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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)

**INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS
ENDED 30 JUNE 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of Binhai Investment Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2024 (the “**Period**”) together with the comparative unaudited figures for the corresponding period in 2023. The unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company.

FINANCIAL HIGHLIGHTS

	Unaudited Six months Ended 30 June 2024 <i>HK\$'000</i>	Unaudited Six months Ended 30 June 2023 <i>HK\$'000</i>	Percentage Change
Revenue	3,495,192	3,119,303	12%
Gross profit	319,607	384,415	-17%
Profit for the Period	171,176	170,481	0%
Basic earnings per share attributable to owners of the Company during the Period	<u>12.41 cents</u>	<u>12.31 cents</u>	<u>1%</u>
	Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>	Percentage Change
Total assets	8,056,480	8,590,782	-6%
Total equity	2,318,108	2,320,551	0%
Total liabilities	<u>5,738,372</u>	<u>6,270,231</u>	<u>-8%</u>

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Unaudited	
		Six months ended 30 June	
		2024	2023
	Notes	HK\$'000	HK\$'000
Revenue from contracts with customers	6	3,495,192	3,119,303
Cost of sales and services	9	<u>(3,175,585)</u>	<u>(2,734,888)</u>
Gross profit		319,607	384,415
Other income	7	49,327	68,424
Administrative expenses	9	(139,109)	(143,913)
Net impairment reversal on financial and contract assets		21,296	17,317
Other gains/(losses) – net	8	<u>4,024</u>	<u>(39,815)</u>
Operating profit		255,145	286,428
Finance income	10	15,179	2,847
Finance costs	10	<u>(74,629)</u>	<u>(81,620)</u>
Finance costs – net	10	(59,450)	(78,773)
Share of net profit of associates and joint ventures accounted for using the equity method		<u>8,077</u>	<u>5,369</u>
Profit before income tax		203,772	213,024
Income tax expense	11	<u>(32,596)</u>	<u>(42,543)</u>
Profit for the Period		<u>171,176</u>	<u>170,481</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 June 2024

		Unaudited	
		Six months ended 30 June	
		2024	2023
	Notes	HK\$'000	HK\$'000
Profit for the Period attributable to:			
– Owners of the Company		167,924	166,436
– Non-controlling interests		3,252	4,045
		<u>171,176</u>	<u>170,481</u>
		HK\$ cents	HK\$ cents
Earnings per share attributable to owners of the Company:	13		
– Basic earnings per share		<u>12.41</u>	<u>12.31</u>
– Diluted earnings per share		<u>12.41</u>	<u>12.27</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Profit for the Period	<u>171,176</u>	<u>170,481</u>
Other comprehensive loss		
<i>Items that will not be reclassified to profit or loss</i>		
– Exchange differences on translation of financial statements of the Company	1,030	(11,674)
<i>Items that may be reclassified to profit or loss</i>		
– Exchange differences on translation of financial statements of the subsidiaries	<u>(60,990)</u>	<u>(85,584)</u>
	<u>(59,960)</u>	<u>(97,258)</u>
Total comprehensive income for the Period	<u>111,216</u>	<u>73,223</u>
Total comprehensive income for the Period is attributable to:		
– Owners of the Company	109,640	72,434
– Non-controlling interests	<u>1,576</u>	<u>789</u>
	<u>111,216</u>	<u>73,223</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
	Notes		
ASSETS			
Non-current Assets			
Property, plant and equipment	14	5,951,540	6,007,569
Right-of-use assets		198,394	194,424
Investment properties		6,013	12,561
Intangible assets		65,484	72,120
Investments accounted for using the equity method		294,096	296,902
Prepayments		80,970	87,476
Deferred income tax assets	20	32,552	33,394
Restricted cash		10,672	10,925
		6,639,721	6,715,371
Current Assets			
Inventories		115,644	107,863
Trade and other receivables	15	370,050	348,342
Notes receivable		25,902	34,708
Contract assets		16,458	15,906
Prepayments		207,373	433,193
Term deposits		19,143	127,035
Cash and cash equivalents		662,189	808,364
		1,416,759	1,875,411
Total Assets		8,056,480	8,590,782

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024

		Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
	<i>Notes</i>		
EQUITY AND LIABILITIES			
Equity			
Share capital		330,299	330,299
– Ordinary shares	16	135,299	135,299
– Redeemable preference shares	16	195,000	195,000
Share premium		1,536	1,536
Contributed surplus		–	40,102
Other reserves		(129,104)	(70,820)
Retained earnings		2,037,472	1,932,273
Equity attributable to owners of the Company		2,240,203	2,233,390
Non-controlling interests		77,905	87,161
Total Equity		2,318,108	2,320,551

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024

		Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
	Notes		
LIABILITIES			
Non-current Liabilities			
Borrowings	18	3,000,074	2,059,386
Deferred income	19	142,069	142,721
Lease liabilities		4,662	6,412
Deferred income tax liabilities	20	10,956	9,639
Trade and other payables	17	111	113
		<u>3,157,872</u>	<u>2,218,271</u>
Current Liabilities			
Trade and other payables	17	1,183,013	1,324,393
Contract liabilities		454,214	821,627
Current income tax liabilities		28,772	52,551
Borrowings	18	907,012	1,846,244
Lease liabilities		7,489	7,145
		<u>2,580,500</u>	<u>4,051,960</u>
Total Liabilities		<u>5,738,372</u>	<u>6,270,231</u>
Total Equity and Liabilities		<u>8,056,480</u>	<u>8,590,782</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

Changes in equity of the Group during the six months ended 30 June 2024 and 2023 are as follows:

