



# 濱海投資有限公司 BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)

Stock Code: 8035



**2012/2013**  
Interim Report

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of Binhai Investment Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## FINANCIAL HIGHLIGHTS

	<b>Unaudited Six months ended 30 September 2012 HK\$'000</b>	Unaudited Six months ended 30 September 2011 HK\$'000	Percentage Change
Revenue	<b>680,838</b>	802,715	(15%)
Gross profit	<b>136,839</b>	102,099	34%
Profit for the period	<b>50,627</b>	41,284	23%
Basic earnings per share attributable to owners of the Company during the period	<b>0.43 cents</b>	0.35 cents	0.08 cents

  

	<b>Unaudited As at 30 September 2012 HK\$'000</b>	Audited As at 31 March 2012 HK\$'000	Percentage Change
Total assets	<b>2,535,640</b>	2,463,872	3%
Total equity	<b>681,565</b>	629,357	8%
Total liabilities	<b>1,854,075</b>	1,834,515	1%

The board of Directors (the "Board") of the Company hereby announces the unaudited results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2012, together with the unaudited comparative figures for the corresponding period in 2011.

## FINANCIAL INFORMATION

### Condensed Consolidated Income Statement

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	4	351,246	388,295	680,838	802,715
Costs of sales		(268,808)	(326,057)	(543,999)	(700,616)
<b>Gross profit</b>		<b>82,438</b>	62,238	<b>136,839</b>	102,099
Other income and gains					
– net	6	711	4,944	(4,826)	5,359
Administrative expenses		(28,435)	(27,030)	(55,705)	(49,586)
		<b>54,714</b>	40,152	<b>76,308</b>	57,872
Finance costs	7	(3,828)	16	(9,813)	(683)
Share of results of jointly controlled entities		(195)	(415)	(277)	(648)
<b>Profit before taxation</b>		<b>50,691</b>	39,753	<b>66,218</b>	56,541
Income tax expenses	8	(11,444)	(9,671)	(15,591)	(15,257)
<b>Profit for the period</b>		<b>39,247</b>	30,082	<b>50,627</b>	41,284
<b>Attributable to:</b>					
– Owners of the Company		<b>38,815</b>	29,494	<b>49,681</b>	40,241
– Non-controlling interests		<b>432</b>	588	<b>946</b>	1,043
		<b>39,247</b>	30,082	<b>50,627</b>	41,284
<b>Earnings per ordinary share</b>	10				
– basic (HK cents)		<b>0.33 cents</b>	0.25 cents	<b>0.43 cents</b>	0.35 cents
– diluted (HK cents)		<b>0.33 cents</b>	0.25 cents	<b>0.43 cents</b>	0.35 cents

## Condensed Consolidated Statement of Comprehensive Income

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Comprehensive income</b>				
Profit for the period	<b>39,247</b>	30,082	<b>50,627</b>	41,284
<b>Other comprehensive income:</b>				
Exchange differences	<b>8,692</b>	7,642	<b>1,581</b>	16,139
Other comprehensive income	<b>8,692</b>	7,642	<b>1,581</b>	16,139
<b>Total comprehensive income for the period</b>	<b>47,939</b>	37,724	<b>52,208</b>	57,423
<b>Attributable to:</b>				
– Owners of the Company	<b>47,346</b>	36,984	<b>51,250</b>	56,060
– Non-controlling interests	<b>593</b>	740	<b>958</b>	1,363
<b>Total comprehensive income for the period</b>	<b>47,939</b>	37,724	<b>52,208</b>	57,423

