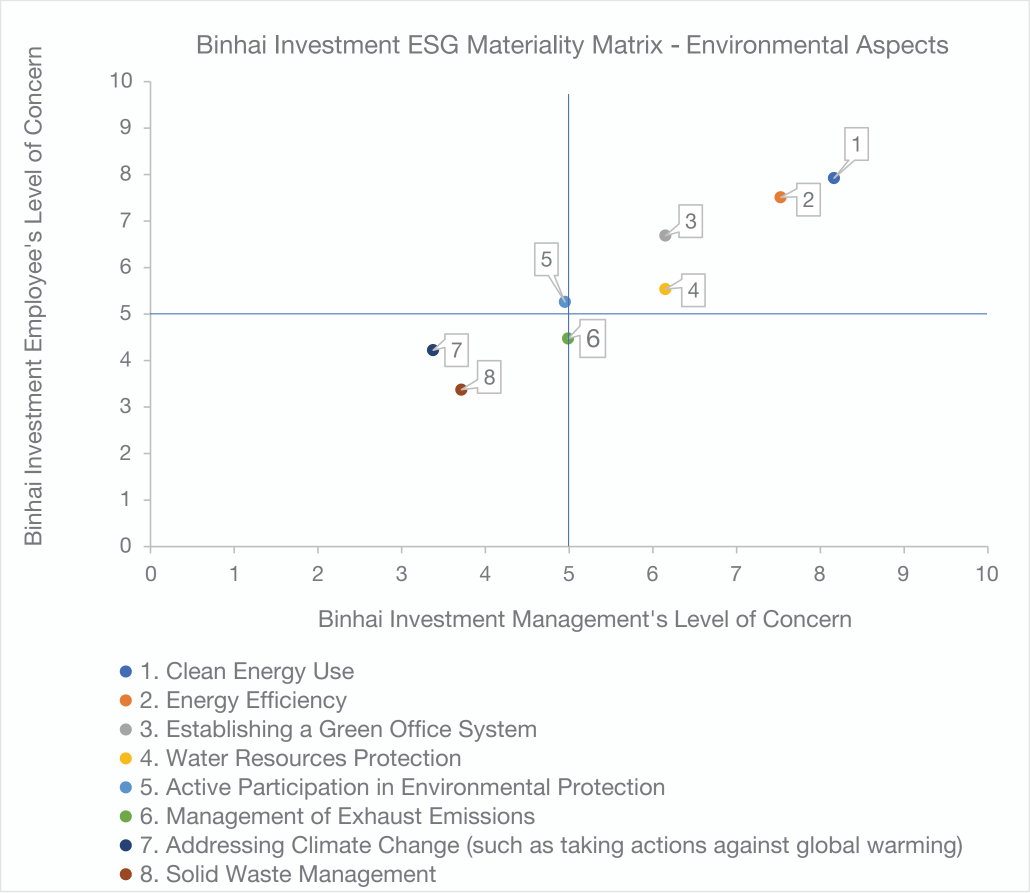
2.3 Stakeholder Participation

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

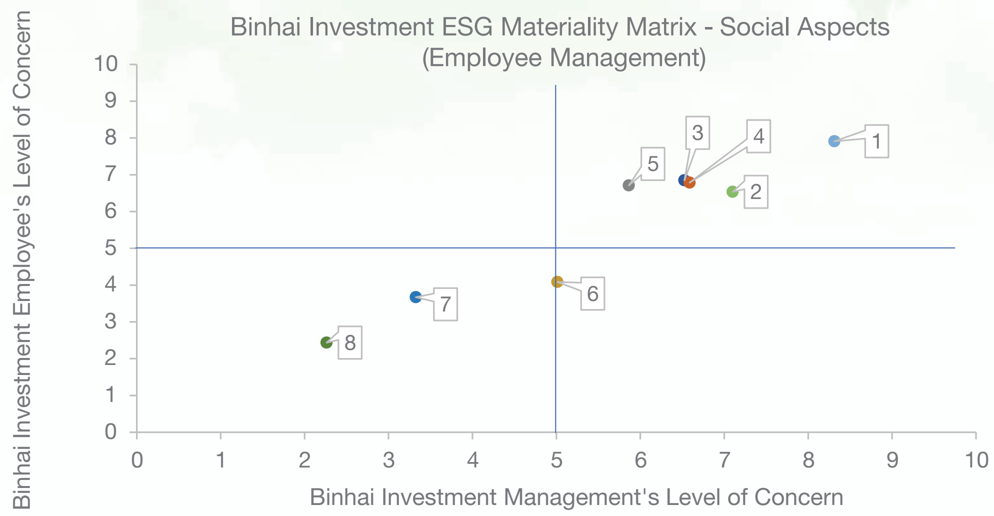
Stakeholders	Communication Channels
Shareholders	Annual Reports, Interim Reports, Public Announcements, Press Releases, Annual General Meetings, Individual and Group Meetings
Government and Regulators	Government Meetings, Regulations, Assessments, Questionnaire, Site Visits
Customers	Customer Meetings,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

In order to better respond to stakeholders' expectations, during the Group's preparation of this Report, a third-party consultant was engaged to evaluate ESG issues material to the Group according to two dimensions: importance to the Group's businesses, and level of concern paid by stakeholders.

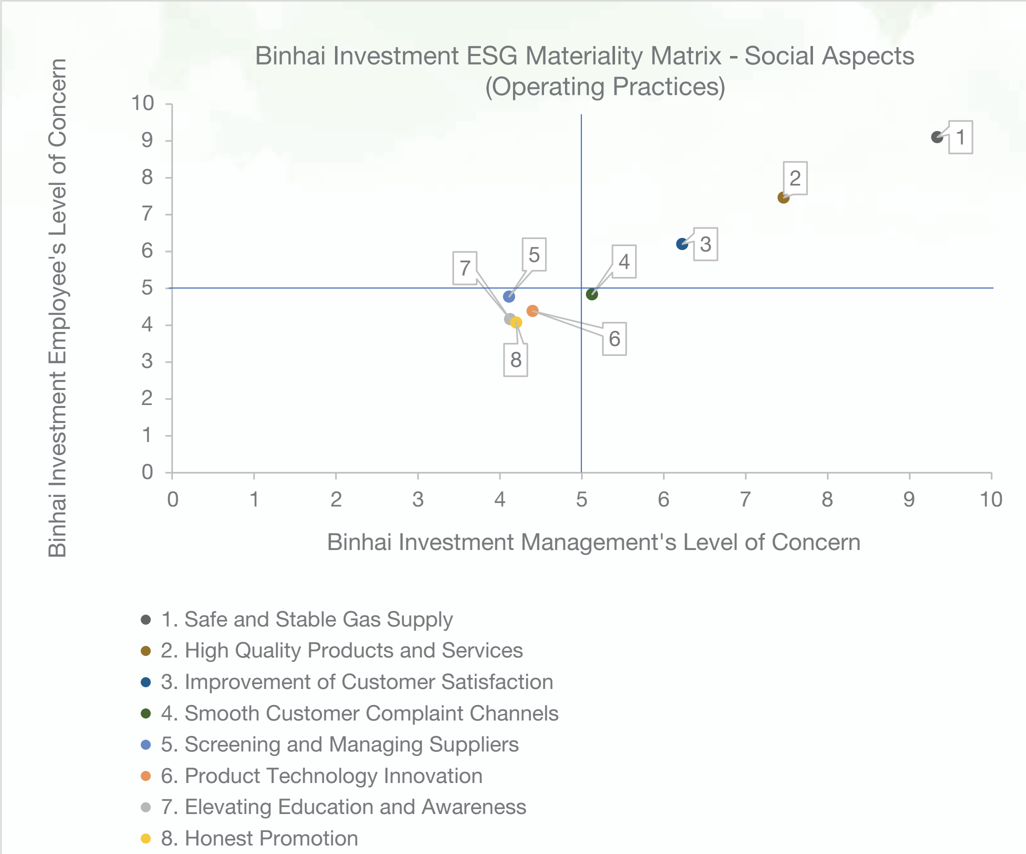
Firstly, using the results of the 2018 ESG materiality assessment as a foundation, the ESG Working Group reviewed key stakeholders (defined as organisations and people which are impacted by business operations or can affect business operations) identified. Subsequently, the Group researched and reviewed potential ESG impacts derived from the Group's business scope, nature and strategies in 2019, and from industrial policies or trends. Following an analysis on the above, the Group's management confirmed that the Group's list of stakeholders and list of material ESG issues for the Reporting Period did not have to undergo adjustment, and confirmed that material ESG issues identified in 2018 (including ESG issues' relative importance) remained applicable for this Report. The corresponding ESG matrices are presented below.



Environmental, Social and Governance Report



- 1. Talent Development and Management (such as management policies relating to hiring, promotion, remuneration, and diversity)
- 2. Employee Health and Safety Management
- 3. Protection of Employee Rights and Benefits
- 4. Professional Development of Employees
- 5. Diversity of Welfare Policies
- 6. Preventing the Occurence of Illegal Acts (such as corruption, money laundering, fraud, and extortion)
- 7. Anti-discrimination Principles
- 8. Preventing the Occurence of Child and Forced Labour



The following table sets out the evaluation results of the material issues of the Group:

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

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

3. GREEN DEVELOPMENT

Leveraging on its long experience in the industry, its safe and trustworthy service quality, its professional expertise as well as the close relationship with the local government, Binhai Investment has a coverage of gas businesses that encompasses seven provinces and two municipalities across the PRC, and strives to become an influential clean energy service provider nationwide. 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. In order to respond to this plan, the Group has actively accelerated the supply, use, and promotion of gas, and is committed to taking responsibility for the environment through effective sustainability work. The Group has also taken effective measures to utilise resources efficiently. In its daily operations, the Group strictly complies with laws and regulations of the PRC and the place of operation relating to the emission of exhaust gases and greenhouse gases, discharges into water and land, and generation of hazardous and non-hazardous waste. During the Reporting Period, the Group did not have any non-compliance incidents relating to the above-mentioned aspects.

3.1 Promoting Clean Energy Use

The National "13th Five-year Plan" energy plan has proposed the acceleration of clean energy development, the optimisation of the energy mix, the acceleration of the development and utilisation of natural gas, and the implementation of "innovation, coordination, green, development, and sharing together" to promote clean energy usage. To this end, the Group is committed to upholding the concept of green development, protecting and improving the environment, with the goal of becoming a national advocate and operator of clean energy, providing clean energy for both industrial and commercial use, as well as for urban residents' use. In 2019, subsidiaries of the Group located in Tianjin, Zhuozhou, Jizhou, Qingyuan, Anxin, Zibo, etc., serviced 160,000 coal-to-gas users, and supplied 546,500,000 cubic metres of natural gas. The Group attaches great importance to environmental protection, actively promotes the popularisation of clean energy, and taking the provision of clean energy as its mission, has undertaken projects such as "gas-fired boilers", "distributed energy", "Beijing-Tianjin-Hebei coal to gas", "gas-fired power plants", providing compressed natural gas (CNG) and liquified natural gas (LNG), vehicle gas refuelling, and LNG ship refuelling. In the future, the Group will shoulder its mission, and continue to promote the popularisation and development of clean energy.

The Group's increase in natural gas sales and gas transmission has significantly reduced coal consumption, noticeably reducing emissions from greenhouse gases such as CO_2 and from air pollutants such as fine particulate matter ($PM_{2.5}$), effectively improving the environment and mitigating atmospheric pollution. In 2019, the Group sold 1.915 billion cubic metres of natural gas, equivalent to replacing 2.547 million tonnes of coal, and reducing 2.719 million tonnes of carbon dioxide and 42,000 tonnes of SO_2 emissions.

3.2 Environmental Protection at Construction Sites

The Group fully advocates for sustainable operations. In order to implement environmental protection, the Group has always closely monitored and done its upmost to reduce pollutants generated and emitted from its operations.

The Group's impacts on the ecological environment are mainly reflected in the mechanical noise pollution, small amount of residual soil waste and atmospheric emissions generated during the installation of pipelines and in earthworks. To address these impacts, the Group has consistently taken a series of measures: (1) the Group has formulated the *Safety Management Regulations for Engineering Construction*[1], requiring equipment

[1] The Engineering Department of the Group's headquarters is responsible for supervising the implementation of the Safety Management Regulations for Engineering Construction, and subsidiaries are responsible for monitoring third-party construction teams' implementation of specific measures. The Engineering Department visits construction sites from time to time to conduct spot checks. If any relevant issues are found, the subsidiary in question is punished in accordance with regulations.

that generate noise pollution to be placed to the side away from residential areas; noise levels are prohibited to exceed 55 decibels between 10 pm and 6 am the following day. Under special circumstances and progress requirements, noise reduction and sound insulation measures are taken, or work is prohibited altogether. Where construction sites are located near residential areas, vehicles entering and exiting sites in the evening are strictly prohibited from honking their horns, and required to lightly onload and offload cargo; (2) in order to reduce residual earthwork generated during construction works of gas pipeline connections, backfill methods are used. To reduce earthwork generated from other processes, further processing is conducted by third parties authorised by local municipal and environmental departments. Vehicles transporting sand or soil are required to seal loads to prevent leakage and spillage, and dispose of them at designated points in accordance with the requirements of local authorities. Moreover, effective directional drills are adopted in drilling works, improving drilling accuracy and greatly minimising unnecessary destruction to the land; (3) to address atmospheric emissions generated from mechanical operations, the Group strictly requires the use of machinery with tail gas emissions that meet environmental monitoring requirements. To reduce the use of power generators, the Group encourages the temporary use of electricity during construction processes, and machinery that make use of clean energy (such as gas-powered vehicles).

The Group pays attention to waste disposal and related management, strictly monitors and controls waste generated during its daily operations, and adheres to relevant laws and regulations and national standards. Used waste meters and steel pipes are major wastes generated in pipe-connection works, and relevant handling procedures are as follows: used waste meters must be compressed or drilled and photographed for documentation. Under the supervision of the Operating Centre, used meters are subject to strict approval and declaration before being discarded and sold for recycling. The revenue from recycled waste must be credited in a ledger in accordance with company rules for prohibiting the re-entry of declared used waste meters to the market. The remaining gas in the waste steel pipes must be fully discharged with the use of nitrogen or water, and treated properly alongside with valve chambers and other objects. Where necessary, this should be performed by sealing and disassembling of wastes to ensure safety. All information concerning the replacement of steel pipes and location of old steel pipes must be reported to the relevant government department for filing.

3.3 Establishing a Green Office System

Other emission sources of the Group come from the daily operation of its offices, including direct greenhouse gas emissions and air pollutants derived from the use of natural gas in the canteen[1], direct greenhouse gas emissions and air pollutants derived from the use of vehicles, indirect greenhouse gas emissions from the use of electricity, and indirect greenhouse gas emissions from the provision of heating. Additionally, minimal amounts of indirect greenhouse gas emissions are generated from the disposal of waste paper at landfill sites, and from employee business travel. To reduce emissions generated from vehicles, the Group encourages employees to take public transportation and reduce the use of private vehicles; arranges for regular maintenance and repair works for its fleet of vehicles to reduce the use of inefficient vehicles and their associated higher fuel consumption levels, thereby lowering the discharge of air pollutants; and provides drivers with training on low-carbon driving methods, such as the avoidance of driving at high speeds with low gears, and sudden acceleration, etc. The Group has also sorted through vehicles logged with high mileage, in use for a long duration of time, and with emission standards below China III. A proportion of these vehicles have been suspended from operation, and next steps will involve their refurbishment or disposal.

The Group pays attention to the resources it consumes, and regularly monitors the consumption of electricity, water, natural gas, and other resources used during the daily operations of its offices. In order to reduce its energy consumption, the Group has established a Green Office System, and taken the following measures: (1) adopting a Central Control and Monitoring System (CCMS) and Building Management System (BMS), dividing the office lighting into several zones and installing automatic lighting control in different zones; (2) adopting high energy efficiency lighting devices such as T5 fluorescent lamp tubes and Light Emitting Diodes ("LED") lamps; (3) installing Variable Speed Drives in pumps and fans adjustable to actual needs; (4) avoiding the installation of air-conditioners in areas with direct sunlight, and regularly cleaning the filters and fan-coils in air-conditioners; and (5) requiring employees to turn off electronic appliances and air-conditioners that are not in use during off-work hours, thereby conserving electricity. Moreover, in 2019, in response to the Group's developmental needs, the Group increased the area of its offices and canteens, and consulted professional designers to optimise the overall electrical system. Through implementing the above-mentioned measures, the Group successfully reduced year-on-year electricity consumption by 2,380 kWh.

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[1] The Group's new canteen started its operations in June 2019.

The Group pays undivided attention to conserving water usage, and has implemented the following measures in its daily operations to reduce water wastage: (1) having the property management company to arrange for a maintenance officer to conduct regular checks on water meter readings and to carry out leakage tests of concealed water pipes; (2) installing dual flush toilets; (3) installing water appliances with water-saving labels and infra-red sensors; (4) installing water-saving faucet in sinks; (5) advocating water-saving through emails, posters, intranet and memos placed in toilets; and (6) regularly providing employees with environmental protection-related training courses.

The Group actively promotes paperless office environments, and has implemented an Office Automation System (OA System), storing invoice figures via email or the OA system to reduce paper consumption. Binhai Investment has actively promoted paper recycling, and during the Reporting Period, successfully recycled over 500 kg of paper, thereby reducing the amount of paper sent to landfill sites. Moreover, the Group encourages employees to use duplex printing, and has set duplex printing and ink-saving modes as default settings on printers, and notices have posted close by with the intention of reminding employees about saving paper. Furthermore, ink cartridges used by the Group are recyclable, and are recycled by suppliers to reduce their impact on the environment. Through the use of recycling bins, the Group collects used plastic bottles and arranges for them to be sent to a recycling company for further processing; hazardous wastes such as batteries, electronic wastes and mercury-containing light tubes are collected by the Group's property management company, and sent to a third-party for categorisation processing.

4. CARING FOR EMPLOYEES

The Group places importance on fostering a harmonious culture, and acts in accordance with national laws and regulations that have had a significant impact on the Group which relate to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, and standardised the implementation of the *Employee Code of Conduct* and other human resources related internal policies. In addition, the Group strictly complies with national laws and regulations relating to preventing child and forced labour, resolutely eliminating the use of either practice. During the Reporting Period, the Group did not have any non-compliance incidents relating to the above aspects.

4.1 Protection of Employee Rights

Following a "fair and just, right person for the right job" recruitment concept, and the advocation of a "impartially hiring competent persons" recruitment or appointment policy, the Group ensures that all job applicants are granted equal opportunities and fair competition. The Group objects to any forms of discrimination and is proud to have a diverse team coming from over 20 different provinces and municipalities in the PRC. The Group has formulated an *Employee Reward and Punishment Management System*, which requires employees to provide accurate and reliable personal information upon commencing their employment, and if any falsified documents or resumes are found, the Group reserves the right to terminate employees' probationary period or to dismiss the employment contract of the employee concerned. The Group implements three types of working hour schemes including irregular, consolidated and standardised working hour schemes according to the business characteristics, safety requirements and job requirement of the Group's subsidiaries, ensuring employees have reasonable working hours and durations. With regard to leave, employees are entitled to sick leave, personal leave, marriage leave, bereavement leave, maternity leave, work injury leave, annual leave and statutory holiday leave.

4.2 Diversity of Welfare Policies

The Group has adopted a remuneration policy for its employees based on their position, performance, contribution and performance bonus, and has established an internal salary scale accordingly. The Group's human resources department is responsible for managing employees' salaries, and in accordance with the *Remuneration Management Measures*, uses the internal salary scale whilst considering employees' job responsibilities, personal work experience, education, qualifications and other specific indicators relating to employees' abilities, track record, and work performance to set salary standards. At the end of each year, the Group considers market trends, and evaluates the performance of its employees and elevates the position and/or remuneration of outstanding employees, and offers discretionary performance bonuses as appropriate. Besides offering continuous development opportunities, the Group provides reasonable and lawful salaries and welfare, and provides five social insurances (pension, unemployment insurance, work injury insurance, medical insurance and maternity insurance) and housing provident funds, bonuses and other benefits and welfare.

4.3 Professional Development of Employees

The Group deeply believes that its development is dependent on the knowledge and skills of its employees, and that its employees are its most valuable assets. The Group values the protection of employees' rights, and views each employee as business partners and inseparable from corporate development. To this end, the Group strives to create a healthy working environment for its employees, and continually refines its internal mechanisms to identify internal and external talent, and provides employees with tailor-made training courses (including via video streams, lectures, and demonstrations). In accordance with its *Staff Training Management System*, *Internal Trainer Management System*, *Training Incentive* and *Restraint Regulations*, and other management systems, the Group develops annual training plans, and in these plans, strategises internal and external training and continuous development opportunities. This is done in order to elevate the performance of the Group's employees, creating career development opportunities and enhancing the employees' sense of belonging to the company.

The Group's in-house trainers, who are selected amongst elite employees, are the pillars of providing internal training. The Group has progressively developed an internal training system to set the training content and approach, which can provide career-related knowledge and experience sharing with employees. Internal training is mainly based on business characteristics, and is provided to employees of various positions (such as marketing, operational, engineering, safety, legal, financial, human resources and administration, front-line, etc.) in the headquarter and the subsidiaries of the Group, enhancing employees' technical and management capabilities.

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

Figure 1

Binhai Investment Third Quarter Safe Production Committee Meeting and 9.7 Safety Skills Competition

In 2019, the Group organised the 9.7 Safety Skills Competition, with a total of 34 subsidiaries taking part. The competition was practically-oriented and based on real-life situations, greatly improving front line employees' skillsets and their enthusiasm for work safety.

Binhai Investment Case Study on Malpractices

In 2019, the Group held four training sessions on malpractices, which were conducted by the Internal Control Legal Department. Training topics included connection transaction management, legal evaluation on malpractice and case study analysis. Through training, an atmosphere of "honesty, integrity and entrepreneurship" is developed within the company, promoting the development of corporate culture, standardising the professional behaviour of cadres, and improving the self-consciousness and initiative of cadres in complying with laws and regulations.

