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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)

**RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

FINANCIAL HIGHLIGHTS

Year ended 31 December

	2022	2021	<i>Changes</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>Percentage</i>
Revenue	6,102,638	4,842,926	26%
Gross profit	727,322	855,441	-15%
Profit for the year	332,753	410,025	-19%
Profit for the year attributable to owners of the Company	325,833	399,659	-18%
	<i>HK cents</i>	<i>HK cents</i>	<i>Percentage</i>
Earnings per share			
— Basic	24.1	29.6	-19%
— Diluted	24.0	29.5	-19%
	<i>Percentage</i>	<i>Percentage</i>	<i>Percentage point</i>
Gross profit margin <i>(Note)</i>	11.9%	17.7%	-5.8
Profit margin for the year <i>(Note)</i>	5.5%	8.5%	-3.0

As at 31 December

	2022	2021	<i>Changes</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>Percentage</i>
Current assets	1,935,797	1,700,664	14%
Total assets	8,570,664	8,179,625	5%
Total equity	2,285,986	2,322,787	-2%
Current liabilities	3,788,969	3,400,294	11%
Total liabilities	6,284,678	5,856,838	7%
	<i>Percentage</i>	<i>Percentage</i>	<i>Percentage point</i>
Average finance costs (<i>Note</i>)	4.6%	4.4%	0.2
Return on average equity (<i>Note</i>)	14.6%	19.1%	-4.5

Note:

Definitions

- **Gross profit margin**
Gross profit divided by Revenue
- **Average finance costs**
Weighted average interest expenses divided by Weighted average borrowings
- **Profit margin for the year**
Profit for the year divided by Revenue
- **Return on average equity**
Profit attributable to owners of the Company for the year divided by 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 2022 (the “**Results Announcement**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers	4	6,102,638	4,842,926
Cost of sales and services	8	(5,375,316)	(3,987,485)
Gross profit		727,322	855,441
Other income	5	63,359	29,492
Administrative expenses	8	(314,822)	(305,918)
Net impairment reversal/(losses) on financial and contract assets	7	30,723	(25,226)
Other (losses)/gains — net	6	(18,598)	33,884
Operating profit		487,984	587,673
Finance income	9	10,330	3,744
Finance costs	9	(116,897)	(104,624)
Finance costs — net	9	(106,567)	(100,880)
Share of net profit of associates and joint ventures accounted for using the equity method		6,986	8,496
Profit before income tax		388,403	495,289
Income tax expense	10	(55,650)	(85,264)
Profit for the year		332,753	410,025
Profit for the year attributable to:			
— Owners of the Company		325,833	399,659
— Non-controlling interests		6,920	10,366
		332,753	410,025
		<i>HK\$ cents</i>	<i>HK\$ cents</i>
Earnings per share attributable to owners of the Company:			
— Basic earnings per share	12	24.1	29.6
— Diluted earnings per share	12	24.0	29.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	<u>332,753</u>	<u>410,025</u>
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss</i>		
— Exchange differences on translation of financial statements of the Company	(31,245)	18,515
<i>Items that may be reclassified to profit or loss</i>		
— Exchange differences on translation of foreign operations	<u>(152,837)</u>	<u>47,589</u>
	<u>(184,082)</u>	<u>66,104</u>
Total comprehensive income for the year	<u><u>148,671</u></u>	<u><u>476,129</u></u>
Total comprehensive income for the year is attributable to:		
— Owners of the Company	147,620	463,668
— Non-controlling interests	<u>1,051</u>	<u>12,461</u>
	<u><u>148,671</u></u>	<u><u>476,129</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		2022	2021
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,845,395	5,893,191
Right-of-use assets		209,185	196,584
Investment properties		6,301	7,073
Intangible assets		51,002	47,607
Investments accounted for using the equity method		78,796	85,646
Prepayments	14	267,390	29,470
Long-term receivables	13	—	29,999
Deferred income tax assets		33,730	46,550
Restricted cash		143,068	142,841
		<u>6,634,867</u>	<u>6,478,961</u>
Current assets			
Inventories		138,853	144,313
Trade and other receivables	13	336,536	327,760
Notes receivable		6,394	17,529
Contract assets		13,819	37,280
Prepayments	14	565,149	419,362
Restricted cash		29,796	12,239
Cash and cash equivalents		845,250	742,181
		<u>1,935,797</u>	<u>1,700,664</u>
Total assets		<u>8,570,664</u>	<u>8,179,625</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
EQUITY AND LIABILITIES			
Equity			
Share capital		377,203	437,203
— Ordinary shares		135,203	135,203
— Redeemable preferences shares		242,000	302,000
Share premium		175,305	175,305
Other reserves		(70,563)	56,297
Retained earnings		1,739,025	1,583,546
Equity attributable to owners of the Company		2,220,970	2,252,351
Non-controlling interests		65,016	70,436
Total equity		2,285,986	2,322,787
Liabilities			
Non-current liabilities			
Borrowings	16	2,328,391	2,238,984
Deferred income		140,782	144,458
Lease liabilities		15,622	10,020
Deferred income tax liabilities		—	34,700
Trade and other payables	15	10,914	28,382
		2,495,709	2,456,544
Current liabilities			
Trade and other payables	15	1,282,003	1,494,076
Contract liabilities		887,355	965,386
Current income tax liabilities		31,781	44,225
Borrowings	16	1,575,868	885,765
Lease liabilities		11,962	10,842
		3,788,969	3,400,294
Total liabilities		6,284,678	5,856,838
Total equity and liabilities		8,570,664	8,179,625

