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 2019

FINANCIAL HIGHLIGHTS

Year ended 31 December

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

As at 31 December

	2019	2018	*Changes*
	HK$'000	*HK$'000*	*Percentage*
Current assets	**1,417,948**	1,825,205	-22%
Total assets	**6,103,222**	6,018,141	1%
Total equity	**1,360,026**	1,364,864	—
Current liabilities	**4,638,251**	2,156,160	115%
Total liabilities	**4,743,196**	4,653,277	2%

			Percentage
	Percentage	*Percentage*	*point*
Average finance costs *(Note)*	**4.6%**	4.5%	—
Return on average equity *(Note)*	**6%**	8%	-2

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 audited consolidated financial results of the Company and its subsidiaries (thereafter collectively referred to as the "Group") for the year ended 31 December 2019 (the "Results Announcement") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue from contracts with customers	*4*	**3,557,529**	3,308,032
Cost of sales and services	*8*	**(3,032,910)**	(2,695,970)
Gross profit		**524,619**	612,062
Other income	*5*	**15,867**	15,644
Administrative expenses	*8*	**(262,118)**	(211,254)
Net impairment reversal/(losses) on financial and contract assets	*7*	**816**	(9,199)
Other gains/(losses) — net	*6*	**2,211**	(101,837)
Operating profit		**281,395**	305,416
Finance income	*9*	**1,620**	15,024
Finance costs	*9*	**(106,638)**	(144,611)
Finance costs — net	*9*	**(105,018)**	(129,587)
Share of net profit of associates and joint ventures accounted for using the equity method		**6,312**	5,959
Profit before income tax		**182,689**	181,788
Income tax expense	*10*	**(63,065)**	(74,979)
Profit for the year		**119,624**	106,809
Profit for the year attributable to:			
— Owners of the Company		**81,111**	104,049
— Non-controlling interests		**38,513**	2,760
		119,624	106,809
		HK$ cents	*HK$ cents*
Earnings per share attributable to owners of the Company:			
— Basic earnings per share	*12*	**6.9**	8.9
— Diluted earnings per share	*12*	**6.9**	8.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019	2018
			Restated
	Notes	***HK$'000***	*HK$'000*
ASSETS			
Non-current Assets			
Land use rights		—	131,728
Property, plant and equipment		**4,317,792**	3,860,996
Right-of-use assets		**177,086**	—
Investment properties		**6,896**	7,280
Intangible assets		**51,418**	39,566
Investments accounted for using the equity method		**63,147**	58,144
Prepayments		**34,206**	74,615
Long-term receivables		**7,688**	12,296
Deferred income tax assets		**22,584**	8,311
Restricted cash		**4,457**	—
		4,685,274	4,192,936
Current Assets			
Inventories		**116,623**	90,715
Trade and other receivables	*13*	**323,339**	483,622
Notes receivable		**20,556**	28,876
Contract assets		**54,100**	45,524
Prepayments		**200,906**	181,350
Financial assets at fair value through profit or loss		—	318,058
Restricted cash		**2,426**	7,542
Cash and cash equivalents		**699,998**	669,518
		1,417,948	1,825,205
Total Assets		**6,103,222**	6,018,141

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2019

	Notes	2019 HK$'000	2018 Restated HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**489,435**	515,435
— Ordinary shares		**117,435**	117,435
— Redeemable preferences shares		**372,000**	398,000
Share premium		**104,676**	157,522
Other reserves		**(176,180)**	(160,982)
Retained earnings		**895,129**	823,013
Equity attributable to owners of the Company		**1,313,060**	1,334,988
Non-controlling interests		**46,966**	29,876
Total Equity		**1,360,026**	1,364,864
Liabilities			
Non-current Liabilities			
Borrowings	*16*	**28,004**	2,443,690
Deferred income	*14*	**53,757**	53,427
Lease liabilities		**13,184**	—
Deferred income tax liabilities		**10,000**	—
		104,945	2,497,117
Current Liabilities			
Trade and other payables	*15*	**1,331,992**	1,277,643
Contract liabilities		**733,546**	543,532
Current tax liabilities		**51,462**	61,867
Borrowings	*16*	**2,512,222**	273,118
Lease liabilities		**9,029**	—
		4,638,251	2,156,160
Total Liabilities		**4,743,196**	4,653,277
Total Equity and Liabilities		**6,103,222**	6,018,141

NOTES TO THE RESULTS ANNOUNCEMENT

For the year ended 31 December 2019

1. GENERAL INFORMATION

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

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

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

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

2. GOING CONCERN CONSIDERATION

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Compliance with HKFRS and HKCO

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

3.2 Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets that are measured at fair values.