	Unaudited							
	Attributable to owners of the Company							
	Share capital	Share premium	Contributed surplus	Other reserves	Retained earnings	Total	Non-controlling interests	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023 (audited)	377,203	175,305	–	(70,563)	1,739,025	2,220,970	65,016	2,285,986
Profit for the Period	–	–	–	–	166,436	166,436	4,045	170,481
Other comprehensive loss for the Period	–	–	–	(94,002)	–	(94,002)	(3,256)	(97,258)
Total comprehensive (loss)/ income for the Period	–	–	–	(94,002)	166,436	72,434	789	73,223
Dividends provided for Company's shareholders	–	–	(135,203)	–	–	(135,203)	–	(135,203)
Contribution from non-controlling interests	–	–	–	–	–	–	20,000	20,000
Specialised reserve	–	–	–	10,372	–	10,372	–	10,372
Conversion of share premium to contributed surplus	–	(175,305)	175,305	–	–	–	–	–
Dividend provided for non-controlling interests	–	–	–	–	–	–	(4,092)	(4,092)
Redemption of preferences shares	(47,000)	–	–	–	–	(47,000)	–	(47,000)
At 30 June 2023 (unaudited)	330,203	–	40,102	(154,193)	1,905,461	2,121,573	81,713	2,203,286

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2024

	Unaudited							
	Attributable to owners of the Company							
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
At 1 January 2024 (audited)	330,299	1,536	40,102	(70,820)	1,932,273	2,233,390	87,161	2,320,551
Profit for the Period	-	-	-	-	167,924	167,924	3,252	171,176
Other comprehensive loss for the Period	-	-	-	(58,284)	-	(58,284)	(1,676)	(59,960)
Total comprehensive (loss)/ income for the Period	-	-	-	(58,284)	167,924	109,640	1,576	111,216
Approved dividends for last year	-	-	(40,102)	-	(62,725)	(102,827)	-	(102,827)
Approved dividend for non-controlling interests	-	-	-	-	-	-	(10,832)	(10,832)
Appropriation of special reserve (Note)	-	-	-	21,787	(21,787)	-	-	-
Utilisation of special reserve (Note)	-	-	-	(21,787)	21,787	-	-	-
At 30 June 2024 (unaudited)	330,299	1,536	-	(129,104)	2,037,472	2,240,203	77,905	2,318,108

Note: Pursuant to relevant PRC regulation, the Group is required to transfer certain percentage on revenue generated from activities relating to construction, installation and transportation of gas or other dangerous chemicals into a designated fund. The fund will be used for installation and repair and maintenance of safety facilities. The movement of specialised reserve in this period refers to the amount provided according to relevant laws and regulations and the amount utilised during the period.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operating activities	104,913	288,015
Interest received	15,179	2,847
Income tax paid	(53,786)	(35,607)
Net cash inflow from operating activities	66,306	255,255
Cash flows from investing activities		
Payments for property, plant and equipment	(259,393)	(257,974)
Payments for land use rights	–	(5,085)
Payments for intangible assets	(534)	(194)
(Payments for)/proceeds from disposal of property, plant and equipment	(29)	295
Net (increase)/decrease in restricted cash	(5)	130,156
Placement of term deposits	(19,143)	–
Withdrawal of term deposits	125,516	–
Payments for acquiring an equity investment	(4,917)	(46,549)
Proceeds from disposal of a subsidiary	10,616	–
Payments for acquiring a subsidiary	–	(36,963)
Dividends from an associate	3,773	754
Government grant received	5,909	43,450
Net cash outflow from investing activities	(138,207)	(172,110)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2024

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Cash flows from financing activities		
Proceeds from borrowings	1,351,267	605,182
Repayments of borrowings	(1,277,862)	(492,981)
Principal elements of lease payments	(3,240)	(5,797)
Interest paid	(100,662)	(106,617)
Proceeds from non-controlling interests in a subsidiary for capital increase	–	20,000
Dividends paid to non-controlling interests	(17,881)	–
Redemption of redeemable preference shares	–	(47,000)
Dividend paid to the Company's shareholders	–	(135,200)
	<hr/>	<hr/>
Net cash outflow from financing activities	(48,378)	(162,413)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(120,279)	(79,268)
Cash and cash equivalents at the beginning of the Period	808,364	845,250
Effects of exchange rate difference	(25,896)	(28,174)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the Period	662,189	737,808
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

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

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

As at 30 June 2024, TEDA Hong Kong Property Company Limited (“**TEDA HK**”) (an indirect subsidiary of TEDA Investment Holding Co., Ltd. (“**TEDA**”)), together with TEDA’s other subsidiaries, held approximately 40.63% of the total ordinary shares of the Company in issue, and Great Wall Energy Investment (Hong Kong) Limited (“**Great Wall Energy HK**”) (a wholly-owned subsidiary of China Petroleum & Chemical Corporation (“**Sinopec**”)) held approximately 29.97% of the total ordinary shares of the Company in issue. TEDA is the largest ultimate shareholder of the Company and Sinopec is the second largest ultimate shareholder of the Company.

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

2. BASIS OF PREPARATION

(i) Compliance with HKAS 34 and Listing Rules

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the HKEx (the “**Listing Rules**”).

(ii) Historical cost convention

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

(iii) Going concern

As at 30 June 2024, the Group’s current liabilities exceeded its current assets by approximately HK\$1,163,741,000. The Group’s current liabilities as at 30 June 2024 included primarily trade and other payables, contract liabilities and current borrowings of approximately HK\$1,183,013,000, HK\$454,214,000 and HK\$907,012,000, respectively.

Based on the considerations that 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 RMB716,955,000 (equivalent to approximately HK\$769,926,000) from certain banks and other financial institutions as of the date of approval of these consolidated financial statements, 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 30 June 2024.

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. ACCOUNTING POLICIES

Except as described below, the accounting policies applied and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2023.

Amended standards adopted by the Group

The Group has adopted the following amended standards, which are mandatorily effective for the accounting periods beginning on or after 1 January 2024 and do not have a material impact on the Group:

- *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to HKAS 1;*
- *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – HK Int 5 (Revised); and*
- *Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.*

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 30 June 2024 reporting period 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.

4. ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2023.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. As at 30 June 2024, the Group did not use any derivative financial instruments to hedge against its financial risk exposures.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

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

5.2 Liquidity risk

Compared to the year end of 2023, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

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

- level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

As at 30 June 2024, financial instruments included in level 3 comprise notes receivables which were classified as financial assets at fair value through other comprehensive income. Notes receivables of HK\$25,902,000 (31 December 2023: HK\$34,708,000) were measured by using marketability discount rate derived from management's judgement to estimate their fair value.

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

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

Fair value of the financial assets and financial liabilities that are not measured at fair value on recurring basis:

The Directors consider that the carrying amounts of other financial assets and financial liabilities carried at amortised cost in the condensed consolidated interim financial statements approximate their fair values.