NOTES TO THE RESULTS ANNOUNCEMENT

For the year ended 31 December 2022

1. GENERAL INFORMATION

Binhai Investment Company Limited (the “**Company**”) was incorporated in Bermuda on 8 October 1999. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (“**HKE**x”).

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 TEDA Hong Kong Property Company Limited (“**TEDA HK**”) and Great Wall Energy Investment (Hong Kong) Limited (“**Great Wall Energy HK**”) as the two largest shareholders of the Company, which hold 35.43% and 29.99% of the total ordinary shares in issue of the Company, respectively.

The consolidated financial statements of the Group are presented in Hong Kong Dollars (“**HK\$**”) and the functional currency of the Group is Renminbi (“**RMB**”).

2. GOING CONCERN CONSIDERATIONS

As at 31 December 2022, the Group’s current liabilities exceeded its current assets by HK\$1,853,172,000. The Group’s current liabilities as at 31 December 2022 included primarily trade and other payables, contract liabilities and current borrowings of HK\$1,282,003,000, HK\$887,355,000 and HK\$1,575,868,000, respectively.

Based on the considerations 1) the Group will maintain its profitability and generate net cash from its operations, and 2) the Group has access to contracted or secured loan facilities totaling approximately RMB1,368,210,000 (equivalent to approximately HK\$1,548,451,000) from certain banks and other financial institutions as of the date of approval of this results announcement, management concluded that the Group will have sufficient financial resources to support its operations and to meet its financial obligations and commitments as and when they fall due in the coming twelve months from 31 December 2022.

The Directors have reviewed the management’s assessment together with the underlying basis and are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 (“**HKCO**”).

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

New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing on 1 January 2022:

- *Property, Plant and Equipment: Proceeds before Intended Use — Amendments to HKAS 16*
- *Onerous Contracts — Cost of Fulfilling a Contract — Amendments to HKAS 37*
- *Reference to the Conceptual Framework — Amendments to HKFRS 3, and*
- *Amendments to AG 5 Merger Accounting for Common Control Combinations*

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

New standards and interpretations not yet adopted

Certain new or amended standards have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on its foreseeable future transactions.

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 internal reports.

The Executive Directors assess the performance of the following Group's operating segments:

- 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 2022				
	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	5,380,406	646,835	51,104	24,293	6,102,638
<i>Recognised at a point in time</i>	5,380,406	—	51,104	24,293	5,455,803
<i>Recognised over time</i>	—	646,835	—	—	646,835
Segment results	<u>319,545</u>	<u>360,574</u>	<u>42,073</u>	<u>5,130</u>	<u>727,322</u>
Other income					63,359
Administrative expenses					(314,822)
Other losses — net					(18,598)
Net impairment reversal on financial and contract assets					30,723
Finance income					10,330
Finance costs					(116,897)
Shares of net profit of associates and joint ventures accounted for using the equity method					6,986
Profit before income tax					<u>388,403</u>
Other segment information					
Depreciation (included in cost of sales and services)	92,897	19,376	9,402	496	122,171
Depreciation (included in administrative expenses)					75,486
					<u>197,657</u>