Figure 2

Figure 3

Binhai Investment Tenders, Non-tenders, and Supplier-Management Training

In 2019, the Group organised training on the management of tenders, non-tenders and suppliers. The heads of the Tianjin company functional departments and subsidiary operation centres attended the training on-site, and participants from non-local subsidiaries joined via video-conference. The training focused on the principles, processes and importance of supplier management, as well as cases shared by Funing subsidiary's tendering work. Through training, subsidiaries had a better grasp of tendering and non-tendering procurement, and strengthened their understanding of supplier management.

4.4 Occupational Health and Safety

The Group deeply recognises that safe operations play an important role in safeguarding employees' well-being and as its first-priority mission, ensures that employees work in a safe working environment and are in good health. The Group strictly complies with national and regional laws and regulations that have had a significant impact on the Group, and has implemented relevant management systems: such as the *Safety Production Supervision and Management System* and *Accident Prevention and Contingency Management System*; the Group also takes steps to supervise its subsidiaries through setting contingency plans. In order to reduce accident rates and ensure employees' safety, the Group has established subsidiary self-checking, headquarters inspection, safety training and regular evaluation. Specific details of the above processes are as follows: (1) subsidiaries are required to carry out regular self-checking on a monthly basis and to report any safety hazards; (2) annual safety hazard checks and rectification works on subsidiaries are performed by representatives from the headquarters, so as to minimize safety hazards; (3) training on safety regulations and emergency management are provided for existing and new employees regularly, and they are required to rehearse emergency and rescue procedures under different scenarios. Moreover, through organising regular fire drills, providing protective equipment for employees, setting up alarm systems, and designating measures, appropriate actions are taken in response to potential emergency scenarios; (4) setting up a clear incentive and penalty mechanism for safety by the Company, and carrying out annual safety management assessments at the Company's subsidiaries, to ensure that every subsidiary meets the required standards in safety checks.

In order to ensure the safety of construction projects, the Group has formulated the *Construction Safety Management Regulations*, which outlines safety responsibilities of construction, design, supervisory and implementation units. For example, implementation units should prepare special safety construction plans for dangerous operations, and implement this plan upon approval. The Group organises at least one training session on construction safety management for engineering management personnel every year, and performs regular checks on the implementation of safety measures. During the Reporting Period, the Group did not have any non-compliance incidents relating to the provision of a safe working environment and protection from occupational hazards for employees, and did not have any major safety incidents.

5. QUALITY CONTROL

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

5.1 Supplier Management

For sales of LPG and non-piped gas, the Group's strict selection and management of gas suppliers are pre-conditions for ensuring the quality products and services. To this end, the Strategic Investment Department of the Company has formulated the *Administrative Measures of Suppliers of Non-piped Gas* and *Administrative Measures of the Procurement of Non-piped Gas Goods*, requiring subsidiaries to consider suppliers' credit rating, qualifications, stability of gas supply, sources of gas, method of supplying gas, warranty of gas equipment and quality assurance, etc. The Group has developed the *Management Measures for Tendering*, *Management Measures for Non-tendering Procurement*, and other procedures to standardise subsidiaries' procurement procedures. In order to strengthen supplier management, the Group has formulated *Supplier Management Measures* and other relevant procedures and standardised documents. In addition, as gas suppliers are distributed across multiple cities in the PRC, local procurement policies are used when purchasing galvanised pipes, piped gas, compressed natural gas (CNG), liquefied natural gas (LNG), and liquefied petroleum gas (LPG) from suppliers in order to save transportation costs and unnecessary energy consumption arising from long-haul transportation.

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

5.2 Safe and Stable Gas Supply

As its mission, the Group aims to provide safe, high quality and healthy products and services. The Company maintains strict regulations on the quality of natural gas and LPG purchased by its subsidiaries: the quality of natural gas is required to meet the national standards of Gas I or Gas II category under *Natural Gas*, whilst LPG is required to meet the relevant national standards of *Liquefied Petroleum Gas*.

In order to monitor the real-time quality of natural gas more effectively, each subsidiary is required to request natural gas and LPG suppliers to provide reports on gas quality. For stations that receive a large intake of gas and LPG, real-time monitoring through online chromatography is arranged. For stations that receive a smaller intake, *Certifications of Product Quality* must be obtained from suppliers on a quarterly basis as a minimum, and these stations are responsible for tracking the quality of gas from time to time. For example, stations located in the Tianjin, Zhuozhou, Qinhuangdao and other upstream stations have applied the use of online chromatography and use online monitoring to analyse purchased gas components. Should the quality of gas fail quality controls, the online chromatography will immediately trigger an alarm automatically. Meanwhile, the Group will immediately switch gas sources to restrict purchases of substandard gas. In addition, the Group requires suppliers to provide polyethylene pipes and fittings, gas meters, galvanised pipes, pressure regulators, valves and flowmeters that comply with national and industrial standards.

5.3 Improvement of Customer Satisfaction

In order to standardise procedures for servicing and handling customer complaints, the Group has formulated the *Customer Complaints Management Measures*, which forms an effective complaint management mechanism to ensure the timely, effective, fair and reasonable resolution of customer complaints. In order to improve the quality of customer services, each subsidiary is required to comply with, and to implement, this mechanism. Customers can report problems and provide requests to customer services through the customer service hotline and the customer services shall make appropriate arrangements according to the category of complaints. Customer services are then required to designate responsibilities and follow-up actions for the Company's headquarters and subsidiaries as per the severity level of complaints. Subsidiaries are principally responsible for customer complaints, and are required to categorise the complaint type within prescribed time limits, completely carry out tracking management, resolve issues swiftly, and handling all cases within 24 hours, and following the closure of a complaint, to carry out customer satisfaction surveys and keep documentary records. The Company's headquarters conducts monitoring and spot checks on customer complaint details and incident follow ups; if customer complaints are found to have been handled in a manner that have not met requirements, or reports are found to be have been misrepresented or falsified and caused significant impacts on the Group as a result, punishments are carried out in accordance with the Group's relevant procedures.

During the Reporting Period, the Group received a total of 234 complaints relating to its products and services. For complaints within the business scope of repairs and replacements, workmen are assigned by subsidiaries to user's households to carry out repair and testing in a timely manner; for complaints outside the business scope of gas companies, users are informed to communicate with equipment manufacturers directly; for complaints from users relating to renovations which they have carried out on their own and which have resulted in the inability to obtain gas smoothly, customer services patiently provide explanations to the users and issue a rectification notice; for complaints relating to customer service attitude, subsidiaries conduct internal investigations and subsequently make internal adjustments. In 2019, customer feedback surveys indicated satisfaction rates close to 100%. Besides receiving verbal complements from customers, the Group also received commendations such as thank-you letters and pennants.

5.4 Ensuring Customer Privacy

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

5.5 Anti-corruption

The Group attaches great importance to anti-corruption, corporate integrity and honesty, and with reference to laws and regulations relating to bribery, extortion, fraud and money laundering, has developed *Negative List of Malpractices*, which details whistle-blowing procedures of reporting and eliminating any forms of bribery and corruption. During the Reporting Period, the Group had no non-compliance incidents relating to the aspects above.

In order to eliminate corruption during construction works, the Group has formulated procedures for the procurement of materials and equipment such as *Management Measures for Tendering*, *Management Measures for Non-tendering Procurement*, and specified responsibilities for each procurement division. The tender team of the headquarters are responsible for the selection of material and equipment suppliers that are shortlisted through tenders or non-tender procurement. Gas meters, flow meters, polyethylene pipes and galvanised pipes are centrally procured by the headquarters. Any forms of bribery between the subsidiaries and their suppliers are forbidden. Moreover, the internal control legal department is responsible for monitoring tendering and non-tendering procurement processes, ensuring that reviews are conducted in an open, fair and impartial manner, and preventing any form of extortion, fraud and money laundering. All tenders involve the participation of internal control supervisors, and for each tender project, phone numbers and email addresses of supervisors are publicly disclosed. Video recordings capture the entire tender process, creating an “open, fair, and impartial” procurement environment, enabling the Group to select suppliers of “high quality, economical, good service, and free from wrong-doing”.

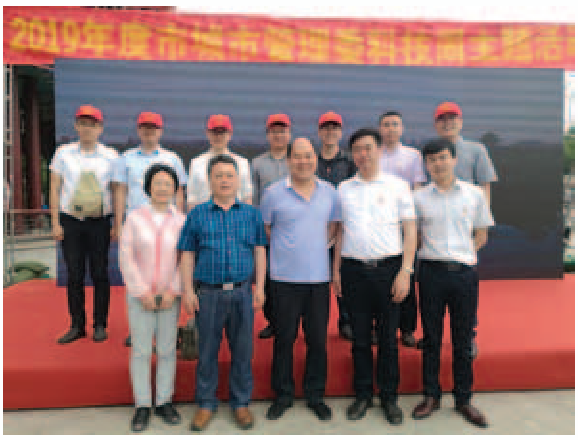
For further details on the Group’s anti-corruption measures, please refer to the Corporate Governance Report in the Company’s 2019 Annual Report.

6. CARING ACTION

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

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

Figure 1



The Group Participated in the 2019 Tianjin Urban Management Committee Science and Technology Week

On 18 May 2019, as a representative of the gas enterprise, the Group participated in the 2019 Urban Management Committee Science and Technology Week. A total of 9 employees participated in the event. The event attracted widespread attention from the public, in particular, the internet-of-things Bluetooth alarm technology that is close to the daily lives of residents. It fully demonstrated gas safety and the scientific concept of gas technology, achieving great publicity.

Haiyan Company Regularly Enters the Community to Voluntarily Promote Gas Knowledge and Safety

In 2019, the Haiyan Company regularly engaged the community on a monthly basis to promote gas safety. It distributed over 1,000 brochures, received over 300 consultations on gas, and provided over 50 safety services on site. This reflected the Company's corporate responsibility in making contributions to and providing services to the society.

Figure 2

Figure 3

Changle Company Launches its "Safe Production Month" Campaign

On 14 June 2019, Chanle Company launched its "Safe Production Month" campaign, involving a total of 7 employees. The activity involved popularising the knowledge of safe gas usage, increasing citizens' awareness of safe gas usage. It is of positive significance to further prevent and curb the occurrence of gas accidents, promote urban gas safety, and for the company to realise sustainable development.

The Group Participated in a Mid-autumn Festival Visit in the Community

On 12 September 2019, the Group participated in a Mid-autumn festival evening visit in the Community, with a total of 12 employees participating. They accompanied the elderly, the disabled, and the single-dwelling elderly to experience a fortuitous, happy and peaceful festival.

Figure 4

7. THE GROUP'S ESG PERFORMANCE DATA

Data measurement and calculation methods adopted in this Report are stated where appropriate.

Environmental Key Performance Indicators	Unit	2019	2018	2017
Resource Consumption[1]				
Purchased Electricity	kWh	151,660	154,040	176,943
	kWh/employee[2]	1,516.60	1,750.45	2,131.84
Purchased Freshwater[3]	m^3	38.45	30.47	32.4
	m^3/employee	0.38	0.35	0.39
Purchased Heat	GJ	211,783	217,232	148,075
	GJ/employee	2,117.83	2,468.55	1,784.04
Purchased Natural Gas[4]	cubic metres	4,082	0	0
	cubic metres/ employee	40.82	0	0
Hazardous Waste Generation by Type[5]				
Electronic Waste	kg	10	20	75
	kg/employee	0.10	0.23	0.90
Battery[6]	pieces	72	200	500
	pieces/employee	0.72	2.27	6.02
Mercury-containing Light Tubes[7]	tubes	200	70	120
	tubes/employee	2.00	0.80	1.45
Ink Cartridges	pieces	20	9	11
	pieces/employee	0.20	0.10	0.13

1 The scope of these figures covers the resources used at the Group's headquarters in Tianjin.

2 Calculated based on the Group's total number of employees as at 31 December 2019. Where the scope of the figures in this table solely covers the Group's headquarters, corresponding intensity calculations were based on the number of employees at the Group's headquarters.

3 As the water consumed at the Group's rented headquarter offices is calculated and managed by the building's property management company, the water consumption data disclosed in this Report does not include the office's annual water consumption, but rather, water consumed from purchased water carboys. The water consumption figures for 2019, 2018 and 2017 have been estimated from the number of water carboys purchased. The Group does not have issues in sourcing water fit for purpose.

4 The Group's use of purchased natural gas has been for the newly constructed canteen at the Group's headquarters since June 2019.

5 The scope of these figures covers the hazardous waste generated at the Group's headquarters.

6 In 2019, most of the old office equipment used by the Group that require battery installation were replaced, leading to a noticeable reduction in discarded batteries.

7 In 2019, the Group renovated the office area and replaced all mercury-containing light tubes with energy-efficient lights, leading to a noticeable increase in discarded mercury-containing light tubes.

Environmental Key Performance Indicators	Unit	2019	2018	2017
Non-hazardous Waste Generation by Type[1]				
Paper	kg	1,320	1,800	1,247
	kg/employee	13.20	20.45	15.03
Waste Used Meters[2]	pieces	79,982	39,332	not reported on
	pieces/employee	44.21	23.03	
Waste Used Pipes[3]	m	43,683	7,548	
	m/employee	24.15	4.42	
Air Pollutant Emissions[4]				
Nitrogen Oxides (NO_x)	tonnes	4.75×10^{-2}	1.2×10^{-2}	2.6×10^{-2}
Sulphur Oxides (SO_x)	tonnes	1.72×10^{-3}	1.4×10^{-4}	3.5×10^{-4}

1 The scope of paper waste generated covers the Group's headquarters, whilst waste used meters and waste used pipes generated covers the Company and all its subsidiaries.

2 In line with the Group's uniform replacement plan for old and used meters, in 2019, the Group replaced old metres from 2004 or before, leading to an increase in the number of discarded meters.

3 In order to eliminate latent dangers in the operation of the pipeline network, improve the capacity of gas supply, and reduce the supply-sales differential, in 2019, the Group strengthened the reconstruction of latently dangerous pipeline networks, and carried out rectification in batches according to the severity of dangers, leading to an increase in discarded waste pipes.

4 Figures for 2019 include air pollutants generated from vehicles and natural gas, whereas figures for 2018 and 2017 include air emissions generated from vehicles only. The scope for vehicles are those that are owned and operated by the Group's headquarters. Calculations and emission factors used for air pollutants generated from the use of natural gas were made with reference to the *Manual of the First National Pollution Source Census of Urban Life Sources and Pollution Emission Factors* published by the State Council, and calculations and emission factors used for air pollutants generated from the use of vehicles were calculated with reference to the *Technical Guide for Air Pollutant Emission Inventory for Road Vehicles (Trial)* published by the National Development and Reform Commission of the PRC.

Environmental Key Performance Indicators	Unit	2019	2018	2017
Greenhouse Gas Emissions[1]				
Scope 1 – Direct Emissions				
Vehicle Fleet[2]	tonnes CO_2e	14.33	21.50	53.64
	tonnes CO_2e/ employee	0.14	0.24	0.64
Natural Gas Consumption[3]	tonnes CO_2	656.48	0	0
	tonnes CO_2/ employee	6.56	0	0
Scope 2 – Indirect Emissions				
Purchased Electricity[4]	tonnes CO_2	134.11	136.22	156.47
Purchased Heat[5]	tonnes CO_2	23,296.13	23,895.52	16,288.25
Scope 2 Total Emissions	tonnes CO_2/ employee	234.30	273.09	198.13
Scope 3 – Other Indirect Emissions				
Waste Paper Disposed at Landfill Sites[6]	tonnes CO_2e	3.94	4.80	7.92
Business Travel[7]	tonnes CO_2e	7.23	4.39	3.20
Scope 3 Total Emissions	tonnes CO_2e/ employee	0.11	0.10	0.13

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

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

3 Greenhouse gas figures and emission factors were calculated with reference to the *Natural Gas* (GB17820-2018) jointly published by the State Administration for Market Regulation and the Standardisation Administration of China.

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

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

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

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

<table>
<tr><th>Social Key Performance Indicators[1]</th><th>Unit</th><th>2019</th><th>2018</th><th>2017</th></tr>
<tr><td>Total Number of Employees</td><td>persons</td><td>1,809</td><td>1,708</td><td>1,554</td></tr>
<tr><td colspan="5">Number of Employees by Employment Type</td></tr>
<tr><td>Contract Employee</td><td>persons</td><td>1,809</td><td>1,703</td><td>1,521</td></tr>
<tr><td>Dispatched Employee</td><td>persons</td><td>0</td><td>5</td><td>33</td></tr>
<tr><td colspan="5">Number of Employees by Region</td></tr>
<tr><td>Hebei, Beijing, Tianjin</td><td>persons</td><td>1,111</td><td>1,031</td><td>903</td></tr>
<tr><td>Shandong</td><td>persons</td><td>287</td><td>295</td><td>291</td></tr>
<tr><td>Zhejiang, Hunan, Jiangxi</td><td>persons</td><td>231</td><td>217</td><td>203</td></tr>
<tr><td>Jiangsu, Anhui</td><td>persons</td><td>177</td><td>165</td><td>157</td></tr>
<tr><td>Other Locations</td><td>persons</td><td>3</td><td>0</td><td>0</td></tr>
<tr><td colspan="5">Number of Employees by Gender</td></tr>
<tr><td>Male</td><td>%</td><td>67.2</td><td>63.3</td><td>61.8</td></tr>
<tr><td>Female</td><td>%</td><td>32.8</td><td>36.7</td><td>38.2</td></tr>
<tr><td colspan="5">Number of Employees by Age Group</td></tr>
<tr><td>25 or under</td><td>%</td><td>9.0</td><td>11.6</td><td>9.1</td></tr>
<tr><td>26 to 35</td><td>%</td><td>39.1</td><td>38.9</td><td>41.4</td></tr>
<tr><td>36 to 50</td><td>%</td><td>43.0</td><td>43.1</td><td>42.4</td></tr>
<tr><td>51 or above</td><td>%</td><td>8.9</td><td>6.4</td><td>7.1</td></tr>
<tr><td colspan="5">Number of Employees by Academic Qualification</td></tr>
<tr><td>Bachelor's Degree or Above</td><td>%</td><td>26.8</td><td>24</td><td>24</td></tr>
<tr><td>College Diploma</td><td>%</td><td>29.7</td><td colspan="2" rowspan="3">not reported on</td></tr>
<tr><td>Secondary School Senior or Technical Secondary School</td><td>%</td><td>31.5</td></tr>
<tr><td>Early Secondary School or below</td><td>%</td><td>11.9</td></tr>
<tr><td colspan="5">Percentage of Employee Turnover by Employment Type[2]</td></tr>
<tr><td>Contract Employee</td><td>%</td><td>6.56</td><td>8.76</td><td>5.06</td></tr>
<tr><td>Dispatched Employee</td><td>%</td><td>0</td><td>0</td><td>5.71</td></tr>
</table>

[1] The scope of these figures covers the Company and its subsidiaries.

[2] In 2019, we adjusted the calculation methodology for turnover rate, and have re-calculated the figures for 2017 and 2018. The relevant disclosures in this Report shall prevail.

Social Key Performance Indicators[1]	Unit	2019	2018	2017
Percentage of Employee Turnover by Gender[2]				
Male	%	5.96	8.92	4.38
Female	%	8.06	8.48	6.16
Percentage of Employee Turnover by Age Group				
25 or under	%	8.99	13.16	not reported on
26 to 35	%	8.05	8.66	
36 to 50	%	5.70	6.48	
51 or above	%	2.42	6.78	
Percentage of Employee Turnover by Region				
Hebei, Beijing, Tianjin	%	5.29	9.32	not reported on
Shandong	%	8.60	8.10	
Zhejiang, Hunan, Jiangxi	%	7.60	5.24	
Jiangsu, Anhui	%	10.61	10.80	
Other Locations	%	0	0	
Training and Development of Employees				
Total number of training hours received by employees	hours	1,917	1,810	1,666
Average hours of training received per employee	hours/employee	1.06	1.06	1.4
Average Number of Training Hours Received by Gender				
Male	hours	1.6	1.5	1.4
Female	hours	1.3	1.2	1.4
Average Number of Training Hours Received by Employment Grade				
Upper Management	hours	1.4	1.3	1.4
Middle Management	hours	1.4	1.3	1.4
General Staff	hours	1.6	1.5	1.4
Percentage of Employees (by Gender) that Received Training[3]				
Male	%	100	100	100
Female	%	100	100	100

1 The scope of these figures covers the Company and its subsidiaries.

2 In 2019, we adjusted the calculation methodology for turnover rate, and have re-calculated the figures for 2017 and 2018. The relevant disclosures in this Report shall prevail.

3 Through considering how to improve the significance of relevant reported information, we have adjusted the calculation methodology for training data. The relevant disclosures in this Report shall prevail.

Social Key Performance Indicators[1]	Unit	2019	2018	2017
Percentage of Employees (by Employment Grade) that Received Training[2]				
Upper Management	%	100	100	100
Middle Management	%	100	100	100
General Staff	%	100	100	100
Number of Suppliers by Region				
Hebei, Beijing, Tianjin	number of suppliers	60	44	39
Shandong	number of suppliers	33	24	24
Zhejiang, Hunan, Jiangxi	number of suppliers	25	20	21
Jiangsu, Anhui	number of suppliers	14	12	7
Other Locations	number of suppliers	13	10	13
Number and Ratio of Work-related Fatalities				
Number of Persons	persons	0	0	0
Ratio	%	0	0	0
Number of Working Days Lost Due to Work-related Injuries				
Number of Working Days	days	242	not reported on	

1 The scope of these figures covers the Company and its subsidiaries.

2 Through considering how to improve the significance of relevant reported information, we have adjusted the calculation methodology for training data. The relevant disclosures in this Report shall prevail.

