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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 2020

FINANCIAL HIGHLIGHTS

Year ended 31 December

	2020	2019	Changes
	HK\$'000	HK\$'000	Percentage
Revenue	3,653,866	3,557,529	3%
Gross profit	603,415	524,619	15%
Profit for the year	360,859	119,624	202%
Profit for the year attributable to owners of the Company	354,904	81,111	338%
	HK cents	HK cents	Percentage
Earnings per Ordinary Share			
— Basic	29.0	6.9	320%
— Diluted	29.0	6.9	320%
	Percentage	Percentage	Percentage point
Gross profit margin (Note)	17%	15%	2
Profit margin for the year (Note)	10%	3%	7

As at 31 December

	2020 HK\$'000	2019 HK\$'000	<i>Changes</i> <i>Percentage</i>
Current assets	1,354,100	1,417,948	-5%
Total assets	7,094,864	6,103,222	16%
Total equity	1,999,775	1,360,026	47%
Current liabilities	3,833,553	4,638,251	-17%
Total liabilities	5,095,089	4,743,196	7%

	<i>Percentage</i>	<i>Percentage</i>	<i>Percentage</i> <i>point</i>
Average finance costs (<i>Note</i>)	4.6%	4.6%	—
Return on average equity (<i>Note</i>)	22%	6%	16

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**”) of Binhai Investment Company Limited (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 (the “**Results Announcement**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue from contracts with customers	4	3,653,866	3,557,529
Cost of sales and services	8	(3,050,451)	(3,032,910)
Gross profit		603,415	524,619
Other income	5	20,214	15,867
Administrative expenses	8	(279,783)	(262,118)
Net impairment reversal on financial and contract assets	7	42,377	816
Other gains — net	6	148,978	2,211
Operating profit		535,201	281,395
Finance income	9	1,660	1,620
Finance costs	9	(104,879)	(106,638)
Finance costs — net	9	(103,219)	(105,018)
Share of net profit of associates and joint ventures accounted for using the equity method		7,201	6,312
Profit before income tax		439,183	182,689
Income tax expense	10	(78,324)	(63,065)
Profit for the year		360,859	119,624
Profit for the year attributable to:			
— Owners of the Company		354,904	81,111
— Non-controlling interests		5,955	38,513
		360,859	119,624
		<i>HK\$ cents</i>	<i>HK\$ cents</i>
Earnings per share attributable to owners of the Company:			
— Basic earnings per share	12	29.0	6.9
— Diluted earnings per share	12	29.0	6.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	<u>360,859</u>	<u>119,624</u>
Other comprehensive income/(loss)		
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences on translation of financial statements of the Company	31,631	(11,006)
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>71,371</u>	<u>(23,043)</u>
	<u>103,002</u>	<u>(34,049)</u>
Total comprehensive income for the year	<u><u>463,861</u></u>	<u><u>85,575</u></u>
Total comprehensive income for the year is attributable to:		
— Owners of the Company	453,557	48,096
— Non-controlling interests	<u>10,304</u>	<u>37,479</u>
	<u><u>463,861</u></u>	<u><u>85,575</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		2020	2019
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current Assets			
Property, plant and equipment		5,246,835	4,317,792
Right-of-use assets		179,458	177,086
Investment properties		7,120	6,896
Intangible assets		43,054	51,418
Investments accounted for using the equity method		74,790	63,147
Prepayments		138,702	34,206
Long-term receivables	13	25,142	7,688
Deferred income tax assets		24,224	22,584
Restricted cash		1,439	4,457
		<u>5,740,764</u>	<u>4,685,274</u>
Current Assets			
Inventories		146,591	116,623
Trade and other receivables	13	312,381	323,339
Notes receivable		16,555	20,556
Contract assets		32,892	54,100
Prepayments		239,954	200,906
Financial assets at fair value through profit or loss		182,029	—
Restricted cash		15,955	2,426
Cash and cash equivalents		407,743	699,998
		<u>1,354,100</u>	<u>1,417,948</u>
Total Assets		<u><u>7,094,864</u></u>	<u><u>6,103,222</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
EQUITY AND LIABILITIES			
Equity			
Share capital		487,203	489,435
— Ordinary shares		135,203	117,435
— Redeemable preferences shares		352,000	372,000
Share premium		282,115	104,676
Other reserves		(59,603)	(176,180)
Retained earnings		1,232,109	895,129
Equity attributable to owners of the Company		1,941,824	1,313,060
Non-controlling interests		57,951	46,966
Total Equity		1,999,775	1,360,026
Liabilities			
Non-current Liabilities			
Borrowings	16	1,055,498	28,004
Deferred income	14	111,608	53,757
Lease liabilities		8,288	13,184
Deferred income tax liabilities		21,702	10,000
Trade and other payables	15	64,440	—
		1,261,536	104,945
Current Liabilities			
Trade and other payables	15	1,575,940	1,331,992
Contract liabilities		912,385	733,546
Current tax liabilities		28,242	51,462
Borrowings	16	1,308,508	2,512,222
Lease liabilities		8,478	9,029
		3,833,553	4,638,251
Total Liabilities		5,095,089	4,743,196
Total Equity and Liabilities		7,094,864	6,103,222