	Year ended 31 December 2021				
	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	4,011,902	742,880	60,167	27,977	4,842,926
<i>Recognised at a point in time</i>	4,011,902	—	60,167	27,977	4,100,046
<i>Recognised over time</i>	—	742,880	—	—	742,880
Segment results	<u>361,944</u>	<u>436,347</u>	<u>50,168</u>	<u>6,982</u>	<u>855,441</u>
Other income					29,492
Administrative expenses					(305,918)
Other gains — net					33,884
Net impairment losses on financial and contract assets					(25,226)
Finance income					3,744
Finance costs					(104,624)
Shares of net profit of associates and joint ventures accounted for using the equity method					8,496
Profit before income tax					<u>495,289</u>
Other segment information					
Depreciation (included in cost of sales and services)	89,525	22,809	8,311	12	120,657
Depreciation (included in administrative expenses)					67,015
					<u>187,672</u>
Impairment loss on property under construction included in other gains-net					9,754

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Assembling services income	23,864	16,175
Government grants	22,355	11,855
Sales of gas appliances	4,046	—
Insurance agency service income	6,561	—
Rental income	6,533	1,462
	<u>63,359</u>	<u>29,492</u>

6. OTHER (LOSSES)/GAINS — NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net gains from compensation for damaged gas stations and gas pipelines (i)	29,932	7,432
Net gains/(losses) on disposal of property, plant and equipment	23,426	(536)
Net gains on disposal of raw materials	4,332	4,824
Impairment loss on property under construction	—	(9,754)
Realised fair value gains on wealth management products	—	7,302
Net gains on deregistration of a subsidiary	4,370	—
Net foreign exchange (losses)/gains (ii)	(84,171)	24,589
Others	3,513	27
	<u>(18,598)</u>	<u>33,884</u>

(i) In 2022, five (2021: four) subsidiaries relocated their gas stations or gas pipelines in accordance with the road repair and construction requirements of the municipal government of Deqing county, Funing county, Yizheng, Nanjing and Tianjin (2021: Deqing county, Nanjing and Tianjin). The compensation amounts in excess of the carrying amounts of the pipelines being relocated have been recognised as net gains from compensation for damaged gas pipelines for the years ended 31 December 2022 and 2021.

(ii) The net foreign exchange losses for the year ended 31 December 2022 primarily comprised the net exchange loss of HK\$86,092,000 arising from the retranslation of the US\$-denominated syndicated borrowing and HK\$-denominated bank borrowing. The net foreign exchange gain for the year ended 31 December 2021 primarily comprised the net foreign exchange gain of HK\$23,487,000 as arisen from the full settlement of a HK\$-denominated borrowing.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Impairment reversal/(losses) on trade and other receivables	27,750	(24,903)
Impairment reversal/(losses) on contract assets	2,973	(323)
	<u>30,723</u>	<u>(25,226)</u>

8. EXPENSES BY NATURE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of gas purchased	4,789,548	3,403,733
Employee benefit expense	302,166	294,753
Costs of pipelines and other materials purchased	144,663	174,435
Depreciation and amortisation	201,550	190,788
— Property, plant and equipment	181,055	172,751
— Right-of-use assets	16,602	14,921
— Intangible assets	3,644	2,861
— Investment properties	249	255
Subcontractor and other costs	128,631	122,535
Changes in inventories of pipelines and other materials	19,820	8,653
Repair expenses	29,196	24,990
Other professional fees	15,777	14,087
Impairment reversal on property, plant and equipment	(13,994)	—
Expenses relating to short term leases	7,024	9,334
Auditor's remuneration	3,704	3,798
Others	62,053	46,297
	<u>5,690,138</u>	<u>4,293,403</u>
Total cost of sales and services and administrative expenses	<u>5,690,138</u>	<u>4,293,403</u>

9. FINANCE INCOME AND COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income:		
Interest income on bank deposits	<u>10,330</u>	<u>3,744</u>
Finance costs:		
Interest expenses	(156,901)	(133,423)
Less: amounts capitalised as construction in progress	<u>40,004</u>	<u>28,799</u>
	<u>(116,897)</u>	<u>(104,624)</u>
Finance cost — net	<u>(106,567)</u>	<u>(100,880)</u>

The capitalisation rate used to determine capitalised amounts of interests incurred in 2022 was 4.40% (2021: 4.27%) per annum.

10. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax	68,438	94,381
Deferred income tax credit	<u>(12,788)</u>	<u>(9,117)</u>
	<u>55,650</u>	<u>85,264</u>

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 are taxed at 8.25%, and profits above HK\$2 million are taxed at 16.5%. The profits not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

Binhai Investment Hong Kong Company Limited (“**Binhai HK**”) is a resident of the Hong Kong Special Administrative Region under the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income” for the calendar year 2022.

