



濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)

Stock Code: 2886



2020

Interim Report

The board (the “Board”) of directors (the “Directors”) of Binhai Investment Company Limited (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2020 (the “Period”) together with the comparative unaudited figures for the corresponding period in 2019. The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

	Unaudited Six months Ended 30 June 2020 HK\$'000	Unaudited Six months Ended 30 June 2019 HK\$'000	Changes Percentage
Revenue	1,833,801	1,777,979	3%
Gross profit	359,463	245,013	47%
Profit for the Period	151,184	67,628	124%
Basic earnings per share attributable to owners of the Company during the Period	12.25 cents	5.65 cents	117%

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000	Changes Percentage
Total assets	6,148,333	6,103,222	1%
Total equity	1,421,127	1,360,026	4%
Total liabilities	4,727,206	4,743,196	—

FINANCIAL INFORMATION

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

		Unaudited Six months ended 30 June	
	Notes	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers	6	1,833,801	1,777,979
Cost of sales and services	10	(1,474,338)	(1,532,966)
Gross profit		359,463	245,013
Other income	7	10,294	4,993
Administrative expenses	10	(129,885)	(109,747)
Net impairment reversal on financial and contract assets	9	41,660	—
Other (losses)/gains — net	8	(19,071)	558
Operating profit		262,461	140,817
Finance income	11	799	6,722
Finance costs	11	(50,024)	(53,342)
Finance costs — net	11	(49,225)	(46,620)
Share of net profit of associates and joint ventures accounted for using the equity method		3,113	3,218
Profit before income tax		216,349	97,415
Income tax expense	12	(65,165)	(29,787)
Profit for the Period		151,184	67,628
Profit for the Period attributable to:			
— Owners of the Company		143,890	66,404
— Non-controlling interests		7,294	1,224
		151,184	67,628
		HK\$ cents	HK\$ cents
Earnings per share attributable to owners of the Company:	14		
— Basic earnings per share		12.25	5.65
— Diluted earnings per share		12.25	5.65

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Profit for the Period	151,184	67,628
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss</i>		
— Exchange differences on translation of financial statements of the Company	(8,839)	(494)
<i>Items that may be reclassified to profit or loss</i>		
— Exchange differences on translation of foreign operations	(19,629)	3,763
	(28,468)	3,269
Total comprehensive income for the Period	122,716	70,897
Total comprehensive income for the Period is attributable to:		
— Owners of the Company	116,446	69,820
— Non-controlling interests	6,270	1,077
	122,716	70,897

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	4,462,698	4,317,792
Right-of-use assets		167,498	177,086
Investment properties		6,657	6,896
Intangible assets		53,013	51,418
Investments accounted for using the equity method		65,105	63,147
Prepayments		34,103	34,206
Long-term receivables		—	7,688
Deferred income tax assets	21	11,418	22,584
Restricted cash		4,377	4,457
		4,804,869	4,685,274
Current Assets			
Inventories		108,240	116,623
Trade and other receivables	16	313,990	323,339
Notes receivable		2,322	20,556
Contract assets		41,981	54,100
Prepayments		219,804	200,906
Financial assets at fair value through profit or loss		165,846	—
Restricted cash		—	2,426
Cash and cash equivalents		491,281	699,998
		1,343,464	1,417,948
Total Assets		6,148,333	6,103,222
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		469,435	489,435
— Ordinary shares	17	117,435	117,435
— Redeemable preference shares	17	352,000	372,000
Share premium		104,676	104,676
Other reserves		(203,624)	(176,180)
Retained earnings		997,917	895,129
Equity attributable to owners of the Company		1,368,404	1,313,060
Non-controlling interests		52,723	46,966
Total Equity		1,421,127	1,360,026

Interim Condensed Consolidated Statement of Financial Position (*Continued*)

As at 30 June 2020

	Notes	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
LIABILITIES			
Non-current Liabilities			
Borrowings	19	269,757	28,004
Deferred income	20	51,863	53,757
Lease liabilities		9,796	13,184
Deferred income tax liabilities	21	18,822	10,000
		350,238	104,945
Current Liabilities			
Trade and other payables	18	1,332,944	1,331,992
Contract liabilities		487,337	733,546
Current tax liabilities		49,774	51,462
Borrowings	19	2,497,640	2,512,222
Lease liabilities		9,273	9,029
		4,376,968	4,638,251
Total Liabilities		4,727,206	4,743,196
Total Equity and Liabilities		6,148,333	6,103,222

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

Changes in equity of the Group during the six months ended 30 June 2020 and 2019 are as follows:

	Unaudited						
	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total Equity HK\$'000
At 1 January 2019 (audited)	515,435	157,522	(160,982)	823,013	1,334,988	29,876	1,364,864
Profit for the Period	—	—	—	66,404	66,404	1,224	67,628
Other comprehensive income/(loss) for the Period	—	—	3,416	—	3,416	(147)	3,269
Total comprehensive income for the Period	—	—	3,416	66,404	69,820	1,077	70,897
Dividends provided for and paid	—	—	—	(52,846)	(52,846)	—	(52,846)
Employee share options lapsed	—	—	(2,454)	2,454	—	—	—
Redemption of preferences shares	(26,000)	—	—	—	(26,000)	—	(26,000)
At 30 June 2019 (unaudited)	489,435	157,522	(160,020)	839,025	1,325,962	30,953	1,356,915
At 1 January 2020 (audited)	489,435	104,676	(176,180)	895,129	1,313,060	46,966	1,360,026
Profit for the Period	—	—	—	143,890	143,890	7,294	151,184
Other comprehensive loss for the Period	—	—	(27,444)	—	(27,444)	(1,024)	(28,468)
Total comprehensive income for the Period	—	—	(27,444)	143,890	116,446	6,270	122,716
Dividends provided for and paid	—	—	—	(41,102)	(41,102)	—	(41,102)
Dividends paid to non-controlling interests	—	—	—	—	—	(513)	(513)
Redemption of preferences shares	(20,000)	—	—	—	(20,000)	—	(20,000)
At 30 June 2020 (unaudited)	469,435	104,676	(203,624)	997,917	1,368,404	52,723	1,421,127