## Condensed Consolidated Balance Sheet

		<b>Unaudited As at 30 September 2012 HK\$'000</b>	Audited As at 31 March 2012 HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		<b>44,270</b>	44,630
Property, plant and equipment	11	<b>1,654,718</b>	1,545,267
Interests in jointly controlled entities		<b>19,730</b>	14,445
Deferred income tax assets		<b>11,454</b>	5,441
		<b>1,730,172</b>	1,609,783
<b>Current assets</b>			
Property under development		<b>74,953</b>	67,199
Inventories		<b>53,280</b>	48,462
Trade and other receivables	12	<b>326,604</b>	279,067
Amount due from immediate holding company		<b>—</b>	7,803
Pledged bank deposit		<b>30,840</b>	6,154
Cash and cash equivalents		<b>319,791</b>	445,404
		<b>805,468</b>	854,089
<b>Total assets</b>		<b>2,535,640</b>	2,463,872
<b>EQUITY</b>			
<b>Owners of the Company</b>			
Share capital			
— Ordinary shares	13	<b>59,928</b>	59,928
— Convertible preference shares	13	<b>170,000</b>	170,000
— Redeemable preferences shares	13	<b>430,000</b>	430,000
Share premium		<b>424,737</b>	424,737
Others reserves		<b>123,515</b>	121,946
Accumulated losses		<b>(542,557)</b>	(592,238)
		<b>665,623</b>	614,373
<b>Non-controlling interests</b>		<b>15,942</b>	14,984
<b>Total equity</b>		<b>681,565</b>	629,357

## Condensed Consolidated Balance Sheet

		<b>Unaudited As at 30 September 2012 HK\$'000</b>	Audited As at 31 March 2012 HK\$'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	<b>248,558</b>	263,773
Derivative financial instrument		<b>22,974</b>	11,605
		<b>271,532</b>	275,378
<b>Current liabilities</b>			
Trade and other payables	14	<b>632,414</b>	611,204
Amount due to ultimate holding company		<b>285,287</b>	365,153
Amount due to immediate holding company		<b>24,729</b>	—
Current income taxation liabilities		<b>46,465</b>	51,925
Borrowings	15	<b>593,648</b>	530,855
		<b>1,582,543</b>	1,559,137
<b>Total liabilities</b>		<b>1,854,075</b>	1,834,515
<b>Total equity and liabilities</b>		<b>2,535,640</b>	2,463,872
<b>Net current liabilities</b>		<b>(777,075)</b>	(705,048)
<b>Total assets less current liabilities</b>		<b>953,097</b>	904,735

## Condensed Consolidated Statement of Changes in Equity

Changes in equity of the Group during the six months ended 30 September 2012 and 2011 are as follows:

	Unaudited						
	Owners of the Company					Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
<b>Balance at 1 April 2011</b>	659,928	424,737	100,290	(703,476)	481,479	12,012	493,491
<b>Comprehensive income</b>							
Profit for the period	–	–	–	40,241	40,241	1,043	41,284
<b>Other comprehensive income</b>							
Exchange differences	–	–	15,819	–	15,819	320	16,139
<b>Total comprehensive income for the period</b>	–	–	15,819	40,241	56,060	1,363	57,423
<b>Balance at 30 September 2011</b>	659,928	424,737	116,109	(663,235)	537,539	13,375	550,914
<b>Balance at 1 April 2012</b>	659,928	424,737	121,946	(592,238)	614,373	14,984	629,357
<b>Comprehensive income</b>							
Profit for the period	–	–	–	49,681	49,681	946	50,627
<b>Other comprehensive income</b>							
Exchange differences	–	–	1,569	–	1,569	12	1,581
<b>Total comprehensive income for the period</b>	–	–	1,569	49,681	51,250	958	52,208
<b>Balance at 30 September 2012</b>	659,928	424,737	123,515	(542,557)	665,623	15,942	681,565



**Condensed Consolidated Cash Flow Statement**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
<b>Net cash generated from operating activities</b>	<b>11,015</b>	42,893
<b>Net cash used in investing activities</b>	<b>(125,358)</b>	(200,131)
<b>Net cash (used in)/ generated from financing activities</b>	<b>(12,298)</b>	4,080
<b>Net decrease in cash and cash equivalents</b>	<b>(126,641)</b>	(153,158)
Cash and cash equivalents at beginning of the period	<b>445,404</b>	431,467
Exchange differences	<b>1,028</b>	(13,758)
<b>Cash and cash equivalents at end of the period</b>	<b>319,791</b>	264,551

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 8 October 1999, with its registered office at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda, and its principal place of business in Hong Kong at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company has its ordinary shares listed on GEM.

### 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2012 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on GEM.

### 3. ACCOUNTING POLICIES

The financial information has been on historical cost basis.

The principle accounting policies adopted are consistent with those adopted in the annual financial statements for the year ended 31 March 2012.

The Group has adopted the new/revised accounting standards and interpretations effective for the accounting period beginning on or after 1 April 2012. Adoption of such new/revised accounting standards and interpretations has no material effects on the condensed consolidated financial information, and has caused no material change to the accounting policies of the Group.