According to the PRC Corporate Income Tax Law (the “**CIT Law**”), the dividends as declared by PRC incorporated subsidiaries to their foreign immediate holding companies (incorporated outside Mainland China) relating to the profits made subsequent to 1 January 2008 are subject to withholding income tax on dividend (“**Dividend tax**”) at the rate of 10% with reduced rates available under certain conditions according to relevant international tax treaties.

The Group is liable to Dividend tax on dividends actually declared and distributed from the unremitted earnings of the PRC incorporated subsidiaries as accumulated subsequent to 1 January 2008. As Binhai HK has acquired Certificate of Resident Status for year 2022, reduced rate of Dividend tax was applied.

In accordance with the “Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Corporate Income Tax”, New and High Technical Enterprise was subject to income tax at a preferential tax rate of 15%. Tianjin TEDA Binhai Clean Energy Group Company* (天津泰達濱海清潔能源集團有限公司) was recognised as a New and High Technical Enterprises on 19 December 2022 in accordance with the applicable CIT Law for 3 years and is subject to the preferential tax rate of 15% from 2022 to 2024.

Other subsidiaries established in the PRC are subject to income tax at the statutory tax rate of 25% for the year ended 31 December 2022 (2021: 25%).

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

11. DIVIDENDS

	2022	2021
	HK\$'000	HK\$'000
Final dividend for the year ended 31 December 2021 of HK\$0.090 (2020: HK\$0.079) per ordinary share declared and paid	121,682	106,810

The final dividend of HK\$121,682,000 relating to the year ended 31 December 2021 was approved by the shareholders of the Company at the annual general meeting on 13 May 2022 and was fully paid in June 2022.

On 23 March 2023, the Board of Directors resolved to propose a final dividend amounting to approximately HK\$135,203,000 for the year ended 31 December 2022 (2021: HK\$121,682,000), representing HK\$10.0 cents (2021: HK\$9.0 cents) per ordinary share. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements.

12. EARNINGS PER SHARE

(i) Basic earnings per share

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

	2022	2021
Profit attributable to owners of the Company (HK\$'000)	325,833	399,659
Weighted-average number of ordinary shares for basic earnings per share (thousand)	1,352,025	1,352,025
Basic earnings per share (HK\$ cents)	24.1	29.6

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted-average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2022	2021
Profit attributable to owners of the Company (HK\$ '000)	<u>325,833</u>	<u>399,659</u>
Weighted-average number of ordinary shares for diluted earnings per share (thousand)	<u>1,355,530</u>	<u>1,355,677</u>
Diluted earnings per share (HK\$ cents)	<u>24.0</u>	<u>29.5</u>

(iii) Weighted-average number of shares used as the denominator

	2022	2021
Weighted-average number of ordinary shares used as the denominator in calculating basic earnings per share (thousand)	<u>1,352,025</u>	<u>1,352,025</u>
Adjustment for share options granted to employee (thousand)	<u>3,505</u>	<u>3,652</u>
Weighted-average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (thousand)	<u>1,355,530</u>	<u>1,355,677</u>

13. TRADE AND OTHER RECEIVABLES

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Trade receivables from third parties	320,275	378,110
<i>Less: provision for impairment loss allowance</i>	(80,953)	(124,405)
	239,322	253,705
Trade receivables from related parties	8,170	14,680
<i>Less: provision for impairment loss allowance</i>	(5,854)	(7,313)
	2,316	7,367
Other receivables	98,339	99,988
<i>Less: provision for impairment loss allowance</i>	(3,441)	(3,301)
	94,898	96,687
Total trade and other receivables	336,536	357,759
<i>Less: non-current portion of trade and other receivables</i>	—	(29,999)
Current portion of trade and other receivables	336,536	327,760

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 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 settlement by bills.