8. LAWS AND REGULATIONS WHICH HAVE A SIGNIFICANT IMPACT ON THE GROUP

During the Reporting Period, Binhai Investment abided by the following laws and regulations.

Aspect	Operating Location	Relevant Laws and Regulations
Relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Mainland China	*Environmental Protection Law of the PRC* *Environmental Impact Assessment Law of the PRC* *Environmental Noise Emission Standards for Construction Sites (GB 12523-2011)* *Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste* *Standards for Pollution Control of Hazardous Waste Storage* *National Hazardous Waste List* *Clean Production Promotion Law of the PRC* *Energy Conservation Law of the PRC* *Soil Pollution Control Law of the PRC*
Relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Mainland China	*Labour Law of the PRC* *Labour Contract Law of the PRC*
	Hong Kong China	*Employment Ordinance*
Preventing child and forced labour	Mainland China	*Regulation Prohibiting the Use of Child Labour*
	Hong Kong China	*Regulations of Child Employment*

Aspect	Operating Location	Relevant Laws and Regulations
Relating to providing a safe working environment and protecting employees from occupational hazards	Mainland China	*Regulations on the Safety Management of Construction Projects* *Administrative Measures for Emergency Plans for Production Safety Accidents* *Fire Protection Law of the PRC* *Safe Production Law of the PRC*
Relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Mainland China	*Advertising Law of the PRC* *Trademark Law of the PRC* *Protection of Consumer Rights and Interests Law of the PRC* *Electronic Commerce Law of the PRC*
Relating to bribery, extortion, fraud and money laundering	Mainland China	*Criminal Law of the PRC* *Supervision Law of the PRC* *Anti Unfair-competition Law of the PRC* *Anti Money-laundering Law of the PRC* *Interim Provisions on Prohibition of Commercial Bribery* *Tendering and Bidding Law of the PRC*
	Hong Kong China	*Prevention of Bribery Ordinance*

9. HKEX ESG REPORTING GUIDE CONTENT INDEX

General Disclosures and KPIs	Description	Relevant Chapter(s) of this Report or Other Explanation
	Environmental	
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3, 8
KPI A1.1	The types of emissions and respective emissions data.	7
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7
KPI A1.5	Description of measures to mitigate emissions and results achieved.	3
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	3.2, 3.3
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3.2, 3.3
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	7
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	3.2, 3.3
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	3.3, 7
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable[1]
Aspect A3: Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	3
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3.2, 3.3

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

General Disclosures and KPIs	Description	Relevant Chapter(s) of this Report or Other Explanation
Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4, 8
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	7
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	7
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.4, 8
KPI B2.1	Number and rate of work-related fatalities.	7
KPI B2.2	Lost days due to work injury.	7
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.4
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	7
KPI B3.2	The average training hours completed per employee by gender and employee category	7
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	4, 8
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.1
KPI B5.1	Number of suppliers by geographical region.	7
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	5.1

General Disclosures and KPIs	Description	Relevant Chapter(s) of this Report or Other Explanation
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.4, 8
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	5.3
KPI B6.4	Description of quality assurance process and recall procedures.	5.3
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	5.4
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.5, 8
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.5
	Community	
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	6

Biographical Information of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. ZHANG Bing Jun, aged 56, has been the Chairman and an executive Director of the Company since 25 February 2011. Mr. ZHANG graduated from Xidian University (西安電子科技大學) with a Bachelor of Engineering Science degree in July 1984 and is a qualified senior engineer of the People's Republic of China (the "PRC"). Mr. ZHANG studied the State-owned Enterprises course at the Beijing Motorola University (北京摩托羅拉大學) and the Executive Master of Business Administration course at the Guanghua School of Management of the Beijing University (北京大學光華管理學院) in 1999. Mr. ZHANG is currently the Party Secretary and Chairman of TEDA, a wholly state-owned company established in the PRC which indirectly held 60.19% of the total issued ordinary shares through TEDA Hong Kong Property Company Limited (泰達香港置業有限公司) as at 31 December 2019. Mr. ZHANG has worked in areas such as electronic engineering, corporate strategy and planning, management, operation and investment for nearly thirty years and has ample experience in the above areas. Mr. ZHANG was the General Manager and Deputy Party Secretary of TEDA from June 2006 to January 2011, the Deputy General Manager of Tianjin Zhonghuan Electronic Information Group Company Limited (天津中環電子信息集團有限公司) from November 2005 to June 2006, the Chairman, General Manager and Deputy Party Secretary of Tianjin Optical Electrical Group Company Limited (天津光電集團有限公司) from April 2003 to November 2005 and the Chairman, General Manager and Deputy Party Secretary of Tianjin Optical Electrical Communications Company (天津光電通信公司) from July 1999 to April 2003. From April 2011 to February 2014, he was chairman of Sihuan Pharmaceutical Company Limited (四環藥業股份有限公司) (a company listed on Shenzhen Stock Exchange). From February 2013 to October 2014, he was the chairman of Tianjin TEDA Company Limited (天津泰達股份有限公司) (a company listed on Shenzhen Stock Exchange).

Mr. GAO Liang, aged 52, has been the General Manager and an executive Director of the Company since 4 August 2009. He has been the Compliance Officer of the Company since February 2010. He is also the general manager of Binhai Investment (Tianjin) Company Limited, a wholly-owned subsidiary of the Company incorporated in the PRC since April 2009. Mr. GAO is a senior engineer. He graduated from Wuhan Urban Construction Institute (武漢城市建設學院) with a major in environment hygiene engineering in 1988, and obtained a master's degree in business administration from Nankai University (南開大學) in 2005. He was the deputy director of the Science Promotion Center of Urban and Rural Development Administrative Committee of Tianjin Municipal (天津市城鄉建設管理委員會科技推廣中心) for the period from 1993 to 1995 and the deputy director of the Tianjin Municipal Environmental and Hygienic Engineering Design Council (天津市環衛工程設計院) for the period from 1995 to 2001.

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

Biographical Information of Directors and Senior Management

Non-Executive Directors

Mr. WANG Gang, aged 54, has been a non-executive Director since 9 February 2010. Mr. WANG worked as an Executive Director from 2004, and was re-designated as a Non-Executive Director in February 2010. Mr. WANG graduated from the thermal engineering branch of Tianjin University(天津大學)with a bachelor's degree in Engineering in July 1990 and acquired a postgraduate degree at Tianjin University of Finance & Economics in July 2001. He is a senior engineer. He is currently assistant general manager of TEDA. From August 2003 to May 2004, he was the chairman and general manager of Tianjin TEDA Gas Company Limited (天津泰達燃氣有限責任公司)("TEDA Gas") (which is a wholly-owned subsidiary of TEDA. Mr. WANG was the vice manager of TEDA Heat and Power Company(泰達熱電公司), a wholly owned subsidiary of TEDA, the vice general manager of Tianjin TEDA Tsinlien Heat & Power Company Limited(泰達津聯熱電公司), a subsidiary of Tianjin Development Holdings Limited, and the general manager of Guohua Energy Development (Tianjin) Company Limited(國華能源發展(天津)有限公司)from August 1997 to August 2003. Mr. WANG was responsible for the day-to-day operation of the Group from May 2004 to July 2007.

Ms. CAO Hong Mei, aged 50, has been a non-executive Director since 27 September 2019. She graduated from Tianjin Chengjian University with major in thermal and environmental engineering (city gas) in 1992. She completed a master degree at Tianjin Chengjian University with major in architecture and civil engineering in 1992, and completed a master degree at the Business School of Nankai University with major in business administration in 2014. She served as a coke making staff at Tianjin No. 2 Coal Gasification Plant*(天津第二煤制氣廠)and a staff at Tianjin's Development Zone Gas Company*(天津開發區燃氣公司). She served as a department head, chief engineer, general manager and director at TEDA Gas. Currently, she serves as the manager in the environmental department of TEDA.

Ms. PENG Bo, aged 48, has been a non-executive Director since 27 September 2019. She is an International Certified Public Accountant, Tax Accountant and Intermediate Accountant. She graduated from Tianjin Tanggu Workers' University*(天津塘沽職工大學)with major in financial accounting in 1998. She served as the manager in the accounting and finance department of TEDA Gas and the deputy head of assets and capital verification task force at TEDA. She served as the director of TEDA Gas. Currently, she serves as the manager in the asset management department of TEDA and a director of Tianjin Binhai Teda Logistics (Group) Corporation Limited*(天津濱海泰達物流集團股份有限公司)listed on the GEM of the Hong Kong Stock Exchange (Stock code: 8348) and Tianjin Jinbin Development Co., Ltd.*(天津津濱發展股份有限公司)listed on the Shenzhen Stock Exchange (Stock code: 000897).

Biographical Information of Directors and Senior Management

Mr. YU Ke Xiang, aged 49, has been as a non-executive Director since 26 July 2018. He graduated from The Tianjin University of Finance and Economics with a Bachelor's Degree in Economics in 1993 and a Master's Degree in Economics in 1999. Mr. YU has been in financial asset investment management (foreign and domestic capital markets) and fund operations for many years. He joined Tianjin Development Holdings Limited(天津發展控股有限公司)(Stock Code: 882) ("Tianjin Development", which is interested in approximately 4.23% of the total issued ordinary shares of the Company) since 2010 and has served in various roles including deputy general manager and general manager of Tianjin Development Assets Management Company Limited (天津發展資產管理有限公司), a wholly-owned subsidiary of Tianjin Development. Prior to joining Tianjin Development, Mr. YU was an assistant to manager of investment banking division and manager of securities division of Northern International Trust and Investment Company Limited(北方國際信托投資股份有限公司), head of operations of Tianjin Guoneng Investment Company Limited(天津國能投資有限公司), senior project manager of fund utilization department of Bohai Property Insurance Company Limited(渤海財產保險股份有限公司), etc. He is currently the head of capital operation department of Tianjin Development, general manager of Tsinlien (Tianjin) Asset Management Company Limited(津聯(天津)資產管理有限公司)(a wholly-owned subsidiary of Tsinlien Group Company Limited(津聯集團有限公司)("Tsinlien")), head of capital operation department of Tianjin Tsinlien Investment Holdings Company Limited(天津津聯投資控股有限公司)("Tsinlien Investment Holdings") (both Tsinlien and Tsinlien Investment Holdings being the controlling shareholders of Tianjin Development), as well as a director of certain subsidiaries of Tianjin Development, Tsinlien and Tsinlien Investment Holdings.

Independent Non-Executive Directors

Mr. IP Shing Hing *J.P.*, aged 64, has been an independent non-executive Director since 23 March 2009. He holds a Bachelor of Laws (Hons.) Degree from the University of Hong Kong and a Master of Arts: Arbitration and Alternative Dispute Resolution from the City University of Hong Kong. He is a solicitor and Notary Public, Hong Kong SAR and China-Appointed Attesting Officer, and Justice of Peace, and has been a practising solicitor in Hong Kong for more than 30 years. He also serves as an independent non-executive director of Far East Hotels and Entertainment Limited and PC Partner Group Limited (both listed on the Hong Kong Stock Exchange). He was an independent non-executive director of Quam Limited (listed on the Hong Kong Stock Exchange) during the period from 1 October 2006 to 30 September 2008. He is enthusiastic in community activities which include serving as the President of The Law Society of Hong Kong (2002-2004), Vice-President of The Law Society of Hong Kong (1999—2002), part-time Member of Central Policy Unit (2004-2005), Council Member of the Association of China-Appointed Attesting Officers Limited (since 2002), Director of Hong Kong Chinese General Chamber of Commerce (since 1997), Deputy Chairman of the Council of Lingnan University (since 2014) and member of Committee of the Action Committee Against Narcotics.

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

Biographical Information of Directors and Senior Management

Mr. LAU Siu Ki, Kevin, aged 61, has been an independent non-executive Director since 23 March 2009. He is currently running his own management consultancy firm, Hin Yan Consultants Limited. Mr. LAU has previously worked at Ernst & Young for over 15 years. He graduated from the Hong Kong Polytechnic University in 1981. Mr. LAU is a Fellow Member of both the ACCA and the HKICPA. Mr. LAU was a Member of the World Council of ACCA from May 2002 to September 2011 and the Chairman of ACCA Hong Kong in 2000/2001. Mr. LAU is currently the company secretary of Yeebo (International Holdings) Limited and Hung Fook Tong Group Holdings Limited. He has been appointed an independent non-executive director of Comba Telecom Systems Holdings Limited, Embry Holdings Limited, FIH Mobile Limited, Samson Holdings Ltd, TCL Electronics Holdings Limited and IVD Medical Holding Limited respectively and the shares of these companies are listed on the Main Board of the Hong Kong Stock Exchange. Mr. LAU has also been appointed the company secretary of Expert Systems Holdings Limited, the shares of which are listed on the GEM of the Hong Kong Stock Exchange.

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

Professor Japhet Sebastian LAW, aged 68, has been an independent non-executive Director since 23 March 2009. He obtained his Ph.D. in Mechanical/Industrial Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Professor LAW has acted as a consultant with various corporations in Hong Kong and overseas and is currently an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange: Tianjin Port Development Holdings Limited, Beijing Capital International Airport Company Limited, Global Digital Creations Holdings Limited, Shougang Fushan Resources Group Limited, Regal Hotels International Holdings Limited and Tianjin Binhai Teda Logistics (Group) Corporation Limited. He was an independent non-executive director of Cypress Jade Agricultural Holdings Limited from December 2011 to July 2013. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government, and various Government and charitable boards and committees.

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

Biographical Information of Directors and Senior Management

SENIOR MANAGEMENT

Mr. WANG Long, aged 38, joined the Group in January 2019. He is currently the Deputy General Manager and the secretary to the Board of the Company. He was a post-graduate in Finance at the Nankai University (南開大學), and has the qualification of an Intermediate Economist of the PRC. He worked for Heng An Standard Life Insurance Company Limited Tianjin Branch from January 2014 to October 2015 and took the post of Head of Bank Distribution. Mr. WANG had acted as the chief financial officer and subsequently the chairman of the board of directors of Beijing Sihuan Airport Pharmaceutical Technology Company Limited (北京四環空港藥業科技有限公司) during the period from October 2015 to September 2017, and was a deputy manager of the asset management department of TEDA from August 2016 to January 2019. He has work experience in the fields of asset management and financing.

Mr. HUI Ji Wen, aged 52, joined the Group in June 2017. He is currently the Chief Finance Officer of the Company. Mr. HUI holds a master's degree of Business Administration in Nankai University (南開大學). Mr. HUI is a qualified senior accountant of the PRC and also has the qualifications as a CPA of the PRC. During the period from 2008 to 2017, he was the Chief Finance Officer of the China-Africa TEDA Investment Company Limited (中非泰達投資股份有限公司).

Mr. XING Dong, aged 52, joined the Group in June 2007. He is currently the Deputy General Manager of the Group. Mr. XING graduated from Tianjin University (天津大學) in 1989. During the period from 1990 to 2007, he was the Minister of the Engineering Department, Diversion Operation Department and Investment Management Department of Tianjin Economic-Technological Development Area Water Corporation (天津經濟開發區總公司自來水公司).

Mr. DONG Jian Min, aged 53, joined the Group in August 2009 and is currently the Deputy General Manager. Mr. DONG graduated from Tianjin University of Finance and Economics in 1990. He holds a bachelor's degree and qualifications in human resources management (Level II) and senior professional management. He was appointed as assistant to the Chairman of Tianjin Jingzhao Investment Group and assistant to Chairman of Tianjin 609 Cable Company Limited.

Mr. GAO Feng, aged 51, joined the Group in May 2002. He is currently the Deputy General Manager of the Group. Mr. GAO obtained his qualification in Construction Engineering Management from the Hebei University of Architecture (河北建築工程學院) in 1996, and is qualified as an Assistant Economist of the PRC. From 2002 to 2019, Mr. GAO held positions in the Group's Operations and Safety Management Department and Engineering Department, and has served as the Operations Director and Assistant General Manager of the Group.

Ms. ZHANG Wen, aged 42, joined the Group in February 2010. She is currently the Deputy General Manager of the Group. Ms. ZHANG is qualified as a Senior Economist of the PRC. Ms. ZHANG obtained her qualification in Computer Software and Bachelor's Degree in Engineering from the Tianjin University of Technology (天津理工大學) in 1999. Ms. ZHANG graduated from the Nankai University (南開大學) with a Master's Degree in Business Management in 2010. From 2010 to 2019, Ms. ZHANG held positions in the Group's General Manager Office and Tender Management Office, and has served as the Administrative Director and Assistant General Manager of the Group.

* *For identification purposes only*

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND OPERATION ANALYSIS

The Company is an investment holding company. Details of the principal activities of the Company's subsidiaries are set out in Note 14 to the financial statements. The analysis of the Group's performance for the year by business segments is set out in Note 7 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out in the sections headed "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" from pages 5 to 6, pages 7 to 9 and pages 10 to 13 respectively of this Annual Report.

SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it engages. Acting in an environmentally responsible manner, the Group endeavours to identify and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Details of which are set out in the "Environmental, Social and Governance Report" on pages 30 to 60 of this Annual Report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

In the first quarter of 2020, it was difficult to maintain an optimistic expectation on the domestic demand for natural gas in terms of volume and rate of growth. In respect of the consumption structure of downstream natural gas, demand for natural gas consumption for public services and transportation was materially affected by the epidemic. The natural gas consumption for public services declined mainly due to the decrease in catering and hotel consumption, delayed opening of schools and reduced traffic flow at airports and stations and other impacts. The natural gas consumption for transportation also declined mainly due to the impact of public transportation operational control and interval operation control. However, the demand for natural gas will gradually recover when economic activities return to normal operation in the subsequent period, and the demand for natural gas consumption by domestic industrial users and industrial and commercial users will emerge upon the end of the epidemic and may extend to the second quarter, which in turn may form a new source of demand for natural gas and become the major force to support market growth in low season. Due to low international spot prices, the volume of spot imports by domestic importers increased, and the further utilization of domestic natural gas storage facilities and the production capacity of LNG receiving terminals also created favorable conditions for spot imports. Such phenomenon may appear in the summer and autumn seasons and become another factor supporting growth in low season. In addition to the gradual optimization of the domestic system of natural gas production, supply, storage and sales, active adjustments to local policies regarding natural gas utilization were also made. After the end of the epidemic, it is expected that local governments will continue to introduce policies to promote consumption which can objectively make up for the consumption decline caused by the epidemic.

Binhai Investment (Tianjin) Company Limited*（濱海投資（天津）有限公司）, a subsidiary of the Company, sources from the three largest oil and gas sources in Tianjin, among which Sinopec's Tianjin LNG receiving terminal in particular has not been included in the national pipeline network according to the external news released by the national pipeline network. However, since the Company is directly connected with Sinopec's Tianjin LNG receiving terminal, objectively the Company is able to receive overseas LNG from Sinopec without relying on the national pipeline network, thus creating an advantageous condition for the Company to lower the procurement costs and increase the gas distribution volume.

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

FINANCIAL RESULTS AND DIVIDEND

The financial results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on page 89.

According to the dividend policy of the Company, the Board recommended a final dividend of HK$0.035 per ordinary share (the "Final Dividend") for the year ended 31 December 2019 (year ended 31 December 2018: HK$0.045 per ordinary share).

The Final Dividend is subject to approval by holders of the ordinary shares at the annual general meeting (the "AGM") of the Company to be held on 15 May 2020 and is expected to be paid on or about 10 June 2020.

CLOSURES OF REGISTER OF MEMBERS

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

Shareholders of the Company whose names appear on the register of members of the Company on Friday, 15 May 2020 will be eligible to attend and, in relation to holders of ordinary shares, to vote at the AGM. The register of members of the Company will be closed from Tuesday, 12 May 2020 to Friday, 15 May 2020 (both days inclusive). All completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 11 May 2020.

(b) For determining the entitlement to the Final Dividend

The Final Dividend will be payable to the holders of ordinary shares whose names appear on the register of members of the Company on Tuesday, 26 May 2020 and the register of members of the Company will be closed from Friday, 22 May 2020 to Tuesday, 26 May 2020 (both days inclusive). In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 21 May 2020.

FINANCIAL HIGHLIGHTS

A summary of the financial results, assets and liabilities of the Group for the last five financial years ended 31 December 2019 is set out on page 200.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 19 to the financial statements.

SHARE CAPITAL

As at 31 December 2019, the Company had 1,174,348,950 ordinary shares at par value of HK$0.10 each ("Ordinary Share(s)") and 7,440,000 redeemable preference shares at par value of HK$50.00 each ("Redeemable Preference Share(s)") in issue.

Directors' Report

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

In view of the fulfillment of the conditions, the Company redeemed 640,000 Redeemable Preference Shares at the redemption amount of HK$50.00 per Redeemable Preference Share on 28 November 2018, and redeemed 520,000 Redeemable Preference Shares at the redemption amount of HK$50.00 per Redeemable Preference Share on 27 June 2019.

Details of the movements in the share capital of the Company during the year ended 31 December 2019 including particulars of the above redemption of Redeemable Preference Shares are set out in Note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 31 and Note 42 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had no reserves available for cash distribution and/or distribution in specie as calculated under the Companies Act of Bermuda as at 31 December 2019 (as at 31 December 2018: Nil).

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report relating to the share option scheme of the Company, which subsisted as at 31 December 2019, no equity-linked agreements were entered into during the year ended 31 December 2019 or subsisted at the end of the year.

CHARITABLE DONATIONS

During the year ended 31 December 2019, the Group made no charitable donations or other donations (for year ended 31 December 2018: Nil).

SHARE OPTION SCHEME

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

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

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

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

Pursuant to the 2010 Scheme, the Company granted 90,500,000 share options to the Directors and certain employees under continuous contract with the Group on 27 September 2010. Upon the share consolidation of the Company taking effect on 14 May 2015, the total number of shares that will be issued upon the exercise of the outstanding share options under the 2010 Scheme was adjusted from 55,500,000 ordinary shares of HK$0.01 each to 5,550,000 consolidated ordinary shares of HK$0.10 each, and the exercise price of such options had also been adjusted from HK$0.56 per ordinary share of HK$0.01 each to HK$5.60 per consolidated ordinary share of HK$0.10 each. During the year ended 31 December 2019, 1,550,000 share options had lapsed.