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities		
Cash generated from operations	153,866	123,207
Interest received	799	—
Income tax paid	(55,083)	(54,516)
Net cash inflow from operating activities	99,582	68,691
Cash flows from investing activities		
Payments for property, plant and equipment	(266,473)	(340,966)
Payments for land use rights	—	(3,615)
Payments for intangible assets	(4,558)	—
Payment for acquisition of subsidiary, net of cash acquired	—	(31,141)
Proceeds from disposal of property, plant and equipment	9,269	14
Withdrawal of restricted cash	2,404	2,416
Payments for wealth management products	(165,618)	—
Wealth management products income received	3,287	—
Interest received	—	6,722
Government grant received	—	1,004
Net cash outflow from investing activities	(421,689)	(365,566)
Cash flows from financing activities		
Proceeds from borrowings	401,678	110,340
Repayments of borrowings	(161,039)	(89,536)
Principal elements of lease payments	(4,184)	—
Interest paid	(50,778)	(58,278)
Redemption of redeemable preference shares	(20,000)	(26,000)
Dividends paid to non-controlling interests in subsidiaries	(513)	—
Dividend paid to Company's shareholders	(41,102)	(52,846)
Net cash inflow/(outflow) from financing activities	124,062	(116,320)
Net decrease in cash and cash equivalents	(198,045)	(413,195)
Cash and cash equivalents at the beginning of the Period	699,998	987,576
Effects of exchange rate difference	(10,672)	(2,605)
Cash and cash equivalents at the end of the Period	491,281	571,776

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION

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

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

The Directors regard Tianjin TEDA Investment Holding Co., Ltd. ("TEDA Holding") 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 condensed consolidated interim 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

(i) Compliance with HKAS 34 and Listing Rules

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

(ii) Historical cost convention

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

(iii) Going concern

As at 30 June 2020, the total current liabilities of the Group exceeded its total current assets by HK\$3,034 million. The Group's ability to continue as a going concern largely depends on the financial resources available to the Group. TEDA Holding 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 30 June 2020. Accordingly, the Group's condensed consolidated interim financial statements have been prepared on a going concern basis.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2019.

New and amended standards and revised conceptual framework adopted by the Group

The Group has adopted the following amended standards and revised conceptual framework for the accounting period beginning on or after 1 January 2020, which do not have a material impact on the Group:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7

New and amended standards, interpretations and annual improvements not yet adopted

The Group has not early adopted the following amended standards and annual improvements which have been issued but are not yet effective and do not have a material impact on the Group:

- Presentation of financial statements' on classification of liabilities – amendments to HKAS 1 (a)
 - A number of narrow-scope – amendments to HKFRS 3, HKAS 16, HKAS 17 (a)
 - Some annual improvements on HKFRS 1, HKFRS 9, HKAS 41 and HKFRS 16 (a)
 - Insurance Contracts – amendments to HKFRS 17 (b)
- (a) Effective for annual periods beginning on or after 1 January 2022
(b) Effective for annual periods beginning on or after 1 January 2023

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2019.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. As at 30 June 2020, the Group do not use any derivative financial instruments to hedge against its financial risk exposures.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

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

5.2 Liquidity risk

Compared to the year end of 2019, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

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

- level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

At 30 June 2020, financial instruments included in level 3 comprise wealth management products and notes receivable respectively which were classified as financial assets at fair value through profit or loss ("FVPL") and financial assets at fair value through other comprehensive income ("FVOCI"). Wealth management products of HK\$165,846,000 (31 December 2019: Nil) and notes receivable of HK\$2,322,000 (31 December 2019: HK\$20,556,000) were measured by using marketability discount rate derived from management's judgement to estimate their fair value.

There were no transfers between different levels of the fair value hierarchy during the Period.

During the Period, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

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 condensed consolidated interim financial statements approximate their fair values.

6. SEGMENT INFORMATION

The executive directors of the Company (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 Group's reportable and operating segments under HKFRS 8 are as follows:

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

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

	Unaudited				
	Sales of piped natural gas HK\$'000	Construction and gas pipeline installation service HK\$'000	Gas passing through service HK\$'000	Sales of bottled natural gas HK\$'000	Total HK\$'000
Six months ended 30 June 2020					
Total segment revenue from external customers	1,469,400	326,986	28,220	9,195	1,833,801
<i>Recognised at a point in time</i>	1,469,400	—	28,220	9,195	1,506,815
<i>Recognised over time</i>	—	326,986	—	—	326,986
Segment results	128,673	203,189	23,895	3,706	359,463
— Other income					10,294
— Other losses — net					(19,071)
— Net impairment reversal on financial and contract assets					41,660
— Administrative expenses					(129,885)
— Finance income					799
— Finance costs					(50,024)
— Share of net profit of associates and joint ventures accounted for using the equity method					3,113
Profit before income tax					216,349

	Unaudited				
	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
Six months ended 30 June 2020					
Other segment information:					
Depreciation (included in cost of sales and services)	53,895	1,403	3,407	101	58,806
Depreciation (included in administrative expenses)					17,062
					75,868