The ageing analysis of trade receivables presented based on the revenue recognition date is set out below:

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Within 90 days	109,024	145,970
91 - 180 days	14,075	21,565
181 - 365 days	41,544	41,748
Over 365 days	163,802	183,507
	328,445	392,790

14. PREPAYMENTS

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Prepayments for natural gas purchases	534,286	379,740
Prepayments for acquiring an equity investment (i)	169,760	—
Prepayments for construction projects	120,764	119,445
Prepayments for others	82,067	30,887
	<u>906,877</u>	<u>530,072</u>
Less: Provision for impairment	<u>(74,338)</u>	<u>(81,240)</u>
	<u>832,539</u>	<u>448,832</u>
Representing:		
— Non-current portion	267,390	29,470
— Current portion	565,149	419,362
	<u>832,539</u>	<u>448,832</u>

- (i) In September 2022, Binhai Investment (Tianjin) Co., Ltd (“**Binhai Tianjin**”) prepaid an amount of RMB150,000,000 (equivalent to approximately HK\$169,760,000) to Tianjin TEDA-Nangang Development Group Co., Ltd* (天津經濟技術開發區南港發展集團有限公司) for the Group’s acquisition of the 2% equity interests of Sinopec Tianjin LNG Co., Ltd* (中石化天津液化天然氣有限責任公司). Pursuant to the equity transfer agreement governing the transaction dated on 20 February 2023, this prepayment was to be off-set against the total consideration of RMB193,067,300 (equivalent to approximately HK\$218,501,000). Therefore, the prepayment was presented as non-current assets as at 31 December 2022. Binhai Tianjin had already paid the rest of the total consideration on 3 March 2023, and the change of business registration of Sinopec Tianjin LNG Co., Ltd has been completed as of the date of approval of this results announcement.

The rest of non-current portion of prepayments represented the prepayments for the constructions of the gas pipeline network of the Group.

15. TRADE AND OTHER PAYABLES

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Trade payables	645,755	795,197
Other payables	602,367	682,551
Accrued expenses	44,795	44,710
	<hr/>	<hr/>
Total trade and other payables	1,292,917	1,522,458
Less: Non-current portion of trade and other payables	(10,914)	(28,382)
	<hr/>	<hr/>
Current portion	1,282,003	1,494,076
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2022, the ageing of the trade payable based on suppliers' invoice date is set out below:

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Within 90 days	233,241	232,134
91-180 days	53,531	104,004
181-365 days	68,872	116,744
Over 365 days	290,111	342,315
	<hr/>	<hr/>
	645,755	795,197
	<hr/> <hr/>	<hr/> <hr/>

16. BORROWINGS

	31 December 2022 <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>
Non-current		
Secured:		
— Syndicated borrowing	889,407	993,061
— Bank borrowings	1,018,507	511,618
— Other borrowings	420,477	734,305
Total non-current borrowings	<u>2,328,391</u>	<u>2,238,984</u>
Current		
Secured:		
— Syndicated borrowing	104,543	93,214
— Bank borrowings	476,284	792,551
— Other borrowings	873,041	—
	<u>1,453,868</u>	<u>885,765</u>
Unsecured:		
— Bank borrowings	122,000	—
Total current borrowings	<u>1,575,868</u>	<u>885,765</u>
Total borrowings	<u>3,904,259</u>	<u>3,124,749</u>

Note:

As at 31 December 2022, the Group's syndicated borrowing of approximately USD127,778,000, equivalent to approximately HK\$993,950,000 (2021: HK\$1,086,275,000), was guaranteed by Tianjin TEDA Investment Holding Company Limited* (天津泰達投資控股有限公司) (“**TEDA Investment**”), the largest shareholder of the Company. Its annual interest rate was originally the London Interbank Offered Rate (“**LIBOR**”) plus 2.6% and LIBOR was changed to the Secured Overnight Financing Rate (“**SOFR**”) from 12 December 2022 pursuant to a supplemental agreement. Interests are payable quarterly and the principal will be due for repayment by installments until June 2024.

17. EVENT OCCURRING AFTER THE BALANCE SHEET DATE

On 18 January 2023, TEDA Investment had increased its holding in the issued ordinary shares of the Company by 5,000,000 shares in the open market (the “**Acquisitions**”), representing approximately 0.37% of the total issued ordinary shares of the Company. Immediately following the Acquisitions, TEDA Investment (through its subsidiaries) is indirectly interested in an aggregate of 539,113,305 ordinary shares of the Company, representing approximately 39.87% of the total issued ordinary shares of the Company.