As at 31 December 2019, a total of 56,128,120 Ordinary Shares (representing approximately 4.78% of the issued Ordinary Shares as at 31 December 2019) could be issued upon exercise of all options which may be but were not yet granted under the 2010 Scheme, and a total of 2,800,000 Ordinary Shares (representing approximately 0.24% of the issued Ordinary Shares as at 31 December 2019) could be issued upon exercise of all options which had been granted and yet to be exercised under the 2010 Scheme.

Details of movement of share options granted under the 2010 Scheme regarding Directors and employees of the Company during the year ended 31 December 2019 are as follows:

Grantee	Date of grant	Exercise Period *(Note)*	Exercise Price *(HK$)*	Number of Ordinary Shares subject to outstanding options as at 1 January 2019	Number of options lapsed during the year	Number of Ordinary Share subject to outstanding options as at 31 December 2019	Approximate percentage of the Company's total issued Ordinary Shares as at 31 December 2019
Directors	27.9.2010	27.9.2010 – 26.9.2020	5.6	3,200,000	(900,000)	2,300,000	0.20%
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	(1,550,000)	2,800,000	0.24%

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

Save as disclosed above, no share option was granted, exercised, cancelled or lapsed during the year ended 31 December 2019.

DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Mr. SHEN Xiao Lin *(resigned on 27 September 2019)*
Mr. ZHANG Jun *(resigned on 27 September 2019)*
Mr. WANG Gang
Ms. CAO Hong Mei *(appointed on 27 September 2019)*
Ms. PENG Bo *(appointed on 27 September 2019)*
Mr. YU Ke Xiang

Independent Non-executive Directors:

Mr. IP Shing Hing, *J.P.*
Mr. LAU Siu Ki, Kevin
Professor Japhet Sebastian LAW
Mr. TSE Tak Yin *(resigned on 10 May 2019)*

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

In accordance with code provision A.4.2 of Appendix 14 of the Listing Rules and Bye-Law 87(1) of the Bye-laws of the Company, Mr. ZHANG Bing Jun (executive Director and Chairman), Mr. WANG Gang (non-executive Director) and Professor Japhet Sebastian LAW (independent non-executive Director), who are longest in office since their previous re-election, will retire by rotation and will be eligible for re-election at the AGM of the Company.

RESIGNATION OF DIRECTORS

Mr. TSE Tak Yin resigned as an independent non-executive director of the Company with effect from 10 May 2019 due to his having reached the age suitable for retirement. Mr. SHEN Xiao Lin and Mr. ZHANG Jun resigned as non-executive directors of the Company with effect from 27 September 2019 respectively due to the need to pursue other business engagements. During the year, no director resigned from his office or refused to stand for re-election to his office due to reasons relating to the affairs of the Company.

DIRECTORS' SERVICE CONTRACTS

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

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

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for (1) the contracts between the Group and TEDA and its subsidiaries and associates as disclosed in the section headed "CONTINUING CONNECTED TRANSACTIONS"; and (2) the trust agreement and supplemental agreement entered into on 10 July 2019 and 10 October 2019 respectively between a subsidiary of the Company and Tianjin Trust Co., Ltd.（天津信託有限責任公司）(which is an associate of TEDA) (details of which were disclosed in the announcements of the Company dated 10 July 2019 and 10 October 2019), there were no material contracts between the Group and its controlling shareholder or its subsidiaries or associates during the year ended 31 December 2019.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director had any interest in any business which competes or is likely to compete with the business of the Group as at 31 December 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party which subsisted at the end of the year ended 31 December 2019 or at any time during the period.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals are set out in Note 12 and Note 43 to the consolidated financial statement to this report. More particulars are also set out in the section headed "REMUNERATION COMMITTEE" in the "CORPORATE GOVERNANCE REPORT".

CHANGE IN DIRECTOR'S INFORMATION

Reference is made to the announcement of the Company dated 27 September 2019 on, among other things, the appointment of Ms. CAO Hong Mei as a non-executive director of the Company. It is clarified that Ms. CAO Hong Mei had not taken up the position as a director of Binhai Investment (Tianjin) Company Limited*（濱海投資（天津）有限公司）.

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

PERMITTED INDEMNITY PROVISION

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

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

INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF EXECUTIVES, SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

(a) Interests and short positions of the Directors and the chief executives in the share capital of the Company and its associated corporations

As at 31 December 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) which were required to be: (a) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity	Interest in Ordinary Shares Personal interests	Corporate interests	Family interests	Total interests	Interests in underlying Ordinary Shares pursuant to share options	Total interests in Ordinary Shares and underlying ordinary shares	Approximate percentage of the Company's total issued ordinary shares as at 31 December 2019
Mr. GAO Liang	Beneficial owner	–	–	–	–	1,000,000	1,000,000	0.09%
Mr. WANG Gang	Beneficial owner	–	–	–	–	700,000	700,000	0.06%
Mr. IP Shing Hing, *J.P.*	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Mr. LAU Siu Ki, Kevin	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Professor Japhet Sebastian LAW	Beneficial owner	100,000	–	–	100,000	200,000	300,000	0.03%

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

Director's rights to acquire shares or debentures

Pursuant to the 2010 Scheme, the Company granted options to subscribe for Ordinary Shares to the Directors, the details of which are as follows:

Name of Director	Date of grant	Exercise Period	Exercise Price *(HK$)*	Number of Ordinary Shares subject to outstanding options as at 1 January 2019	Number of Ordinary Shares subject to outstanding options as at 31 December 2019	Approximate percentage of the Company's total issued ordinary shares as at 31 December 2019
Mr. GAO Liang	27.9.2010	27.9.2010 – 26.9.2020	5.6	1,000,000	1,000,000	0.09%
Mr. WANG Gang	27.9.2010	27.9.2010 – 26.9.2020	5.6	700,000	700,000	0.06%
Mr. IP Shing Hing, *J.P.*	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	200,000	0.02%
Mr. LAU Siu Ki, Kevin	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	200,000	0.02%
Professor Japhet Sebastian LAW	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	200,000	0.02%

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

Save as disclosed above, at no time during the year ended 31 December 2019 were rights to acquire benefit by means of the acquisition of any class of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such right in any other body corporate.

Save as disclosed above, as at 31 December 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 (as defined under Part XV of the SFO) entered in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 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:

			Interest in Ordinary Shares					
			Number of Ordinary Shares					Approximate percentage of the total issued Ordinary Shares of the Company as at 31 December 2019
Name of shareholder	Position	Capacity	Beneficial interest	Family interest	Corporate interest	Other interest	Total interest	
TEDA	Long	Interest of controlled corporation	–	–	706,818,659	–	706,818,659	60.19%
Guotai Junan Securities Co., Ltd. *(Note1)*	Long	Interest of controlled corporation/ Security interest in shares	–	–	22,728,536	340,550,000	363,278,536	30.93%
Guotai Junan International Holdings Limited	Long	Interest of controlled corporation/ Security interest in shares	–	–	22,728,536 *(Note 2)*	340,550,000 *(Note 3)*	363,278,536	30.93%
Mr. SHUM Ka Sang ("Mr. SHUM")	Long	Beneficial owner/ Interest of controlled corporation/Interest of spouse	308,000	127,924 *(Note 5)*	62,952,600 *(Note 4)*	–	63,388,524	5.40%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	61,952,600 *(Note 4)*	–	–	–	61,952,600	5.28%
Ms. WU Man Lee ("Ms. Wu")	Long	Beneficial owner/Interest of spouse	127,924	63,260,600 *(Note 5)*	–	–	63,388,524	5.40%

Notes:

1. Guotai Junan International Holdings Limited is a non-wholly owned subsidiary of Guotai Junan Securities Co., Ltd. By virtue of the SFO, Guotai Junan Securities Co., Ltd. is deemed to be interested in all the Shares which Guotai Junan International Holdings Limited is interested in.

2. Guotai Junan Finance (Hong Kong) Limited, which is a wholly-owned subsidiary of Guotai Junan International Holdings Limited, was beneficially interested in 22,728,536 Ordinary Shares.

3. Guotai Junan Securities (Hong Kong) Limited, which is a wholly-owned subsidiary of Guotai Junan International Holdings Limited, held a security interest in 340,550,000 Ordinary Shares.

4. 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.

5. 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.

Save as disclosed above, as at 31 December 2019, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO.

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

The Group disposed of its interests in thirty subsidiaries ("Disposed Subsidiaries") to Cavalier Asia Limited to hold on behalf of TEDA Hong Kong Property Company Limited(泰達香港置業有限公司)("TEDA HK") pursuant to an agreement (the "2008 Disposal Agreement") dated 28 May 2008 (as amended) between Cavalier Asia Limited and a subsidiary of the Company. The 2008 Disposal Agreement was deemed completed in May 2009. Since then, the Group has repurchased interests in six of the Disposed Subsidiaries from TEDA HK, TEDA HK has disposed of interests in eighteen of the Disposed Subsidiaries to independent third parties, and three of the Disposed Subsidiaries were de-registered. As at 31 December 2019, TEDA HK still held interests in one of the Disposed Subsidiaries, namely Weishan Wah Sang Gas Co., Ltd. Although the businesses carried on by this Disposed Subsidiary is similar to the business of the Group, it operates in an area where the Group does not have any business, namely Weishan in Shangdong province. Therefore, the Directors are of the view that the business of that Disposed Subsidiary which TEDA HK is currently interested in do not compete directly with the businesses of the Group.

Apart from the Disposed Subsidiary as mentioned above, TEDA owns a 51% of the equity interest in TEDA Gas and a minority interest in Tianjin Eco-City Energy Investment Construction Company Limited ("Tianjin Eco-City") which are engaged in the supply of gas to end users.

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

Directors' Report

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

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

CONTINUING CONNECTED TRANSACTIONS

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

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

(a) Master gas supply agreement

Date of the agreement:	19 November 2018
Duration:	From 1 January 2019 to 31 December 2021
Parties:	TEDA
	The Company
Transaction involved:	Supply of natural gas by the Group to TEDA and its subsidiaries and associates pursuant to agreements for supply of natural gas to be entered into from time to time
Annual cap for the period from 1 January 2019 to 31 December 2019	RMB499,495,000
Actual transaction amount in the period from 1 January 2019 to 31 December 2019	RMB336,340,000

(b) Master gas supply connection agreement

Date of the agreement:	19 November 2018
Duration:	From 1 January 2019 to 31 December 2021
Parties:	TEDA the Company
Transaction involved:	Provision of gas supply connection services by the Group to TEDA and its subsidiaries and associates pursuant to the agreement for services of construction of gas connection facilities construction engagement entered into from time to time
Annual cap for the period from 1 January 2019 to 31 December 2019 (as revised and approved by ordinary resolution passed at a special general meeting of the Company held on 24 October 2019)	RMB22,690,000
Actual transaction amount in the period from 1 January 2019 to 31 December 2019	RMB7,643,000

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions of the Group disclosed on pages 78 and 79 of the Annual Report in accordance with rule 14A.56 of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions referred to above for the year ended 31 December 2019 and confirm that these transactions have been entered into:

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

(b) on normal commercial terms; and

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

EVENTS AFTER THE REPORTING PERIOD

Impact evaluation of the COVID-19 pandemic outbreak

After the outbreak of Coronavirus 2019 pandemic ("COVID-19 pandemic outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/regions.

The Directors have assessed that the COVID-19 pandemic outbreak may have the following possible impacts on the Group:

— The temporary economic slowdown resulting from the COVID-19 pandemic outbreak may lead to a reduction in the overall consumption of natural gas and construction activities in the property markets which might indirectly affect the Group's financial performance.

— The assessment of the recoverable amounts of the impaired property, plant and equipment as mentioned in Note 19(ii) to the consolidated financial statements is based on the conditions as of 31 December 2019. The COVID-19 pandemic outbreak and its impact on the recoverable amounts of the related assets (if any) will be considered in the impairment test to be performed in 2020.

— The Group might have to experience longer turnover time for recovering its trade receivables and contract assets which may increase the associated credit risks.

The Group will closely monitor the development of the COVID-19 pandemic outbreak and continue to evaluate its impact on the financial position and operating results of the Group accordingly.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, sales to the five largest customers of the Group accounted for 21% (for year ended 31 December 2018: 16%) of the total revenue from sales of goods and service, and revenue from sales to the largest customer (TEDA Gas) included therein accounted for 8% (for year ended 31 December 2018: 5% (The largest customer was Tangshan Lanxin Glass Company Limited(唐山市藍欣玻璃有限公司)).

Directors' Report

Purchases from the five largest suppliers of the Group accounted for 53% (for year ended 31 December 2018: 50%) of the total purchases for the year ended 31 December 2019 and purchases from the largest supplier included therein accounted for 27% (for year ended 31 December 2018: 32%).

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

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

PUBLIC FLOAT

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

AUDITOR

The financial statements for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers who are due to retire and, being eligible, have offered themselves for re-appointment at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint PricewaterhouseCoopers as external auditor of the Company.

Deloitte Touche Tohmatsu was an external auditor of the Company for the financial years of 2016, 2017 and 2018 and resigned as the external auditor of the Company with effect from 20 June 2019.

PricewaterhouseCoopers was appointed as the external auditor of the Company at the special general meeting of the Company held on 12 July 2019 to fill the vacancy following the resignation of Deloitte Touche Tohmatsu, and held office until the conclusion of the next annual general meeting of the Company.

On behalf of the Board
Binhai Investment Company Limited

Gao Liang
Executive Director

Hong Kong, 25 March 2020

* *For identification purposes only*

Independent Auditor's Report

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Binhai Investment Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 199, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

BASIS FOR OPINION — continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is impairment assessment of property, plant and equipment.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment	
Refer to note 4.10 impairment of non-financial assets, note 6(i) critical accounting estimates and judgements and note 19 to the consolidated financial statements. As at 31 December 2019, the carrying amount of the Group's property, plant and equipment was HK$4,318 million, representing total costs of HK$5,153 million less accumulated depreciation of HK$659 million and accumulated impairment loss provision of HK$176 million. For the year ended 31 December 2019, the Group recognised impairment loss totalling HK$37.6 million against the property, plant and equipment.	In connection with the impairment assessment on property, plant and equipment, we have performed the following procedures: (1) Understood, evaluated and validated the Group's internal controls over the impairment assessment of property, plant and equipment; (2) Understood and evaluated the management's processes in identifying impairment indicators; (3) For those property, plant and equipment with impairment indicators, examined the management's discounted cash flow model as follows: • Engaged our internal valuation experts to evaluate the reasonableness of the methodology and pre-tax discount rate adopted by management;

KEY AUDIT MATTERS — continued

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment	
The Group's property, plant and equipment directly held by certain loss-making subsidiaries of the Company were identified for impairment assessment by estimating the recoverable amounts using the higher of value in use calculation and fair value less costs of disposal. As at 31 December 2019, the carrying amount of the property, plant and equipment directly held by those loss-making subsidiaries was HK$184.6 million. Management performed impairment assessment on the recoverable amounts using the value-in-use method, as which is higher than the fair value less costs of disposal. Key assumptions adopted in the discounted cash flows included the estimates of the growth rates of business volume, gross margin and the pre-tax discount rate.	• Assessed the reasonableness of the growth rates of business volume, gross margin and the pre-tax discount rate adopted in the cash flow forecasts by comparing them with historical actual information and management's approved budget; • Compared the expected growth rates of business volume and the gross margin to relevant market expectations such as industry information; and • Evaluated management's sensitivity analysis around key assumptions for growth rates of business volume, gross margin and pre-tax discount rate, to ascertain the extent to which adverse changes will affect the outcome of the impairment assessment of property, plant and equipment. • Checked the mathematical accuracy of the discounted cash flow model and the underlying data used in the calculations. We found that the valuation methodology and key assumptions as adopted by management in the impairment assessments on property, plant and equipment are supported by the audit evidence we obtained.

KEY AUDIT MATTERS — continued

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment	
A separate impairment assessment was performed on a property under construction owned by a loss-making subsidiary,with net carrying amount of HK$72.6 million including accumulated impairment amounting to HK$34.1 million as at 31 December 2019. The development of the property was suspended in 2011,and the timing to resume development is still uncertain. The recoverable amount was determined by the fair value less costs of disposal. The fair value was assessed using a residual value method with the assistance from external valuer. The key assumptions adopted in the assessment included the estimated selling price, development costs to completion and selling expenses. The results of the impairment assessment revealed that no additional provision for impairment on the property under construction has to be recognised for the year ended 31 December 2019. We focused on this area because the significance of the carrying amount of property, plant and equipment as at 31 December 2019, together with the use of significant judgement or assumptions in management's impairment assessment.	In connection with the impairment assessment on the property under construction, we have performed the following procedures: (1) Evaluated the independent external valuer's competence, capability and objectivity; (2) Evaluated the appropriateness of the methodology used by the management and the external valuer, with the assistance from our internal valuation expert; (3) Tested key inputs adopted by the management and the external valuer against relevant supporting information: • Compared the estimated selling price to the recent market transactions by making reference to the prevailing market price of the comparable properties with similar type, size and location; • The selling expenses was estimated as a percentage of the related estimated selling price of the properties. Assessed if the above estimated percentage fall in a reasonable range which is in line with the prevailing property valuation practice in China; • Compared the anticipated completion costs to the actual costs of similar type of completed properties; and • Checked the mathematical accuracy of the valuation calculations and the underlying data used in the calculations. Based on the work performed, we found that management's impairment assessment was supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

Independent Auditor’s Report

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS — continued

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Cheng Kwong On.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers	7	**3,557,529**	3,308,032
Cost of sales and services	11	**(3,032,910)**	(2,695,970)
Gross profit		**524,619**	612,062
Other income	8	**15,867**	15,644
Administrative expenses	11	**(262,118)**	(211,254)
Net impairment reversal/(losses) on financial and contract assets	10	**816**	(9,199)
Other gains/(losses) — net	9	**2,211**	(101,837)
Operating profit		**281,395**	305,416
Finance income	13	**1,620**	15,024
Finance costs	13	**(106,638)**	(144,611)
Finance costs — net	13	**(105,018)**	(129,587)
Share of net profit of associates and joint ventures accounted for using the equity method	15	**6,312**	5,959
Profit before income tax		**182,689**	181,788
Income tax expense	16	**(63,065)**	(74,979)
Profit for the year		**119,624**	106,809
Profit for the year attributable to:			
— Owners of the Company		**81,111**	104,049
— Non-controlling interests		**38,513**	2,760
		119,624	106,809
		HK$ cents	*HK$ cents*
Earnings per share attributable to owners of the Company:	17		
— Basic earnings per share		**6.9**	8.9
— Diluted earnings per share		**6.9**	8.9

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 *HK$'000*	2018 *HK$'000*
Profit for the year	**119,624**	106,809
Other comprehensive loss		
Items that will not be reclassified to profit or loss		
— Exchange differences on translation of financial statements of the Company	**(11,006)**	(42,988)
Items that may be reclassified to profit or loss		
— Exchange differences on translation of foreign operations	**(23,043)**	(60,279)
	(34,049)	(103,267)
Total comprehensive income for the year	**85,575**	3,542
Total comprehensive income for the year is attributable to:		
— Owners of the Company	**48,096**	2,971
— Non-controlling interests	**37,479**	571
	85,575	3,542

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 Restated HK$'000
ASSETS			
Non-current assets			
Land use rights	18, 20	—	131,728
Property, plant and equipment	19	4,317,792	3,860,996
Right-of-use assets	20	177,086	—
Investment properties	21	6,896	7,280
Intangible assets	22	51,418	39,566
Investments accounted for using the equity method	15	63,147	58,144
Prepayments	23	34,206	74,615
Long-term receivables	26(b)	7,688	12,296
Deferred income tax assets	24	22,584	8,311
Restricted cash	27	4,457	—
		4,685,274	4,192,936
Current assets			
Inventories	25	116,623	90,715
Trade and other receivables	26	323,339	483,622
Notes receivable	5.3	20,556	28,876
Contract assets	7	54,100	45,524
Prepayments	23	200,906	181,350
Financial assets at fair value through profit or loss	5.3	—	318,058
Restricted cash	27	2,426	7,542
Cash and cash equivalents	28	699,998	669,518
		1,417,948	1,825,205
Total assets		6,103,222	6,018,141
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	29	489,435	515,435
— Ordinary shares		117,435	117,435
— Redeemable preferences shares		372,000	398,000
Share premium	31	104,676	157,522
Other reserves	31	(176,180)	(160,982)
Retained earnings	32	895,129	823,013
Equity attributable to owners of the Company		1,313,060	1,334,988
Non-controlling interests		46,966	29,876
Total equity		1,360,026	1,364,864

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 Restated HK$'000
Liabilities			
Non-current liabilities			
Borrowings	33	**28,004**	2,443,690
Deferred income	34	**53,757**	53,427
Lease liabilities	20	**13,184**	—
Deferred income tax liabilities	24	**10,000**	—
		104,945	2,497,117
Current liabilities			
Trade and other payables	35	**1,331,992**	1,277,643
Contract liabilities	7	**733,546**	543,532
Current tax liabilities		**51,462**	61,867
Borrowings	33	**2,512,222**	273,118
Lease liabilities	20	**9,029**	—
		4,638,251	2,156,160
Total liabilities		**4,743,196**	4,653,277
Total equity and liabilities		**6,103,222**	6,018,141

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 89 to 199 were approved by the Board of Directors on 25 March 2020 and were signed on its behalf.

