濱 海 投 資 有 限 公 司
BINHAI INVESTMENT COMPANY LIMITED

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

Year ended 31 December

	2018	2017	*Changes*
	HK$'000	*HK$'000*	*Percentage*
Revenue	**3,308,032**	2,745,687	20%
Gross profit	**612,062**	572,329	7%
Profit for the year	**106,809**	223,886	-52%
Profit for the year attribute to owners of the Company	**104,049**	221,421	-53%
	HK cents	*HK cents*	*Percentage*
Earnings per Ordinary Share			
— Basic	**8.9**	18.9	-53%
— Diluted	**8.9**	18.9	-53%
	Percentage	*Percentage*	*Percentage point*
Gross profit margin *(Note)*	**19%**	21%	-2
Profit margin for the year *(Note)*	**3%**	8%	-5

As at 31 December

	2018	2017	*Changes*
	HK$'000	*HK$'000*	*Percentage*
Current assets	**1,825,205**	4,150,963	-56%
Total assets	**6,018,141**	7,875,998	-24%
Total equity	**1,364,864**	1,461,840	-7%
Current liabilities	**2,156,160**	3,674,767	-41%
Total liabilities	**4,653,277**	6,414,158	-27%

			Percentage
	Percentage	*Percentage*	*point*
Average finance costs *(Note)*	**4.5%**	4.1%	0.4
Return on average equity *(Note)*	**8%**	17%	-9

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

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors", individually a "Director") of Binhai Investment Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (thereafter collectively referred to as the "Group") for the year ended 31 December 2018, together with the audited comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	4	**3,308,032**	2,745,687
Cost of sales and services		**(2,695,970)**	(2,173,358)
Gross profit	4	**612,062**	572,329
Other income	5	**15,644**	18,373
Other gains and losses	6	**(101,837)**	81,160
Impairment losses, net of reversal	7	**(9,199)**	(109,718)
General and administrative expenses		**(211,254)**	(195,146)
Interest income	8	**15,024**	6,249
Interest expenses	8	**(144,611)**	(75,663)
Share of profit of an associate		**5,833**	4,772
Share of results of joint ventures		**126**	(3,192)
Profit before tax	9	**181,788**	299,164
Income tax expense	10	**(74,979)**	(75,278)
Profit for the year		**106,809**	223,886
Profit for the year attributable to:			
— Owners of the Company		**104,049**	221,421
— Non-controlling interests		**2,760**	2,465
		106,809	223,886
Earnings per Ordinary Share			
— Basic (HK cents)	12	**8.9**	18.9
— Diluted (HK cents)	12	**8.9**	18.9

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
Comprehensive income		
Profit for the year	**106,809**	223,886
Other comprehensive (expense) income		
Item that will not be reclassified subsequently to profit or loss:		
Currency translation differences	**(103,267)**	82,093
Total comprehensive income for the year	**3,542**	305,979
Attributable to:		
— Owners of the Company	**2,971**	300,639
— Non-controlling interests	**571**	5,340
Total comprehensive income for the year	**3,542**	305,979

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current Assets			
Prepaid lease payments		**131,728**	139,782
Property, plant and equipment		**3,860,996**	3,463,525
Investment properties		**7,280**	7,930
Intangible assets		**39,566**	14,741
Interest in an associate		**33,840**	29,693
Interests in joint ventures		**24,304**	25,501
Advance payment for pipeline construction	*13*	**74,615**	25,517
Pledged deposits		**12,296**	12,967
Deferred tax assets		**8,311**	5,379
		4,192,936	3,725,035
Current Assets			
Inventories		**90,715**	86,049
Trade and other receivables	*13*	**693,848**	740,832
Contract assets		**45,524**	—
Amounts due from customers for contract works		**—**	52,310
Pledged bank deposits		**7,542**	11,116
Bank balances and cash		**987,576**	3,260,656
		1,825,205	4,150,963
Total Assets		**6,018,141**	7,875,998
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital			
— Ordinary shares		**117,435**	117,435
— Redeemable preferences shares		**398,000**	430,000
Share premium		**157,522**	157,522
Other reserves		**(160,982)**	(93,052)
Retained earnings		**823,013**	816,701
Equity attributable to owners of the Company		**1,334,988**	1,428,606
Non-controlling interests		**29,876**	33,234
Total Equity		**1,364,864**	1,461,840