On 29 December 2022, a wholly owned subsidiary of the Company, Nanjing Binhai Gas Company Limited*(南京濱海燃氣有限公司) (“**Nanjing Binhai**”), entered into an equity transaction agreement with the equity owners (the “**Sellers**”) of a third party company, Nanjing Jinping Gas Company Limited* (南京金屏燃氣有限公司) (“**Nanjing Jinping**”), pursuant to which, Nanjing Binhai agreed to acquire the entire equity interests of Nanjing Jinping at an initial consideration of RMB28,037,314 (subject to a post-transaction adjustment). It was also agreed that Nanjing Jinping should repay its amounts totalling RMB6,448,445 due to one of the Sellers and a company associated with the Sellers within 10 working days from the date of business registration of the change in shareholder. This equity acquisition was completed on 1 February 2023 and the final agreed equity consideration is RMB26,981,065.

Except for above and matter as disclosed in Notes 14 to the financial statements, no material subsequent events were noted as at the date of approval of this results announcement.

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 2022 as set out in the results 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 and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the results announcement.

PERFORMANCE REVIEW

During 2022, the global spot price for natural gas, especially LNG, continued to rise, demonstrating the characteristic of “high price and limited quantity”. Due to the intensified geopolitical conflicts, the tighter gas supply in some parts of Europe led to a sharp rise in gas prices, which has extended to other major gas consumption regions in the world, triggering an unprecedented energy crisis in decades. However, in mainland China, as the domestic epidemic situation has improved generally and production and daily life have quickly returned to normal, the economic and social vitality and potential have been unleashed, providing impetus to the recovery of people’s livelihood. Closely following the guidelines of the National Development and Reform Commission, the Group has improved its business network and enhanced its gas storage and peak shaving capability to ensure stable gas supply to residential users. In addition, since the launch of energy supply guarantee in winter by the State-owned Assets Supervision and Administration Commission, the National Oil and Gas Pipeline Network Group Corporation, by leveraging on its centralized regulation advantage of “a single network nationwide”, has intensified the acquisition of natural gas resources while ensuring that the resources of gas fields were maintained at a high level, hitting a record high of gas transmission through main natural gas pipelines in mainland China. Meanwhile, new energy and comprehensive energy services in mainland China have entered a stage of rapid development, and are implementing upgrades towards the direction of low carbon and green practices. By expanding its business scale and seizing the opportunities arising from demand growth, the Group has contributed to realizing “carbon peak and carbon neutral”.

In the area of enterprise operations, during 2022, the number of regular customers from the construction and installation of gas engineering works of the Group increased by 106 thousand, down by 35% year-on-year, and the aggregate number of customers amounted to 2,299 thousand. The recorded sales volume of piped natural gas was 2.03 billion cubic metres, up by 3% year-on-year, among which the sales volume of pipeline gas amounted for 1.44 billion cubic metres, up by 15% year-on-year, and achieved 0.59 billion cubic metres of natural gas pipeline transmission for the year, down by 17% year-on-year. In the mid-year, TEDA Investment and Sinopec Natural Gas Co., Ltd.* (中國石化天然氣有限責任公司) (“Sinopec”), both being major shareholders of the Group, signed the “Framework Agreement on Further Promoting the High-quality Development of Binhai Investment Company Limited”, had vigorously promoted the Group to increase its market share and improve its performance, and enhanced the Group’s influence and competitiveness in the natural gas sector. Driven by this key framework agreement, the Group issued several project announcements in the second half of the year, demonstrating its commitment under the agreement,

and at the same time continuing to expand its gas business to capture the opportunities of clean energy development while enhancing its market share in Tianjin. Meanwhile, the Group acquired certain equity interests in a subsidiary of Sinopec that operates LNG terminal to significantly enhance its gas storage and peak shaving capability, and improved its business network, thus promoting the integration of the Group's industrial chain. It also established the Southern Group to manage its business in South China, so as to enhance synergies and seek more opportunities in relation to regional integration development and external expansion. In addition, the Group continued to make efforts in expanding its gas business, to consolidate its dominant position in gas operation by acquiring the entire equity interests of Nanjing Jinping. In November 2022, the Group entered into a cooperation framework agreement for energy supply with Xing Cheng Investment and Development Company Limited* (天津星城投資發展有限公司), which laid a solid foundation for the Group to transform from an urban gas supplier to a high-quality comprehensive energy operator while expanding comprehensive energy business. During the year, by taking a number of measures, the Group strived to obtain more gas supply guarantee and improve its peak shaving capability by way of gas storage in winter, and on the other hand, expanded its business scale and plan through mergers and acquisitions, so as to continuously improve its profitability.