NOTES TO THE RESULTS ANNOUNCEMENT

For the year ended 31 December 2020

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 ordinary 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.

On 24 September 2020, Great Wall Energy Investment (Hong Kong) Limited (“**Great Wall Energy HK**”), an indirect wholly-owned subsidiary of China Petroleum & Chemical Corporation (“**Sinopec**”), acquired approximately 29.99% of the total ordinary shares of the Company in issue, through subscription of new ordinary shares issued by the Company and acquisition of ordinary shares of the Company held by TEDA Hong Kong Property Company Limited (“**TEDA HK**”). Following the completion of those transactions, TEDA HK and Great Wall Energy HK hold approximately 35.43% and 29.99% of the total ordinary shares of the Company in issue respectively and are the two largest shareholders of the Company.

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 2020, the Group’s current liabilities exceeded its current assets by approximately HK\$2,479 million. The Group’s ability to continue as a going concern largely depends on the sufficiency of financial resources available to the Group. The Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 1 January 2021, based on the following considerations:

- The Group is expected to remain profitable and continue to generate stable operating cash inflows from its future business operations;
- The Group has extended the repayment date of a borrowing of approximately HK\$943 million which was originally repayable on demand (at the request of the lender by serving a seven-day prior notice) to become repayable on 1 May 2022 (or prior to that maturity date at the discretion of the Group) pursuant to a borrowing renewal agreement entered into between the Group and the lender on 10 February 2021; and
- On 26 February 2021 and 10 March 2021, the Group entered into banking facility agreements with a reputable commercial bank (a PRC incorporated bank which is listed on both the Main Board of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited) pursuant to which the Group can draw down 1-year term bank borrowings of RMB200 million (equivalent to approximately HK\$238 million) and RMB1,000 million (equivalent to approximately HK\$1,188 million) respectively from the aforesaid listed commercial bank. As of the date of these consolidated financial statements, the Group has already drawn down a bank borrowing of RMB200 million under the aforesaid banking facilities.

In view of the above, the Directors are confident that there will be sufficient financial resources available to the Group to enable it to continue as a going concern and hence have prepared the consolidated financial statements 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 of the Laws of Hong Kong ("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 adopted by the Group

The Group has applied the following amended standards and revised conceptual framework for the first time for their annual reporting period commencing on 1 January 2020:

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

The Group also elected to adopt the following amended standards and annual improvements early.

- *Annual Improvements to HKFRS Standards 2018-2020 Cycle.*
- *COVID-19-Related Rent Concessions — amendments to HKFRS 16 and Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7*

The adoption of the above amended standards, revised conceptual framework and annual improvements did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

3.4 New and amended standards and interpretations not yet adopted

Certain other new and amended standards and interpretations have also been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These amended standards and interpretations 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 Amendment to HKFRS 16 “COVID-19-Related Rent Concessions”

The Group has early adopted Amendment to HKFRS 16 “COVID-19-Related Rent Concessions” retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments due on or before 30 June 2021; and
- c. there is no substantive change to other terms and conditions of the lease.