Zhang Bing Jun
Director

Gao Liang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		Attributable to owners of the Company						
		Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2018		547,435	157,522	(93,052)	816,701	1,428,606	33,234	1,461,840
Profit for the year		–	–	–	104,049	104,049	2,760	106,809
Other comprehensive loss		–	–	(101,078)	–	(101,078)	(2,189)	(103,267)
Total comprehensive (loss)/ income		–	–	(101,078)	104,049	2,971	571	3,542
Transactions with owners, recognised directly in equity								
Employee share options lapsed	*30*	–	–	(2,021)	2,021	–	–	–
Dividends provided for and paid	*36*	–	–	–	(64,589)	(64,589)	(3,929)	(68,518)
Redemption of preferences shares	*29*	(32,000)	–	–	–	(32,000)	–	(32,000)
Transfer to statutory reserve	*31*	–	–	35,169	(35,169)	–	–	–
		(32,000)	–	33,148	(97,737)	(96,589)	(3,929)	(100,518)
Balance at 31 December 2018		515,435	157,522	(160,982)	823,013	1,334,988	29,876	1,364,864

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

		Attributable to owners of the Company						
		Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2019		**515,435**	**157,522**	**(160,982)**	**823,013**	**1,334,988**	**29,876**	**1,364,864**
Profit for the year		–	–	–	81,111	81,111	38,513	119,624
Other comprehensive loss		–	–	(33,015)	–	(33,015)	(1,034)	(34,049)
Total comprehensive income		–	–	(33,015)	81,111	48,096	37,479	85,575
Transactions with owners, recognised directly in equity								
Contributions from non-controlling interests		–	–	–	–	–	14,875	14,875
Employee share options lapsed	30	–	–	(4,475)	4,475	–	–	–
Dividends provided for and paid	36	–	(52,846)	–	–	(52,846)	–	(52,846)
Dividends paid to non-controlling interests		–	–	–	–	–	(26,442)	(26,442)
Redemption of preferences shares	29	(26,000)	–	–	–	(26,000)	–	(26,000)
Transfer to statutory reserve	31	–	–	13,470	(13,470)	–	–	–
Other transfer		–	–	8,822	–	8,822	(8,822)	–
		(26,000)	(52,846)	17,817	(8,995)	(70,024)	(20,389)	(90,413)
Balance at 31 December 2019		**489,435**	**104,676**	**(176,180)**	**895,129**	**1,313,060**	**46,966**	**1,360,026**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 Restated HK$'000
Cash flows from operating activities			
Cash generated from operations	37(a)	**783,546**	851,256
Interest received		**1,620**	—
Income tax paid		**(76,885)**	(70,824)
Net cash inflow from operating activities		**708,281**	780,432
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	39	**(37,984)**	—
Payments for property, plant and equipment		**(610,246)**	(653,370)
Government grant received		**1,442**	23,843
Payments for land use rights		**(23,466)**	(6,334)
Payments for intangible assets		**(2,116)**	(27,023)
Proceeds from disposal of property, plant and equipment		**24,010**	5,858
Withdrawal of restricted cash		**2,955**	3,080
Placement of restricted cash		**(2,454)**	—
Payments for wealth management products	5.3	**(1,982,768)**	(1,199,568)
Proceed from redemption of wealth management products		**2,297,387**	873,072
Wealth management products income received		**14,361**	9,889
Interest received		**—**	24,913
Net cash outflow from investing activities		**(318,879)**	(945,640)
Cash flows from financing activities			
Proceeds from borrowings		**109,247**	—
Repayment of borrowings		**(256,230)**	(2,114,446)
Principal elements of lease payments		**(6,716)**	—
Interests paid		**(107,791)**	(167,630)
Contribution from non-controlling interests	14	**14,875**	—
Dividends paid to Company's shareholders	36	**(52,846)**	(64,589)
Dividends paid to non-controlling interests in subsidiaries		**(26,442)**	(3,929)
Redemption of redeemable preferences shares	29	**(26,000)**	(32,000)
Net cash outflow from financing activities		**(351,903)**	(2,382,594)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 Restated HK$'000
Net increase/(decrease) in cash and cash equivalents		**37,499**	(2,547,802)
Cash and cash equivalents at beginning of year		**669,518**	3,260,656
Effects of exchange rate difference		**(7,019)**	(43,336)
Cash and cash equivalents at end of year	28	**699,998**	669,518

The above consolidated statement of cash flows should be read in conjunction with the accompany notes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 14. The Company and its subsidiaries are hereafter together referred to as the Group.

The directors of the Company (the "Directors") regard TEDA as being the ultimate holding company, a state-owned enterprise under supervision of the Tianjin State-owned Assets Supervision and Administration Commission.

The Group's consolidated financial statements are presented in Hong Kong Dollars ("HK$") and the functional currency of the Company and its subsidiaries is Renminbi ("RMB").

2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(i) Compliance with HKFRS and HKCO

The Group's consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("HKCO").

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets that are measured at fair values, as explained in the accounting policies as set out below.

(iii) Going concern

As at 31 December 2019, the total current liabilities of the Group exceeded its total current assets by approximately HK$3,220 million. The Group's ability to continue as a going concern largely depends on the financial resources available to the Group. TEDA has confirmed its intention to provide financial support for the continuing operation of the Group. Therefore, the Directors believe that the Group is able to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the next twelve months from 31 December 2019. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

3 ADOPTION OF NEW AND AMENDMENTS TO HKFRS AND RESTATEMENTS

(i) New and amended standards, interpretations and annual improvements adopted by the Group

The Group has applied the following new and amended standards, interpretations and annual improvements for the first time for their annual reporting period commencing on 1 January 2019:

- *HKFRS 16 Leases*
- *Prepayment Features with Negative Compensation – Amendments to HKFRS 9*
- *Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28*
- *Annual Improvements to HKFRS Standards 2015 – 2017 Cycle*
- *Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19*
- *Interpretation 23 Uncertainty over Income Tax Treatments.*

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 3.1 below. The other amended standards, interpretation and annual improvements listed above did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

(ii) New and amended standards and revised conceptual framework not yet adopted

Certain new and amended standards and revised conceptual framework for financial reporting have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards and revised conceptual framework are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3.1 Adoption of HKFRS 16 *Leases*

The Group has adopted HKFRS 16 *Leases* retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. The new accounting policies are disclosed in Note 4.25.

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. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.87%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients (if applicable) permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of lease liabilities

	Amount *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	**19,833**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**14,988**
Less: Short-term leases not recognised as a liability	**(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

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018.

(iv) Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the the statement of financial position on 1 January 2019:

- right-of-use assets – increase by HK$143,723,000
- lease liabilities – increase by HK$11,995,000
- land use rights – decrease by HK$131,728,000

The adoption of HKFRS16 has no impact on retained earnings as at 1 January 2019.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

3.2 Restatements due to correction of prior year's accounting errors

In preparing the Group's consolidated financial statements for the year ended 31 December 2019, the Group has identified certain errors in the comparative financial information presented. The Directors decided that the most appropriate treatment for these errors is to restate the comparative figures in the Group's consolidated financial statements for the year ended 31 December 2019. A detailed description of the nature of these prior year errors and the amounts subject to the correction for each financial statement line item affected are presented in Notes 3.2(a) and 3.2(b) below.

(a) As at 31 December 2018, the Group classified certain of its investments in non-principal guaranteed wealth management products with variable returns and structured deposits with variable returns benchmarked against the three-month USD London Interbank Offered Rate totalling HK$318 million as "Cash and cash equivalents". These investments do not satisfy the definition of "Cash and cash equivalents" of "readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value". The Company has corrected these accounting errors and restated the comparative figures as at 31 December 2018 by reclassifying the related amounts from "Cash and cash equivalents" to "Financial assets at fair value through profit or loss". The cash outflows for the related investments (after the translation into the presentation currency of the Company) should be presented in consolidated statement of cash flows as "Cash flows from investing activities" for the year ended 31 December 2018.

(b) A summary of the effects of the restatements for each financial statement line item affected are presented in the table below:

	As previously reported HK$'000	Restatements Note 3.2(a) HK$'000	As restated HK$'000
Effect on the Group's consolidated statement of financial position as at 31 December 2018			
Cash and cash equivalents	987,576	(318,058)	669,518
Financial assets at fair value through profit or loss	—	318,058	318,058
Effect on the Group's consolidated statement of cash flows for the year ended 31 December 2018			
Payments for wealth management products	(873,072)	(326,496)	(1,199,568)
Net cash outflows from investing activities	(619,144)	(326,496)	(945,640)
Net decrease in cash and cash equivalents	(2,221,306)	(326,496)	(2,547,802)
Effects of exchange rate difference	(51,774)	8,438	(43,336)
Cash and cash equivalents at end of year	987,576	(318,058)	669,518

The misstatements as described in Note 3.2(a) above did not have any impact on the consolidated statement of profit or loss for the year ended 31 December 2018 and the consolidated statement of financial position as at 1 January 2018 and the Group had no wealth management products and structured deposits as at 1 January 2018. Therefore, a consolidated statement of financial position as at 1 January 2018 was not disclosed.

4 SIGNIFICANT ACCOUNTING POLICIES

These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (Note 4.2).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and the statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated statement of financial position.

(iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. The Group's investments in associates and joint ventures include goodwill identified on acquisition. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 4.10.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

4.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

4.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions (the "Executive Directors").

4.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, and the functional currency of the Company and its subsidiaries is RMB.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within "Other gains/(losses) — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values over their estimated useful lives or, in the case of certain leased plant and equipment, the shorter lease term as follows:

Gas pipelines	30 years
Buildings and infrastructures	30 years
Machinery and equipments	20 years
Office equipment and motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

4.7 Investment properties

Investment properties are office buildings held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

The estimated useful lives of the investment properties is 30 years.

4.8 Land use rights — accounting policy applied until 31 December 2018

Land use rights represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses (Note 4.10). Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term or the operating license period, whichever is shorter.

4.9 Intangible assets

(i) Operating rights

Separately acquired operating rights of piped natural gas sales are shown at historical cost. Operating rights of piped natural gas sales acquired in a business combination are recognised at fair value at the acquisition date. Operating rights are amortised on a straight-line basis over the terms of operation rights as stated in the respective industry licenses ranging from 25 to 30 years.

(ii) Software

Acquired computer software programmes are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 to 10 years on a straight-line basis.

(iii) Goodwill

Goodwill is measured as described in Note 4.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

4.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.11 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its financial assets:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 5.1(b) for further details.

4.12 Inventories

Inventories mainly comprising materials for construction and gas pipelines installation service and gases, are stated at the lower of cost or net realisable value. Cost, being cost of purchase, is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4.13 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

4.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

4.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

4.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries, associate and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

4.19 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the People's Republic of China (the 'PRC'), the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

4.20 Share-based payments

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

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

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

4.21 Provisions

Provisions for legal claims, onerous contract and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below.

(i) Sales of piped natural gas

Revenue from the sale of piped natural gas is recognised at the point of time when control of the piped natural gas has been transferred to the customer (which generally coincides with the time when the gas is delivered to customers and title has passed), and when it is probable that future economic benefits will flow to the Group.

(ii) Construction and gas pipeline installation service

Revenue in respect of construction and gas pipeline installation service is recognised over time, by reference to completion of the specific transaction using input method which recognises revenue using costs incurred relative to total estimated costs to determine the extent of progress toward completion. The Group recognises revenue over time only if it can reasonably measure its progress toward complete satisfaction of the performance obligation. However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenue or costs are reflected in profit or loss in the period which the circumstances that give rise to the revision become known by management.

The customers are required to pay in advance for certain contract amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payment exceed the services rendered, a contract liability is recognised.

(iii) Gas passing through service

Gas passing through service income is recognised when natural gas has been passed through the Group's gas pipelines in providing the related services.

(iv) Sales of bottled natural gas

Revenue is recognised when control of goods has transferred, being at the point the customers purchase the goods.

4.23 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4.24 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

4.25 Leases

As explained in Note 3 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 3.

(i) Accounting policy applied until 31 December 2018

Leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was 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 property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

(ii) Accounting policy applied 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 available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal 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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,

- any lease payments made at or before the commencement date less any lease incentives received,

- any initial direct costs, and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Land use rights were reclassified as right-of-use assets since the initial adoption of HKFRS 16 on 1 January 2019 (Note 4.8).

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 21). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

4.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

4.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

4.28 Interest income

Interest income from financial assets at fair value through profit or loss is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 13 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

5 FINANCIAL RISK MANAGEMENT

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. As at 31 December 2019, the Group do not use any derivative financial instruments to hedge against its financial risk exposures.

The Group's risk management is predominantly controlled by the Group's financial department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

5.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets or liabilities are denominated in currency that is not the functional currency of the entity.

The operations and customers of the Group's subsidiaries are located in the PRC with most of the assets/liabilities and transactions denominated and settled in Renminbi.

Certain bank balances and borrowings are denominated in HK$ and US$ which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

As at 31 December 2019, if RMB had strengthened/weakened by 10% (2018: 10%) against the USD with all other variables held constant, the Group's profit for the year would have been approximately HK$235,351,000 (2018: HK$240,457,000) higher/lower, mainly as a result of foreign exchange gains/ losses on translation of USD-denominated borrowings.

As at 31 December 2019, if RMB had strengthened/weakened by 10% (2018: 10%) against the HKD with all other variables held constant, the Group's profit for the year would have been approximately HK$177,000 (2018: HK$2,263,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated cash and cash equivalents.

(ii) *Cash flow and fair value interest rate risk*

The Group's interest rate risk arises from deposits and borrowings which are obtained at fixed rates and other borrowings with variable rates, which expose the Group to cash flow interest rate risk. The deposits interest rate risk is considered not material. The Group is also exposed to fair value interest rate risk in relation to fixed rate bank borrowings.

Management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The tables below set out the Group's fixed rate borrowings and floating rate borrowings which expose the Group to fair value interest rate risks and cash flow interest rate risk respectively:

	Fixed rate borrowings *HK$'000*	**Floating rate borrowings** *HK$'000*	**Total** *HK$'000*
At 31 December 2018			
Current			
Bank borrowings	153,038	—	153,038
Current portion of long-term other borrowings	—	110,859	110,859
US$ bond	9,221	—	9,221
Non-current			
Other borrowings	—	110,237	110,237
US$ bond	2,333,453	—	2,333,453
Total borrowings	2,495,712	221,096	2,716,808

	Fixed rate borrowings *HK$'000*	Floating rate borrowings *HK$'000*	Total *HK$'000*
At 31 December 2019			
Current			
Bank borrowings	108,078	–	108,078
Current portion of long-term other borrowings	–	79,974	79,974
US$ bond	2,324,170	–	2,324,170
Non-current			
Other borrowings	–	28,004	28,004
Total borrowings	2,432,248	107,978	2,540,226

As at 31 December 2019, if interest rates on bank borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been lower/higher by approximately HK$918,000 (2018: HK$1,879,000 due to the higher/lower interest expenses on floating rate borrowings).

(b) Credit risk

(i) Risk management

Credit risk arises from cash and cash equivalents, restricted cash, contract assets, notes receivable and trade and other receivables. The carrying amounts of these balances substantially represent the Group's maximum exposure to credit risk at the end of the reporting period. The credit risk for deposits with banks and financial institutions is limited because the majority of the Group's deposits are placed in banks in Hong Kong and top tier state-owned/listed banks and financial institutions in the PRC with high credit rating. For trade and receivables, the Group has no significant concentrations of credit risk. The Group assesses the credit quality of the customers, taking into account their financial position, past settlement history and trading relationships. The utilisation of credit limits is regularly monitored.

(ii) *Impairment of financial assets*

The Group has three types of financial assets that are subject to HKFRS 9 expected credit loss model:

- trade receivables
- contract assets
- other receivables

While cash and cash equivalents, restricted cash and notes receivable are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the aging analysis. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of cline in which it sells its goods and service, and accordingly adjusts the historical loss rates based on expected changes in this factor. The Group has identified the GDP of China in which it sells its goods and service, the default rate by client's industry group, the defaulted unsecured loan recoveries rate to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for both trade receivables and contract assets:

— Construction and gas pipeline installation service

	Current	1 — 180 days overdue	More than 180 days overdue	Total
31 December 2019				
Trade receivables				
Expected loss rate	**5.14%**	**5.43%**	**59.08%**	
Gross carrying amount *(HK$'000)*	**80,306**	**25,006**	**136,990**	**242,302**
Loss allowance *(HK$'000)*	**4,128**	**1,358**	**80,935**	**86,421**
Contract assets				
Expected loss rate	**5.14%**	**—**	**—**	
Gross carrying amount *(HK$'000)*	**57,029**	**—**	**—**	**57,029**
Loss allowance *(HK$'000)*	**2,929**	**—**	**—**	**2,929**
	7,057	**1,358**	**80,935**	**89,350**

	Current	1 — 180 days overdue	More than 180 days overdue	Total
31 December 2018				
Trade receivables				
Expected loss rate	5.24%	5.48%	40.65%	
Gross carrying amount *(HK$'000)*	94,019	108,636	133,997	336,652
Loss allowance *(HK$'000)*	4,924	5,954	54,474	65,352
Contract assets				
Expected loss rate	9.83%	—	—	
Gross carrying amount *(HK$'000)*	50,487	—	—	50,487
Loss allowance *(HK$'000)*	4,963	—	—	4,963
	9,887	5,954	54,474	70,315

— Sales of piped natural gas

	Current	1 — 180 days overdue	More than 180 days overdue	Total
31 December 2019				
Trade receivables				
Expected loss rate	**5.55%**	**5.67%**	**89.12%**	
Gross carrying amount *(HK$'000)*	**35,167**	**1,111**	**73,592**	**109,870**
Loss allowance *(HK$'000)*	**1,951**	**63**	**65,585**	**67,599**
31 December 2018				
Trade receivables				
Expected loss rate	5.79%	5.95%	64.25%	
Gross carrying amount *(HK$'000)*	59,313	740	137,266	197,319
Loss allowance *(HK$'000)*	3,436	43	88,189	91,668

— Gas passing through service

	Current	1 — 180 days overdue	More than 180 days overdue	Total
31 December 2019				
Trade receivables				
Expected loss rate	**5.86%**	**—**	**—**	
Gross carrying amount (HK$'000)	**3,561**	**—**	**—**	**3,561**
Loss allowance *(HK$'000)*	**209**	**—**	**—**	**209**
31 December 2018				
Trade receivables				
Expected loss rate	5.75%	—	—	
Gross carrying amount *(HK$'000)*	5,351	—	—	5,351
Loss allowance *(HK$'000)*	308	—	—	308

The loss allowances for trade receivables and contract assets as at 31 December reconcile to the opening loss allowances as follows:

	Trade receivables		Contract assets	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Opening loss allowance at 1 January	**157,328**	155,177	**4,963**	—
Net impairment losses/(reversal) recognised in profit or loss during the year *(i)*	**672**	10,522	**(1,949)**	5,094
Receivables written off during the year as uncollectible *(ii)*	**(403)**	(80)	**—**	—
Currency translation difference	**(3,368)**	(8,291)	**(85)**	(131)
Closing loss allowance at 31 December	**154,229**	157,328	**2,929**	4,963

(i) Impairment losses on contract assets and trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Other receivables

Other receivables such as deposits paid are considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for financial instruments when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The loss allowance for other receivables as at 31 December reconciles to the opening loss allowance as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Opening loss allowance as at 1 January	**3,462**	8,412
Net impairment/(reversal) recognised in profit or loss during the year	**461**	(4,634)
Reversal of previous impairment losses	**(1,434)**	(4,634)
Currency translation difference	**(78)**	(316)
Closing loss allowance as at 31 December	**3,845**	3,462

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period, the Group held bank deposits at call of HK$699,998,000 (2018 restated: HK$669,518,000) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents (Note 28) on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group, in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Directors take the ultimate responsibility for liquidity risk management, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. When necessary, the Group will seek for financial support from the ultimate holding company to finance its funding needs (if any).

Due to the dynamic nature of the underlying businesses, the Group's financial department maintains flexibility in funding by its ability to move cash and cash equivalents between different entities through related parties borrowing arrangements.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and

- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

In *HK$'000*	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amounts
At 31 December 2019						
Borrowings *(Note 33)*	**2,611,532**	**28,957**	**–**	**–**	**2,640,489**	**2,540,226**
Trade and other payables *(Note 35)*	**1,325,905**	**–**	**–**	**–**	**1,325,905**	**1,325,905**
Lease liabilities *(Note 20)*	**10,297**	**7,460**	**5,103**	**2,974**	**25,834**	**22,213**
	3,947,734	**36,417**	**5,103**	**2,974**	**3,992,228**	**3,888,344**
At 31 December 2018						
Borrowings *(Note 33)*	264,464	2,619,284	29,590	–	2,913,338	2,716,808
Trade and other payables *(Note 35)*	1,222,956	–	–	–	1,222,956	1,222,956
	1,487,420	2,619,284	29,590	–	4,136,294	3,939,764

5.2 Capital management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and lease liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated by adding total equity and net debt.

The gearing ratios of the Group as at 31 December 2019 and 2018 were as follows:

	31 December 2019	31 December 2018 Restated
	HK$'000	*HK$'000*
Total borrowings *(Note 33)*	**2,540,226**	2,716,808
Lease liabilities *(Note 20)*	**22,213**	—
Less: Cash and cash equivalents *(Note 28)*	**(699,998)**	(669,518)
Net debt	**1,862,441**	2,047,290
Total equity	**1,360,026**	1,364,864
Total capital	**3,222,467**	3,412,154
Gearing ratio	**58%**	60%

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

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

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

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- The borrower shall not provide guarantee to third party before the approval of the lender in certain circumstances, and

- The borrower shall not repay outstanding debts in advance in any form until the loan principal, interest and related expenses of the contract have been paid off.

The Group has complied with these coverants throughout the reporting period.