3.3 New and amended standards, interpretations and annual improvements adopted by the Group

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

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

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 3.5 below. The other amended standards, interpretation and annual improvements listed above did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

3.4 New and amended standards and revised conceptual framework not yet adopted

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

3.5 Adoption of HKFRS 16 *Leases*

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

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.87%.

(i) Practical expedients applied

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

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

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

(ii) Measurement of lease liabilities

	Amount
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	19,833
Discounted using the lessee's incremental borrowing rate at the date of initial application	14,988
Less: Short-term leases not recognised as a liability	(2,993)
Lease liability recognised as at 1 January 2019	11,995
Of which are:	
Current lease liabilities	5,437
Non-current lease liabilities	6,558
	11,995

(iii) Measurement of right-of-use assets

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

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

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

- right-of-use assets — increase by HK$143,723,000

- lease liabilities — increase by HK$11,995,000

- land use rights — decrease by HK$131,728,000

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

(v) Lessor accounting

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

4. SEGMENT INFORMATION

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

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

- Sales of piped natural gas

- Construction and gas pipeline installation service

- Gas passing through service

- Sales of bottled natural gas

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

The segment results are as follows:

	Year ended 31 December 2019				
	Sales of piped natural gas *HK$'000*	**Construction and gas pipeline installation service** *HK$'000*	**Gas passing through service** *HK$'000*	**Sales of bottled natural gas** *HK$'000*	**Total** *HK$'000*
Total segment revenue from external customers	2,893,232	560,820	81,423	22,054	3,557,529
Recognised at a point in time	2,893,232	—	81,423	22,054	2,996,709
Recognised over time	—	560,820	—	—	560,820
Segment results	141,711	309,091	66,931	6,886	524,619
Other income					15,867
Administrative expenses					(262,118)
Other gains — net					2,211
Net impairment reversal on financial and contract assets					816
Finance income					1,620
Finance costs					(106,638)
Shares of net profit of associates and joint ventures accounted for using the equity method					6,312
Profit before income tax					182,689

	Year ended 31 December 2019				
	Sales of piped natural gas *HK$'000*	**Construction and gas pipeline installation service** *HK$'000*	**Gas passing through service** *HK$'000*	**Sales of bottled natural gas** *HK$'000*	**Total** *HK$'000*
Other segment information					
Depreciation (included in cost of sales and services)	100,709	2,016	10,248	348	113,321
Depreciation (included in administrative expenses)					26,945
					140,266
Impairment loss on property, plant and equipment	37,607	—	—	—	37,607

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

	Year ended 31 December 2018				
	Sales of piped natural gas	Construction and gas pipeline installation service	Gas passing through service	Sales of bottled natural gas	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information					
Depreciation (included in cost of sales and services)	90,085	1,446	7,216	130	98,877
Depreciation (included in administrative expenses)					4,944
					103,821
Impairment reversal on property, plant and equipment	(3,019)	—	—	—	(3,019)

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

5. OTHER INCOME

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

6. OTHER GAINS/(LOSSES) — NET

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

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

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

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

8. EXPENSES BY NATURE

	2019	2018
	HK$'000	*HK$'000*
Cost of gas purchased	**2,493,349**	2,219,427
Employee benefit expense	**233,352**	186,595
Depreciation	**140,226**	103,821
— Property, plant and equipment	**130,152**	103,821
— Right-of-use assets	**10,114**	—
Subcontractor and other costs	**122,626**	146,294
Changes in inventories of pipeline and other materials	**(27,233)**	(6,219)
Purchases of pipeline and other materials	**164,161**	142,851
Impairment loss on property, plant and equipment	**37,607**	—
Repair expenses	**33,781**	30,057
Other professional fees	**12,577**	5,844
Expenses relating to short term leases/operating lease rental	**7,999**	14,339
Auditor's remuneration	**3,154**	3,214
Amortisation	**2,506**	8,188
— Land use rights	**—**	7,183
— Intangible assets	**2,271**	758
— Investment properties	**235**	247
Others	**70,883**	52,813
Total cost of sales and services and administrative expenses	**3,295,028**	2,907,224

9. FINANCE INCOME AND COSTS

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

The capitalisation rate used to determine the amount of the interests incurred eligible for capitalisation in 2019 was 4.59% (2018: 4.5%) per annum.