There is no qualifying COVID-19-related rent concessions recognised in the Group and thus the early adoption of this amended standards did not have any impact on the Group’s financial performance for the year ended 31 December 2020 and the opening balance of equity at 1 January 2020.

4. SEGMENT INFORMATION

The Executive Directors review the Group’s internal reporting in order to assess the performance of the Group 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 based on the gross profit of each segment.

The segment results are as follows:

	Year ended 31 December 2020				
	Sales of piped natural gas <i>HK\$'000</i>	Construction and gas pipeline installation service <i>HK\$'000</i>	Gas passing through service <i>HK\$'000</i>	Sales of bottled natural gas <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment revenue from external customers	2,935,616	626,300	70,991	20,959	3,653,866
<i>Recognised at a point in time</i>	2,935,616	—	70,991	20,959	3,027,566
<i>Recognised over time</i>	—	626,300	—	—	626,300
Segment results	170,464	366,660	58,406	7,885	603,415
Other income					20,214
Administrative expenses					(279,783)
Other gains — net					148,978
Net impairment reversal on financial and contract assets					42,377
Finance income					1,660
Finance costs					(104,879)
Shares of net profit of associates and joint ventures accounted for using the equity method					7,201
Profit before income tax					439,183
Other segment information					
Depreciation (included in cost of sales and services)	105,465	8,875	7,424	17	121,781
Depreciation (included in administrative expenses)					47,661
					169,442
Impairment loss on goodwill	10,741	2,561	—	—	13,302
Impairment loss on property, plant and equipment	9,803	—	—	—	9,803

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

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

5. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Assembling services income	12,163	10,834
Rental income	1,133	1,508
Government grants	6,918	3,525
	<u>20,214</u>	<u>15,867</u>

6. OTHER GAINS — NET

	2020 HK\$'000	2019 HK\$'000
Net gains from compensation for damaged gas stations and gas pipelines (i)	13,491	19,362
Impairment loss on goodwill	(13,302)	—
Realised fair value gains on wealth management products	7,801	14,361
Net gains on disposal of raw materials	4,000	3,339
Net unrealised fair value gains on financial assets at FVPL	3,654	—
Net foreign exchange gains/(losses)	135,769	(35,141)
Net gains on disposal of land use rights	1,299	—
Net (losses)/gains on disposal of property, plant and equipment	(2,063)	1,778
Others	(1,671)	(1,488)
	<u>148,978</u>	<u>2,211</u>

- (i) In 2020, four subsidiaries (2019: two subsidiaries) have relocated their gas stations or gas pipelines in accordance with the road repair and construction requirements of the municipal government of Feng county, Gaoan city, Deqing city and Tianjin city (2019: Tianjin city and Deqing city). The compensation amounts in excess of the carrying amounts of the pipelines relocated have been recognised as net gains from compensation for damaged gas pipelines for the year ended 31 December 2020.

7. NET IMPAIRMENT REVERSAL ON FINANCIAL AND CONTRACT ASSETS

	2020 HK\$'000	2019 HK\$'000
Impairment reversal/(losses) on trade and other receivables	43,015	(1,133)
Impairment (losses)/reversal on contract assets	(638)	1,949
	<u>42,377</u>	<u>816</u>

8. EXPENSES BY NATURE

	2020 HK\$'000	2019 HK\$'000
Cost of gas purchased	2,455,417	2,493,349
Employee benefit expense	258,491	233,352
Costs of pipelines and other materials purchased	<u>218,380</u>	<u>164,161</u>
Depreciation	169,442	140,266
— Property, plant and equipment	155,411	130,152
— Right-of-use assets	14,031	10,114
Subcontractor and other costs	124,412	122,626
Changes in inventories of pipeline and other materials	(28,907)	(27,233)
Repair expenses	27,026	33,781
Other professional fees	19,234	12,577
Impairment loss on property, plant and equipment	9,803	37,607
Expenses relating to short term leases	5,492	7,999
Auditor's remuneration	3,220	3,154
Amortisation	3,495	2,506
— Intangible assets	3,268	2,271
— Investment properties	227	235
Others	<u>64,729</u>	<u>70,883</u>
Total cost of sales and services and administrative expenses	<u><u>3,330,234</u></u>	<u><u>3,295,028</u></u>