6. SEGMENT INFORMATION

The executive directors of the Company (the “**Executive Directors**”) review the Group's internal reporting in order to assess performance and allocate resources of the Group. The Executive Directors have determined the operating segments based on these reports.

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

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

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

	Unaudited			
	Sales of natural gas <i>HK\$'000</i>	Construction and gas pipeline installation service <i>HK\$'000</i>	Gas passing through service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2024				
Total segment revenue from external customers	3,295,229	167,572	32,391	3,495,192
<i>Recognised at a point in time</i>	3,295,229	–	32,391	3,327,620
<i>Recognised over time</i>	–	167,572	–	167,572
Segment results	<u>188,923</u>	<u>102,248</u>	<u>28,436</u>	<u>319,607</u>
– Other income				49,327
– Administrative expenses				(139,109)
– Net impairment reversal on financial and contract assets				21,296
– Other gains – net				4,024
– Finance income				15,179
– Finance costs				(74,629)
– Share of net profit of an associate and joint ventures accounted for using the equity method				8,077
Profit before income tax				<u>203,772</u>
Other segment information				
Depreciation (included in cost of sales and services)	65,076	1,287	3,685	70,048
Depreciation (included in administrative expenses)				<u>33,945</u>
				<u>103,993</u>

Unaudited				
Six months ended 30 June 2023	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>	Total <i>HK\$'000</i>
Total segment revenue from external customers	2,793,750	300,036	25,517	3,119,303
<i>Recognised at a point in time</i>	2,793,750	–	25,517	2,819,267
<i>Recognised over time</i>	–	300,036	–	300,036
Segment results	175,807	186,816	21,792	384,415
– Other income				68,424
– Administrative expenses				(143,913)
– Net impairment reversal on financial and contract assets				17,317
– Other losses – net				(39,815)
– Finance income				2,847
– Finance costs				(81,620)
– Share of net profit of associates and joint ventures accounted for using the equity method				5,369
Profit before income tax				213,024
Other segment information:				
Depreciation (included in cost of sales and services)	66,667	514	3,642	70,823
Depreciation (included in administrative expenses)				30,548
				101,371

7. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Value-added services		
Small-scale assembling services income	14,867	8,662
Income from service of insurance agent	4,240	3,369
Income from sales of gas appliances	2,558	3,700
Income from service of maintenance	2,094	2,379
	<u>23,759</u>	<u>18,110</u>
Other services		
Government grants	22,644	45,575
Income from service of maintenance and renovation	2,638	4,387
Rental income	286	352
	<u>25,568</u>	<u>50,314</u>
	<u>49,327</u>	<u>68,424</u>

8. OTHER GAINS/(LOSSES) – NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Net gains from compensation for gas pipelines relocation	19,031	14,815
Net (losses)/gains on disposal of property, plant and equipment	(327)	462
Net foreign exchange losses	(23,696)	(55,351)
Net gains on disposal of a subsidiary	2,853	–
Others	6,163	259
	<u>4,024</u>	<u>(39,815)</u>

9. EXPENSES BY NATURE

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Cost of gas purchased	2,942,825	2,463,789
Employee benefit expense	121,200	117,168
Depreciation	103,993	101,371
– Property, plant and equipment	95,578	93,687
– Right-of-use assets	8,415	7,684
Subcontractor and other costs	27,907	55,440
Changes in inventories of pipeline and other materials	8,898	(15,610)
Costs of pipeline and other material purchased	27,677	74,080
Repair expenses	11,824	6,104
Other professional fees	7,011	10,004
Expenses relating to short term leases	2,191	2,663
Amortisation	2,410	1,963
Others	58,758	61,829
Total cost of sales and services and administrative expenses	3,314,694	2,878,801

10. FINANCE INCOME AND COSTS

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Finance income:		
– Interest income on bank deposits	15,179	2,847
Finance costs:		
– Interest expenses	(110,409)	(104,017)
Less: amounts capitalised as construction in progress	35,780	22,397
	(74,629)	(81,620)
Finance costs – net	(59,450)	(78,773)

11. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Current income tax	30,980	38,620
Deferred income tax charge (<i>Note 20</i>)	1,616	3,923
	<u>32,596</u>	<u>42,543</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\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 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%.

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 to 2024.

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 (“**Withholding tax**”) at the rate of 10% with reduced rates available under certain conditions according to relevant international tax treaties.

The Group is liable to Withholding 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 from 2022, reduced rate of Withholding 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 Limited (“**TEDA Energy**”) was recognised as a New and High Technical Enterprise on 19 December 2022 in accordance with the applicable CIT Law for 3 years and is subject to the preferential tax rate of 15% for the years from 2022 to 2024.

Other subsidiaries established in the PRC are subject to income tax at the statutory tax rate of 25% for the six months ended 30 June 2024 (for the six months ended 30 June 2023: 25%).

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

12. DIVIDEND

During the Period, a final dividend of HK\$0.076 per ordinary share in respect of the year ended 31 December 2023 (the “**2023 Final Dividend**”) was recommended by the Board (a final dividend of HK\$0.10 per ordinary share was recommended for the year ended 31 December 2022). The total 2023 Final Dividend amounted to approximately HK\$102,827,000 (2022 Final Dividend: approximately HK\$135,203,000), which entitled the ordinary shareholders of the Company to elect to receive the Final Dividend in the form of either all new ordinary shares, partly in cash for some of the new ordinary shares, or entirely in cash. The 2023 Final Dividend was paid on 19 July 2024, of which approximately HK\$38,130,000 was satisfied by issuing 30,262,195 ordinary shares at HK\$1.26 per share under the Scrip Dividend Scheme.

The Directors have not resolved to declare an interim dividend for the six months ended 30 June 2024.

13. EARNINGS PER SHARE

(a) Basic

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
Profit attributable to owners of the Company (HK\$'000)	167,924	166,436
Weighted-average number of ordinary shares for basic earnings per share (thousand)	1,352,993	1,352,025
Basic earnings per share (HK\$ cents)	12.41	12.31

(b) Diluted

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.