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current Liabilities			
Borrowings	*16*	**2,443,690**	2,704,765
Deferred income	*14*	**53,427**	34,626
		2,497,117	2,739,391
Current Liabilities			
Amounts due to customers for contract works		—	35,579
Trade and bills payables and other payables	*15*	**1,277,643**	1,454,518
Contract liabilities		**543,532**	—
Tax liabilities		**61,867**	64,356
Borrowings	*16*	**273,118**	2,120,314
		2,156,160	3,674,767
Net Current (Liabilities) Assets		**(330,955)**	476,196
Total Assets less Current Liabilities		**3,861,981**	4,201,231
Total Liabilities		**4,653,277**	6,414,158
Total Equity and Liabilities		**6,018,141**	7,875,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 ("Stock Exchange").

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

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018, the current liabilities of the Group exceeded its current assets by approximately HK$331 million. The Group's ability to continue as a going concern depends on the financial resources presently available to the Group. Taking into account of the expected financial performance and net cash to be generated from operation of the Group and the available banking facilities, the Directors believe that the Group is able to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the next twelve months from the date of approval of this consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has early applied Amendments to HKFRS 9 *Prepayment Features with Negative Compensation* which will be mandatorily effective for the Group for the financial year beginning on 1 January 2019.

Except as described below, the application of the new and amendments to the HKFRSs in the current year has had no material impact on the Group's financial performance and financial positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

HKFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied HKFRS 9 *Financial Instruments,* Amendments to HKFRS 9 *Prepayment Features with Negative Compensation* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

4. OPERATING SEGMENT

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

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

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

No operating segments have been aggregated in arriving at the reportable segments of the Group.

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

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

All of the Group's revenue is generated in the People's Republic of China ("PRC") (place of domicile of the Group entities that derive revenue). There was no other individual customer of the Group which contributed sales over 10% of the Group's total revenue for the years ended 31 December 2018 and 2017.

The accounting policies of the reportable operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central general and administrative expenses, share of results of an associate and joint ventures, other income, other gains and losses, interest income and expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

For the year ended 31 December 2018

	Sales of piped natural gas	Gas construction and installation service income	Pipeline transportation income	Bottled natural gas sales	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	**2,582,878**	**636,707**	**67,412**	**21,035**	**3,308,032**
Segment profit	**185,786**	**362,074**	**60,039**	**4,163**	**612,062**
Other income					**15,644**
Other gains and losses					**(101,837)**
Impairment losses, net of reversal					**(9,199)**
General and administrative expenses					**(211,254)**
Interest income					**15,024**
Interest expenses					**(144,611)**
Share of profit of an associate					**5,833**
Share of profits of joint ventures					**126**
Profit before tax					**181,788**

Other segment information

	Sales of piped natural gas *HK$'000*	Gas construction and installation service income *HK$'000*	Pipeline transportation income *HK$'000*	Bottled natural gas sales *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment	**90,085**	**1,446**	**7,216**	**130**	**98,877**
Amortisation of prepaid lease payments	**5,388**	**1,304**	**140**	**44**	**6,876**
Amortisation of intangible assets	**630**	**—**	**—**	**—**	**630**

	Depreciation and amortisation 2018 *HK$'000*
Segment total	**106,383**
Unallocated *(Note)*	**5,626**
	112,009

Note: Unallocated depreciation and amortisation represent amounts incurred for corporate headquarters and are not allocated to operating segments.

For the year ended 31 December 2017

	Sales of piped natural gas *HK$'000*	Gas construction and installation service income *HK$'000*	Pipeline transportation income *HK$'000*	Bottled natural gas sales *HK$'000*	Total *HK$'000*
Segment revenue	2,004,645	691,015	33,428	16,599	2,745,687
Segment profit	187,053	356,343	25,471	3,462	572,329
Other income					18,373
Other gains and losses					81,160
Impairment losses, net of reversal					(109,718)
General and administrative expenses					(195,146)
Interest income					6,249
Interest expenses					(75,663)
Share of profit of an associate					4,772
Share of losses of joint ventures					(3,192)
Profit before tax					299,164

Other segment information

	Sales of piped natural gas *HK$'000*	Gas construction and installation service income *HK$'000*	Pipeline transportation income *HK$'000*	Bottled natural gas sales *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment	89,677	732	7,946	269	98,624
Amortisation of prepaid lease payments	1,136	397	19	9	1,561
Amortisation of intangible assets	475	—	—	—	475

	Depreciation and amortisation 2017 *HK$'000*
Segment total	100,660
Unallocated *(Note)*	6,720
	107,380

Note: Unallocated depreciation and amortisation represent amounts incurred for corporate headquarters and are not allocated to operating segments.