9. FINANCE INCOME AND COSTS

	2020 HK\$'000	2019 HK\$'000
Finance income:		
— Interest income on bank deposits	<u>1,660</u>	<u>1,620</u>
Finance costs:		
Interest expenses	(126,394)	(125,110)
Less: amounts capitalised as construction in progress	<u>21,515</u>	<u>18,472</u>
	(104,879)	(106,638)
	<u><u>(103,219)</u></u>	<u><u>(105,018)</u></u>

The capitalisation rate used to determine the amount of the interests incurred eligible for capitalisation in 2020 was 4.46% (2019: 4.59%) per annum.

10. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Current income tax	67,627	67,705
Deferred income tax	10,697	(4,640)
	<u>78,324</u>	<u>63,065</u>

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

There was no Hong Kong profit tax provided for the years ended 31 December 2020 and 2019.

In accordance with the “Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax”, New and High Technical Enterprise was subject to income tax at a tax rate of 15%. Two subsidiaries of the Company were recognised as New and High Technical Enterprises in accordance with the applicable provisions of 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 follows:

- (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 2020 (2019: 25%).

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

11. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend for the year ended 31 December 2019 of HK\$0.035 (final dividend for the year ended 31 December 2018: HK\$0.045) per ordinary share declared and paid	<u><u>41,102</u></u>	<u><u>52,846</u></u>

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.

The final dividend for the year ended 31 December 2019 of HK\$41,102,000 as declared on 15 May 2020 was distributed from the share premium account and was fully paid in June 2020.

At a Board meeting held on 18 March 2021, the Board proposed a final dividend for the year ended 31 December 2020 of HK\$106,810,000 (2019: HK\$41,102,000), representing HK\$7.9 cents (2019: HK\$3.5 cents) per ordinary share, to be distributed from the share premium account. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation from the share premium account for the year ending 31 December 2021.

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.

	2020	2019
Profit attributable to owners of the Company (<i>HK\$'000</i>)	<u><u>354,904</u></u>	<u><u>81,111</u></u>
Weighted-average number of ordinary shares for basic earnings per share (thousand)	<u><u>1,222,054</u></u>	<u><u>1,174,349</u></u>
Basic earnings per share (HK\$ cents)	<u><u>29.0</u></u>	<u><u>6.9</u></u>

(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. Under the share option scheme adopted by the Company in 2010 (which had expired), the Company had granted share options, the exercise of which 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 in both 2020 and 2019. The aforesaid share options had expired on 26 September 2020. Therefore, the diluted earnings per share equal to the basic earnings per share.

13. TRADE AND OTHER RECEIVABLES

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
Trade receivables from third parties:		
— Construction and gas pipeline installation service	240,150	238,012
— Sales of piped natural gas	31,128	49,302
— Gas passing through service	750	3,561
	<u>272,028</u>	<u>290,875</u>
Less: provision for impairment loss allowance	(92,860)	(96,933)
	<u>179,168</u>	<u>193,942</u>
Trade receivables from related parties:		
— Sales of piped natural gas	10,600	60,568
— Construction and gas pipeline installation service	1,704	4,290
	<u>12,304</u>	<u>64,858</u>
Less: provision for impairment loss allowance	(5,954)	(57,296)
	<u>6,350</u>	<u>7,562</u>
Other receivables		
— Value added tax recoverable	63,834	44,416
— Deposits	20,299	21,540
— Others	75,859	67,412
	<u>159,992</u>	<u>133,368</u>
Less: provision for impairment loss allowance	(7,987)	(3,845)
	<u>152,005</u>	<u>129,523</u>
Total trade and other receivables	337,523	331,027
Less: non-current portion of trade and other receivables	(25,142)	(7,688)
Current portion	<u>312,381</u>	<u>323,339</u>