	Unaudited	
	Six months ended 30 June	
	2024	2023
Profit attributable to owners of the Company (<i>HK\$'000</i>)	167,924	166,436
Weighted-average number of ordinary shares for basic earnings per share (<i>thousand</i>)	1,352,993	1,356,297
Diluted earnings per share (<i>HK\$ cents</i>)	12.41	12.27

14. PROPERTY, PLANT AND EQUIPMENT

	Unaudited	Unaudited
	As at 30	As at 30
	June 2024	June 2023
	HK\$'000	HK\$'000
Opening net book amount	6,007,569	5,845,395
Additions	163,149	203,964
Sales and disposals	(281)	(167)
Depreciation charges	(95,578)	(93,687)
Currency translation differences	(123,319)	(244,591)
Closing net book amount	5,951,540	5,710,914

15. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Trade receivables from third parties:		
– Construction and gas pipeline installation service	266,288	241,940
– Sales of piped natural gas	59,687	98,994
– Gas passing through service	2,521	8,124
	<u>328,496</u>	<u>349,058</u>
Less: provision for impairment loss allowance	<u>(71,636)</u>	<u>(90,186)</u>
	<u>256,860</u>	<u>258,872</u>
Trade receivables from related parties		
– Construction and gas pipeline installation service	4,176	9,924
	<u>4,176</u>	<u>9,924</u>
Less: provision for impairment loss allowance	<u>(3,496)</u>	<u>(6,049)</u>
	<u>680</u>	<u>3,875</u>
Other receivables	116,503	89,959
Less: provision for impairment loss allowance	<u>(3,993)</u>	<u>(4,364)</u>
	<u>112,510</u>	<u>85,595</u>
Total trade and other receivables	<u><u>370,050</u></u>	<u><u>348,342</u></u>

The Group grants credit period of 90 days to its customers of piped natural gas sales and customers of gas passing through service, whereas a longer credit period of 91-180 days after the completion of relevant stage of contract work is granted to customers of construction and gas pipeline installation. A longer credit period may be granted on a discretionary basis to certain selected customers with good repayment histories or settling by bills.

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

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
0-90 days	88,296	125,991
91-180 days	8,452	32,192
181-365 days	55,860	29,705
Over 365 days	180,064	171,094
	332,672	358,982

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

16. SHARE CAPITAL

	Unaudited As at 30 June 2024		Audited As at 31 December 2023	
	Number of shares '000	Amounts HK\$'000	Number of shares '000	Amounts HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	2,280,000	228,000	2,280,000	228,000
Issued and fully paid:	1,352,993	135,299	1,352,993	135,299
Redeemable preference shares of HK\$50.00 each, issued and fully paid	3,900	195,000	3,900	195,000
Total:		330,299		330,299

17. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
Trade payables	616,391	663,227
Other payables	544,331	599,247
Accrued expenses	22,402	62,032
	<hr/>	<hr/>
Total trade and other payables	1,183,124	1,324,506
Less: non-current portion of trade and other payables	(111)	(113)
	<hr/>	<hr/>
Current portion	<u>1,183,013</u>	<u>1,324,393</u>

As at 30 June 2024, the ageing analysis of the trade payables based on suppliers' invoice date is as follows:

	Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
0-90 days	115,007	178,588
91-180 days	76,767	53,039
181-365 days	98,919	104,275
Over 365 days	325,698	327,325
	<hr/>	<hr/>
	<u>616,391</u>	<u>663,227</u>

18. BORROWINGS

		Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
	Notes		
Non-current			
Secured			
– Syndicated borrowing	(a)	873,520	–
– Bank borrowings	(b)	1,684,219	1,510,973
– Other borrowings	(c)	442,335	548,413
Total non-current borrowings		3,000,074	2,059,386
Current			
Secured			
– Syndicated borrowing	(a)	11,908	889,342
– Bank borrowings	(b)	709,050	631,952
– Other borrowings	(c)	186,054	189,950
		907,012	1,711,244
Unsecured			
– Bank borrowings	(b)	–	135,000
Total current borrowings		907,012	1,846,244
Total borrowings		3,907,086	3,905,630

Notes:

a) Syndicated borrowing

Syndicated borrowing was obtained by the Company on 6 June 2024 and guaranteed by the Company's subsidiaries, Binhai Investment (Tianjin) Company Limited, TEDA Energy and Taicheng Clean Energy Company Limited, which is a dual-currency term facility denominated in United States Dollars ("USD") and offshore RMB. It bears interest at a rate of Secured Overnight Financing Rate ("SOFR") plus 2.35% per annum for the USD tranche and 6% per annum for the offshore RMB tranche. Interest is payable quarterly and the principal will be repaid in installments by June 2026. As at 30 June 2024, the syndicated borrowing for the US dollar tranche amounted to approximately US\$85,085,000, equivalent to approximately HK\$652,755,000, and the syndicated borrowing for the RMB tranche amounted to approximately RMB219,647,000, equivalent to approximately HK\$232,673,000.

b) Bank borrowings

Details of the bank borrowings are summarised as below:

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Non-current bank borrowings:		
Secured (<i>Note</i>)	<u>1,684,219</u>	<u>1,510,973</u>
Current bank borrowings:		
Secured (<i>Note</i>)	709,050	631,952
Unsecured	<u>–</u>	<u>135,000</u>
	<u>709,050</u>	<u>766,952</u>
	<u>2,393,269</u>	<u>2,277,925</u>

Notes:

The details of secured bank borrowings are as below:

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Collateral security or guarantor		
Secured using the rights to the earnings of certain subsidiaries and certain trade receivables	940,243	1,045,754
Guaranteed by subsidiaries of the Group	<u>1,453,026</u>	<u>1,097,171</u>
	<u>2,393,269</u>	<u>2,142,925</u>

c) **Other borrowings**

The details of other borrowings are as below:

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Collateral security		
Equity interest of a subsidiary	322,165	329,960
Gas pipeline assets with net book value of approximately HK\$660 million (2023: HK\$702 million) (<i>Note</i>)	306,224	408,403
	628,389	738,363

Note: In April and December 2022, the subsidiary of the Company, TEDA Energy, signed two financial leasing contracts respectively with two independent financial leasing companies. Pursuant to the agreements, TEDA Energy transferred its gas pipeline assets to the financial leasing companies and leased them back. Details of the transactions are as follows:

	Net book values of the pipeline assets transferred <i>RMB million</i>	Consideration <i>RMB million</i>	Lease period	Lease-back rental
Transaction 1	284	300	19 April 2022 to 19 April 2025	RMB25 million per quarter
Transaction 2	330	300	30 December 2022 to 30 December 2026	RMB18.75 million per quarter
	614	600		

As the transfer of the pipeline assets does not satisfy the requirement to be accounted for as a sale of the related assets, the Group continued to recognise the transferred assets and recognised a financial liability of borrowing equal to the transfer proceeds. The financial liability was recognised as borrowings totalling RMB600 million mortgaged by TEDA Energy with the gas pipeline assets.

d) The Group's borrowings were repayable as follows:

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Within one year	907,012	1,846,244
Over one year, less than two years	1,752,307	1,008,884
Over two years, less than five years	703,062	796,854
Over five years	544,705	253,648
	<hr/>	<hr/>
Total	3,907,086	3,905,630
	<hr/> <hr/>	<hr/> <hr/>

19. DEFERRED INCOME

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Government grants (<i>Note a</i>)	55,186	56,670
Grants for construction projects (<i>Note b</i>)	86,883	86,051
	<hr/>	<hr/>
	142,069	142,721
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) As at 30 June 2024, certain subsidiaries of the Group had received government grants of HK\$55,186,000 (31 December 2023: HK\$56,670,000) related to certain gas pipeline construction projects in improving energy use efficiency. Accordingly, the government grants are classified as deferred income and released to profit or loss on a straight-line basis over the estimated useful lives of the relevant gas pipelines assets of 30 years.
- (b) As at 30 June 2024, grants received by certain subsidiaries of the Group for gas pipeline construction projects and heating construction projects totalling approximately HK\$86,883,000 (31 December 2023: HK\$86,051,000). The relevant assets belong to such subsidiaries of the Group, therefore the grants are classified as deferred income and will be released to 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 six months ended 30 June 2024, deferred income totalling HK\$3,951,000 (during the six months ended 30 June 2023: HK\$2,125,000) was recognised in profit or loss as other income.

20. DEFERRED INCOME TAX

(a) Deferred income tax assets

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Deferred income tax assets (“DTA”):		
– to be recovered within 12 months	17,263	19,021
– to be recovered after more than 12 months	<u>34,841</u>	<u>33,135</u>
	<u>52,104</u>	<u>52,156</u>
– Set off with deferred income tax liabilities	<u>(19,552)</u>	<u>(18,762)</u>
	<u>32,552</u>	<u>33,394</u>

The movement on DTA during the six months ended 30 June 2024 and 2023 is as follows:

	Deferred income HK\$'000	Impairment provisions HK\$'000	Accrued expenses HK\$'000	Tax Losses HK\$'000	Total HK\$'000
At 1 January 2023 (audited)	25,892	9,223	5,010	9,992	50,117
Charged to profit or loss	(65)	(1,009)	–	–	(1,074)
Currency translation differences	<u>(1,163)</u>	<u>(392)</u>	<u>(225)</u>	<u>(449)</u>	<u>(2,229)</u>
At 30 June 2023 (unaudited)	<u>24,664</u>	<u>7,822</u>	<u>4,785</u>	<u>9,543</u>	<u>46,814</u>

	Deferred income <i>HK\$'000</i>	Impairment provisions <i>HK\$'000</i>	Accrued expenses <i>HK\$'000</i>	Tax Losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2024 (audited)	26,550	12,088	4,050	9,468	52,156
Credited/(charged) to profit or loss	3,393	(2,130)	(68)	–	1,195
Currency translation differences	<u>(668)</u>	<u>(261)</u>	<u>(95)</u>	<u>(223)</u>	<u>(1,247)</u>
At 30 June 2024 (unaudited)	<u>29,275</u>	<u>9,697</u>	<u>3,887</u>	<u>9,245</u>	<u>52,104</u>

(b) Deferred income tax liabilities

	Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
Deferred income tax liabilities ("DTL"):		
– to be debited within 12 months	5,545	5,573
– to be debited after more than 12 months	<u>24,963</u>	<u>22,828</u>
	<u>30,508</u>	<u>28,401</u>
– Set off with deferred income tax assets	<u>(19,552)</u>	<u>(18,762)</u>
	<u>10,956</u>	<u>9,639</u>

The movement on DTL during the six months ended 30 June 2024 and 2023 is as follows:

	Withholding tax on unremitted earnings <i>HK\$'000</i>	Accelerated depreciation of equipments <i>HK\$'000</i>	Other <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2023 (audited)	–	16,387	–	16,387
Charged to profit or loss	–	2,849	–	2,849
Acquisition of a subsidiary	–	–	1,350	1,350
Currency translation Differences	–	(801)	(94)	(895)
At 30 June 2023 (unaudited)	<u>–</u>	<u>18,435</u>	<u>1,256</u>	<u>19,691</u>
At 1 January 2024 (audited)	4,594	22,531	1,276	28,401
Charged to profit or loss	–	2,811	–	2,811
Currency translation Differences	(108)	(565)	(31)	(704)
At 30 June 2024 (unaudited)	<u>4,486</u>	<u>24,777</u>	<u>1,245</u>	<u>30,508</u>

21. COMMITMENTS

a) Capital commitments

	Unaudited As at 30 June 2024 <i>HK\$'000</i>	Audited As at 31 December 2023 <i>HK\$'000</i>
Contracted but not provided for – Property, plant and equipment	<u>383,684</u>	<u>403,409</u>

b) Non-cancellable operating leases

Lessor

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

	Unaudited	Audited
	As at 30 June	As at 31 December
	2024	2023
	HK\$'000	HK\$'000
Minimum lease payments receivable on leases of investment properties are as follows:		
Within 1 year	546	559
Between 1 and 2 years	546	751
Between 2 and 3 years	546	944
Between 3 and 4 years	358	1,136
Between 4 and 5 years	358	1,329
Over 5 years	2,023	2,255
	4,377	6,974

Lessee

The Group leases various offices, warehouses, retail stores equipment and vehicles under non-cancellable operating leases expiring within 6 months to 50 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