5. OTHER INCOME

	2018 **HK$'000**	2017 *HK$'000*
Assembling services	**9,888**	7,357
Compensation	**4,292**	10,467
Rental income	**1,464**	549
	15,644	18,373

6. OTHER GAINS AND LOSSES

	2018 **HK$'000**	2017 *HK$'000*
Interest income from wealth management products	**9,889**	—
Loss on disposal of property, plant and equipment	**(3,481)**	(2,293)
Net foreign exchange (loss) gain	**(103,406)**	113,526
Impairment loss recognised in respect of property, plant and equipment	—	(34,140)
Impairment loss recognised in respect of investment in a joint venture	—	(2,302)
Government grant	**2,947**	3,185
Others	**(7,786)**	3,184
	(101,837)	81,160

7. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018	2017
	HK$'000	*HK$'000*
Impairment losses recognised on trade and other receivables	**(4,105)**	(109,718)
Impairment losses recognised on contract assets	**(5,094)**	—
	(9,199)	(109,718)

8. INTEREST INCOME AND EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Interest income	**15,024**	6,249
Interest on US$ bonds	**(126,599)**	(64,578)
Interest on bank and other borrowings	**(37,483)**	(23,943)
	(164,082)	(88,521)
Less: Amounts capitalised as part of the cost of property, plant and equipment *(Note)*	**19,471**	12,858
Interest expenses	**(144,611)**	(75,663)

Note: Amount included interest expenses from general borrowings capitalised at a rate of 3.84% (2017: 3.57%).

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Cost of gas purchased	**2,219,427**	1,656,785
Staff costs including directors' and supervisors' remuneration *(Note)*		
— Salaries, allowances and benefits in kind	**109,666**	102,002
— Retirement benefits	**2,545**	2,214
— Other welfares	**42,790**	41,488
	155,001	145,704
Depreciation of property, plant and equipment		
— Cost of sales	**98,877**	98,624
— General and administrative expenses	**4,944**	5,922
	103,821	104,546
Amortisation of prepaid lease payments	**7,183**	1,865
Amortisation of intangible assets	**758**	475
Depreciation of investment properties	**247**	494
	112,009	107,380
Auditor's remuneration	**3,214**	3,239
Research and development expenses	**67,828**	59,873
Loss on disposal of property plant and equipment	**3,481**	2,293

Note:

Certain selling and marketing personnel and research and development personnel are also handling administrative activities and their respective employee benefit expenses cannot be allocated reasonably. Therefore, all the employee benefit expenses are included in general and administrative expenses. During the year ended 31 December 2018, staff cost included in general and administrative expenses amounted to HK$74,752,000 (2017: HK$76,747,000).

10. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Current tax on profits for the year	**71,684**	75,099
Deferred tax	**3,295**	179
Income tax expenses	**74,979**	75,278

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 year ended 31 December 2018 and 2017.

In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", New and High Technical Enterprise was subject to income tax at a tax rate of 15%. The following subsidiaries of the Company were recognised as New and High Technical Enterprises in accordance with the applicable the Law of the People's Republic of China of Enterprise Income Tax (the "EIT Law") of the PRC and are subject to income tax at a tax rate of 15% for the respective years:

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

Zhuozhou Binhai Gas Company Limited* ("Zhuozhou Binhai Gas") (涿州濱海燃氣有限公司) was recognised as New and High Technical Enterprises on 21 November 2016 for 3 years and is subject to income tax at a tax rate of 15% from 2016 to 2018.

Other subsidiaries established in the PRC are subject to income tax at a tax rate of 25% for the year ended 31 December 2018. (2017: 25%).