	Unaudited				
	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
Six months ended 30 June 2019					
Total segment revenue from external customers	1,493,924	227,445	45,296	11,314	1,777,979
<i>Recognised at a point in time</i>	1,493,924	—	45,296	11,314	1,550,534
<i>Recognised over time</i>	—	227,445	—	—	227,445
Segment results	59,559	140,668	41,525	3,261	245,013
— Other income					4,993
— Other gains — net					558
— Net impairment reversal on financial and contract assets					—
— Administrative expenses					(109,747)
— Finance income					6,722
— Finance costs					(53,342)
— Share of net profit of associates and joint ventures accounted for using the equity method					3,218
Profit before income tax					97,415

	Unaudited				
	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
Six months ended 30 June 2019					
Other segment information					
Depreciation (included in cost of sales and services)	61,557	508	3,782	106	65,953
Depreciation (included in administrative expenses)					4,204
					70,157

7. OTHER INCOME

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Assembling service income	4,687	4,520
Rental income	447	473
Government grant	5,160	—
	10,294	4,993

8. OTHER (LOSSES)/GAINS — NET

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Net gains from compensation for damaged gas pipelines	3,673	—
Net gains/(losses) on disposal of property, plant and equipment	2,731	(53)
Net foreign exchange losses	(30,183)	(2,125)
Others	4,708	2,736
	(19,071)	558

9. NET IMPAIRMENT REVERSAL ON FINANCIAL AND CONTRACT ASSETS

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Impairment reversal recognised on trade and other receivables	41,242	—
Impairment reversal on contract assets	418	—
	41,660	—

Impairment losses on financial and contract assets are presented as net impairment losses within operating profit. Net impairment reversal for the six months ended 30 June 2020 being mainly the reversal of the bad debt provision at the end of 2019 amounted to RMB46,680,000 (equivalent to approximately HK\$51,540,000), as the Group had recovered the corresponding trade receivables from Tianjin Steel Pipe Manufacturing Co., Ltd* (天津鋼管製造有限公司) .

10. EXPENSES BY NATURE

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Cost of gas purchased	1,239,024	1,313,686
Employee benefit expense	117,897	92,442
Depreciation	75,868	70,157
— Property, plant and equipment	69,146	66,096
— Right-of-use assets	6,722	4,061
Subcontractor and other costs	55,042	46,977
Costs of pipeline and other material purchased	67,722	49,113
Repair expenses	5,944	7,025
Expenses relating to short term leases rental	2,346	6,537
Amortisation	2,038	2,383

11. FINANCE INCOME AND COSTS

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Finance income:		
— Interest income	799	6,722
Finance costs:		
— Interest expenses	(58,527)	(61,972)
Less: amounts capitalised as construction in progress	8,503	8,630
	(50,024)	(53,342)
	(49,225)	(46,620)

12. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Current income tax	45,085	29,641
Deferred income tax (Note 21)	20,080	146
	65,165	29,787

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 six months ended 30 June 2020 and for the six months ended 30 June 2019.

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) Tianjin TEDA Binhai Clean Energy Group Company Limited (formerly known as “Tianjin Binda Gas Enterprise Company Limited”)* (“TEDA Energy”) (天津泰達濱海清潔能源集團有限公司) was recognised as New and High Technical Enterprises on 28 November 2019 for 3 years and is subject to the preferential tax rate of 15% from 2019 to 2021.
- (ii) Zhuozhou Binhai Gas Company Limited* (“Zhuozhou Binhai Gas”) (涿州濱海燃氣有限公司) was recognised as New and High Technical Enterprises on 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 six months ended 30 June 2020 (2019: 25%).

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

13. DIVIDEND

During the Period, a final dividend of HK\$0.035 per ordinary share in respect of the year ended 31 December 2019 (the “2019 Final Dividend”) was recommended by the Board (a final dividend of HK\$0.045 per ordinary share was recommended for the year ended 31 December 2018). The amount of the 2019 Final Dividend paid in the Period amounted to approximately HK\$41,102,000 (six months ended 30 June 2019: approximately HK\$52,845,700).

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2020.

14. EARNINGS PER SHARE

(a) 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 Period.

	Unaudited Six months ended 30 June	
	2020	2019
Profit attributable to owners of the Company (HK\$'000)	143,890	66,404
Weighted-average number of ordinary shares for basic earnings per share (thousand)	1,174,349	1,174,349
Basic earnings per share (HK\$ cents)	12.25	5.65

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options for which the exercise of share options would have no dilutive effect to earnings per share because the exercise price of those options was higher than the average market price of the Company's shares for both six months ended 30 June 2020 and six months ended 30 June 2019. Therefore, diluted earnings per share equal to the basic earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 June 2020 HK\$'000	Unaudited As at 30 June 2019 HK\$'000
Opening net book amount	4,317,792	3,860,996
Additions	285,122	387,875
Disposals	(5,005)	(236)
Depreciation charges	(69,146)	(66,097)
Currency translation differences	(66,065)	252
Closing net book amount	4,462,698	4,182,790

Note:

The pipelines with a carrying amount of approximately HK\$213,142,000 (approximately RMB194,770,000) were pledged as security for the related borrowing as at 30 June 2020, details of which are set out in Note 19(c).

16. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Trade receivables from third parties:		
— Construction and gas pipeline installation service	239,999	238,012
— Sales of piped natural gas	33,858	49,302
— Gas passing through services	6,539	3,561
	280,396	290,875
Less: provision for impairment loss allowance	(96,654)	(96,933)
	183,742	193,942
Trade receivables from related parties (<i>Note 23</i>)		
— Sales of piped natural gas	6,358	60,568
— Construction and gas pipeline installation service	4,214	4,290
	10,572	64,858
Less: provision for impairment loss allowance	(5,302)	(57,296)
	5,270	7,562
Other receivables	128,250	133,368
Less: provision for impairment loss allowance	(3,272)	(3,845)
	124,978	129,523
Total trade and other receivables	313,990	331,027
Less: non-current portion of trade and other receivables	—	(7,688)
Current portion	313,990	323,339

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 may be granted on a discretionary basis to certain selected customers with good repayment histories or settling by bills.

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

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
0 — 90 days	76,236	76,966
91 — 180 days	17,902	42,611
181 — 365 days	55,605	26,139
Over 365 days	141,225	210,017
	290,968	355,733

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

17. SHARE CAPITAL

	Unaudited As at 30 June 2020		Audited As at 31 December 2019	
	Number of shares '000	Amounts HK\$'000	Number of shares '000	Amounts HK\$'000
Authorised: Ordinary shares of HK\$0.1 each	1,500,000	150,000	1,500,000	150,000
Issued and fully paid:	1,174,349	117,435	1,174,349	117,435
Redeemable preference shares of HK\$50.00 each, issued and fully paid (Note)	7,040	352,000	7,440	372,000
Issued and fully paid:		469,435		489,435

Note:

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

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

The Company has the discretion to redeem the preference shares if the following redemption conditions are satisfied:

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

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

During the six months ended 30 June 2020, the Company exercised its discretion to redeem from TEDA HK 400,000 (2019: 520,000) redeemable preference shares which amounted to HK\$20,000,000 (2019: HK\$26,000,000) on 10 June 2020 (2019: 27 June 2019).

18. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Trade payables	571,211	587,217
Other payables	728,100	710,060
Accrued expenses	33,633	34,715
	1,332,944	1,331,992

As at 30 June 2020, the ageing analysis of the trade payable based on suppliers' invoice date is as follows:

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
0 — 90 days	172,014	206,035
91 — 180 days	51,091	71,176
181 — 365 days	110,606	95,758
Over 365 days	237,500	214,248
	571,211	587,217

19. BORROWINGS

	Notes	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Non-current			
Secured,			
— Bank borrowings	(b)	269,757	—
— Other borrowing	(c)	—	28,004
		269,757	28,004
Current			
Secured,			
— Bank borrowings	(b)	128,361	108,078
— Other borrowing	(c)	54,682	79,974
		183,043	188,052
Unsecured,			
— US\$ bond	(a)	2,314,597	2,324,170
		2,314,597	2,324,170
		2,497,640	2,512,222
Total borrowings		2,767,397	2,540,226

Notes:

(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 borrowing — Secured

As at 30 June 2020, one subsidiary had a borrowing from China Construction Bank, totalling RMB60,000,000 (equivalent to HK\$65,660,000) (2019: Nil) which is guaranteed by another subsidiary of the Group and pledged by the right to charge for gas sales. The borrowing bears interests at the Loan Prime Rate in the PRC (one-year) plus 0.51% per annum and will be due for repayment in March 2022.

As at 30 June 2020, one subsidiary had a borrowing from Bank of Communications, totalling RMB102,000,000 (equivalent to HK\$111,622,000) (2019: Nil) which is guaranteed by another subsidiary of the Group. The borrowing bears interests at the Loan Prime Rate in the PRC (five-year or above) plus 0.95% per annum and will be repaid in half-yearly installments during the six-year period from 1 January 2021 to 31 December 2026.

As at 30 June 2020, one subsidiary had a borrowing from Bank of Communications, totalling RMB100,000,000 (equivalent to HK\$109,433,000) (2019: Nil) which is guaranteed by another subsidiary of the Group. The borrowing bears interests at a fixed interest rate of 4.35% per annum and will be due for repayment in June 2021.

As at 30 June 2020, one subsidiary had a borrowing from Agricultural Development Bank of China, totalling RMB101,800,000 (equivalent to HK\$111,403,000) (2019: Nil) which is guaranteed by another subsidiary of the Group. The borrowing bears interests at the Loan Prime Rate in the PRC (five-year or above) less 0.26% per annum in respect of the first year and at the Loan Prime Rate in the PRC (five-year or above) plus 0.24% per annum in respect of the subsequent period. The borrowing will be repaid in half-yearly installments during the eight-year period from 19 June 2020 to 18 June 2028. The loan was pledged by a project income account in July 2020.

(c) Other borrowing — Secured

On 29 April 2016, TEDA Energy had entered into one financial leasing agreement 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. The borrowing is repayable by 20 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%.

As at 30 June 2020, the outstanding balance of the aforesaid collateralised borrowing amounted to RMB49,968,000 (equivalent to approximately HK\$54,682,000) (As at 31 December 2019: RMB73,708,000 (equivalent to approximately HK\$82,126,000)).

The Group has placed security deposits of RMB6,900,000 (equivalent to HK\$7,551,000 and HK\$7,688,000 as at 30 June 2020 and 31 December 2019 respectively) with the third party financial leasing company for the aforesaid arrangement.

On 29 June 2017, TEDA Energy had entered into one financial leasing agreement 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 RMB130,000,000. The borrowing is repayable by 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 plus 2%.

As at 30 June 2020, the aforesaid collateralised borrowing was fully repaid (As at 31 December 2019: RMB 23,202,000 (equivalent to approximately HK\$ 25,852,000)).