22. RELATED PARTY TRANSACTIONS

In addition to those mentioned elsewhere in the condensed consolidated interim financial statements, the followings are significant related party transactions entered between the Group, its related parties and other PRC government-related entities.

a) The Company is controlled by the following entities:

Name	Relationship with the Company	Place of incorporation	Ownership interest	
			Unaudited As at 30 June 2024	Audited As at 31 December 2023
TEDA HK	The largest shareholder	Hong Kong SAR	36.56%	36.24%
TEDA	The ultimate parent of TEDA HK	PRC	40.63%	40.32%
Great Wall Energy HK	The second largest shareholder	Hong Kong SAR	29.97%	29.97%
Sinopec	The ultimate parent of Great Wall Energy HK	PRC	29.97%	29.97%

b) Transactions with related parties

i. Sales of piped natural gas

	Unaudited Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Associate	97,349	—
Entities controlled by TEDA	96,508	121,174
Other related parties	2,840	5,480
Entities controlled by Sinopec	932	977
Joint ventures	—	4,264
	197,629	131,895

ii. Construction and gas pipeline installation services

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Other related parties	2,783	7,833
Entities controlled by TEDA	–	342
	<u>2,783</u>	<u>8,175</u>

iii. Gas passing through income

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Joint ventures	<u>–</u>	<u>67</u>

iv. Rental income

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Joint ventures	<u>115</u>	<u>175</u>

v. Compensation for gas pipelines reconstruction

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Entities controlled by TEDA	<u>–</u>	<u>10,186</u>

vi. Purchases of gas

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Entities controlled by Sinopec	990,910	1,167,390
Joint ventures	–	465
	990,910	1,167,855

vii. Purchases of gasoline and others

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Entities controlled by Sinopec	713	1,344
Entities controlled by TEDA	51	–
Associate	23	–
Other related parties	–	15
	787	1,359

viii. Interest expenses

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Entities controlled by Sinopec	6,510	14,843

ix Other service expenses

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Entities controlled by TEDA	8,029	–
Other related parties	–	24
	8,029	24

x. Sales of gas meters and others

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Associate	1,036	16
Other related parties	–	154
Entities controlled by TEDA	–	46
	1,036	216

The Group's pricing on sales of piped natural gas with related parties are based on the reference price stipulated by the local government. Other transactions were entered into on terms as agreed with the related parties in the ordinary course of business.

c) Balances with related parties

(i) Trade and other receivables

	Unaudited	Audited
	As at 30 June	As at 31 December
	2024	2023
	HK\$'000	HK\$'000
Entities controlled by TEDA	6,178	10,916
Other related parties	2,736	55
Associate	1,111	4
Entities controlled by Sinopec	117	2,834
Joint ventures	–	11
	10,142	13,820

(ii) Prepayments

	Unaudited	Audited
	As at 30 June	As at 31 December
	2024	2023
	HK\$'000	HK\$'000
Entities controlled by Sinopec	18,947	131,555
Entities controlled by TEDA	206	–
	19,153	131,555

(iii) Trade and other payables

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Entities controlled by TEDA	6,932	46
Joint ventures	2,752	2,940
Entities controlled by Sinopec	353	21
Associate	26	–
Other related parties	–	2
	<hr/>	<hr/>
	10,063	3,009
	<hr/> <hr/>	<hr/> <hr/>

(iv) Contract liabilities

	Unaudited As at 30 June 2024 HK\$'000	Audited As at 31 December 2023 HK\$'000
Entities controlled by TEDA	23,993	19,061
Associate	1,718	1
Entities controlled by Sinopec	253	2,009
Other related parties	218	72
	<hr/>	<hr/>
	26,182	21,143
	<hr/> <hr/>	<hr/> <hr/>

(v) ***Borrowings***

	Unaudited	Audited
	As at 30 June	As at 31 December
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Entities controlled by Sinopec	322,165	329,960

d) Transactions/balances with other state-owned enterprises in the PRC

Both the largest and second largest ultimate shareholders of the Company are state-controlled enterprises and hence the Company operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government (collectively referred to as “**state-controlled entities**”) through its government authorities, agencies, affiliations and other organizations.

Apart from transactions with related parties, the Group has transactions with other state- controlled entities which include, but are not limited to, the following:

- sales and purchases of piped natural gas;
- construction and gas pipeline installation service;
- lease of assets, purchase of pipe materials and property, plant and equipment;
- placing deposits and obtaining finance; and
- use of public utilities.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state controlled. The Group has established its procurement policies, pricing strategy and approval process for purchases and sales of products and services which do not depend on whether the counterparties are state-controlled entities or not.

e) Compensation of key management personnel

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	1,275	1,232
Salaries, share options and other allowances	2,460	2,784
Pension costs	124	129

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Sales of Piped Natural Gas

During the Period, consumption of piped natural gas by domestic and industrial users amounted to approximately $7,006 \times 10^6$ and $26,261 \times 10^6$ mega-joules respectively, as compared to $6,433 \times 10^6$ and $20,408 \times 10^6$ mega-joules respectively for the corresponding period last year. During the Period, income of the Group from sales of piped natural gas amounted to HK\$3,295,229,000, representing an increase of HK\$501,479,000 or 18% compared to the amount of HK\$2,793,750,000 recorded for the corresponding period last year. The increase in income from sales of piped natural gas is mainly due to the increase in natural gas sales volume.

Construction and Gas Pipeline Installation Service

The Group constructs gas pipelines for its clients and connects such pipelines to the Group's main gas pipeline networks. The Group then charges construction and gas pipeline installation service fees from industrial and commercial customers, property developers and property management companies. As at 30 June 2024, the aggregate length of city medium-pressure gas pipeline networks was approximately 3,914 kilometers, representing an increase of 23 kilometers from the length of 3,891 kilometers as at 31 December 2023, while the aggregate length of high-pressure and sub-high-pressure gas pipeline networks was approximately 653 kilometers, representing an increase of 4 kilometers from the length of 649 kilometers as at 31 December 2023. During the Period, income of the Group from construction and gas pipeline installation service amounted to approximately HK\$167,572,000, representing a decrease of HK\$132,464,000 or 44% compared to the amount of HK\$300,036,000 recorded for the corresponding period last year.