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 2020 HK\$'000	31 December 2019 HK\$'000
Within 90 days	52,740	76,966
91 - 180 days	36,652	42,611
181 - 365 days	52,826	26,139
Over 365 days	142,114	210,017
	284,332	355,733

14. DEFERRED INCOME

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
Government grants (<i>Note a</i>)	56,135	53,757
Grants for construction projects (<i>Note b</i>)	55,473	—
	111,608	53,757

Note:

- (a) In 2020, certain subsidiaries of the Group received government grants totalling HK\$805,000 (2019: HK\$1,442,000), 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.
- (b) In 2020, certain subsidiaries of the Group received grants for gas pipeline construction projects and heating construction projects of Tianjin Future Sci-Tech City totalling HK\$55,473,000. Accordingly, the grants are classified as deferred income and will be released to the profit or loss during the operating period on a straight-line basis over the estimated useful lives of the relevant assets in the future.

During the years ended 31 December 2020 and 2019, the amortisation of deferred income as recognised as other income amounted to HK\$1,967,000 and HK\$1,926,000 respectively.

15. TRADE AND OTHER PAYABLES

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
Trade payables	780,558	587,217
Other payables		
— Other payables for pipeline construction	583,590	525,399
— Advances from an associate	36,028	33,544
— Other tax payables	4,649	3,487
— Payroll payables	5,057	2,600
— Others	177,376	145,030
	<u>806,700</u>	<u>710,060</u>
Accrued expenses	<u>53,122</u>	<u>34,715</u>
Total trade and other payables	1,640,380	1,331,992
Less: non-current portion of trade and other payables	<u>(64,440)</u>	<u>—</u>
Current portion	<u><u>1,575,940</u></u>	<u><u>1,331,992</u></u>

As at 31 December 2020, the ageing analysis of the trade payable based on suppliers' invoice date is as follows:

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
Within 90 days	256,497	206,035
91-180 days	91,354	71,176
181-365 days	135,858	95,758
Over 365 days	<u>296,849</u>	<u>214,248</u>
	<u><u>780,558</u></u>	<u><u>587,217</u></u>

16. BORROWINGS

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
Non-current		
Secured,		
— Bank borrowings	306,835	—
— Other borrowings	748,663	28,004
	<u>1,055,498</u>	<u>28,004</u>
Current		
Secured,		
— Bank borrowings	264,282	108,078
— Other borrowings	30,073	79,974
	<u>294,355</u>	<u>188,052</u>
Unsecured,		
— US\$ bond (<i>Note</i>)	—	2,324,170
— Bank borrowings	71,301	—
— Other borrowings	942,852	—
	<u>1,014,153</u>	<u>2,324,170</u>
	<u>1,308,508</u>	<u>2,512,222</u>
Total borrowings	<u>2,364,006</u>	<u>2,540,226</u>

Note:

On 22 November 2017, the Company issued bonds in an aggregate principal amount of US\$300,000,000. The bonds matured on 30 November 2020, unless the Company early redeemed and cancelled the bonds due to the existence of early redemption events as set out in the agreement governing the bond offering (“**the Early Redemption Events**”). If the Early Redemption Events occurred, the bond holder would have 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 US\$ bonds carried interest at a rate of 4.45% per annum, payable semi-annually in arrears. The effective interest rate of the bonds was 4.62% per annum.

On 30 November 2020, the principal and interest of the US\$ bond had been fully repaid on maturity.

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 2020 as set out in this announcement 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 this announcement.