5.3 Fair value estimation

(a) Financial assets and liabilities

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Financial instruments measured at fair value are analysed into the following fair value measurement hierarchy:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Fair value of the financial assets and financial liabilities that are not measured at fair value on recurring basis:

The Directors consider that the carrying amounts of other financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2019 and 31 December 2018:

(i) Financial assets at FVPL

	Wealth management products and structured deposits	
	2019	2018 Restated
	HK$'000	*HK$'000*
Opening balance as at 1 January	**318,058**	—
Acquisitions	**1,982,768**	1,199,568
Disposals	**(2,311,748)**	(882,961)
Gains recognised in other gains/ (losses) — net	**14,361**	9,889
Currency translation differences	**(3,439)**	(8,438)
Closing balance as at 31 December	**—**	318,058

(ii) Notes receivable

	Bank acceptance notes	
	2019	2018
	HK$'000	*HK$'000*
Opening balance as at 1 January	**28,876**	14,845
Increase during the year	**54,677**	85,223
Decrease during the year	**(62,460)**	(70,026)
Currency translation differences	**(537)**	(1,166)
Closing balance as at 31 December	**20,556**	28,876

In respect of these notes receivable, the Group's business model is achieved both by collecting contractual cash flows and selling of these assets (through the endorsement of bank acceptance notes to suppliers as settlement of payable balances). Therefore, these notes receivable have been classified as financial assets at FVOCI. Considering the short maturities of these notes receivables and their principal amounts will not normally be changed much, the changes in the fair values of these instruments are minimal.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Impairment assessment of the long-term assets

Property, plant and equipment is reviewed for possible impairments whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is determined at the higher of value in use and the fair value less costs of disposal.

Determination as to whether and how much an asset is impaired involves management estimates and judgements such as growth rates of business volume, gross margin and the pre-tax discount rate for value in use and estimated selling price, estimated costs to completion and selling expenses for fair value less costs of disposal. Judgement is required by the Board to determine key assumptions adopted and changes to key assumptions can significantly affect the results of the impairment reviews.

Details of the recoverable amount calculations are disclosed in Note 19.

(ii) Deferred income taxes not recognised

As at 31 December 2019, no deferred income tax asset is recognised in respect of deductible temporary differences amounting to HK$215,978,000 (2018: HK$277,258,000) and tax losses amounting to HK$288,963,000 (2018: HK$259,823,000) due to the unpredictable of the utilisation of the temporary difference and tax losses in the future (Note 24). The realisability of the deferred income tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, a recognition of deferred income tax asset may arise, which would be recognised in the consolidated statement of profit or loss for the period in which such recognition takes place.

(iii) Estimation of goodwill impairment

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2019 and 2018 reporting periods, the recoverable amount of cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 22. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of key assumptions are adopted by management in the assessment are disclosed in Note 22.

(iv) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 5.

7 SEGMENT INFORMATION

The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources of the Group. The Executive Directors have determined the operating segments based on these reports.

The Executive Directors assess the performance of the Group organised as follows:

- Sales of piped natural gas
- Construction and gas pipeline installation service
- Gas passing through service
- 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.

The segment results are as follows:

	Year ended 31 December 2019				
	Sales of piped natural gas *HK$'000*	Construction and gas pipeline installation service *HK$'000*	Gas passing through service *HK$'000*	Sales of bottled natural gas *HK$'000*	Total *HK$'000*
Total segment revenue from external customers	2,893,232	560,820	81,423	22,054	3,557,529
Recognised at a point in time	2,893,232	–	81,423	22,054	2,996,709
Recognised over time	–	560,820	–	–	560,820
Segment results	141,711	309,091	66,931	6,886	524,619
Other income					15,867
Administrative expenses					(262,118)
Other gains — net					2,211
Net impairment reversal on financial and contract assets					816
Finance income					1,620
Finance costs					(106,638)
Share of net profit of associates and joint ventures accounted for using the equity method					6,312
Profit before income tax					182,689
Other segment information					
Depreciation (included in cost of sales and services)	100,709	2,016	10,248	348	113,321
Depreciation (included in administrative expenses)					26,945
					140,266
Impairment loss on property, plant and equipment	37,607	–	–	–	37,607

	Year ended 31 December 2018				
	Sales of piped natural gas	Construction and gas pipeline installation service	Gas passing through service	Sales of bottled natural gas	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue from external customers	2,582,878	636,707	67,412	21,035	3,308,032
Recognised at a point in time	2,582,878	–	67,412	21,035	2,671,325
Recognised over time	–	636,707	–	–	636,707
Segment results	185,786	362,074	60,039	4,163	612,062
Other income					15,644
Administrative expenses					(211,254)
Other losses – net					(101,837)
Net impairment losses on financial and contract assets					(9,199)
Finance income					15,024
Finance costs					(144,611)
Share of net profit of associates and joint ventures accounted for using the equity method					5,959
Profit before income tax					181,788
Other segment information					
Depreciation (included in cost of sales and services)	90,085	1,446	7,216	130	98,877
Depreciation (included in administrative expenses)					4,944
					103,821
Impairment reversal on property, plant and equipment	(3,019)	–	–	–	(3,019)

The Executive Directors have not make reference to any geographical information for assessing the Group's performance and allocating resources as all of the Group's operations are all conducted in the PRC.

The Group has recognised the following assets and liabilities related to contracts with customers:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Contract assets		
Current contract assets relating to construction and gas pipeline installation	**57,029**	50,487
Loss allowance	**(2,929)**	(4,963)
Total contract assets	**54,100**	45,524
Contract liabilities		
Receipts in advance from customers relating to:		
— Sales of piped natural gas	**456,922**	375,389
— Construction and gas pipeline installation service	**274,471**	163,711
— Others	**2,153**	4,432
Total contract liabilities	**733,546**	543,532

(a) The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Sales of piped natural gas	**361,352**	262,085
Construction and gas pipeline installation service	**100,961**	59,496
Others	**3,855**	874
	466,168	322,455

(b) The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance.

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

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

Typical payment terms of contract liabilities recognised are as follows:

— Sales of piped natural gas

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

— Construction and gas pipeline installation service

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

8 OTHER INCOME

	2019 ***HK$'000***	2018 *HK$'000*
Assembling services income	**10,834**	9,888
Rental income	**1,508**	1,464
Others	**3,525**	4,292
	15,867	15,644

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9 OTHER GAINS/(LOSSES) — NET

	2019 *HK$'000*	2018 *HK$'000*
Net gains from compensation for damaged gas pipelines *(i)*	**19,362**	—
Realised fair value gains on wealth management products	**14,361**	9,889
Net gains on disposal of raw materials	**3,339**	—
Net foreign exchange losses	**(35,141)**	(103,406)
Net gains/(losses) on disposal of property, plant and equipment	**1,778**	(6,500)
Impairment reversal on property, plant and equipment	**—**	3,019
Others	**(1,488)**	(4,839)
	2,211	(101,837)

(i) In 2019, two subsidiaries have relocated their gas pipelines in accordance with the road repair and construction requirements of the municipal government of Tianjin city and Deqing city. The compensation amounts in excess of the carrying amounts of the pipelines being relocated have been recognized as net gains from compensation for damaged gas pipelines for the year ended 31 December 2019.

10 NET IMPAIRMENT REVERSAL/(LOSSES) ON FINANCIAL AND CONTRACT ASSETS

	2019 *HK$'000*	2018 *HK$'000*
Impairment losses recognised on trade and other receivables	**(1,133)**	(4,105)
Impairment reversal/(losses) on contract assets	**1,949**	(5,094)
	816	(9,199)

11 EXPENSES BY NATURE

	2019 HK$'000	2018 HK$'000
Cost of gas purchased	**2,493,349**	2,219,427
Employee benefit expense *(Note 12)*	**233,352**	186,595
Depreciation	**140,266**	103,821
— Property, plant and equipment	**130,152**	103,821
— Right-of-use assets	**10,114**	—
Subcontractor and other costs	**122,626**	146,294
Changes in inventories of pipeline and other materials	**(27,233)**	(6,219)
Purchase of pipeline and other materials	**164,161**	142,851
Impairment loss on property, plant and equipment	**37,607**	—
Repair expenses	**33,781**	30,057
Other professional fees	**12,577**	5,844
Expenses relating to short term leases/ operating lease rental	**7,999**	14,339
Auditor's remuneration	**3,154**	3,214
Amortisation	**2,506**	8,188
— Land use rights	**—**	7,183
— Intangible assets	**2,271**	758
— Investment properties	**235**	247
Others	**70,883**	52,813
Total cost of sales and services and administrative expenses	**3,295,028**	2,907,224

12 EMPLOYEE BENEFIT EXPENSE

	2019 HK$'000	2018 HK$'000
Wages, salaries and bonuses	**173,510**	133,857
Social security and housing fund	**51,167**	44,319
Other benefits	**8,675**	8,419
	233,352	186,595

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2018: one) director whose emoluments are reflected in the analysis shown in Note 43. The emoluments to the remaining four (2018: four) individuals during the year are as follows:

	2019 HK$'000	2018 HK$'000
Wages, salaries and bonuses	**2,056**	2,092
Discretionary bonuses	**1,711**	1,808
Employer's contribution to a retirement benefit scheme	**119**	132
Other social security contributions	**743**	561
	4,629	4,593

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
HK$1,000,000 – HK$1,500,000	**4**	4

13 FINANCE INCOME AND COSTS

	2019 HK$'000	2018 HK$'000
Finance income:		
— Interest income on bank deposits	**1,620**	15,024
Finance costs:		
— Interest expenses	**(125,110)**	(164,082)
Less: amounts capitalised as construction in progress	**18,472**	19,471
	(106,638)	(144,611)
	(105,018)	(129,587)

The capitalisation rate used to determine the amount of the interests incurred eligible for capitalisation in 2019 was 4.59% (2018: 4.50%) per annum.

14 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2019:

Name	Place of incorporation and kind of legal entity	Issued and fully paid capital HK$'000	Registered capital HK$'000	Ownership interest held by the Group 2019 %	2018 %	Ownership interest held by non-controlling interests 2019 %	2018 %	Principal activities and place of operation
Winstar Venture Limited ("Winstar")	British Virgin Islands	US$200 ordinary shares	US$200 ordinary shares	**100%**	100%	**–**	–	Investment holding, Brish Virgin Islands
Binhai Investment Hong Kong ("Binhai HK")	Hong Kong HK$2 ordinary shares,	HK$2 ordinary shares	HK$2 ordinary shares	**100%**	100%	**–**	–	Investment holding, Hong Kong
Binhai Investment (Tianjin) Company Limited ("Binhai Investment Tianjin")	Wholly foreign owned enterprise, PRC	USD235 million	USD235 million	**100%**	100%	**–**	–	Investment holding, PRC
Zibo Jin Bin Gas Company Limited	Wholly foreign owned enterprise, PRC	25,000	25,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Tianjin TEDA Binhai Clean Energy Group Company (formerly known as "Tianjin Binda Gas Enterprise Company Limited") ("TEDA Energy")	Wholly foreign owned enterprises, PRC	USD185 million	USD250 million	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Binzhou TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	27,000	27,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Zhaoyuan Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	31,160	31,160	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC

Name	Place of incorporation and kind of legal entity	Issued and fully paid capital	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation
				2019	2018	**2019**	2018	
		HK$'000	***HK$'000***	**%**	%	**%**	%	
Deqing Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	20,000	20,000	**90%**	90%	**10%**	10%	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Zhuozhou Binhai Gas Company Limited ("Zhuozhou Binhai") *(i)*	Sino-foreign co-operative joint ventures, PRC	111,000	111,000	**85%**	85%	**15%**	15%	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Nanjing Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	12,000	12,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Yizheng TEDA Gas Company Limited	Wholly foreign owned enterprises, PRC	13,000	13,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Qinhuangdao TEDA Gas Company Limited	Wholly foreign owned enterprises, PRC	12,000	12,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Qingdao Jiaonan Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	11,000	11,000	**80%**	80%	**20%**	20%	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Sanhe TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	7,000	7,000	**90%**	90%	**10%**	10%	Construction and gas pipeline installation service and sales of piped natural gas, PRC

Name	Place of incorporation and kind of legal entity	Issued and fully paid capital	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation
				2019	2018	2019	2018	
		HK$'000	*HK$'000*	%	%	%	%	
Changle TEDA Gas Company Limited	Wholly foreign owned enterprises, PRC	10,825	10,825	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Dezhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	12,000	12,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Qingdao Jiaozhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	17,000	17,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Jingjiang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	3,000	3,000	**99%**	99%	**1%**	1%	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Funing TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	7,000	7,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Yishui Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	12,600	12,600	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Rizhao Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	12,600	12,600	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Haiyan Tian Tai Gas Company Limited	Wholly foreign owned enterprises, PRC	25,000	25,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC

Name	Place of incorporation and kind of legal entity	Issued and fully paid capital	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation
				2019	2018	2019	2018	
		HK$'000	*HK$'000*	%	%	%	%	
Beijing Airport Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	12,000	12,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Haiyang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	2,000	12,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Tianjin Binhai Xinda Real Estate Company Limited	Wholly foreign owned enterprises, PRC	–	156,000	**100%**	100%	**–**	–	Real estate investment, PRC
Yizheng Jin Bin Gas Company Limited	Wholly foreign owned enterprises, PRC	12,000	12,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Tangshan Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	24,000	24,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Tianjin HuaTai Xinda	Wholly foreign owned enterprises, PRC	6,000	6,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Tangshan TEDA Gas Company Limited	Wholly foreign owned enterprises, PRC	47,000	47,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Jizhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	14,000	14,000	**98%**	98%	**2%**	2%	Construction and gas pipeline installation service and sales of piped natural gas, PRC

Name	Place of incorporation and kind of legal entity	Issued and fully paid capital	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation
				2019	2018	**2019**	2018	
		HK$'000	*HK$'000*	%	%	%	%	
Anxin TEDA Gas Company Limited	Wholly foreign owned enterprises, PRC	6,188	6,188	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Qingyuan Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	11,000	11,000	**99.82%**	99.82%	**0.18%**	0.18%	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Liuyang Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	19,000	19,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Fengxian Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	14,000	14,000	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Gaoan TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	16,300	16,300	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Tianjin Taigang Gas Company Limited	Wholly foreign owned enterprises, PRC	15,464	15,464	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Tianjin BinMing Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	3,686	12,285	**80%**	80%	**20%**	20%	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Tianjin Tairan Energy Technology Develop Limited	Wholly foreign owned enterprises, PRC	116	116	**100%**	100%	**–**	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC

Name	Place of incorporation and kind of legal entity	Issued and fully paid capital	Registered capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities and place of operation
				2019	2018	2019	2018	
		HK$'000	HK$'000	%	%	%	%	
Tianjin BinNing Gas Company Limited	Wholly foreign owned enterprises, PRC	3,345	11,688	100%	100%	–	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Tianjin Tairan Technology Company Limited	Wholly foreign owned enterprises, PRC	–	73,901	100%	100%	–	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Hainan Teda New Energy Company Limited	Wholly foreign owned enterprises, PRC	–	11,688	100%	100%	–	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Tianjin Tairan New Energy Technology Company Limited	Wholly foreign owned enterprises, PRC	–	77,920	100%	100%	–	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Qingdao Tairan Energy Company Limited	Wholly foreign owned enterprises, PRC	–	1,169	100%	100%	–	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Nanjing Luyuan Gas Company Limited ("Nanjing Luyuan")	Wholly foreign owned enterprises, PRC	7,733	7,733	100%	–	–	–	Construction and gas pipeline installation service and sales of piped natural gas, PRC
Tianjin Taihe Heating Company Limited ("Taihe Heating")	Sino-foreign co-operative joint ventures, PRC	56,825	111,421	51%	–	49%	–	Heating supply services, PRC

(i) On 27 September 2019, Zhuozhou City Construction Corporation Co., Ltd., the minority shareholder of Zhuozhou Binhai, entered into an agreement with Binhai Investment Tianjin the controlling shareholder of Zhuozhou Binhai, to contribute additional capital to Zhuozhou Binhai amounting to RMB13,350,000 and RMB75,650,000 respectively. The capital contribution of the additional capital had been fully paid prior to 31 December 2019.

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated statement of financial position are as follows:

	31 December 2019 **HK$'000**	31 December 2018 *HK$'000*
Investment in joint ventures	**24,255**	24,304
Investment in an associate	**38,892**	33,840
	63,147	58,144

The amounts recognised in the consolidated statement of profit or losses were as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Share of profits of joint ventures	**412**	126
Share of profits of an associate	**5,900**	5,833
	6,312	5,959

Interests in an associate and joint ventures

Set out below are the an associate and joint ventures of the Group as at 31 December 2019. The proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Registered capital	% of ownership interest		Nature of relationship	Share of profits/(losses)		Carrying amounts	
	(RMB' 000)	**2019**	2018		**2019**	2018	**2019**	2018
Sinopec Binhai Investment (Tianjin) Natural Gas Utilization Co., Ltd. ("SBI")	40,000	**50%**	50%	Joint venture	**406**	712	**16,071**	15,924
Tianjin Airport Economic Area Gas Co., Ltd. ("Tianjin Airport Gas") *(i)*	30,000	**40%**	40%	Joint venture	**6**	(586)	**8,184**	8,380
Qinhuangdao Taixing Gas Co., Ltd. ("Qinhuangdao Taixing")	30,000	**45%**	45%	Associate	**5,900**	5,833	**38,892**	33,840
					6,312	5,959	**63,147**	58,144

(i) The Group and a joint venturer has joint control over Tianjin Airport Gas in accordance with the articles of incorporation of the joint venture.

16 INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current income tax	**67,705**	78,274
Deferred income tax *(Note 24)*	**(4,640)**	(3,295)
	63,065	74,979

Reconciliation between profit before income tax and the aggregate tax at the rates applicable to profits in the respective entities concerned is set below:

	2019 HK$'000	2018 HK$'000
Profit before income tax	**182,689**	181,788
Tax at the statutory corporate income tax rate of 25%	**45,672**	45,447
Tax effect of preferential tax rates on income of certain subsidiaries	**(14,695)**	(22,405)
Tax effect of additional income tax deduction granted to subsidiaries in research and development expenditures	**(7,344)**	(6,216)
Tax effect of share of profit of an associate	**(1,475)**	(1,458)
Tax effect of share of results of joint ventures	**(103)**	(31)
Tax effect of expenses not deductible for the tax purpose	**26,285**	42,295
Tax effect of income not taxable for the tax purpose	**(8,352)**	(3,756)
Tax effect of deductible temporary difference not recognised	**12,821**	2,300
Tax effect of tax losses not recognised	**18,042**	18,803
Utilisation of tax losses and deductible temporary differences unrecognised previously	**(5,283)**	—
Recognisation of previously unrecognised deductible temporary differences	**(12,611)**	—
Withholding income tax on undistributed profits of PRC subsidiaries, associates and joint ventures	**10,108**	—
Income tax expenses	**63,065**	74,979

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

There was no Hong Kong profit tax provided for the years ended 31 December 2019 and 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 High Technical Enterprise was subject to income tax at a tax rate of 15%. Two 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 preferential tax rate of 15% for the respective years, with more details as below:

(i) TEDA Energy was recognised as New and High Technical Enterprises on 28 November 2019 for 3 years and is subject to the preferential tax rate of 15% from 2019 to 2021.

(ii) Zhuozhou Binhai was recognised as New and High Technical Enterprises on 2 December 2019 for 3 years and is subject to the preferential tax rate of 15% from 2019 to 2021.

Other subsidiaries established in the PRC are subject to income tax at a tax rate of 25% for the year ended 31 December 2019 (2018: 25%).

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

17 EARNINGS PER SHARE

(i) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted-average number of ordinary shares in issue during the year.

	2019	2018
Profit attributable to owners of the Company *(HK$'000)*	**81,111**	104,049
Weighted-average number of ordinary shares for basic earnings per share *(thousand)*	**1,174,349**	1,174,349
Basic earnings per share *(HK$ cents)*	**6.9**	8.9

(ii) 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 of the Company's shares for both 2019 and 2018. Therefore, diluted earnings per share equal to the basic earnings per share.

18 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC and the amounts have been reclassified as right-of-use assets upon the adoption of HKFRS 16 (Notes 3.1(iv) and 20).

	HK$'000
At 1 January 2018	139,782
Additions	6,334
Amortisation for the year	(7,183)
Currency translation differences	(7,205)
At 31 December 2018	131,728
Adjustment for change in accounting policy *(Notes 3.1(iv) and 20)*	(131,728)
At 1 January 2019 and 31 December 2019	—

19 PROPERTY, PLANT AND EQUIPMENT

	Gas pipelines	Buildings and infrastructures	Machinery and equipments	Office equipment and motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018						
Cost	2,970,823	178,621	211,678	47,450	689,167	4,097,739
Accumulated depreciation	(340,801)	(52,652)	(55,500)	(33,526)	–	(482,479)
Accumulated impairment	(35,566)	(25,995)	(52,869)	(1,874)	(35,431)	(151,735)
Net book amount	2,594,456	99,974	103,309	12,050	653,736	3,463,525
Year ended 31 December 2018						
At 1 January 2018	2,594,456	99,974	103,309	12,050	653,736	3,463,525
Additions	3,653	863	1,466	8,195	691,793	705,970
Transfer	691,909	1,726	8,853	1,191	(703,679)	–
Disposals	(1,911)	(2,064)	(7,460)	(954)	–	(12,389)
Depreciation charges	(85,554)	(5,443)	(9,269)	(3,555)	–	(103,821)
Impairment written-back – net	–	1,216	1,094	740	–	3,050
Currency translation differences	(150,671)	(5,527)	(4,729)	(226)	(34,186)	(195,339)
At 31 December 2018	3,051,882	90,745	93,264	17,441	607,664	3,860,996
At 31 December 2018						
Cost	3,492,457	169,992	202,782	53,509	641,264	4,560,004
Accumulated depreciation	(406,997)	(54,636)	(59,404)	(34,738)	–	(555,775)
Accumulated impairment	(33,578)	(24,611)	(50,114)	(1,330)	(33,600)	(143,233)
Net book amount	3,051,882	90,745	93,264	17,441	607,664	3,860,996

	Gas pipelines	Buildings and infrastructures	Machinery and equipments	Office equipment and motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2019						
At 1 January 2019	3,051,882	90,745	93,264	17,441	607,664	3,860,996
Additions	–	31,654	16,919	10,710	662,107	721,390
Transfer	421,166	59,789	22,960	415	(504,330)	–
Acquisition of subsidiaries *(Note 39)*	10,920	4,189	1,464	322	–	16,895
Disposals	(16,896)	(1,335)	(5,671)	(514)	–	(24,416)
Depreciation charges	(109,451)	(5,089)	(10,151)	(5,461)	–	(130,152)
Impairment losses	(18,863)	–	(2,998)	–	(15,746)	(37,607)
Currency translation differences	(68,813)	(3,476)	(2,265)	(416)	(14,344)	(89,314)
At 31 December 2019	3,269,945	176,477	113,522	22,497	735,351	4,317,792
At 31 December 2019						
Cost	3,823,649	259,265	223,920	61,812	783,978	5,152,624
Accumulated depreciation	(502,157)	(58,719)	(59,497)	(38,218)	–	(658,591)
Accumulated impairment	(51,547)	(24,069)	(50,901)	(1,097)	(48,627)	(176,241)
Net book amount	3,269,945	176,477	113,522	22,497	735,351	4,317,792

Depreciation expense of HK$111,221,000 (2018: HK$98,877,000) has been charged to "cost of sales and services" and HK$18,931,000 (2018: HK$4,944,000) in "Administrative expenses".