Gas Passing Through Service

The Group transports gases for clients through gas pipeline networks and charges passing through fees. During the Period, the volume of gases transported by the Group for its clients amounted to 379,840,033 cubic meters and gas passing through service income amounted to approximately HK\$32,391,000, representing an increase of HK\$6,874,000 or 27% compared to the amount of HK\$25,517,000 for the corresponding period last year.

Property Development

As at 30 June 2024, the Group held a piece of land under development of approximately 15,899.6 square meters located to the east of Central West Road, west of Central Road, north of Xi San Road and south of Xi Er Road in the Tianjin Airport Economic Area in the Binhai New Area of the PRC, under land use rights for commercial use for a term of 40 years from 31 December 2009.

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

Prospects

Over the past decade, China has been deeply advancing its energy revolution and strengthening cooperation with the rest of the world, achieving historic milestones in energy development. Particularly, with the drive towards “carbon neutrality” and the global shift towards low-carbon and zero-carbon development, the position of natural gas in China's energy structure will become more prominent, with its production and market demand steadily increasing. According to the data released by the National Development and Reform Commission, in the first half of 2024, the country's apparent natural gas consumption reached 213.75 billion cubic meters, representing a year-on-year increase of 10.1%. The Group is positioned in the green and low-carbon energy industry, the outlook of which is promising. Against the backdrop of the “X+1+X” policy model in China's natural gas industry, industry integration and transformation will also bring more opportunities and challenges for enterprises with resource advantage.

Driven by the aforementioned factors, the Group will regard the continuous optimisation of the upstream and downstream industry chains as one of the key development strategies for the “14th Five-Year Plan”. Leveraging the regional advantage of Tianjin in Mainland China which serves as a natural gas distribution hub, the Group's pipelines have achieved interconnection with other four major LNG receiving stations around the Beijing-Tianjin-Hebei region (PipeChina, Sinopec, Beijing Gas, and China Suntien in Hebei). After the acquisition of a 2% stake in Sinopec Tianjin LNG Co. Ltd. in 2023, in the first half of 2024, the Group successively entered into natural gas purchase and sales contracts with Beijing Gas Group (Tianjin) Natural Gas Sales Company Limited, a subsidiary of Beijing Gas Group Co. Ltd., and HCIG New Energy Supply Chain Management Co. Ltd., a subsidiary of China Suntien Green Energy Corporation Limited, further enriching and optimizing the gas resource structure while reducing the overall gas procurement costs, and yielding positive outcome in bridging the upstream industry chain for the Company. Additionally, in 2023, the Group established a supply chain company in Shenzhen, which focuses on connecting upstream and downstream resources, establishing and leveraging the resource pool advantage in Northern China, to achieve coordinated gas source

scheduling and support market expansion. In the first half of 2024, the Company had 2,442,000 customers in aggregate, during which we successfully secured several large-scale industrial users, including key projects in Jiangsu such as Yunhai Light Metals, Suntien's Rolling-one Steel Project, Qinhuangdao Beifang Glass Natural Gas Supply Project, Qinhuangdao Hong Kong & China Gas Project, and Huaneng Power Plant Natural Gas Incremental Project, achieving remarkable results in market development. The total gas sales volume in the first half of 2024 amounted to 1.327 billion cubic meters, a year-on-year increase of 23.2%, of which piped natural gas sales reached 0.947 billion cubic metres, a year-on-year increase of 23.9%, while gas passing through reached 0.380 billion cubic metres, a year-on-year increase of 21.4%, and the Group is confident that such growth momentum is expected to continue throughout 2024, bringing positive impact to its performance.

The Group's value-added service business has also delivered remarkable performance, having achieved gross profit of approximately HK\$23.76 million, representing a year-on-year increase of 31.2% and the overall business comprehensive gross profit margin reaching 67.4%. In 2024, the Group, based on its previous business development experiences, officially established its self-owned brand "Taiyuejia (泰悦佳)" by integrating its value-added service business segment through a specialized independent operating company, and diversifying product types. Moreover, the Group entered into a technical research and development and service cooperation agreement with China Municipal Engineering Northern China Design Research Institute, ensuring product quality and safety performance from the source, further enhancing the profitability of the value-added service business segment, and laying a solid foundation for expanding and strengthening the value-added service business module in the future, enabling it to become the Group's new profit engine.

Furthermore, the Company's implementation of the "Scrip Dividend Scheme" provided qualified shareholders with the opportunity to increase their investment in the Company at market value, demonstrating the Company's high regard for shareholders' rights. TEDA, the controlling shareholder, also through its subsidiaries elected to receive the final dividend for 2023 mostly in the form of scrip shares, and the ordinary shares which TEDA's subsidiaries elected to receive dividend in scrip shares accounted for approximately 89% of the ordinary shares in the Company that TEDA is interested in. The Group believes that the controlling shareholder's election to receive dividends in the form of scrip shares reflects TEDA's recognition of the Group's recent business expansion, its support for the optimization and improvement of the Group's upstream and downstream industry chain strategies, and also demonstrates its confidence in the current and future development prospects and growth value of the Group. During the Period, the Group was awarded the "Outstanding" grade of the "Double-Hundred Enterprises" for 2023 by the State Council's SASAC. Moreover, its subsidiaries were honored as "Top 100 Leading Technology Enterprises in Tianjin" and successfully applied for the title of "Tianjin Eagle Enterprise", demonstrating the Company's capabilities in both high-tech innovation and comprehensive good governance.

The Group makes persistent efforts in its main businesses and the extended industrial chain, together with the improvement of the industry environment, laying a solid foundation for its future development. With the continuous improvement in the quality of its business development and operation and management, the Group is expected to achieve better performance in the second half of 2024, and continued sound growth for the rest of the year. In the future, the Group will continue to seize the opportunities presented by the “dual carbon” policy. With the support from shareholders, the government, and all sectors of society, we will firmly grasp the market-oriented reform opportunities during the “14th Five-Year Plan” strategic planning period. While focusing on the growth of income from the main businesses, we will explore and create new profit growth points, continuing with the writing of a new chapter on high-quality development, to continuously deliver rich investment returns to our shareholders.