#### 4. SEGMENT INFORMATION

The Group currently organises its operations into four reportable operating segments. The principal activities of the reportable segments are as follows:

- |                    |   |
|--------------------|---|
| On-site gas sales  | – Wholesale of liquefied petroleum gas (“LPG”) to individual agents directly from the suppliers’ depots   |
| Bottled gas sales  | – Sales of bottled gas  |
| Piped gas sales    | – Sales of piped gas through the Group’s pipeline networks  |
| Connection service | – Construction of gas pipelines and installation of appliances to connect customers to the Group’s pipeline networks under connection contracts |

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The chief operating decision makers of the Group have been identified as the executive directors of the Company (the “Executive Directors”).

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 value of assets and liabilities of each segment of the Group are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors.

For the three months ended 30 September 2012	Unaudited				
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Revenue					
– Tianjin TEDA Tsinlien Gas Company Limited ("TEDA Gas"), Tianjin Pipe (Group) Corporation ("Tianjin Pipe") and its associates	–	–	86,572	–	86,572
– Other customers	23,463	4,555	139,997	96,659	264,674
Revenue from external customers	23,463	4,555	226,569	96,659	351,246
Segment results	341	(11)	22,976	59,132	82,438
– Other income and gains – net					711
– Administrative expenses					(28,435)
– Share of results of jointly controlled entities					(195)
– Finance costs					(3,828)
Profit before income tax					50,691
Other information for reportable segments:					
Depreciation	(98)	(36)	(9,706)	(373)	(10,213)
Amortisation	(20)	(3)	(188)	(77)	(288)

For the three months ended 30 September 2011	Unaudited				
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Revenue					
– TEDA Gas, Tianjin Pipe and its associates	–	–	115,191	–	115,191
– Other customers	105,616	5,527	87,723	74,238	273,104
Revenue from external customers	105,616	5,527	202,914	74,238	388,295
Segment results	226	(539)	20,085	42,466	62,238
– Other income and gains-net					4,944
– Administrative expenses					(27,030)
– Share of results of jointly controlled entities					(415)
– Finance costs					16
Profit before income tax					39,753
<i>Other information for reportable segments:</i>					
Depreciation	(213)	(57)	(4,931)	(150)	(5,351)
Amortisation	(75)	(4)	(144)	(53)	(276)

For the six months ended 30 September 2012	Unaudited				
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Revenue					
– TEDA Gas, Tianjin Pipe and its associates	–	–	182,728	–	182,728
– Other customers	80,702	8,907	251,541	156,960	498,110
Revenue from external customers	80,702	8,907	434,269	156,960	680,838
Segment results	873	(46)	38,903	97,109	136,839
– Other income and gains-net					(4,826)
– Administrative expenses					(55,705)
– Share of results of jointly controlled entities					(277)
– Finance costs					(9,813)
Profit before income tax					66,218
<i>Other information for reportable segments:</i>					
Depreciation	(330)	(70)	(19,229)	(633)	(20,262)
Amortisation	(68)	(6)	(364)	(130)	(568)

For the six months ended 30 September 2011	Unaudited				
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Revenue					
– TEDA Gas, Tianjin Pipe and its associates	–	–	230,330	–	230,330
– Other customers	278,032	10,582	171,394	112,377	572,385
Revenue from external customers	278,032	10,582	401,724	112,377	802,715
Segment results	635	(957)	35,347	67,074	102,099
– Other income and gains-net					5,359
– Administrative expenses					(49,586)
– Share of results of jointly controlled entities					(648)
– Finance costs					(683)
Profit before income tax					56,541
<i>Other information for reportable segments:</i>					
Depreciation	(420)	(109)	(9,773)	(170)	(10,472)
Amortisation	(189)	(7)	(274)	(77)	(547)

**5. EXPENSES BY NATURE**

	Unaudited Three months ended 30 September 2012		Unaudited Six months ended 30 September 2012	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Costs of sales	<b>260,886</b>	321,471	<b>525,750</b>	691,321
Depreciation	<b>10,213</b>	5,351	<b>20,262</b>	10,472
Amortisation	<b>288</b>	276	<b>568</b>	547
Other expenses	<b>25,856</b>	25,989	<b>53,124</b>	47,862
Total cost of sales and administrative expenses	<b>297,243</b>	353,087	<b>599,704</b>	750,202