(i) The Group is in the process of applying for the title certificates of certain buildings and constructions which are with net carrying amounts of approximately HK$110,688,000 (approximately RMB99,343,000) as at 31 December 2019 (2018: HK$60,431,000 (approximately RMB53,077,000)). The Directors believe that the title certificates will be obtained in due course without any significant additional costs.

(ii) The Group reviewed the recoverable amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or have a potential reversal of impairment allowance previously made. The property, plant and equipment directly held by the loss-making subsidiaries of the Company, with net carrying amount of HK$184.79 million as at 31 December 2019, were identified for impairment loss assessment.

— *Assessment using value-in-use method*

The recoverable amount of property, plant and equipment except a property under construction is determined at the value-in-use using a discounted cash flow method and is assessed at the Cash Generating Units ("CGUs") level and the management regards each subsidiary as a CGU.

The key assumptions for the calculation included the growth rates of business volume, gross margin and the pre-tax discount rate. The Group expected no revenue will be derived from CGUs with no business operations and used a growth rate of business volume ranging from 4% to 20% for the CGUs with normal business operations which are consistent with the historical performance of the respective CGUs. The Group used a long-term growth rate of 3% which is based on the relevant industry growth forecasts.

For the CGUs under assessment, the assumed gross margin for sales of piped natural gas is 7% — 16% and the assumed gross margin for construction and gas pipeline installation service is 54% to 66%. The Group used a pre-tax discount rates ranging from 11.56% to 12.00% to discount the estimated future cash flows from the relevant CGUs. Based on the management's assessment on the impairment of property, plant and equipment, an impairment loss of approximately HK$37.6 million has been recognised during the year ended 31 December 2019.

— *Assessment using residual value method*

The management reviewed the carrying amount of a property under construction with reference to a valuation carried out on 31 December 2019, with the assistance from external valuer. The residual value method — used in valuing properties under development by establishing the market value on the premise that the properties will be developed and completed in accordance with its latest development plan. The residual values of the properties can be expressed as the market value deducts the estimated costs to complete and developers' profit to reflect the total value of the partially completed development. The key assumptions included the estimated selling price, estimated costs to completion and selling expenses. The results of the impairment assessment revealed that no further provision for impairment on the property under construction has to be recognised during the year ended 31 December 2019 and the accumulated impairment losses as of that date amounted to RMB29,511,000 (2018: RMB29,511,000).

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

	2019 HK$'000	2018 HK$'000
At 1 January	**143,233**	151,735
Impairment loss/(reversal) recognised in the year	**37,607**	(3,019)
Write-off of impairment allowance upon disposals	**(1,290)**	(31)
Currency translation differences	**(3,309)**	(5,452)
At 31 December	**176,241**	143,233

(iv) The impairment allowance of HK$1,290,000 (2018: HK$31,000) was written off because of the related assets were disposed during the year.

(v) Gas pipelines with carrying amounts of approximately HK$357,888,000 (approximately RMB321,204,000) as at 31 December 2019 (31 December 2018 HK$381,668,000 (approximately RMB335,219,000) are pledged as security for the related borrowing, details of which are set out in Note 33(c).

20 LEASES

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2019 HK$'000	1 January 2019 HK$'000
Right-of-use assets		
— Land use rights	**156,368**	131,728
— Leased buildings	**20,718**	11,995
	177,086	143,723
Lease liabilities		
— Current	**9,029**	5,437
— Non-current	**13,184**	6,558
	22,213	11,995

The Group's land use rights represent prepaid lease payments for land located in the PRC which are with lease terms from 40 to 50 years.

The Group also leases various offices and warehouses and the related rental contracts are typically made for fixed periods of 2 years to 5 years without extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Additions to land use rights and leased buildings during the year ended 31 December 2019 amounted to HK$30,477,000 and HK$16,544,000 respectively.

The Group is in the process of applying for the title certificates of certain land use rights with carrying amounts of approximately HK$47,695,000 (approximately RMB42,806,000) as at 31 December 2019 (2018: HK$40,195,000 or approximately RMB35,303,000). The Directors believe that the title certificates will be obtained in due course without any significant costs.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 ***HK$'000***
Depreciation charge of right-of-use assets	
Land use rights	**4,313**
Leased buildings	**5,801**
	10,114
Interest expense (included in finance costs)	**760**
Expense relating to short-term leases (included in cost of sales and services and administrative expenses)	**7,999**

The total cash outflow for leases in 2019 was HK$14,715,000.

21 INVESTMENT PROPERTIES

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**7,280**	7,930
Charge for the year	**(235)**	(247)
Currency translation differences	**(149)**	(403)
At 31 December	**6,896**	7,280

The carrying values approximated the fair values of the investment properties.

Amounts recognised in profit or loss for investment properties

	2019	2018
	HK$'000	*HK$'000*
Rental income	**733**	890
Direct operating expenses from property that generated rental income	**(235)**	(247)

22 INTANGIBLE ASSETS

	Operating rights HK$'000	Goodwill (Note) HK$'000	Software HK$'000	Total HK$'000
At 1 January 2018				
Cost	19,946	—	—	19,946
Accumulated amortisation	(5,205)	—	—	(5,205)
Net book amount	14,741	—	—	14,741
Year ended 31 December 2018				
Opening net book amount	14,741	—	—	14,741
Additions	25,479	—	1,544	27,023
Amortisation charge	(630)	—	(128)	(758)
Currency translation differences	(1,403)	—	(37)	(1,440)
Closing net book amount	38,187	—	1,379	39,566
At 31 December 2018				
Cost	43,736	—	1,504	45,240
Accumulated amortisation	(5,549)	—	(125)	(5,674)
Net book amount	38,187	—	1,379	39,566
Year ended 31 December 2019				
Opening net book amount	**38,187**	**—**	**1,379**	**39,566**
Acquisition of subsidiaries *(Note 39)*	**—**	**13,586**	**—**	**13,586**
Additions	**—**	**—**	**2,116**	**2,116**
Amortisation charge	**(1,113)**	**—**	**(1,158)**	**(2,271)**
Currency translation differences	**(787)**	**(699)**	**(93)**	**(1,579)**
Closing net book amount	**36,287**	**12,887**	**2,244**	**51,418**
At 31 December 2019				
Cost	**42,812**	**12,887**	**3,604**	**59,303**
Accumulated amortisation	**(6,525)**	**—**	**(1,360)**	**(7,885)**
Net book amount	**36,287**	**12,887**	**2,244**	**51,418**

Note:

The goodwill is arisen from the Group's acquisition of 100% equity interest in Nanjing Luyuan in March 2019 (Note 39). The acquisition is strategic for the Group to expand its business operations in the Nanjing area and management considers Nanjing Luyuan is a separate cash generating units (the "Nanjing Luyuan CGU") and review its business performance on a regular basis.

Management has conducted an impairment assessment on the goodwill as allocated to the Nanjing Luyuan CGU based on value-in-use calculations and the key assumptions as adopted in the impairment assessment are summarised as below:

Key assumptions	Range	Approach used to determining values
Revenue compound annual growth rate	Sales of piped natural gas: 19% Construction and gas pipeline installation service: 33%	Compound annual growth rate of revenue over the forecast period was based on past performance and management's expectations of market development.
Gross margin rate	Sales of piped natural gas: 20%-37% Construction and gas pipeline installation pipeline service: 55%	Based on past performance and management's expectations for the future.
Long-term growth rate	3%	This is the weighted-average growth rate used to extrapolate cash flows beyond the forecast period of 5 years. The rates are consistent with management's forecasts and industry information.
Pre-tax discount rates	15.54%	Reflect specific risks relating to the relevant segments and the industry in which they operate.

The results of the impairment assessment revealed that no provision for impairment on goodwill has to be recognised as of 31 December 2019.

23 PREPAYMENTS

	31 December 2019 HK$'000	31 December 2018 HK$'000
Prepayments for natural gas purchases	**157,371**	138,848
Prepayments for construction projects	**135,499**	176,770
Prepayments for others	**16,203**	15,926
	309,073	331,599
Less: Provision for impairment	**(73,961)**	(75,579)
	235,112	255,965
Representing:		
— Non-current portion	**34,206**	74,615
— Current portion	**200,906**	181,350
	235,112	255,965

The non-current portion of prepayments represent prepayments for the construction of the gas pipeline network of the Group.

24 DEFERRED INCOME TAX

	31 December 2019 HK$'000	31 December 2018 HK$'000
Deferred income tax assets ("DTA"):		
— to be recovered within 12 months	**14,806**	297
— to be recovered after more than 12 months	**7,778**	8,014
	22,584	8,311

The movement on DTA during the year is as follows:

	Deferred income HK$'000	Impairment provisions HK$'000	Total HK$'000
At 1 January 2018	5,379	—	5,379
Credited to profit or loss	3,295	—	3,295
Currency translation differences	(363)	—	(363)
At 31 December 2018	8,311	—	8,311
At 1 January 2019	**8,311**	**—**	**8,311**
Credited to profit or loss	**71**	**14,677**	**14,748**
Currency translation differences	**(318)**	**(157)**	**(475)**
At 31 December 2019	**8,064**	**14,520**	**22,584**

(i) Deferred income tax assets are recognised for tax losses carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$72,241,000 (2018: HK$64,956,000) in respect of tax losses amounting to HK$288,963,000 (2018: HK$259,823,000) due to the unpredictability of future profit streams of the respective group entities.

The amount of unrecognised tax loss will expire in the following years:

Year	**2019 HK$'000**	2018 HK$'000
2019	**—**	40,507
2020	**55,865**	57,086
2021	**57,647**	60,650
2022	**27,882**	26,370
2023	**75,401**	75,210
2024	**72,168**	—
	288,963	259,823

(ii) No deferred income tax asset is recognised in respect of deductible temporary differences amounting to HK$215,978,000 (2018: HK$277,258,000) due to the unpredictable of the utilisation of these temporary difference in the future.

The breakdown of unrecognised deductible temporary differences is as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000
Loss allowance of trade receivables	**69,136**	157,328
Loss allowance of contract assets	**58**	4,963
Loss allowance of other receivables	**555**	3,462
Loss allowance of prepayments	**73,524**	75,579
Impairment losses of property, plant and equipment	**70,488**	33,600
Others	**2,217**	2,326
	215,978	277,258

	31 December 2019 HK$'000	31 December 2018 HK$'000
Deferred income tax liabilities ("DTL"):		
— to be recovered within 12 months	**10,000**	—
— to be recovered after more than 12 months	**—**	—
	10,000	—

The movement on DTL during the year is as follows:

Movements	Withholding tax on unremitted earnings 2019 HK$'000	2018 HK$'000
At 1 January	**—**	—
Charged to profit or loss	**10,108**	—
Currency translation differences	**(108)**	—
At 31 December	**10,000**	—

According to the PRC Corporate Income Tax Law, the dividends as declared by PRC incorporated subsidiaries to their foreign immediate holding companies (incorporated out of Mainland China) relating to the profits made subsequent to 1 January 2008 are subject to withholding income tax ("WHT") at the rate of 10%. The Group is therefore liable to WHT on dividends to be distributable from the unremitted earnings of the PRC incorporated subsidiaries as accumulated subsequent to 1 January 2008.

In order to support the continuous development of the Group's businesses in the PRC, the Group has set up a dividend principle in 2019 that the future dividend to be distributed out of the PRC incorporated subsidiaries' unremitted earnings as of 31 December 2019 will not exceed an amount of HK$100 million.

25 INVENTORIES

	31 December 2019 ***HK$'000***	31 December 2018 *HK$'000*
Pipeline and other materials for construction and gas pipeline installation service	**115,066**	87,833
Gases	**1,557**	2,882
	116,623	90,715

The cost of inventories recognised as expense and included in the cost of sales and services amounted to HK$2,752,903,000 (2018: HK$2,502,352,000).

26 TRADE AND OTHER RECEIVABLES

	31 December 2019 HK$'000	31 December 2018 HK$'000
Trade receivables from third parties: *(Note a)*		
— Construction and gas pipeline installation service	**238,012**	312,519
— Sales of piped natural gas	**49,302**	71,155
— Gas passing through services	**3,561**	5,351
	290,875	389,025
Less: provision for impairment loss allowance	**(96,933)**	(65,248)
	193,942	323,777
Trade receivables from related parties: *(Note a)*		
— Sales of piped natural gas	**60,568**	126,164
— Construction and gas pipeline installation service	**4,290**	24,133
	64,858	150,297
Less: provision for impairment loss allowance	**(57,296)**	(92,080)
	7,562	58,217
Other receivables		
— Value added tax recoverable	**44,416**	38,488
— Deposits	**9,507**	19,190
— Long-term receivables *(Note b)*	**12,033**	12,296
— Others	**67,412**	47,412
	133,368	117,386
Less: provision for impairment loss allowance	**(3,845)**	(3,462)
	129,523	113,924
Total trade and other receivables	**331,027**	495,918
Less: non-current portion of trade and other receivables *(Note b)*	**(7,688)**	(12,296)
Current portion	**323,339**	483,622

(a) The Group grants credit period of 90 days for its customers of piped natural gas sales and customers of gas passing through service, whereas a longer credit period of 91-180 days after the completion of relevant stage of contract work is granted to customers of construction and gas pipeline installation. A longer credit period maybe granted on a discretionary basis to certain selected customers with good repayment histories or settled by bills.

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

	31 December 2019 *HK$'000*	31 December 2018 *HK$'000*
Within 90 days	**76,966**	115,698
91 — 180 days	**42,611**	43,613
181 — 365 days	**26,139**	108,801
Over 365 days	**210,017**	271,210
	355,733	539,322

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Note 5.1(b) provides details about the calculation of impairment loss allowance for trade and other receivables.

(b) As detailed in Note 33(c), the Group has certain sales and lease back arrangements with a third party financial leasing company which have been accounted for as the drawdown of collateralised borrowings from that financial leasing company. The long-term receivables represent the deposits of approximately RMB10,800,000 (equivalent to approximately HK$12,033,000 and HK$12,296,000 as at 31 December 2019 and 2018 respectively) as paid by the Group to the financial leasing company as part of the securities for the related borrowings. Deposit amounts of RMB3,900,000 (equivalent to approximately HK$4,345,000 as at 31 December 2019) and RMB6,900,000 (equivalent to approximately HK$7,688,000 as at 31 December 2019) will be refunded to the Group upon its repayment of the related borrowings in 15 June 2020 and 15 June 2021 respectively.

(c) The carrying amounts of trade and other receivables approximated their fair values.

As at 31 December 2019 and 2018, the carrying amounts of the Group's trade and other receivables were all denominated in RMB.

27 RESTRICTED CASH

	31 December 2019 HK$'000	31 December 2018 HK$'000
Non-current portion:		
Restricted bank deposits for pipeline construction project	**4,457**	—
Current portion:		
Restricted bank deposits for pipeline construction project	**—**	7,542
Restricted bank deposits for land use rights acquisitions	**1,345**	—
Restricted bank deposits for bank borrowings	**1,081**	—
	2,426	7,542
	6,883	7,542

Note:

Restricted bank deposits are all denominated in RMB and the related restriction are expected to be released within one year except that, the restricted bank deposit for a pipeline construction contract of HK$4,457,000 (2018: Nil) as at 31 December 2019 is expected to be released in 2021.

28 CASH AND CASH EQUIVALENTS

	31 December 2019 HK$'000	31 December 2018 Restated HK$'000
Cash at bank and in hand:		
Denominated in RMB	**697,717**	646,127
Denominated in HK$	**2,159**	23,126
Denominated in USD	**122**	265
	699,998	669,518

29 SHARE CAPITAL

	2019		2018	
	Number of shares '000	***HK$'000***	*Number of shares '000*	*HK$'000*
Ordinary shares				
Authorised:				
Ordinary shares of HK$0.1 per share	**1,500,000**	**150,000**	1,500,000	150,000
Fully paid:				
As at 1 January and 31 December	**1,174,349**	**117,435**	1,174,349	117,435
Redeemable preference shares				
Redeemable preference shares of HK$50.00 each, issued and fully paid	**7,960**	**398,000**	8,600	430,000
Redeemed during the year	**(520)**	**(26,000)**	(640)	(32,000)
	7,440	**372,000**	7,960	398,000
Total		**489,435**		515,435

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

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

The Company has the discretion rights to redeem the preference shares if the following redemption conditions exists:

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

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

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

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

During the year ended 31 December 2019, the Company exercised its discretion rights to redeem from TEDA HK 520,000 (2018: 640,000) preference shares which amounted to HK$26,000,000 (2018: HK$32,000,000) on 27 June 2019 (2018: 28 November 2018).

30 SHARE-BASED PAYMENTS

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

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

	2019		2018	
	Average exercise price in of HKD per share option	**Number of share option (thousands)**	Average exercise price in of HKD per share option	Number of share option (thousands)
At 1 January	**5.6**	**4,350**	5.6	5,050
Lapsed *(Note i)*	**5.6**	**(1,550)**	5.6	(700)
At 31 December	**5.6**	**2,800**	5.6	4,350

(i) The share options are lapsed as some employee resigned without exercising their share options, the amounts previously recognised in share options reserve were transferred to retained earnings accordingly.

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

	2019		2018	
	Remaining contractual life number of years	**Number of share option (thousands)**	Remaining contractual life number of years	Number of share option (thousands)
Exercise price HK$5.6 (31 December 2018: HK$5.6)	**0.7**	**2,800**	1.7	4,350

31 SHARE PREMIUM AND OTHER RESERVES

		Other reserves				
	Share premium	Exchange reserve	Statutory reserves	Employee share option reserve	Others	Total of other reserves
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018						
At 1 January 2018	157,522	(142,473)	49,919	14,580	(15,078)	(93,052)
Other comprehensive loss for the year	–	(101,078)	–	–	–	(101,078)
Employees share option lapsed	–	–	–	(2,021)	–	(2,021)
Appropriation to statutory reserve	–	–	35,169	–	–	35,169
At 31 December 2018	157,522	(243,551)	85,088	12,559	(15,078)	(160,982)
Year ended 31 December 2019						
At 1 January 2019	**157,522**	**(243,551)**	**85,088**	**12,559**	**(15,078)**	**(160,982)**
Other comprehensive loss for the year	**–**	**(33,060)**	**–**	**–**	**–**	**(33,060)**
Employees share option lapsed	**–**	**–**	**–**	**(4,475)**	**–**	**(4,475)**
Appropriation to statutory reserve	**–**	**–**	**13,470**	**–**	**–**	**13,470**
Dividends relating to 2018 *(Note 36)*	**(52,846)**	**–**	**–**	**–**	**–**	**–**
Other transfer	**–**	**–**	**–**	**–**	**8,822**	**8,822**
At 31 December 2019	**104,676**	**(276,611)**	**98,558**	**8,084**	**(6,256)**	**(176,225)**

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

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

32 RETAINED EARNINGS

	2019 HK$'000	2018 HK$'000
At 1 January	**823,013**	816,701
Profit for the year attributable to owners of the Company	**81,111**	104,049
Appropriation to statutory reserve	**(13,470)**	(35,169)
Dividends *(Note 36)*	**—**	(64,589)
Employee share options lapsed	**4,475**	2,021
At 31 December	**895,129**	823,013

33 BORROWINGS

	31 December 2019 HK$'000	31 December 2018 HK$'000
Non-current		
Secured,		
— Other borrowing (c)	**28,004**	110,237
Unsecured,		
— US$ bond (a)	**—**	2,333,453
	28,004	2,443,690
Current		
Secured,		
— Bank borrowings (b)	**108,078**	—
— Other borrowing (c)	**79,974**	110,859
	188,052	110,859
Unsecured,		
— US$ bond (a)	**2,324,170**	9,221
— Bank borrowings	**—**	153,038
	2,324,170	162,259
	2,512,222	273,118
Total borrowings	**2,540,226**	2,716,808

(a) US$ bond

On 22 November 2017, the Company issued the bonds in the aggregate principal amount of US$300,000,000. The bonds will mature on 30 November 2020, unless the Company early redeemed and cancelled the bond due to the existence of early redemption events as set out in the agreement governing the bond offering (the "Early Redemption Events"). When the Early Redemption Events occurred, the bond holder has the right to request the Company to redeem the US$ bond at 101% of the principal amount, together with accrued but unpaid interest. The estimated fair value of the rights on Early Redemption Events is insignificant at initial recognition. The bonds carried interest at a rate of 4.45% per annum, payable semi-annually in arrears. The effective interest rate of the bonds is 4.62% per annum.