The Group's borrowings were repayable as follows:

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Within one year	2,497,640	2,512,222
Over one year, less than two years	94,735	28,004
Over two years, less than five years	102,449	—
Over five years	72,573	—
Total	2,767,397	2,540,226

20. DEFERRED INCOME

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Government grants	51,863	53,757

During the six months ended 30 June 2020 and 2019, the Group did not receive government grants that were recognised as deferred income. The balance of government grants was 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 six months ended 30 June 2020 and 2019, the amortisation of deferred income credited to profit or loss amounted to HK\$944,000 and HK\$973,000 respectively.

21. DEFERRED INCOME TAX

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Deferred income tax assets ("DTA"):		
— to be credited to profit or loss within 12 months	3,779	14,806
— to be credited to profit or loss after 12 months	7,639	7,778
	11,418	22,584

The movement on DTA during the Period is as follows:

	Deferred income HK\$'000	Impairment provisions HK\$'000	Total HK\$'000
At 1 January 2019 (audited)	8,311	—	8,311
Credited to profit or loss	(146)	—	(146)
Currency translation differences	(5)	—	(5)
At 30 June 2019 (unaudited)	8,160	—	8,160
At 1 January 2020 (audited)	8,064	14,520	22,584
Credited to profit or loss	(142)	(10,858)	(11,000)
Currency translation differences	(2)	(164)	(166)
At 30 June 2020 (unaudited)	7,920	3,498	11,418

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Deferred income tax liabilities ("DTL"):		
— to be credited to profit or loss within 12 months	18,822	10,000
— to be credited to profit or loss after 12 months	—	—
	18,822	10,000

The movement on DTL during the Period is as follows:

	Withholding tax on unremitted earnings Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
At 1 January	10,000	—
Charged to profit or loss	9,080	—
Currency translation differences	(258)	—
At 30 June	18,822	—

22. COMMITMENTS

(a) Capital commitments

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Contracted but not provided for — Property, plant and equipment	250,107	198,967

(b) Non-cancellable operating leases

The investment properties are leased to tenants under operating leases with rentals payable monthly.

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Minimum lease payments receivable on leases of investment properties are as follows:		
Within 1 year	747	761
Between 1 and 2 years	747	761
Between 2 and 3 years	428	631
Between 3 and 4 years	364	371
Between 4 and 5 years	364	371
Over 5 years	3,519	3,768
	6,169	6,663

23. RELATED PARTY TRANSACTIONS

In addition to those mentioned elsewhere in the condensed consolidated interim 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	Shareholding interest	
			As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
TEDA Hong Kong Property Company Limited ("TEDA HK")	Immediate holding company of the Company	Hong Kong	60.19%	60.19%
TEDA Holding	Ultimate holding company of the Company	PRC	60.19%	60.19%

TEDA Holding holds 100% of the issued ordinary shares of TEDA HK.

(b) Transactions with related parties

(i) Sales of piped natural gas

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Entities controlled by the ultimate holding company	188,379	175,898
Joint ventures	4,397	30,823
Other related parties	12,551	8,197
	205,327	214,918

(ii) *Construction and gas pipeline installation services*

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Entities controlled by the ultimate holding company	12,976	3,050
Other related parties	156	2,601
Ultimate holding company	—	378
	13,132	6,029

(iii) *Gas passing through income*

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Joint ventures	309	169

(iv) *Rental income*

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Joint ventures	359	389

(v) *Purchases of gas*

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Other related parties	15,347	14,263
Joint ventures	876	679
	16,223	14,942

(vi) *Other service expenses*

	Unaudited Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Other related parties	—	1,949

The Group supplied gas to related parties via its pipeline 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*

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Other related parties	4,820	59,356
The ultimate holding company	5,378	5,475
Joint ventures	374	27
	10,572	64,858

(ii) *Prepayments*

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Other related parties	462	1,666

(iii) *Trade and other payables*

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Associate	32,946	33,544
Joint ventures	4,383	4,640
Entities controlled by the ultimate holding company	390	—
Other related parties	—	873
	37,719	39,057

(iv) *Contract liabilities*

	Unaudited As at 30 June 2020 HK\$'000	Audited As at 31 December 2019 HK\$'000
Entities controlled by the ultimate holding company	13,545	46,386
Other related parties	459	487
	14,004	46,873

(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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Fees	1,096	1,191
Salaries, share options and other allowances	4,014	3,812
Pension costs	16	83

24. SIGNIFICANT EVENTS DURING THE PERIOD

The Subscription and the Disposal

In order to broaden the shareholder base of the Company, on 23 April 2020, the Company (as issuer) entered into a subscription agreement (the “Subscription Agreement”) with Sinopec Great Wall Gas Investment Co., Ltd.* (中石化長城燃氣投資有限公司) (“Great Wall Gas”) (as subscriber). Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue, and Great Wall Gas conditionally agreed to subscribe for, an aggregate of 177,676,183 new ordinary shares of the Company (the “Subscription Shares”) at HK\$1.33 per share (the “Subscription Price”) (which is equivalent to the closing price of the shares of the Company on the date of signing of the Subscription Agreement) under a specific mandate subsequently approved at the special general meeting of the Company held on 3 July 2020 (the “Subscription”). The gross proceeds from the Subscription are estimated to be HK\$236,309,323.39 (based on the Subscription Price of HK\$1.33 per Subscription Share). The net proceeds of the Subscription (after deducting related professional fees and related expenses) are expected to be approximately HK\$235.3 million. The Company intends to use 70% of the net proceeds from the Subscription as general working capital of the Group and the balance as repayment of the Group’s loan for the gas procurement costs.