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 2022, consumption of piped natural gas by domestic and industrial users amounted to approximately $11,390 \times 10^6$ and $38,941 \times 10^6$ mega-joules respectively, as compared to $10,317 \times 10^6$ and $33,619 \times 10^6$ mega-joules respectively for the year ended 31 December 2021. During the year, the Group's revenue from sales of piped natural gas amounted to HK\$5,380,406,000, representing an increase of HK\$1,368,504,000 or approximately 34% compared to the amount of HK\$4,011,902,000 recorded for the year ended 31 December 2021.

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 2022, the aggregate length of city medium-pressure gas pipeline networks was approximately 3,721 kilometers, representing an increase of 147 kilometers from the length of 3,574 kilometers as at 31 December 2021, while the aggregate length of high-pressure and sub-high-pressure gas pipeline networks was approximately 648 kilometers, representing an increase of 12 kilometers from the length of 636 kilometers as at 31 December 2021. For the year ended 31 December 2022, the Group's revenue from construction and gas pipeline installation service amounted to approximately HK\$646,835,000, representing a decrease of HK\$96,045,000 or approximately 13% compared to the amount of HK\$742,880,000 recorded for the year ended 31 December 2021.

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 2022, the volume of gases transported by the Group for its clients amounted to 593,010,423 cubic metres and gas passing through service income amounted to approximately HK\$51,104,000, representing a decrease of approximately HK\$9,063,000 or 15% compared to the amount of approximately HK\$60,167,000 recorded for the year ended 31 December 2021.

Property Development

As at 31 December 2022, 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.

FINANCIAL REVIEW

Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2022 was approximately HK\$727 million (2021: HK\$855 million) and the gross profit margin for the Group was approximately 12% (2021: 18%). The decrease in gross profit margin was mainly due to the increase in purchase cost of natural gas.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2022 was approximately HK\$315 million, representing an increase of approximately HK\$9 million or 3% compared to approximately HK\$306 million for the year ended 31 December 2021, which was mainly attributable to an increase in research and development expenses.

Profit Attributable to Owners of the Company

Profit attributable to equity owners of the Company for the year ended 31 December 2022 was approximately HK\$326 million, as compared to approximately HK\$400 million for the year ended 31 December 2021. Profit attributable to equity owners of the Company excluding the net foreign exchange loss recognised in profit or loss amounted to approximately HK\$410 million for the year ended 31 December 2022, representing an increase of 9% as compared to approximately HK\$375 million (excluding the net foreign exchange gain) for the year ended 31 December 2021. The Group recorded a net exchange loss of approximately HK\$84 million caused by fluctuations in RMB exchange rate in 2022 (2021: net exchange gain of approximately HK\$25 million).

Basic earnings per share for the year ended 31 December 2022 was HK\$24.1 cents, as compared to HK\$29.6 cents for the year ended 31 December 2021.

Liquidity and Financial Resources

As at 31 December 2022, the total borrowings of the Group amounted to approximately HK\$3,904,259,000 (2021: HK\$3,124,749,000) and the cash and bank deposits of the Group amounted to approximately HK\$1,018,114,000 (2021: HK\$897,261,000), which included cash and cash equivalents of approximately HK\$845,250,000 and restricted cash of approximately HK\$172,864,000. As at 31 December 2022, the Group had consolidated current assets of approximately HK\$1,935,797,000 and its current ratio was approximately 0.51. As at 31 December 2022, the Group had a gearing ratio of approximately 57%. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and lease liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated by adding total equity and net debt.

Borrowings Structure

As at 31 December 2022, the total borrowings of the Group amounted to approximately HK\$3,904,259,000 (2021: HK\$3,124,749,000). Syndicated borrowing was denominated in USD, carrying the interest at the rate of 2.6% plus LIBOR per interest period before 12 December 2022, and LIBOR was changed to SOFR from 12 December 2022 pursuant to a supplemental agreement. Secured borrowings from banks were denominated in RMB, carrying interests at rates ranging from 3.0% to 5.0% per annum. Unsecured borrowing from bank was denominated in HK\$, carrying interests at rates of 2.40% plus Hong Kong InterBank Offered Rate (“**HIBOR**”). Other secured borrowings carry interests at the rates ranging from 4.10% to 4.45% per annum. As at 31 December 2022, short-term borrowings and the current portion of long-term borrowings amounted to approximately HK\$1,575,868,000, 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 2022, the Group’s current liabilities exceeded its current assets by approximately HK\$1,853,172,000. 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 31 December 2022.