**6. OTHER INCOME AND GAINS - NET**

	Unaudited Three months ended 30 September 2012		Unaudited Six months ended 30 September 2012	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Interest income	<b>799</b>	365	<b>1,936</b>	583
Income from management of disposed subsidiaries	<b>174</b>	220	<b>346</b>	437
Income from management of TEDA Gas	<b>210</b>	260	<b>417</b>	518
Gain/(loss) on disposal of assets	<b>67</b>	3,064	<b>(264)</b>	2,010
Fair value loss on derivative financial instrument	<b>(4,164)</b>	—	<b>(11,369)</b>	—
Others	<b>3,625</b>	1,035	<b>4,108</b>	1,811
	<b>711</b>	4,944	<b>(4,826)</b>	5,359



**7. FINANCE COSTS**

	Unaudited Three months ended 30 September 2012		Unaudited Six months ended 30 September 2012	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Interest on bank borrowings	<b>12,985</b>	2,850	<b>26,464</b>	6,069
Other borrowing costs	<b>350</b>	—	<b>700</b>	—
Interest on amounts due to Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA")	—	723	<b>134</b>	1,437
Interest on amounts due to Tsinlien Group (Tianjin) Assets Management Co., Ltd. ("Tsinlien Assets Management")	—	385	—	766
Guarantee fee paid to TEDA Group Co., Ltd. ("TEDA Group")	—	—	—	541
Exchange gain	<b>(2,199)</b>	(1,124)	<b>456</b>	(2,596)
	<b>11,136</b>	2,834	<b>27,754</b>	6,217
Less: Amounts capitalised as part of the cost of property, plant and equipment	<b>(7,308)</b>	(2,850)	<b>(17,941)</b>	(5,534)
	<b>3,828</b>	(16)	<b>9,813</b>	683

## 8. INCOME TAX EXPENSES

No Hong Kong profit tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (2011: Nil).

Subsidiaries established in the People's Republic of China (the "PRC") are subject to the PRC enterprise income tax ("EIT") at the rate of 25% (2011: 24% to 25%).

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Current taxation:				
– Current tax on profits for the period	<b>17,457</b>	9,671	<b>21,604</b>	15,257
<b>Total current taxation</b>	<b>17,457</b>	9,671	<b>21,604</b>	15,257
Deferred taxation:				
Tax losses	<b>(6,013)</b>	–	<b>(6,013)</b>	–
<b>Total deferred taxation</b>	<b>(6,013)</b>	–	<b>(6,013)</b>	–
Income tax expense	<b>11,444</b>	9,671	<b>15,591</b>	15,257

## 9. INTERIM DIVIDEND

No interim dividend was declared in respect of the six months ended 30 September 2012 (2011: Nil).

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Earnings</b>				
Profit attributable to the owners of the Company	<b>38,815</b>	29,494	<b>49,681</b>	40,241
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	<b>11,659,478,667</b>	11,659,478,667	<b>11,659,478,667</b>	11,659,478,667
Effect of dilutive potential ordinary shares arising from share options	-	-	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>11,659,478,667</b>	11,659,478,667	<b>11,659,478,667</b>	11,659,478,667

*Note:* The calculation has taken into account the 5,666,666,666 new ordinary shares to be issued upon the conversion of the 170 million convertible preference shares as these preference shares will be automatically converted into ordinary shares of the Company by the tenth anniversary of issue.

**11. PROPERTY, PLANT AND EQUIPMENT**

	<b>Unaudited As at 30 September 2012 HK\$'000</b>	Unaudited As at 30 September 2011 HK\$'000
<b>Opening net book amount</b>	<b>1,545,267</b>	645,289
Additions	<b>131,001</b>	259,337
Disposal	<b>(2,877)</b>	(8,956)
Depreciation	<b>(20,262)</b>	(10,472)
Exchange differences	<b>1,589</b>	20,943
<b>Closing net book amount</b>	<b>1,654,718</b>	906,141