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

* *Identification for English translation only*

The tax charge for the year can be reconciled to the profit before tax per consolidated statement of profit or loss as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit before tax	**181,788**	299,164
Tax at the domestic income tax rate of 25%	**45,447**	74,791
Tax effect of preferential tax rates on income of certain subsidiaries	**(22,405)**	(19,417)
Tax effect of income tax deduction granted to subsidiaries in research and development expenditures	**(6,216)**	(5,339)
Tax effect of share of profit of an associate	**(1,458)**	(1,193)
Tax effect of share of results of joint ventures	**(31)**	798
Tax effect of expenses not deductible for the tax purpose	**42,295**	12,590
Tax effect of income not taxable for the tax purpose	**(3,756)**	(28,467)
Tax effect of deductible temporary difference not recognised	**2,300**	36,540
Tax effect of tax losses not recognised	**18,803**	7,817
Utilisation of tax losses previously not recognised	**—**	(2,842)
Income tax expenses for the year	**74,979**	75,278

11 DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year — Final dividend for 2017 paid of HK$0.055 (2017: final dividend for 2016 paid of HK$0.05) per share on 29 June 2018 (2017: 30 June 2017)	**64,589**	58,717

Subsequent to the end of reporting period, a dividend in respect of the year ended 31 December 2018 of HK$0.045 per ordinary share is proposed by the Directors in March 2019. This proposed dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting. These consolidated financial statements do not reflect this proposed dividend.

12. EARNINGS PER ORDINARY SHARE

(a) Basic

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to owners of the Company	**104,049**	221,421
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,174,348,950**	1,174,348,950

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options for which the exercise of share options would have no dilutive effect to earnings per share because the exercise price of those options was higher than the average market price for share for both 2018 and 2017.

13. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables		
— Piped natural gas sales receivables	**71,155**	129,962
— Gas construction and installation service income receivables	**312,519**	247,592
— Pipeline transportation income receivables	**5,351**	12,724
Less: allowance for impairment	**(65,248)**	(71,538)
	323,777	318,740
Bills receivables	**28,876**	14,845
	352,653	333,585
Receivables from related parties		
— Piped natural gas sales receivables	**126,164**	180,639
— Gas construction and installation service income receivables	**24,133**	27,036
Less: allowance for impairment	**(92,080)**	(83,639)
	58,217	124,036

	2018	2017
	HK$'000	*HK$'000*
Other receivables	**105,090**	101,120
Less: allowance for impairment	**(3,462)**	(8,412)
	101,628	92,708
Advances to suppliers	**331,544**	297,550
Less: allowance for impairment	**(75,579)**	(81,530)
	255,965	216,020
Less: advance payment for pipeline construction	**(74,615)**	(25,517)
	181,350	190,503
Current portion	**693,848**	740,832

Notes:

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

(b) The Group grants credit period of 90 days for customer of piped natural gas sales and customer of pipeline transportation service, whereas longer credit terms of 91-180 days after the completion of relevant stage of contract work for gas construction and installation income are allowed. A longer credit period may granted on a dictionary basis to certain selected customers with good repayment histories or settled by bills.

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

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

	2018	2017
	HK$'000	*HK$'000*
0-90 days	**112,026**	217,871
91-180 days	**44,773**	26,249
181-365 days	**108,712**	16,181
Over 365 days	**87,142**	73,284
	352,653	333,585

14. DEFERRED INCOME

	2018	2017
	HK$'000	*HK$'000*
Government grants:		
As at 1 January	**35,862**	34,490
Received during the year	**23,843**	—
Credited to profit or loss	**(1,878)**	(1,192)
Currency translation differences	**(2,421)**	2,564
As at 31 December	**55,406**	35,862

	2018	2017
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current portion		
(included in trade and bills payables and other payables, *Note 15*)	**1,979**	1,236
Non-current portion	**53,427**	34,626
	55,406	35,862

During the year ended 2018, government grants of HK$23,843,000 (2017: Nil) have been received by the Group. The projects cost is related to construction of new gas pipelines for construction and installation to certain heating enterprises in order to promote the usage of more environmental friendly energy. Accordingly, the government grants received classified as deferred income and released to the profit or loss over the estimated useful lives of the relevant gas pipelines constructed.

15. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade and bills payables *(Note)*	**591,024**	487,131
Advance from customers	**—**	368,411
Other payables	**596,707**	504,847
Accrued expenses	**9,487**	9,098
Interest payables	**—**	31,646
Amounts due to related parties	**80,425**	53,385
	1,277,643	1,454,518

Note:

At 31 December 2018, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
0-90 days	**278,250**	268,626
91-180 days	**56,943**	35,298
181-365 days	**60,558**	45,190
Over 365 days	**195,273**	138,017
	591,024	487,131

16. BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
US$ bond *(Note)*	**2,342,674**	3,879,706
Bank borrowing — unsecured	**153,038**	156,081
Bank borrowing — secured	—	462,240
Other borrowing — secured	**221,096**	327,052
Total	**2,716,808**	4,825,079
Less: Current portion	**(273,118)**	(2,120,314)
Non-current portion	**2,443,690**	2,704,765

Note: **US$ bond**

On 6 May 2015, the Company issued the bonds in the aggregate principal amount of US$200,000,000 (equivalent to HK$1,563,900,000). The bonds carried interest at a rate of 3.25% per annum, payable semi-annually in arrears. The effective interest rate of the bonds is 3.58% per annum. The bonds matured and had been redeemed on 6 May 2018.

On 22 November 2017, the Company issued the bonds in the aggregate principal amount of US$300,000,000 (equivalent to HK$2,340,450,000). The bonds will mature on 30 November 2020, unless the Company purchased and cancelled in accordance with the terms and conditions stated in the agreement ("Early Redemption Events"). When the Early Redemption Events occurred, the bond holder has the right to request the Company to redeem the US$ 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.

PERFORMANCE REVIEW

In 2018, the macroeconomy of the PRC operated with stability, the supply-side structural reform was further advanced, the trend of economic transformation and upgrade was sustained, and environmental protection policies aided the natural gas market to flourish. Following the continuous 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 has introduced various environmental protection policies, in order to continuously promote air pollution management and strengthen coal-to-gas conversion in civil, heating and industrial industries in key regions. The natural gas consumption of the PRC has grown rapidly. In 2018, the apparent consumption of natural gas reached 280.3 billion cubic meters, up by 18.1% year-on-year, which was the largest annual growth in the history of natural gas utilization in the PRC.

For the protection of gas sources, facing the strong demand and tight gas supply, the Group actively and effectively reallocated resources to achieve a sustainable, stable and safe natural gas supply within service regions. In the "Binhai New Area", the main operating area, the Group has realized the connection of multi-sources of natural gas supply to improve the capability of guaranteed gas supply to Tianjin and even North China region in winter effectively, and has enhanced the strategic position of the Company. Various overseas subsidiaries of the Group have also 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 peak season of gas source in winter.

For enterprise operation, the Group had 149,000 connected regular households in 2018, up by 33% year-on-year, and the sales of piped natural gas reached 1.529 billion cubic meters, an increase of 57% as compared with the previous year, of which the sales volume of pipeline gas was 867 million cubic meters, up by 27% year-on-year. The Company seized the business opportunities of natural gas power plants and allocation and delivery of gas sources in order to achieve 662 million cubic meters of natural gas pipeline delivery, up by 130% year-on-year, which effectively improved the utilization efficiency of the Company's natural gas pipeline and expanded the Company's new sources of profit. Leveraging on the development opportunity of "coal to gas" and "gas for coal replacement", in reliance on the solid foundation laid by the early pipeline laying and market development, the Company endeavoured to develop the surrounding markets of the pipelines, and entered into development and cooperation agreements in new markets, such as Junliangcheng bulk cargo logistics planning area (軍糧城散貨物流區規劃片區) and Xiditouzhen (西堤頭鎮). Meanwhile, the Company also completed the regional integration of the natural gas market in Nanjing Lishui by way of equity acquisition, in order to expand the scale of the Group and enhance the momentum of the growth of subsequent performance of the Group.

BUSINESS REVIEW

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

Gas construction and installation service

The Group constructs gas pipelines for its clients and connects such pipelines to the Group's main gas pipeline networks. The Group then charges gas construction and installation service fees from industrial and commercial customers, property developers and property management companies. As at 31 December 2018, the aggregate length of all gas pipeline networks owned by the Group was approximately 2,644 kilometers, representing an increase of 345 kilometers from the length of 2,299 kilometers as at 31 December 2017. For the year ended 31 December 2018, gas construction and installation service fees received by the Group amounted to approximately HK$636,707,000, representing a decrease of HK$54,308,000 or approximately 8% compared to the HK$691,015,000 service fees received in the year ended 31 December 2017.