10. INCOME TAX EXPENSE

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

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

There was no Hong Kong profit tax provided for the years ended 31 December 2019 and 2018.

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

(i) 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 year ended 31 December 2019 (2018: 25%).

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

11. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Final dividend for the year ended 31 December 2018 of HK$0.045 (final dividend for the year ended 31 December 2017: HK$0.055) per ordinary share declared and paid	**52,846**	64,589

The final dividend for the year ended 31 December 2017 of HK$64,589,000 as declared on 11 May 2018 was distributed from the retained earnings and was fully paid in June 2018.

The final dividend for the year ended 31 December 2018 of HK$52,846,000 as declared on 10 May 2019 was distributed from the share premium account and was fully paid in June 2019.

At a Board meeting held on 25 March 2020, the Board proposed a final dividend for the year ended 31 December 2019 of HK$41,102,000 (2018: HK$52,846,000), representing HK$3.5 cents (2018: HK$4.5 cents) per ordinary share, to be distributed from the retained earnings. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation from the retained earnings for the year ending 31 December 2020.

12. EARNINGS PER SHARE

(i) Basic

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

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

(ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted-average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options for which the exercise of share options would have no dilutive effect to earnings per share because the exercise price of those options was higher than the average market price of the Company's shares for both 2019 and 2018. Therefore, diluted earnings per share equal to the basic earnings per share.

13. TRADE AND OTHER RECEIVABLES

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

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 settled by bills.

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

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

14. DEFERRED INCOME

	31 December 2019	31 December 2018
	HK$'000	*HK$'000*
Government grants	**53,757**	53,427

In 2019, the Group received government grants in certain subsidiaries totalling HK$1,442,000 (2018: HK$23,843,000), which related to the corresponding gas pipeline construction projects for the purpose of the improvement in the energy use efficiency. Accordingly, the government grants are classified as deferred income and released to the profit or loss on a straight-line basis over the estimated useful lives of the relevant gas pipelines assets of 30 years.

During the years ended 31 December 2019 and 2018, the amortisation of deferred income recognised as other income amounted to HK$1,926,000 and HK$1,878,000.

15. TRADE AND OTHER PAYABLES

	31 December 2019 *HK$'000*	31 December 2018 *HK$'000*
Trade payables	**587,217**	637,292
Other payables		
— Other payables for pipeline construction	**525,399**	464,187
— Advances from an associate	**33,544**	34,157
— Other tax payables	**3,487**	5,275
— Payroll payables	**2,600**	3,103
— Others	**145,030**	124,142
	710,060	630,864
Accrued expenses	**34,715**	9,487
	1,331,992	1,277,643

As at 31 December 2019, the ageing analysis of the trade payable based on suppliers' invoice date is as follows:

	31 December 2019 *HK$'000*	31 December 2018 *HK$'000*
Within 90 days	**206,035**	278,250
91-180 days	**71,176**	57,334
181-365 days	**95,758**	94,715
Over 365 days	**214,248**	206,993
	587,217	637,292

16. BORROWINGS

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

Note:

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.

RESTATEMENTS DUE TO CORRECTION OF PRIOR YEAR'S ACCOUNTING ERRORS

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

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

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

	As previously reported	**Restatements** *Note (a)*	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
Effect on the Group's consolidated statement of financial position as at 31 December 2018			
Cash and cash equivalents	987,576	(318,058)	669,518
Financial assets at fair value through profit or loss	—	318,058	318,058

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement above have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on the preliminary announcement.

PERFORMANCE REVIEW

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

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

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

BUSINESS REVIEW

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

Sales of Piped Natural Gas

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

Construction and Gas Pipeline Installation Service

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

Gas Passing Through Service

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

Property Development

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

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 emphasizes the decision of the disposal of the property under construction and has appointed professional staff to actively contact agents and potential buyers.