(b) Bank borrowings — Secured

As at 31 December 2019, one subsidiary had a borrowing from Bank of Communications, totalling RMB97,000,000 (equivalent to HK$108,078,000)(2018: Nil) which is guaranteed by another subsidiary of the Group. The borrowing bears interests at a fixed interest rate of 5.155% per annum and will be due for repayment in 2020.

(c) Other borrowings — Secured

On 29 April 2016 and 29 June 2017, TEDA Energy had entered into two financial leasing agreements respectively with a third party financial leasing company whereby the Group sold and lease-back on gas pipelines owned and operated by TEDA Energy. In substance, the Group got collateralised borrowings amounting to RMB230,000,000 and RMB130,000,000 respectively. The borrowing is repayable by 20 and 12 quarterly instalments and carried interest by reference to the RMB benchmark lending rate published by the People's Bank of China for the same period minus 12% and plus 2% respectively.

As at 31 December 2019, the outstanding balance of the aforesaid collateralised borrowings amounted to RMB96,910,000 (equivalent to approximately HK$107,978,000) (2018: RMB194,189,000 (equivalent to approximately HK$221,096,000).

The Group has placed security deposits of RMB10,800,000 (equivalent to HK$12,033,000 and HK$12,296,000 as at 31 December 2019 and 31 December 2018 respectively) with the third party financial leasing company for the aforesaid arrangement (Note 26(b)).

(d) At 31 December, the Group's borrowings were repayable as follows:

	31 December 2019	31 December 2018
	HK$'000	*HK$'000*
Within 1 year	**2,512,222**	273,118
1 to 2 years	**28,004**	2,414,964
2 to 5 years	**–**	28,726
	2,540,226	2,716,808

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

	31 December 2019	31 December 2018
	HK$'000	*HK$'000*
USD	**2,324,170**	2,342,674
RMB	**216,056**	374,134
	2,540,226	2,716,808

The weighted-average effective interest rates for the year ended 31 December 2019 is 4.59% (2018: 4.50%).

(f) The carrying amounts of the Group's borrowings approximated their fair values.

34 DEFERRED INCOME

	31 December 2019 HK$'000	31 December 2018 HK$'000
Government grants	**53,757**	53,427

In 2019, the Group received government grants in certain subsidiaries totalling HK$1,442,000 (2018: HK$23,843,000), which related to the corresponding gas pipeline construction projects for the purpose of the improvement in the energy use efficiency. Accordingly, the government grants are classified as deferred income and released to the profit or loss on a straight-line basis over the estimated useful lives of the relevant gas pipelines assets of 30 years.

During the years ended 31 December 2019 and 2018, the amortisation of deferred income as recognised as as other income amounted to HK$1,926,000 and HK$1,878,000.

35 TRADE AND OTHER PAYABLES

	31 December 2019 HK$'000	31 December 2018 HK$'000
Trade payables *(Note a)*	**587,217**	637,292
Other payables		
— Other payables for pipeline construction	**525,399**	464,187
— Advances from an associate *(Note b)*	**33,544**	34,157
— Other tax payables	**3,487**	5,275
— Payroll payables	**2,600**	3,103
— Others	**145,030**	124,142
	710,060	630,864
Accrued expenses	**34,715**	9,487
	1,331,992	1,277,643

(a) As at 31 December 2019, the ageing analysis of the trade payable based on suppliers' invoice date is as follows:

	31 December 2019 *HK$'000*	31 December 2018 *HK$'000*
Within 90 days	**206,035**	278,250
91-180 days	**71,176**	57,334
181-365 days	**95,758**	94,715
Over 365 days	**214,248**	206,993
	587,217	637,292

As at 31 December 2019, trade payables of HK$214,248,000 (2018: RMB206,993,000) were aged over one year, which are mainly payables in connection with the gas construction and installation pipeline projects. The balances had yet to be settled as those projects and their final accounts have not been completed.

(b) The advances from the associate are unsecured, bear interests at a fixed rate of 4.24% (2018: 4.24%) per annum and are repayable within one year.

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

	31 December 2019 *HK$'000*	31 December 2018 *HK$'000*
RMB	**1,320,239**	1,277,643
HK$	**11,753**	—
	1,331,992	1,277,643

36 DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Final dividend for the year ended 31 December 2018 of HK$0.045 (final dividend for the year ended 31 December 2017: HK$0.055) per ordinary share declared and paid	**52,846**	64,589

The final dividend for the year ended 31 December 2017 of HK$64,589,000 as declared on 11 May 2018 was distributed from the retained earnings and was fully paid in June 2018.

The final dividend for the year ended 31 December 2018 of HK$52,846,000 as declared on 10 May 2019 was distributed from the share premium account and was fully paid in June 2019.

At a Board meeting held on 25 March 2020, the Board proposed a final dividend for the year ended 31 December 2019 of HK$41,102,000 (2018: HK$52,846,000), representing HK$3.5 cents (2018: HK$4.5 cents) per ordinary share, to be distributed from the retained earnings. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation from the retained earnings for the year ending 31 December 2020.

37 CASH FLOW INFORMATION

(a) Cash generated from operations

	2019 HK$'000	2018 HK$'000
Profit before income taxes	**182,689**	181,788
Adjustments for:		
— Depreciation of property, plant and equipment	**130,152**	103,821
— Depreciation of right-of-use assets	**10,114**	—
— Amortisation of land use rights	**—**	7,183
— Amortisation of investment properties	**235**	247
— Amortisation of intangible assets	**2,271**	758
— Amortisation of deferred income	**(1,926)**	(1,878)
— Impairment loss/(reversal) on property, plant and equipment	**37,607**	(3,019)
— Net gains from compensation for damaged gas pipelines	**(19,362)**	—
— Net (gains)/losses on disposal of property, plant and equipment	**(1,778)**	6,500
— Net impairment (reversal)/losses on financial and contract assets	**(816)**	9,199
— Share of profits of an associate and joint ventures	**(6,312)**	(5,959)
— Finance costs	**106,638**	144,611
— Net foreign exchange differences	**35,141**	103,406
— Realised fair value gains on wealth management products	**(14,361)**	(9,889)
— Interest income	**(1,620)**	(15,024)
Changes in operating assets and liabilities, net of effects from business combinations:		
— Inventories	**(28,150)**	(4,666)
— Trade and other receivables	**146,320**	(115,336)
— Contract assets	**(7,704)**	(45,524)
— Contract liabilities	**203,823**	543,532
— Trade and other payables	**10,585**	(65,225)
— Amounts due from customers for contract work	**—**	52,310
— Amounts due to customers for contract work	**—**	(35,579)
Cash generated from operations	**783,546**	851,256

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Notes	2019 HK$'000	2018 Restated HK$'000
Cash and cash equivalents	28	699,998	669,518
Borrowings — repayable within one year	33	(2,512,222)	(273,118)
Borrowings — repayable after one year	33	(28,004)	(2,443,690)
Lease liabilities	20	(22,213)	—
Net debt		(1,862,441)	(2,047,290)
Cash and cash equivalents		699,998	669,518
Gross debt		(2,562,439)	(2,716,808)
Net debt		(1,862,441)	(2,047,290)

		Liabilities from financing activities		
	Cash and equivalents	Borrowings	Lease liabilities	Total
	Restated			Restated
	HK$'000	HK$'000	HK$'000	HK$'000
Net debt as at 1 January 2018	3,260,656	(4,825,079)	—	(1,564,423)
Cash flows	(2,547,802)	2,114,446	—	(433,356)
Foreign exchange adjustments	(43,336)	3,307	—	(40,029)
Interest paid	—	9,991	—	9,991
Other non-cash movements	—	(19,473)	—	(19,473)
Net debt as at 31 December 2018	669,518	(2,716,808)	—	(2,047,290)
At 1 January 2019	**669,518**	**(2,716,808)**	**—**	**(2,047,290)**
Adoption of HKFRS 16 *(Note 3.1)*	**—**	**—**	**(11,995)**	**(11,995)**
At 1 January 2019, as restated	**669,518**	**(2,716,808)**	**(11,995)**	**(2,059,285)**
Cash flows	**37,499**	**146,983**	**6,716**	**191,198**
Acquisition — leases	**—**	**—**	**(16,544)**	**(16,544)**
Foreign exchange adjustments	**(7,019)**	**31,830**	**370**	**25,181**
Interest paid	**—**	**9,689**	**—**	**9,689**
Other non-cash movements	**—**	**(11,920)**	**(760)**	**(12,680)**
Net debt as at 31 December 2019	**699,998**	**(2,540,226)**	**(22,213)**	**(1,862,441)**

38 COMMITMENTS

(a) Capital commitments

	2019	2018
	HK$'000	*HK$'000*
Contracted but not provided for — Property, plant and equipment	**198,967**	125,887

(b) Non-cancellable operating leases

The investment properties are leased to tenants under operating leases with rentals payable monthly.

	2019	2018
	HK$'000	*HK$'000*
Minimum lease payments receivable on leases of investment properties are as follows:		
Within 1 year	**761**	678
Between 1 and 2 years	**761**	379
Between 2 and 3 years	**631**	379
Between 3 and 4 years	**371**	379
Between 4 and 5 years	**371**	379
Later than 5 years	**3,768**	4,262
	6,663	6,456

The Group leases various offices, warehouses, retail stores equipment and vehicles under non-cancellable operating leases expiring within 6 months to 50 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 20 for further information.

	2019	2018
	HK$'000	*HK$'000*
Minimum lease payments under non-cancellable operating leases of properties and land not recognised in the consolidated financial statements are as follows:		
Within 1 year	–	8,890
Between 1 and 5 years	–	7,736
Later than 5 years	–	3,207
	–	19,833

39 BUSINESS COMBINATION

(a) Summary of the acquisition of a new subsidiary

In January 2019, the Group entered into an acquisition agreement to acquire 100% equity interests of the Nanjing Luyuan from Shenzhen Gas Investment Company Limited at a total consideration of RMB32,500,000 (equivalent to approximately HK$38,177,000). Nanjing Luyuan is primarily engaged in piped natural gas supply and construction and gas pipeline installation services in the Nanjing area. The Group obtained the control of Nanjing Luyuan in March 2019.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	HK$'000
Cash consideration	38,177
Net assets acquired	(24,591)
Goodwill	13,586

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value *HK$'000*
Cash and cash equivalents	193
Trade receivables	1,020
Prepayments	7
Other receivables	5,243
Property, plant and equipment	16,895
Intangible assets	7,135
Trade payables	(2,917)
Payroll payables	(416)
Tax payables	(8)
Other payables	(2,561)
Net assets acquired	24,591

There were no acquisitions in the year ended 31 December 2018.

(iii) Revenue and profit contribution

The acquired business contributed revenues of HK$8,107,000 and net profit of HK$1,224,000 to the Group for the period from 5 March to 31 December 2019.

If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and net profit for the year ended 31 December 2019 would have been HK$3,558,606,000 and HK$118,424,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and

- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2019, together with the consequential tax effects.

(b) Purchase consideration — cash outflow

	2019 *HK$'000*
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	**38,177**
Less: Cash balances acquired	**(193)**
Net outflow of cash – investing activities	**37,984**

40 RELATED PARTY TRANSACTIONS

The Group's ultimate holding company is TEDA, a state-owned enterprise under supervision of the Tianjin State-owned Assets Supervision and Administration Commission. TEDA is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). Accordingly, the Group is government-related entities in accordance with HKAS 24. In addition to those mentioned elsewhere in the consolidated financial statements, the followings are significant related party transactions entered between the Group, its related parties and other PRC government-related entities.

(a) The Company is controlled by the following entities:

Name	Relationship with the Company	Place of incorporation	Ownership interest 2019	2018
TEDA HK	Immediate holding company of the Company	PRC	**60.19%**	60.19%
TEDA	Ultimate holding company of the Company	PRC	**60.19%**	60.19%

TEDA holds 100% of the issued ordinary shares of TEDA HK.

(b) Transactions with related parties

(i) Sales of piped natural gas

	2019 **HK$'000**	2018 *HK$'000*
Entities controlled by the ultimate holding company	**365,810**	140,505
Joint ventures	**39,512**	22,694
Other related parties	**19,305**	84,419
	424,627	247,618

(ii) Construction and gas pipeline installation services

	2019 **HK$'000**	2018 *HK$'000*
Entities controlled by the ultimate holding company	**5,689**	11,318
Other related parties	**2,638**	3,593
Ultimate holding company	**281**	5,240
	8,608	20,151

(iii) Gas passing through income

	2019 **HK$'000**	2018 *HK$'000*
Joint ventures	**668**	—
Entities controlled by the ultimate holding company	**—**	767
	668	767

(iv) Rental income

	2019	2018
	HK$'000	*HK$'000*
Joint ventures	**733**	890

(v) Purchases of gas

	2019	2018
	HK$'000	*HK$'000*
Other related parties	**19,573**	17,013
Joint ventures	**1,184**	358
	20,757	17,371

(vi) Other service income – Consulting service

	2019	2018
	HK$'000	*HK$'000*
The ultimate holding company	**–**	110

(vii) Interest expenses

	2019	2018
	HK$'000	*HK$'000*
Associate	**1,433**	1,487

(viii) Other service expenses

	2019	2018
	HK$'000	*HK$'000*
Other related parties	**2,234**	3,522
Entities controlled by the ultimate holding company	**–**	33
	2,234	3,555

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

The Group was engaged to provide the construction and gas pipeline installation service to related parties located in Tianjin.

(c) Balances with related parties

(i) Trade and other receivables

	31 December	
	2019	2018
	HK$'000	*HK$'000*
Other related parties	**59,356**	148,935
The ultimate holding company	**5,475**	699
Entities controlled by the ultimate holding company	**–**	10
Joint ventures	**27**	653
	64,858	150,297

(ii) ***Prepayments***

	31 December	
	2019	2018
	HK$'000	*HK$'000*
Other related parties	**1,666**	—

(iii) ***Trade and other payables***

	31 December	
	2019	2018
	HK$'000	*HK$'000*
Associate	**33,544**	34,157
Joint ventures	**4,640**	4,099
Other related parties	**873**	2,526
	39,057	40,782

(iv) ***Contract liabilities***

	31 December	
	2019	2018
	HK$'000	*HK$'000*
Entities controlled by the ultimate holding company	**46,386**	37,029
Other related parties	**487**	2,236
The ultimate holding company	**—**	378
	46,873	39,643

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

The Group is a state-controlled enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government (collectively referred to as "state-controlled entities") through its government authorities, agencies, affiliations and other organizations.

Apart from transactions with related parties, the Group has transactions with other state-controlled entities which include, but are not limited to, the following:

— sales and purchases of piped natural gas;

— construction and gas pipeline installation service;

— lease of assets, purchase of pipe materials and property, plant and equipment;

— placing deposits and obtaining finance; and

— use of public utilities

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state controlled. The Group has established its procurement policies, pricing strategy and approval process for purchases and sales of products and services which do not depend on whether the counterparties are state-controlled entities or not.

(e) Compensation of key management personnel

	2019 ***HK$'000***	2018 *HK$'000*
Short-term employee benefits	**7,920**	8,166
Retirement benefits	**159**	176
	8,079	8,342

41 EVENTS AFTER THE BALANCE SHEET DATE

Impact evaluation of the COVID-19 pandemic outbreak

After the outbreak of Coronavirus 2019 pandemic ("COVID-19 pandemic outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/regions.

The Directors have assessed that the COVID-19 pandemic outbreak may have the following possible impacts on the Group:

— The temporary economic slowdown resulting from the COVID-19 pandemic outbreak may lead to a reduction in the overall consumption of natural gas and construction activities in the property markets which might indirectly affect the Group's financial performance.

— The assessment of the recoverable amounts of the impaired property, plant and equipment as mentioned in Note 19(ii) to the consolidated financial statements is based on the conditions as of 31 December 2019. The COVID-19 pandemic outbreak and its impact on the recoverable amounts of the related assets (if any) will be considered in the impairment test to be performed in 2020.

— The Group might have to experience longer turnover time for recovering its trade receivables and contract assets which may increase the associated credit risks.

The Group will closely monitor the development of the COVID-19 pandemic outbreak and continue to evaluate its impact on the financial position and operating results of the Group accordingly.

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	**31 December 2019 HK$'000**	31 December 2018 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		**1,683,036**	1,602,681
Amounts due from subsidiaries		**1,147,772**	1,284,519
		2,830,808	2,887,200
Current assets			
Cash and cash equivalents		**514**	510
Total assets		**2,831,322**	2,887,710
EQUITY AND LIABILITIES			
Share capital			
— Ordinary shares		**117,435**	117,435
— Redeemable preferences shares		**372,000**	398,000
Share premium	(a)	**104,676**	157,522
Other reserves	(a)	**(121,674)**	(106,193)
Retained earnings/(accumulated losses)	(a)	**23,079**	(24,064)
Total equity		**495,516**	542,700
LIABILITIES			
Current liabilities			
Trade and other payables		**11,636**	2,336
Borrowings		**2,324,170**	2,342,674
Total liabilities		**2,335,806**	2,345,010
Total equity and liabilities		**2,831,322**	2,887,710

The balance sheet of the Company was approved by the Board of Directors on 25 March 2020 and was signed on its behalf:

Zhang Bing Jun
Director

Gao Liang
Director

(a) Share premium, other reserves and retained earnings movements of the Company

	Share premium	Other reserves: Exchange reserve	Other reserves: Employee share option reserve	Other reserves: Others	Other reserves: Total	Retained earnings/ (accumulated losses)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018						
At 1 January 2018	157,522	(79,855)	14,580	4,091	(61,184)	74,617
Loss for the year	–	–	–	–	–	(36,113)
Other comprehensive loss	–	(42,988)	–	–	(42,988)	–
Employees share option lapsed	–	–	(2,021)	–	(2,021)	2,021
Dividends provided for and paid	–	–	–	–	–	(64,589)
At 31 December 2018	157,522	(122,843)	12,559	4,091	(106,193)	(24,064)
Year ended 31 December 2019						
At 1 January 2019	**157,522**	**(122,843)**	**12,559**	**4,091**	**(106,193)**	**(24,064)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**42,668**
Other comprehensive loss	**–**	**(11,006)**	**–**	**–**	**(11,006)**	**–**
Employees share option lapsed	**–**	**–**	**(4,475)**	**–**	**(4,475)**	**4,475**
Dividends provided for and paid	**(52,846)**	**–**	**–**	**–**	**–**	**–**
At 31 December 2019	**104,676**	**(133,849)**	**8,084**	**4,091**	**(121,674)**	**23,079**

43 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) The Directors' and senior management's emoluments are set out below:

Name of Directors	Fees	Salary	Discretionary bonuses	Employer's contribution retirement benefit scheme	Other benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2019						
Executives						
Mr. Zhang Bing Jun	400	–	–	–	–	400
Mr. Gao Liang *(ii)*	200	650	279	40	192	1,361
Sub-total	600	650	279	40	192	1,761
Non-executive						
Mr. Wang Gang	200	–	–	–	–	200
Mr. Yu Kexiang	200	–	–	–	–	200
Mr. Shen Xiao Lin *(iii)*	148	–	–	–	–	148
Mr. Zhang Jun *(iv)*	148	–	–	–	–	148
Ms. Cao Hongme *(v)*	53	–	–	–	–	53
Ms. Peng Bo *(vi)*	53	–	–	–	–	53
Sub-total	802	–	–	–	–	802
Independent non-executive						
Mr. IP Shing Hing *J.P.*	264	–	–	–	–	264
Mr. Lau Siu Ki, Kevin	264	–	–	–	–	264
Professor Japhet Sebastian Law	264	–	–	–	–	264
Mr.Tse Tak Yin *(vii)*	95	–	–	–	–	95
Sub-total	887	–	–	–	–	887
	2,289	650	279	40	192	3,450

Name of Directors	Fees	Salary	Discretionary bonuses	Employer's contribution retirement benefit scheme	Other benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2018						
Executive						
Mr. Zhang Bing Jun	400	–	–	–	–	400
Mr. Gao Liang *(ii)*	200	675	318	44	187	1,424
Sub-total	600	675	318	44	187	1,824
Non-executive						
Mr. Shen Xiao Lin	200	–	–	–	–	200
Mr. Zhang Jun	200	–	–	–	–	200
Mr. Wang Gang	200	–	–	–	–	200
Ms. Zhu Wenfang	68	–	–	–	–	68
Ms. Shi Jing	114	–	–	–	–	114
Mr. Yu Kexiang	87	–	–	–	–	87
Sub-total	869	–	–	–	–	869
Independent non-executive						
Mr. IP Shing Hing *J.P.*	264	–	–	–	–	264
Mr. Lau Siu Ki, Kevin	264	–	–	–	–	264
Professor Japhet Sebastian Law	264	–	–	–	–	264
Mr. Tse Tak Yin	264	–	–	–	–	264
Sub-total	1,056	–	–	–	–	1,056
	2,525	675	318	44	187	3,749

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

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

(iii) Mr. Shen Xiao Lin resigned as non-executive director of the Company on 27 September 2019.

(iv) Mr. Zhang Jun resigned as non-executive director of the Company on 27 September 2019.

(v) Ms. Cao Hongmei was appointed as non-executive director of the Company on 27 September 2019.

(vi) Ms. Peng Bo was appointed as non-executive director of the Company on 27 September 2019.

(vii) Mr. Tse Tak Yin resigned as independent non-executive director of the Company on 10 May 2019.

Five-Year Financial Summary

The following table summarized the results, assets and liabilities of the Group for the five years ended 31 December 2019.

	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**3,557,529**	3,308,032	2,745,687	2,145,194	2,554,762
Profit attributable to owners of the Company	**81,111**	104,049	221,421	172,226	198,860

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**6,103,222**	6,018,141	7,875,998	4,071,674	3,967,942
Total liabilities	**4,743,196**	4,653,277	6,414,158	2,849,813	2,788,905
Equity attributable to owner of the Company	**1,313,060**	1,334,988	1,428,606	1,186,684	1,146,653
Non-controlling interest	**46,966**	29,876	33,234	35,177	32,384