On 23 April 2020, TEDA HK (as vendor), being the controlling shareholder of the Company, and Great Wall Gas (as purchaser) entered into a share purchase agreement, pursuant to which TEDA HK conditionally agreed to sell, and Great Wall Gas conditionally agreed to purchase, an aggregate of 227,796,154 ordinary shares of the Company at HK\$1.33 per share, which is the same as the Subscription Price (the “Disposal”).

As at 30 June 2020, both the Subscription and the Disposal had not been completed yet. Further details of the Subscription and the Disposal are set out in the announcement and the circular of the Company dated 23 April 2020 and 12 June 2020 respectively.

COVID-19 pandemic outbreak

After the outbreak of Coronavirus 2019 pandemic (the “COVID-19 pandemic outbreak”) in early 2020, a series of precautionary and control measures have been and continue to be implemented in all regions across the country. The Directors have assessed that the COVID-19 pandemic outbreak did not have a material adverse effect on the financial position and operating results of the Group during the Period. The Group will continue to closely monitor the development of the COVID-19 pandemic outbreak and continue to perform relevant assessments and take proactive measures as appropriate.

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

During the Period, consumption of piped natural gas by domestic and industrial users amounted to approximately $5,622 \times 10^6$ and $12,652 \times 10^6$ mega-joules respectively, as compared to $4,954 \times 10^6$ and $12,636 \times 10^6$ mega-joules respectively for the corresponding period last year. During the Period, income of the Group from sales of piped natural gas amounted to HK\$1,469,400,000, representing a decrease of HK\$24,524,000 or approximately 2% compared to the amount of HK\$1,493,924,000 recorded for the corresponding period last year. The decrease in piped gas sales income is mainly due to the decrease in natural gas sales prices.

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 30 June 2020, the aggregate length of all gas pipeline networks owned by the Group was approximately 3,137 kilometers, representing an increase of 89 kilometers from the length of 3,048 kilometers as at 31 December 2019. During the Period, construction and gas pipeline installation service fees received by the Group amounted to approximately HK\$326,986,000, representing an increase of HK\$99,541,000 or approximately 44% compared to the HK\$227,445,000 service fees recorded for the corresponding period last year.

Gas Passing Through Service

The Group transports gases for clients through gas pipeline networks and charges passing through fees. During the Period, the volume of gases transported by the Group for its clients amounted to 307,334,071 cubic meters and gas passing through service income amounted to HK\$28,220,000, representing a decrease of HK\$17,076,000 or approximately 38% compared to the amount of HK\$45,296,000 for the corresponding period last year.

Property Development

As at 30 June 2020, the Group held a piece of land under development of approximately 15,899.6 square meters located to the east of Central West Road, west of Central Road, north of Xi San Road and south of Xi Er Road in the Tianjin Airport Economic Area in the Binhai New Area of the PRC, under land use rights for commercial use for a term of 40 years from 31 December 2009.

In view of the 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.

Significant Events during the Period

The Subscription and the Disposal

In order to broaden the shareholder base of the Company, on 23 April 2020, the Company (as issuer) entered into the Subscription Agreement with Great Wall Gas (as subscriber). Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue, and Great Wall Gas conditionally agreed to subscribe for, an aggregate of 177,676,183 new ordinary shares of the Company (the "Subscription Shares") at HK\$1.33 per share (the "Subscription Price") (which is equivalent to the closing price of the shares of the Company on the date of signing of the Subscription Agreement) under a specific mandate subsequently approved at the special general meeting of the Company held on 3 July 2020. The gross proceeds from the Subscription are estimated to be HK\$236,309,323.39 (based on the Subscription Price of HK\$1.33 per Subscription Share). The net proceeds of the Subscription (after deducting related professional fees and related expenses) are expected to be approximately HK\$235.3 million. The Company intends to use 70% of the net proceeds from the Subscription as general working capital of the Group and the balance as repayment of the Group's loan for the gas procurement costs.

On 23 April 2020, TEDA HK (as vendor), being the controlling shareholder of the Company, and Great Wall Gas (as purchaser) entered into a share purchase agreement, pursuant to which TEDA HK conditionally agreed to sell, and Great Wall Gas conditionally agreed to purchase, an aggregate of 227,796,154 ordinary shares of the Company at HK\$1.33 per share, which is the same as the Subscription Price (the “Disposal”).

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Prospects

At the beginning of 2020, the economic and social development of the country were struck by an unprecedented impact by the COVID-19 pandemic outbreak. However, under the guidance of the PRC central government’s precise promulgation of policies, coordinated strengths in epidemic prevention and control as well as economic and social development, together with nationwide concerted efforts, major strategic results have been achieved in domestic epidemic prevention and control, and economic development has shown a steady upturn.

In the middle of the year, the International Energy Agency released the “Gas 2020” report, which considered that China will return to the track of rapid growth, increasing natural gas demand by more than 130 billion cubic meters per year between 2019 and 2025, and China is expected to become the largest contributor to the growth of global natural gas consumption.

In the first half of the year, the Company introduced Great Wall Gas, a wholly-owned subsidiary of China Petroleum & Chemical Corporation, as a strategic investor. Upon completion of the Subscription and the Disposal, Great Wall Gas will hold approximately 29.99% of the total number of ordinary shares then in issue of the Company, and will then become the second largest shareholder of the Company. This introduction of a resource-based strategic investor is also a very important milestone for the Group, which not only secures a stable source of natural gas and better bargaining power for the Group, but also achieves synergies between upstream and downstream resources while enhancing the competitive position of the Group in the industry and providing more opportunities for development and cooperation, all of which will be conducive to the sustainable development of the Group. In the future, under the positive influence of two quality shareholders, namely TEDA Holding and Great Wall Gas, the Company will combine its own resources and advantages to focus on potential market expansion opportunities and nationwide regional development, strategically promote leapfrog development of the Group and achieve upscaling and upgrading of operational management standards, so as to repay shareholders, investors, government and users for their enormous support over the years.