Piped Natural Gas Sales

In the year ended 31 December 2018, consumption of piped natural gas by domestic and industrial users amounted to approximately 7,199 x 10^6 and 23,826 x 10^6 mega-joules respectively, as compared to 4,754 x 10^6 and 19,297 x 10^6 mega-joules respectively for the year ended 31 December 2017. During the year, income of the Group from sales of piped natural gas amounted to HK$2,582,878,000, representing an increase of HK$578,233,000 or approximately 29% compared to the amount of HK$2,004,645,000 recorded in the year ended 31 December 2017.

Pipeline Transportation

The Group transports gases for clients through gas pipeline networks and charges transportation fees. For the year ended 31 December 2018, the volume of gases transported by the Group for its clients amounted to 662,391,987 cubic meters and pipeline transportation income amounted to HK$67,412,000, representing an increase of HK$33,984,000 compared to the amount of HK$33,428,000 recorded in the year ended 31 December 2017.

Property Development

As of 31 December 2018, the Group held a piece of land under development of approximately 15,899.6 square meters located to the east of Central West Road, west of Central Road, north of Xi San Road and south of Xi Er Road in the Tianjin Airport Economic Area in the Binhai New Area of the PRC, under land use rights for commercial use for a term of 40 years from 31 December 2009.

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

FINANCIAL REVIEW

Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2018 was HK$612 million (2017: HK$572 million) and the gross profit margin for the Group was 19% (2017: 21%). During the heat supplying season of the year, the shortage in natural gas led to an increase in purchase cost and a decrease in gross profit margin of the piped natural gas.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2018 was HK$211 million, representing an increase of HK$16 million or 8% compared to HK$195 million for the year ended 31 December 2017, which was mainly attributable to an increase in research and development expenses.

Profit Attributable to Owners of the Company

Profit attributable to equity owners of the Company for the year ended 31 December 2018 was approximately HK$104 million, as compared to HK$221 million for the year ended 31 December 2017. Profit attributable to equity owners of the Company excluding the unrealised exchange loss amounted to HK$207 million for the year ended 31 December 2018, representing an increase of 92% as compared to that for the year ended 31 December 2017. The Group recorded an unrealised exchange loss of HK$103 million caused by fluctuations in RMB exchange rate in 2018.

Basic earnings per share for the year ended 31 December 2018 was HK$8.9 cents, as compared to HK$18.9 cents for the year ended 31 December 2017.

In determining the recoverability of the trade receivables from related parties of the Group, the Group considered the credit rating and the default payment history of such related parties. For the year ended 31 December 2018, impairment loss allowance in relation to the trade receivables from related parties of the Group, including the sales of piped natural gas to Tianjin Steel Pipe Manufacturing Co., Ltd.* (天津鋼管制造有限公司), was recognised at approximately HK$13,103,000 (2017: approximately HK$80,591,000).

Liquidity and Financial Resources

As at 31 December 2018, the total borrowings of the Group amounted to HK$2,716,808,000 (31 December 2017: HK$4,825,079,000) and the cash and bank deposits of the Group amounted to HK$995,118,000 (31 December 2017: HK$3,271,772,000), which included cash and cash equivalents of HK$987,576,000 and pledged bank deposits of HK$7,542,000. As at 31 December 2018, the Group had consolidated current assets of HK$1,825,205,000 and its current ratio was approximately 0.85. As at 31 December 2018, the Group had a gearing ratio of approximately 199%, measured by the ratio of total consolidated borrowings of HK$2,716,808,000 to consolidated total equity of HK$1,364,864,000.