FINANCIAL REVIEW

Gross Profit Margin

During the Period, the gross profit of the Group was HK\$319,607,000 (for the six months ended 30 June 2023: HK\$384,415,000) and the gross profit margin for the Group was 9.1% (for the six months ended 30 June 2023: 12.3%).

During the Period, the gross profit margin decreased compared with the corresponding period last year, mainly because of the decrease of gross profit from construction and gas pipeline installation service.

Administrative Expenses

Administrative expenses of the Group during the Period were HK\$139,109,000, representing a decrease of HK\$4,804,000 or 3% as compared to HK\$143,913,000 for the corresponding period last year.

Profit attributable to owners of the Company

The profit attributable to owners of the Company was HK\$167,924,000 during the Period, representing an increase of HK\$1,488,000 or 1% as compared to HK\$166,436,000 for the corresponding period last year.

Basic earnings per ordinary share of the Company for the Period were HK\$12.41 cents, representing an increase of HK\$0.10 cent as compared to HK\$12.31 cents for the corresponding period last year.

Liquidity and financial resources

As at 30 June 2024, the total borrowings of the Group were HK\$3,907,086,000 (as at 31 December 2023: HK\$3,905,630,000) and the cash and bank deposits of the Group was HK\$692,004,000 (as at 31 December 2023: HK\$946,324,000), including cash and cash equivalents of approximately HK\$662,189,000, term deposits of approximately HK\$19,143,000 and restricted cash of approximately HK\$10,672,000. As at 30 June 2024, the Group had consolidated current assets of approximately HK\$1,416,759,000 and its current ratio was 0.55. As at 30 June 2024, the Group had a gearing ratio of approximately 58% (as at 31 December 2023: 56%). 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 30 June 2024, the total borrowings of the Group amounted to HK\$3,907,086,000 (as at 31 December 2023: HK\$3,905,630,000). Syndicate borrowing was denominated in USD and RMB, USD tranche carrying the interest at the rate of 2.35% plus SOFR per interest period, and RMB tranche carrying the interest of 6% per annum. Secured borrowings from PRC banks were denominated in RMB and carried interest rates from 3.20% to 5.00% per annum. Other secured borrowings carry interests at the rates ranging from 3.80% to 4.00% per annum. As at 30 June 2024, short-term borrowings and the current portion of long-term borrowings amounted to HK\$907,012,000, while the remainder were long-term borrowings falling due after one year or above.

Directors' opinion on sufficiency of working capital

As at 30 June 2024, the Group's current liabilities exceeded its current assets by approximately HK\$1,163,741,000. 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 1 July 2024.

Exposure to risks created by exchange rate fluctuations

Part of the bank balances and borrowings are denominated in HK Dollars and US Dollars which expose the Group to foreign currency exchange risk. For the six months ended 30 June 2024, net unrealized foreign exchange loss for the financing activities was HK\$23,696,000. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange risks and will consider hedging significant foreign currency exposure should the need arise.

Charge over the Group's assets

As at 30 June 2024, the Group had pledged bank deposit of HK\$10,672,000 (as at 31 December 2023: HK\$10,925,000).

The net carrying amount of pipelines and equipment as at 30 June 2024 amounting to approximately HK\$659,803,000 (as at 31 December 2023: HK\$701,867,000) were pledged as security for the related borrowings.

Final Dividend

Based on the annual profit of the Company for the year ended 31 December 2023 and taking into account the financial position of the Company, the Board recommended a final dividend of HK\$0.076 per ordinary share for the year ended 31 December 2023 (the “**2023 Final Dividend**”) (a final dividend of HK\$0.10 per ordinary share was recommended for the year ended 31 December 2022). The 2023 Final Dividend amounted to approximately HK\$102,827,000 (2022 Final Dividend: approximately HK\$135,203,000) was approved by the holders of ordinary shares at the annual general meeting of the Company for the year ended 31 December 2023 held on 10 May 2024 (the “**2024 AGM**”), shareholders were given the option to elect to receive the Final Dividend entirely in new ordinary shares, partly in new ordinary shares and partly in cash, or entirely in cash. The 2023 Final Dividend was paid on 19 July 2024, of which approximately HK\$38,130,000 was satisfied by issuing 30,262,195 ordinary shares at HK\$1.26 per share under the Scrip Dividend Scheme.

Interim Dividend

The Board does not declare any interim dividend for the Period (for the six months ended 30 June 2023: nil).

Significant acquisition and disposal

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

Contingent Liabilities

As at 30 June 2024, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 30 June 2024, the Group had a total of 1,741 employees (as at 31 December 2023: 1,752). During the Period, the salaries and wages of the employees were HK\$121,200,000 (for the six months ended 30 June 2023: HK\$117,168,000) and among these, approximately HK\$22,911,000 was recorded as research and development expenses (for the six months ended 30 June 2023: approximately HK\$20,600,000).

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in accordance with the Listing Rules. The Audit Committee comprises four independent non-executive Directors, namely Mr. LAU Siu Ki, Kevin, Mr. IP Shing Hing, B.B.S., J.P., Professor Japhet Sebastian LAW and Dr. TANG Lai Wah, and Mr. LAU Siu Ki, Kevin, the chairman of the committee, and Dr. TANG Lai Wah are qualified accountants. The Audit Committee has reviewed the unaudited consolidated results of the Group for the Period and has provided advice and comments on the interim report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as referred to in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules. Trading of the Company’s securities by the Directors shall be approved by the chairman of the Board and shall be entered into in accordance with the approved time frame and the number of securities.

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

CORPORATE GOVERNANCE CODE

During the Period, the Company had complied with the code provisions set out in the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

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

By order of the Board
BINHAI INVESTMENT COMPANY LIMITED
Gao Liang
Executive Director

Hong Kong, 21 August 2024

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. HU Hao, Mr. WANG Xin and Mr. GAO Liang, three non-executive Directors, namely, Mr. ZHANG Chang Liang, Mr. SHEN Hong Liang and Mr. YU Ke Xiang and four independent non-executive Directors, namely, Mr. IP Shing Hing, B.B.S., J.P., Mr. LAU Siu Ki, Kevin, Professor Japhet Sebastian LAW and Dr. TANG Lai Wah.

* *For identification purposes only*