Financial Review

Gross Profit Margin

During the Period, the gross profit of the Group was HK\$359,463,000 (for the six months ended 30 June 2019: HK\$245,013,000) and the gross profit margin for the Group was 19.6% (for the six months ended 30 June 2019: 13.8%).

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

Administrative Expenses

Administrative expenses of the Group during the Period were HK\$129,885,000, representing an increase of HK\$20,138,000 or 18% as compared to HK\$109,747,000 for the corresponding period last year, which was mainly attributable to an increase in employee's benefits expenses.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company was HK\$143,890,000 during the Period, representing an increase of HK\$77,486,000 or 117% as compared to HK\$66,404,000 for the corresponding period last year. Such significant increase was mainly due to (1) the decrease in the unit price of pipeline natural gas purchased, which was mainly due to the government's downward adjustment of gas prices and the increase in the proportion of gas supply obtained by the Group from the primary source of gas, thus increasing the gross profit of the Group from the sales of piped natural gas; and (2) recovery of certain bad debts by the Group which accordingly reverted the corresponding bad debt provision.

Tianjin TEDA Binhai Clean Energy Group Co., Ltd.* (天津泰達濱海清潔能源集團有限公司) ("Tianjin Clean Energy"), a wholly-owned subsidiary of the Company, filed an application for arbitration proceedings at Tianjin Arbitration Commission (the "Arbitration Commission") to claim against Tianjin Steel Pipe Manufacturing Co., Ltd.* (天津鋼管製造有限公司) ("Tianjin Steel Pipe"), for failing to honour its contractual obligation to pay the transaction amounts under an agreement for sale of natural gas (the "Arbitration Proceedings"). The Arbitration Commission issued a notice of acceptance of the application for arbitration on 19 November 2018. Tianjin Clean Energy received delivery of the final arbitration award granted by the Arbitration Commission pursuant to the Arbitration Proceedings (the "Arbitration Award") on 19 March 2019. Pursuant to the results of the Arbitration Award, Tianjin Steel Pipe was required to pay the outstanding transaction amounts, penalty and relevant costs to Tianjin Clean Energy. As at 29 April 2020, the execution of the Arbitration Award had been completed. Please refer to the inside information announcements of the Company dated 20 November 2018, 20 March 2019, 12 April 2019, 20 May 2019 and 29 April 2020 respectively for details of the above. During the Period, Tianjin Clean Energy had recovered approximately RMB48,580,000 (equivalent to approximately HK\$53,638,000) of trade receivables and other compensation fees from Tianjin Steel Pipe, and reversed the accrued bad debt provision in full amounting to approximately RMB46,680,000 (equivalent to approximately HK\$51,540,000).

Basic earnings per ordinary share of the Company for the Period were HK12.25 cents, representing an increase of HK6.60 cents as compared to HK5.65 cents for the corresponding period last year.

Liquidity and financial resources

As at 30 June 2020, the total borrowings of the Group were HK\$2,767,397,000 (as at 31 December 2019: HK\$2,540,226,000) and the cash and bank deposit of the Group was HK\$495,658,000 (as at 31 December 2019: HK\$706,881,000), including bank balances and cash of HK\$491,281,000 and pledged bank deposits of HK\$4,377,000. As at 30 June 2020, the Group had consolidated current assets of approximately HK\$1,343,464,000 and its current ratio was 0.31. As at 30 June 2020, the Group had a gearing ratio of approximately 62%. The gearing ratio is calculated based on net debt divided based on total capital. Net debt is calculated based on total borrowings (including current and non-current borrowings and lease liabilities as shown in the interim condensed consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated based on adding total equity and net debt.

Borrowings Structure

As at 30 June 2020, the total borrowings of the Group amounted to HK\$2,767,397,000 (as at 31 December 2019: HK\$2,540,226,000). Secured loans from PRC banks amounting to HK\$398,118,000 were denominated in RMB and borrowed during the Period. Among them, the loan of HK\$109,433,000 bears interests at a fixed interest rate of 4.35% per annum, and the rest bears interests at the Loan Prime Rate in the PRC plus or less certain basis points. 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 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, the outstanding balance of the aforesaid collateralised borrowings amounted to RMB49,968,000 (equivalent to approximately HK\$54,682,000) (as at 31 December 2019: RMB73,708,000 (equivalent to approximately HK\$82,126,000)). As at 30 June 2020, short-term borrowings and current portion of long-term borrowings amounted to HK\$2,497,640,000, while the remainder were long-term borrowings falling due after one year or above.

Directors' opinion on sufficiency of working capital

As at 30 June 2020, the total current liabilities of the Group exceeded its total current assets by HK\$3,034 million. The Group's ability to continue as a going concern largely depends on the financial resources available to the Group. TEDA Holding 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 30 June 2020. Accordingly, the Group's condensed consolidated interim financial statements have been prepared on a going concern basis.

Exposure to risks created by exchange rate fluctuations

Part of the bank balances and borrowings are denominated in HK Dollars and US Dollars which expose the Group to foreign currency exchange risk. For the six months ended 30 June 2020, net unrealized foreign exchange loss for the financing activities was HK\$30 million. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange risks and will consider hedging significant foreign currency exposure should the need arise.

Charge over the Group's assets

As at 30 June 2020, the Group had pledged bank deposit of HK\$4,377,000 (as at 31 December 2019: HK\$6,883,000).