Borrowings Structure

As at 31 December 2018, the total borrowings of the Group amounted to HK$2,716,808,000 (31 December 2017: HK$4,825,079,000). Unsecured borrowings from PRC banks were denominated in RMB, carrying an interest at the rate of 4.5% per annum. Unsecured bonds of US$300,000,000 were issued at 100% of the issue price, bearing an interest at the rate of 4.45%. Other secured borrowings include borrowings with principal amounts of RMB230,000,000 and RMB130,000,000 respectively with the annual interest rate being 12% less than the RMB benchmark lending rate published by the People's Bank of China for the same period and with the annual interest rate being 2% more than the RMB benchmark lending rate published by the People's Bank of China for the same period. As at 31 December 2018, short-term borrowings and current portion of long-term borrowings amounted to HK$273,118,000, 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 2018, the current liabilities of the Group exceeded current assets by approximately HK$331 million (31 December 2017: the current assets of the Group exceeded current liabilities by approximately HK$476 million). The Group's ability to continue as a going concern depends on the financial resources presently available to the Group. Taking into account the expected financial performance, net cash expected to be generated from the operation of the Group, the Directors believe that the Group is able to fully meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Exposure to Exchange Rate Fluctuations

The majority of the Group's transactions are denominated in the functional currency of the respective group entities. Part of the deposits and bank borrowings of the Group are denominated in HK Dollars and US Dollars which expose the Group to certain foreign currency risks. For the year ended 31 December 2018, net foreign exchange loss for the financing activities was HK$103 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 2018, the Group had pledged bank deposits of HK$7,542,000 (31 December 2017: HK$11,116,000).

The net carrying amount of pipeline networks as at 31 December 2018 amounting to HK$382 million (approximately RMB335 million) were pledged as security for the related borrowing.

Contingent Liabilities

As at 31 December 2018, the Group did not have any significant contingent liabilities.

PROSPECTS

Looking forward in 2019, the use of natural gas will continue to be strongly supported and promoted by PRC national environmental protection policies. With the promotion of market-oriented reformation of natural gas prices and the continuous improvement of natural gas pipeline networks in urban regions, the prospects for natural gas utilization are tremendously broad. The Group will continue to grasp the good development opportunities of the natural gas industry, to develop the geographical advantages of the existing operation regions and to actively expand the scale of operations to achieve a win-win situation for the interest of shareholders, investors, government and users.

EMPLOYEES

As at 31 December 2018, the Group had 1,708 employees (as at 31 December 2017: 1,554 employees). For the year ended 31 December 2018, the salaries and wages of the employees amounted to HK$133 million (for year ended 31 December 2017: HK$117 million) and among these, HK$23 million were recorded in research and development expenses (for year ended 31 December 2017: HK$15 million).

REMUNERATION POLICY

The remuneration of the employees of the Group is determined by reference to the market rates, and the performance, qualification and experience of the relevant staff. Also, a discretionary bonus based on individual performance during the year is distributed to reward the contributions of employees to the Group. The Group also provides training opportunity and other benefits to its employees, including pension insurance, unemployment insurance, injury insurance, medical insurance, maternity insurance and housing fund, etc. In addition, share options may be granted to eligible employees of the Group (including directors of the Company) in accordance with the terms of the share option scheme adopted by the Group.

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibility for the leadership and control of the Group, including provision and formulation of the Group's business directions and strategies in the interests of the Group. The Board believes that good corporate governance practices would strengthen investors' confidence, facilitate the development of the Group, and increase transparency in the operation of the Group, which is in the long term interest of the Group and the Shareholders. For the year ended 31 December 2018, the Company had fully complied with the code provisions set out in Appendix 14 (Corporate Governance Code and Corporate Governance Report) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

AUDIT COMMITTEE

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

The Audit Committee has reviewed the consolidated financial results of the Group for the year ended 31 December 2018 and has provided advice and comments thereon.

SECURITIES TRANSACTIONS BY DIRECTORS

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

All Directors have confirmed, following specific enquiries by the Company, that they complied with the required standard of dealings as set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2018.

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 2018.

FINAL DIVIDEND

The Board has recommended a final dividend for the year ended 31 December 2018 of HK$0.045 per ordinary share of the Company (the year ended 31 December 2017: HK$0.055 per ordinary share).

After approval by the holders of ordinary shares of the Company ("Shareholders") at the forthcoming annual general meeting to be held on 10 May 2019, the above dividend is expected to be paid on 28 June 2019 to those Shareholders whose names appear on the register of holders of ordinary shares of the Company as at 6 June 2019, being the record date for such dividend.

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

ISSUANCE OF ANNUAL REPORT

The Annual Report for the year ended 31 December 2018 will be published and dispatched to the Shareholders on or about 28 March 2019 and 1 April 2019 respectively.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 15 March 2019

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

* *For identification purposes only*