FINANCIAL REVIEW

Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2019 was HK$525 million (2018: HK$612 million) and the gross profit margin for the Group was 15% (2018: 19%). The decrease in gross profit margin was mainly due to the increase in purchase cost of the piped natural gas.

Administrative Expenses

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

Profit Attributable to Owners of the Company

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

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

Liquidity and Financial Resources

As at 31 December 2019, the total borrowings of the Group amounted to HK$2,540,226,000 (31 December 2018: HK$2,716,808,000) and the cash and bank deposits of the Group amounted to HK$706,881,000 (31 December 2018: HK$677,060,0000), which included cash and cash equivalents of HK$699,998,000 and pledged bank deposits of HK$6,883,000. As at 31 December 2019, the Group had consolidated current assets of HK$1,417,948,000 and its current ratio was approximately 0.31. As at 31 December 2019, the Group had a gearing ratio of approximately 187%, measured by the ratio of total consolidated borrowings of HK$2,540,226,000 to consolidated total equity of HK$1,360,026,000.

Borrowings Structure

As at 31 December 2019, the total borrowings of the Group amounted to HK$2,540,226,000 (31 December 2018: HK$2,716,808,000). Secured borrowings from PRC banks were denominated in RMB, carrying an interest at the rate of 5.155% per annum. Unsecured bonds of US$300,000,000 were issued at 100% of the issue price, bearing an interest at the rate of 4.45% per annum. Other secured borrowings include borrowings with principal amounts of RMB230,000,000 and RMB130,000,000 respectively with the annual interest rate being 12% less than the RMB benchmark lending rate published by the People's Bank of China for the same period and with the annual interest rate being 2% above the RMB benchmark lending rate published by the People's Bank of China for the same period, the outstanding balance of the aforesaid collateralised borrowings amounted to RMB96,910,000 (equivalent to approximately HK$107,978,000) (2018: RMB 194,189,000 (equivalent to approximately HK$221,096,000). As at 31 December 2019, short-term borrowings and current portion of long-term borrowings amounted to HK$2,512,222,000, while the remainder were long-term borrowings falling due after one year or above.

Directors' Opinion on Sufficiency of Working Capital

As at 31 December 2019, the total current liabilities of the Group exceeded its total current assets by HK$3,220 million. The Group's ability to continue as a going concern largely depends on the financial resources available to the Group. Tianjin TEDA Investment Holding Company Limited* (天津泰達投資控股有限公司) has confirmed its intention to provide financial support for the continuing operation of the Group. Therefore, the Directors believe that the Group is able to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the next twelve months from 31 December 2019. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

Exposure to Exchange Rate Fluctuations

The majority of the Group's transactions are denominated in the functional currency of the respective group entities. Part of the deposits and bank borrowings of the Group are denominated in HK Dollars and US Dollars which expose the Group to certain foreign currency risks. For the year ended 31 December 2019, net foreign exchange loss for the financing activities was HK$35 million. The Group does not currently have a foreign currency hedging policy. However, the management has been monitoring foreign exchange risks and will consider hedging significant foreign currency exposure should the need arise.

Charge on the Group's Assets

As at 31 December 2019, the Group had pledged bank deposits of HK$6,883,000 (31 December 2018: HK$7,542,000).

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

CONTINGENT LIABILITIES

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

PROSPECTS

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

EMPLOYEES

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

REMUNERATION POLICY

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

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

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 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 consolidated financial results of the Group for the year ended 31 December 2019 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 have complied with the required standard of dealings as set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2019.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

FINAL DIVIDEND

The Board has recommended a final dividend for the year ended 31 December 2019 of HK$0.035 per ordinary share of the Company (year ended 31 December 2018: HK$0.045 per ordinary share).

After approval by the holders of ordinary shares of the Company ("Shareholders") at the forthcoming annual general meeting proposed to be held on 15 May 2020, the above dividend is expected to be paid on 10 June 2020 to those Shareholders whose names appear on the register of holders of ordinary shares of the Company as at 26 May 2020, 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 2019 will be published and dispatched to the Shareholders on or about 9 April 2020 and 14 April 2020 respectively.

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

Hong Kong, 25 March 2020

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. 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*