PERFORMANCE REVIEW

During 2020, due to the sudden outbreak and aggravation of the COVID-19 pandemic, the global economic condition has become increasingly severe and complicated. In the PRC, economic activities have gradually resumed to normal since early April as a result of continuous control of pandemic prevention and economic and social development. In 2020, the apparent consumption of natural gas reached approximately 329.7 billion cubic metres, up by 7.1% year-on-year. Although the growth rate temporarily slowed down under the impact of the pandemic, the growth fundamentals of natural gas consumption remained unchanged. With the continuous promotion of national policies for clean energy and various measures for natural gas market reform, the Group recorded an upward trend in operating results by leveraging on the advantages of mixed-ownership reform, and achieved outstanding performance in gas supply stability, daily operation, strategic cooperation and other aspects.

For the stability of gas supply, in the first half of 2020, by introducing Great Wall Energy HK (a wholly-owned subsidiary of Sinopec) as the second largest shareholder of the Company, the Group achieved the synergy of resources with Sinopec (an upstream supplier), enhanced the Group's competitive position in the industry and continued to optimize the natural gas source supply or dual gas sources supply of non-local subsidiaries, further reducing gas procurement costs and increasing gas profitability while ensuring sufficient gas supply during the peak shaving in winter.

For enterprise operation, during 2020, the Group had approximately 184 thousand regular customers from the construction and installation of gas engineering, down by 8% year-on-year, and recorded sales volume of piped natural gas of 1.763 billion cubic metres, down by 7.9% year-on-year, among which the sales volume of pipeline gas accounted for 1.02 billion cubic metres, up by 2% year-on-year, achieving 0.743 billion cubic metres of natural gas pipeline delivery for the year, down by 18.8% year-on-year. The Group has also been committed to increasing its market share and expanding its operation regions. In the second half of the year, the Group successfully won a bidding for the concession for operation of piped gas in Yangxu District in Gaoan City, Jiangxi Province, which expanded the Group's scope of business development in Southern China. The local government planned to carry out the optimization and upgrading of the energy structure of

“coal-to-gas” conversion, which also brought potential room for volume growth of the Group. In addition, following the successful implementation of the mixed-ownership reform, the Group has also appointed a new chairman of the Board and an executive Director, and the Company has been short-listed in the “Double-Hundred Action” campaign led by the Leading Group for State-owned Enterprises Reform of the State Council. With the support of relevant policies, the Group has smoothly implemented a number of group management strategies such as internal reform and the share option scheme to further enhance corporate vitality and promote sustainable and benign corporate development.

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 2020, consumption of piped natural gas by domestic and industrial users amounted to approximately $9,866 \times 10^6$ and $25,950 \times 10^6$ mega-joules respectively, as compared to $8,689 \times 10^6$ and $26,408 \times 10^6$ mega-joules respectively for the year ended 31 December 2019. During the year, income of the Group from sales of piped natural gas amounted to HK\$2,935,616,000, representing an increase of HK\$42,384,000 or approximately 1% compared to the amount of HK\$2,893,232,000 recorded for the year ended 31 December 2019.

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 2020, the aggregate length of all gas pipeline networks owned by the Group was approximately 3,355 kilometres, representing an increase of 307 kilometres from the length of 3,048 kilometres as at 31 December 2019. For the year ended 31 December 2020, construction and gas pipeline installation service fees received by the Group amounted to approximately HK\$626,300,000, representing an increase of HK\$65,480,000 or approximately 12% compared to the HK\$560,820,000 service fees recorded for the year ended 31 December 2019.

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 2020, the volume of gases transported by the Group for its clients amounted to 743,247,108 cubic metres and gas passing through service income amounted to HK\$70,991,000, representing a decrease of HK\$10,432,000 or approximately 13% compared to the amount of HK\$81,423,000 recorded for the year ended 31 December 2019.