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 2022, net foreign exchange loss for the financing activities amounted to approximately HK\$84 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 2022, the Group had restricted cash of HK\$172,864,000 (2021: HK\$155,080,000). The net carrying amount of pipelines and equipment as at 31 December 2022 amounting to approximately HK\$742,762,000 were pledged as security for the borrowings.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities.

PROSPECTS

Stepping into 2023, the world has entered into the post-epidemic era, the Joint Prevention and Control Mechanism of the State Council of the Central People's Government issued the "Overall Plan for Implementing Class B Management for Category B Infectious Diseases against COVID-19", upon which, the epidemic prevention and control in Mainland China would aim to protect health and prevent severe cases and to minimize the impact of the epidemic on economic and social development. The recovery of social activities has brought about economic rebound. Against the backdrop of the gradually improving market environment, the factors affecting the development of the energy industry in the past have also successively turned for the better.

Due to the increasing cooperation with different countries in the world, Mainland China's natural gas sources have become diversified. While domestic gas production maintains at an increasing trend, new progress has also been made in the imported natural gas. The Sino-Russian East Line Natural Gas Pipeline Project, "Siberian Power" natural gas pipeline in Russia, was completed at the end of last year, and Sinopec entered into a LNG sale and purchase agreement with Qatar Energy for a term of 27 years. Diversified natural gas sources will strongly ensure the steady and healthy development of natural gas market in Mainland China. Supported by the slowdown in growth of natural gas prices and the recovery of domestic economy, the natural gas demand will maintain a rapid growth in Mainland China. The Group believes that, as the supply and demand of natural gas have improved this year, the energy industries such as natural gas are expected to hit a new high in 2023.

At present, since the domestic gas consumption has increased significantly, gas safety is facing greater pressure and challenges. The Group has consistently adhered to the green safety concept of "prioritize life; safety first; low carbon and environmental friendly; harmonious coexistence (生命至上、安全第一、低碳環保、和諧共生)", and committed to fundamentally eliminating hidden dangers and solving problems to improve the intrinsic safety level of gas in a full range, in addition to expanding and strengthening its gas business. Furthermore, the Group simultaneously promotes digitalized, informationized and intelligent construction, with a view to lead the intelligent upgrading of the industry by digital and intelligent means, and to speed up the transformation into a comprehensive energy advocator and operator in Mainland China.

EMPLOYEES

As at 31 December 2022, the Group had 1,722 employees (2021: 1,674 employees). For the year ended 31 December 2022, the salaries and wages of the employees amounted to approximately HK\$216 million (2021: HK\$210 million) and among these, approximately HK\$42 million were recorded in research and development expenses (2021: HK\$38 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 employee. 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, a share option scheme was adopted on 13 January 2021 as an incentive and award plan for senior management and personnel of the Group.

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 of the Company (“**Shareholders**”). For the year ended 31 December 2022, the Company had fully complied with the code provisions set out in Appendix 14 (Corporate Governance Code) (the “**CG Code**”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except for code provision F.2.2 of the CG Code which provides that the chairman of the board should attend the annual general meeting. Due to conflict with other important business engagement, Mr. WANG Zhiyong, the former chairman of the Board of the Company, was unable to attend the 2022 annual general meeting held on 13 May 2022 (the “**2022 AGM**”). Mr. Zuo Zhi Min, the executive Director and Vice Chairman of the Company who attended and acted as the chairman of the 2022 AGM, together with other members of the Board who attended the 2022 AGM were available to answer questions at the 2022 AGM to ensure effective communication with the shareholders of the Company.

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, *BBS, 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 2022 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 2022.

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 other listed securities during the year ended 31 December 2022.

FINAL DIVIDEND

The Board has recommended a final dividend for the year ended 31 December 2022 of HK\$0.10 per ordinary share of the Company (final dividend for the year ended 31 December 2021: HK\$0.09 per ordinary share).

After approval by the Shareholders at the forthcoming annual general meeting proposed to be held on 12 May 2023, the above dividend is expected to be paid on 9 June 2023 to those Shareholders whose names appear on the register of members of the Company as at 23 May 2023, 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 2022 will be published and despatched to the Shareholders on or about 12 April 2023 and 13 April 2023 respectively.

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

On behalf of the Board
Binhai Investment Company Limited
Gao Liang
Executive Director

Hong Kong, 23 March 2023

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Hu Hao, 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, BBS, J.P., Mr. Lau Siu Ki, Kevin and Professor Japhet Sebastian Law.

** For identification purpose only*