Pipelines with a net carrying amount of HK\$213 million (approximately RMB195 million) were pledged as security for the related borrowing as at 30 June 2020.

Final Dividend

Based on the annual profit of the Company for the year ended 31 December 2019 and taking into account the financial position of the Company, the Board recommended a final dividend of HK\$0.035 per ordinary share for the year ended 31 December 2019 (the "2019 Final Dividend") (a final dividend of HK\$0.045 per ordinary share was recommended for the year ended 31 December 2018). The 2019 Final Dividend was approved by the holders of ordinary shares at the annual general meeting of the Company held on 15 May 2020, and was paid on 10 June 2020. The actual amount of the 2019 Final Dividend paid was approximately HK\$41,102,000.

Interim Dividend

The Board does not declare any interim dividend for the Period (2019: Nil).

Significant acquisition and disposals

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

Contingent Liabilities

As at 30 June 2020, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 30 June 2020, the Group had a total of 1,830 employees (as at 31 December 2019: 1,809). During the Period, the salaries and wages of the employees were HK\$117,897,000 (for the six months ended 30 June 2019: HK\$105,265,000) and among these, HK\$13.5 million was recorded as research and development expenses (for the six months ended 30 June 2019: HK\$12.8 million).

During the Period, there has been no material change to the Group's employee remuneration policies. Details of which have been set out in the published annual report of the Company for the year ended 31 December 2019.

OTHER INFORMATION

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

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

As at 30 June 2020, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong) which were required to be: (a) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors referred to in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Main Board Listing Rules were as follows:

Name of Director	Capacity	Interests in ordinary shares				Interests in underlying ordinary shares pursuant to share options	Total interests in ordinary shares and underlying shares	Approximate percentage of the Company's total issued ordinary shares as at 30 June 2020
		Personal interests	Corporate interests	Family interests	Total interests			
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”.

Director's rights to acquire shares

Pursuant to the share option scheme adopted by the Company on 20 August 2010, the Company granted options on its ordinary shares to the Directors, the details of such options outstanding as at 1 January 2020 and as at 30 June 2020 were as follows:

Name of Director	Date of grant	Exercise Period	Exercise Price (HK\$)	Number of ordinary shares subject to outstanding options as at 1 January 2020	Number of ordinary shares subject to outstanding options as at 30 June 2020	Approximate percentage of the Company's total issued ordinary shares as at 30 June 2020
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%

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

Save as disclosed above, as at 30 June 2020, there were no other interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (pursuant to the meaning of Part XV of the SFO) entered in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors referred to in the Model Code.

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

As at 30 June 2020, the persons (not being a Director or chief executive of the Company) or companies who or which had interests or short positions in the shares or underlying shares of the Company which were notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO are listed as follows:

Name of shareholder	Position	Capacity and nature of interest	Number of ordinary shares				Total interest	Approximate percentage of the Company's total issued ordinary shares as at 30 June 2020
			Beneficial interest	Family interest	Corporate interest	Other interest		
TEDA Holding	Long	Interest of controlled corporation	—	—	706,818,659	—	706,818,659	60.19%
Mr. SHUM Ka Sang ("Mr. SHUM")	Long	Beneficial owner/Interest of controlled Corporation/ Interest of Spouse	308,000	127,924 (Note 2)	62,952,600 (Note 1)	—	63,388,524	5.40%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	61,952,600 (Note 1)	—	—	—	61,952,600	5.28%
Ms. WU Man Lee ("Ms. WU")	Long	Beneficial owner/Interest of spouse	127,924	63,260,600 (Note 2)	—	—	63,388,524	5.40%

Notes:

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

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company and recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

Pursuant to the 2010 Scheme, the Company granted 90,500,000 share options to the Directors and certain employees under continuous contract with the Group on 27 September 2010. Upon the share consolidation of the Company taking effect on 14 May 2015, the total number of shares that will be issued upon the exercise of the outstanding share options under the 2010 Scheme was adjusted from 55,500,000 ordinary shares of HK\$0.01 each to 5,550,000 consolidated ordinary shares of HK\$0.10 each, and the exercise price of such options had also been adjusted from HK\$0.56 per ordinary share of HK\$0.01 each to HK\$5.60 per consolidated ordinary share of HK\$0.10 each. During the Period, no share options had lapsed.

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

Grantee	Date of grant	Exercise Period (Note)	Exercise Price (HK\$)	Number of ordinary shares subject to outstanding options as at 1 January 2020	Number of options lapsed during the Period	Number of ordinary shares subject to outstanding options as at 30 June 2020	Approximate percentage of the Company's total issued ordinary shares as at 30 June 2020
Directors	27.9.2010	27.9.2010 – 26.9.2020	5.6	2,300,000	—	2,300,000	0.20%
Employees	27.9.2010	27.9.2010 – 26.9.2020	5.6	500,000	—	500,000	0.04%
Total				2,800,000	—	2,800,000	0.24%

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

CHANGE IN DIRECTOR'S INFORMATION

Professor Japhet Sebastian LAW, an independent non-executive Director, no longer serves as an independent non-executive director of Beijing Capital International Airport Co., Ltd. (北京首都國際機場股份有限公司) (Stock Code: 694) with effect from 23 June 2020 and has been appointed as its independent supervisor with effect from the same date.

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

AUDIT COMMITTEE

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

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

CORPORATE GOVERNANCE CODE

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

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

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

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

Hong Kong, 14 August 2020

As at the date of this report, the Board comprises two executive Directors, namely, Mr. ZHANG Bing Jun and Mr. GAO Liang, four non-executive Directors, namely, Mr. 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.

** For identification purposes only*