Property Development

As at 31 December 2020, the Group held a piece of land under development of approximately 15,899.6 square metres 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 of the Company 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 2020 was HK\$603 million (2019: HK\$525 million) and the gross profit margin for the Group was 17% (2019: 15%). The increase in gross profit margin was mainly due to the decrease in purchase cost of the piped natural gas.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2020 was HK\$280 million, representing an increase of HK\$18 million or 7% compared to HK\$262 million for the year ended 31 December 2019, 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 2020 was approximately HK\$355 million, as compared to HK\$81 million for the year ended 31 December 2019. Profit attributable to equity owners of the Company excluding the unrealised exchange income amounted to HK\$219 million for the year ended 31 December 2020, representing an increase of 89% as compared to HK\$116 million for the year ended 31 December 2019. The Group recorded an unrealised exchange income of HK\$136 million caused by fluctuations in RMB exchange rate in 2020.

Basic earnings per share for the year ended 31 December 2020 was HK\$29 cents, as compared to HK\$6.9 cents for the year ended 31 December 2019.

Liquidity and Financial Resources

As at 31 December 2020, the total borrowings of the Group amounted to HK\$2,364,006,000 (31 December 2019: HK\$2,540,226,000) and the cash and bank deposits of the Group amounted to HK\$425,137,000 (31 December 2019: HK\$706,881,000), which included cash and cash equivalents of HK\$407,743,000 and pledged bank deposits of HK\$17,394,000. As at 31 December 2020, the Group had consolidated current assets of HK\$1,354,100,000 and its current ratio was approximately 0.35. As at 31 December 2020, the Group had a gearing ratio of approximately 118%, measured by the ratio of total consolidated borrowings of HK\$2,364,006,000 to consolidated total equity of HK\$1,999,775,000.

Borrowings Structure

As at 31 December 2020, the total borrowings of the Group amounted to HK\$2,364,006,000 (31 December 2019: HK\$2,540,226,000). Secured borrowings from PRC banks were denominated in RMB, carrying the interest at the rate from 4.35% to 5.6% per annum. Unsecured borrowings from PRC banks were denominated in RMB, carrying the interest at the rate of 4% per annum. Other secured borrowings were carrying the interest at the rate of 4.45% per annum. Other unsecured borrowing was carrying the interest at the rate of 6% per annum. Other borrowing with collateral was borrowing with principal amount of RMB230,000,000 with the annual interest rate being 12% less than the RMB benchmark lending rate published by the People's Bank of China for the same period, where the outstanding balance of the aforesaid borrowing with collateral amounted to RMB25,306,000 (equivalent to approximately HK\$30,073,000) (2019: RMB96,910,000 (equivalent to approximately HK\$107,978,000)). As at 31 December 2020, short-term borrowings and the current portion of long-term borrowings amounted to HK\$1,308,508,000, 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 2020, the Group's current liabilities exceeded its current assets by approximately HK\$2,479 million. The Group's ability to continue as a going concern largely depends on the sufficiency of financial resources available to the Group. The Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 1 January 2021, based on the following considerations:

- The Group is expected to remain profitable and continue to generate stable operating cash inflows from its future business operations;
- The Group has extended the repayment date of a borrowing of approximately HK\$943 million which was originally repayable on demand (at the request of the lender by serving a seven-day prior notice) to become repayable on 1 May 2022 (or prior to that maturity date at the discretion of the Group) pursuant to a borrowing renewal agreement entered into between the Group and the lender on 10 February 2021; and

- On 26 February 2021 and 10 March 2021, the Group entered into banking facility agreements with a reputable commercial bank (a PRC incorporated bank which is listed on both the Main Board of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited) pursuant to which the Group can draw down 1-year term bank borrowings of RMB200 million (equivalent to approximately HK\$238 million) and RMB1,000 million (equivalent to approximately HK\$1,188 million) respectively from the aforesaid listed commercial bank. As of the date of these consolidated financial statements, the Group has already drawn down a bank borrowing of RMB200 million under the aforesaid banking facilities.

In view of the above, the Directors are confident that there will be sufficient financial resources available to the Group to enable it to continue as a going concern and hence have prepared the consolidated financial statements 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 2020, net foreign exchange income for the financing activities was HK\$136 million. The Group does not currently have a foreign currency hedging policy. However, the management of the Company 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 2020, the Group had pledged bank deposits of HK\$17,394,000 (31 December 2019: HK\$6,883,000).

Pipeline networks with net carrying amount as at 31 December 2020 of HK\$231 million (approximately RMB195 million) were pledged as security for the related borrowings.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities.

PROSPECTS

Looking forward to 2021, the global economy will continue to face a high degree of uncertainty due to the risks brought by the new wave of COVID-19 infections and virus mutations, which will also put pressure on the domestic economic environment. However, the upgrade of PRC's energy consumption will continue to drive the growth of natural gas demand, and the policy promotion and infrastructure improvement will accelerate consumption. At the same time, the domestic market-oriented reform of natural gas is also speeding up. With city gate prices being determined by the market, the liberation of LNG market price, the gradual improvement of gas transmission and

peak shaving mechanism and the official establishment and operation of the National Oil and Gas Pipeline Network Group Corporation, these will bring opportunities and increases in demand for construction, storage and transportation. In 2021, the upstream, midstream and downstream segments of natural gas procurement, storage, transportation and sales will usher in more rapid and sustainable development opportunities.

In 2021, the Group will continue to follow the PRC's "14th Five Year Plan" in terms of energy planning and the guidance of the "2060 carbon neutral target", firmly grasp the transformation direction and pace of the energy industry, and continue to improve the construction of natural gas pipeline network and business development based on the existing geographical advantages of operation. The Group will optimize the layout and structure of energy production, improve the efficiency of oil and gas resources allocation, and fully carry out value-added businesses while maintaining the revenue growth of the existing businesses. In the future, with the support from the ultimate parent companies of the two largest shareholders of the Company, Tianjin TEDA Investment Holding Co., Ltd. and Sinopec, the Group will further integrate its own resources and advantages, reinforce the foundation of its core businesses and actively expand comprehensive energy businesses. The Group will continue to explore potential market opportunities, and improve the strategic layout of the regional development throughout the country. The Group will also promote the leapfrog development of the scale of operation as well as reward investors, the government and users with the increasing operating returns for their care and support over the years.

EMPLOYEES

As at 31 December 2020, the Group had 1,718 employees (31 December 2019: 1,809 employees). For the year ended 31 December 2020, the salaries and wages of the employees amounted to HK\$208 million (year ended 31 December 2019: HK\$174 million) and among these, HK\$28 million were recorded in research and development expenses (year ended 31 December 2019: 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, since the share option scheme adopted by the Company in 2010 has expired, the Company has proposed the adoption of a new share option scheme at the end of 2020 as an incentive and award plan for senior management and personnel of the Group. The new share option scheme has been adopted after obtaining the approval of the shareholders of the Company at the special general meeting held on 13 January 2021.

CORPORATE GOVERNANCE PRACTICES

The Board is in charge of the management of the entire business of the Group and assumes overall responsibility for the leadership and control of the Group, collectively being responsible for promoting the success of the Group through giving instructions and supervising its business. The Board believes that good corporate governance practices would strengthen investors' confidence, facilitate the development of the Group, and increase transparency of the operation of the Group, all of which are in the long term interest of the Group and the Shareholders. For the year ended 31 December 2020, 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 2020 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 2020.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Bonds in an aggregate principal amount of US\$300,000,000 issued by the Company on 22 November 2017 had been redeemed at their principal amount on maturity on 30 November 2020. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's other listed securities during the year ended 31 December 2020.

FINAL DIVIDEND

The Board has recommended a final dividend for the year ended 31 December 2020 of HK\$0.079 per ordinary share of the Company (year ended 31 December 2019: HK\$0.035 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 14 May 2021, the above dividend is expected to be paid on 11 June 2021 to those Shareholders whose names appear on the register of holders of ordinary shares of the Company as at 26 May 2021, 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 2020 will be published and despatched to the Shareholders on or about 1 April 2021 and 7 April 2021 respectively.

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

Hong Kong, 18 March 2021

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Wang Zhiyong, Mr. Zuo Zhi Min and Mr. Gao Liang, three non-executive Directors, namely, Mr. Wang Gang, Mr. Shen Hong Liang 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*