**12. TRADE AND OTHER RECEIVABLES**

	<b>Unaudited As at 30 September 2012 HK\$'000</b>	Audited As at 31 March 2012 HK\$'000
Trade receivables	<b>202,546</b>	148,439
less: Provision for impairment	<b>(40,467)</b>	(40,624)
	<b>162,079</b>	107,815
Notes receivables	<b>44,498</b>	17,959
	<b>206,577</b>	125,774
Advances to suppliers	<b>148,013</b>	160,692
less: Provision for impairment	<b>(83,734)</b>	(83,683)
	<b>64,279</b>	77,009
Prepayments and other receivables	<b>62,842</b>	83,373
less: Provision for impairment	<b>(7,094)</b>	(7,089)
	<b>55,748</b>	76,284
	<b>326,604</b>	279,067

The carrying amounts of the Group's trade and other receivables are principally denominated in Renminbi.

The Group's credit sales are generally on a credit term of three months to a year. Ageing analysis of the trade receivables is as follows:

	<b>Unaudited As at 30 September 2012 HK\$'000</b>	Audited As at 31 March 2012 HK\$'000
0 – 90 days	<b>110,931</b>	71,747
91 – 180 days	<b>15,083</b>	11,255
181 – 360 days	<b>23,465</b>	14,325
Over 360 days	<b>53,067</b>	51,112
	<b>202,546</b>	148,439
Less: Provision for impairment of trade receivable	<b>(40,467)</b>	(40,624)
	<b>162,079</b>	107,815

## 13. SHARE CAPITAL

	Unaudited As at 30 September 2012		Audited As at 31 March 2012	
	Number of shares Million	Amounts HK\$'000	Number of shares Million	Amounts HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:	<b>15,000</b>	<b>150,000</b>	15,000	150,000
Issued and fully paid:	<b>5,993</b>	<b>59,928</b>	5,993	59,928
Convertible Preference Shares of HK\$1.00 each				
Authorised:	<b>170</b>	<b>170,000</b>	170	170,000
Issued and fully paid:	<b>170</b>	<b>170,000</b>	170	170,000
Redeemable Preference Shares of HK\$50.00 each				
Authorised:	<b>9</b>	<b>430,000</b>	9	430,000
Issued and fully paid:	<b>9</b>	<b>430,000</b>	9	430,000
Total <b>Authorised:</b>		<b>750,000</b>		750,000
<b>Issued and fully paid:</b>		<b>659,928</b>		659,928

**14. TRADE AND OTHER PAYABLES**

	<b>Unaudited As at 30 September 2012 HK\$'000</b>	Audited As at 31 March 2012 HK\$'000
Trade payables	<b>195,655</b>	193,149
Advance from customers	<b>117,793</b>	91,211
Other payables	<b>302,917</b>	312,078
Accrued expenses	<b>16,049</b>	14,766
	<b>632,414</b>	611,204

The carrying amounts of the Group's trade and other payables are principally denominated in Renminbi.

The ageing analysis of the trade payables was as follows:

	<b>Unaudited As at 30 September 2012 HK\$'000</b>	Audited As at 31 March 2012 HK\$'000
0 – 90 days	<b>89,734</b>	67,469
91 – 180 days	<b>14,050</b>	32,133
181 – 360 days	<b>17,824</b>	26,287
Over 360 days	<b>74,047</b>	67,260
	<b>195,655</b>	193,149

**15. BORROWINGS**

	<b>Unaudited As at 30 September 2012 HK\$'000</b>	Audited As at 31 March 2012 HK\$'000
<b>Non-current liabilities</b>		
Secured over shares of subsidiaries	<b>265,812</b>	265,388
Unsecured	<b>5,000</b>	10,000
	<b>270,812</b>	275,388
Less: Amounts due within one year included in current liabilities	<b>(22,254)</b>	(11,615)
	<b>248,558</b>	263,773
<b>Current liabilities</b>		
Unsecured	<b>571,394</b>	519,240
Current portion of long-term borrowings	<b>22,254</b>	11,615
	<b>593,648</b>	530,855

The effective annual interest rates at the balance sheet date are as follows:

	<b>Unaudited As at 30 September 2012</b>	Audited As at 31 March 2012
— PRC banks	<b>6.6%-7.87%</b>	6.56%-7.87%
— Hong Kong bank	<b>4%-4.04%</b>	3.86%-4%



**16. COMMITMENTS**

- (a) Capital expenditure and property development commitment of the Group at the balance sheet date contracted but not yet incurred is as follows:

	<b>Unaudited As at 30 September 2012 HK\$'000</b>	Audited As at 31 March 2012 HK\$'000
Property, plant and equipment	<b>41,480</b>	39,998
Property under development	<b>2,872</b>	3,177
	<b>44,352</b>	43,175

- (b) The Group had future aggregate minimum lease payments under non-cancelable operating leases in respect of buildings are as follows:

	<b>Unaudited As at 30 September 2012 HK\$'000</b>	Audited As at 31 March 2012 HK\$'000
Not later than one year	<b>5,053</b>	3,810
Later than one year and not later than five years	<b>5,401</b>	3,623
Later than five years	<b>4,366</b>	4,431
	<b>14,820</b>	11,864

Note: The above amounts include a lease commitment with a subsidiary of TEDA (Note 18).

**17. FINANCIAL GUARANTEE**

The Company has given guarantee of approximately HK\$733 million (as at 31 March 2012: HK\$709 million) to subsidiaries in respect of bank borrowings, HK\$383 million of which had been utilized as at 30 September 2012.

## 18. RELATED PARTY TRANSACTIONS

In addition to those mentioned elsewhere in the condensed consolidated interim financial information, the followings are significant related party transactions entered between the Group and its related parties during the six months ended 30 September 2012:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Transactions with holding company:</b>		
Income from management of disposed subsidiaries	<b>346</b>	437
Leasing charges of Second Pipelines Network	<b>—</b>	(9,086)
Interest expenses	<b>(134)</b>	(1,437)
<b>(b) Transactions with fellow subsidiaries:</b>		
Sale of gas to TEDA Gas	<b>42,778</b>	41,357
Sale of gas to Tianjin Pipe and its associates	<b>139,950</b>	188,973
Sale of gas to former subsidiaries	<b>1,831</b>	2,710
Sale of gas to Tianjin Eco-city Energy Investment Construction Company Limited ("Tianjin Eco-city")	<b>63</b>	—
Sale of gas to Tianjin Sai-ruì Machinery Equipment Company Limited ("Sai Rui")	<b>4,462</b>	—
Income from management of TEDA Gas	<b>417</b>	518
Rental charges of office premises to TEDA Real Property Development Co., Ltd.	<b>(2,004)</b>	(2,012)
Insurance premium paid to Bohai Property Insurance Company Limited	<b>(659)</b>	—
Guarantee fee paid to TEDA Group	<b>—</b>	(541)
<b>(c) Key management compensation:</b>		
Fees	<b>(1,328)</b>	(1,280)
Salaries, share options and other allowances	<b>(3,441)</b>	(3,002)
Pension costs	<b>(94)</b>	(54)

	<b>Unaudited As at 30 September 2012 HK\$'000</b>	Audited As at 31 March 2012 HK\$'000
<b>(d) Balances with fellow subsidiaries:</b>		
Account receivable from Tianjin Pipe and its associates	<b>20,437</b>	3,304
Account receivable from TEDA Gas	<b>8,236</b>	60
Account receivable from Tianjin Eco-city	<b>45</b>	742
Management fee receivable from TEDA Gas	<b>4,387</b>	3,968
Prepayment received for sales of gas from Sai Rui	<b>(9,766)</b>	(14,800)
Account receivable from Tianjin Xing Cheng Investment and Development Company Limited	<b>3,218</b>	6,159

**(e) Transactions/balances with other state owned enterprises in the PRC**

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as "state-controlled entities"). The Directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

Other than those mentioned above, during the period, the Group's significant transactions with these state controlled entities are mainly purchases of gases. As at the end of the period, majority of the Group's cash and bank balances and borrowings are also with state controlled banks.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review**

The Group is principally engaged in the construction of gas pipeline networks, provision of connection services and the sale of LPG and piped gas.

### **Connection Services**

The Group constructs gas pipelines for its clients and connects their pipelines to the Group's main gas pipeline networks, and charges connection service fees from industrial and commercial customers, property developers and property management agents. As at 30 September 2012, the Group's total gas pipeline network was approximately 1,175 kilometers, representing an increase of 23 kilometers of the pipeline network from 1,152 kilometers as at 31 March 2012. During the six months ended 30 September 2012, the connection service fees amounted to approximately HK\$156,960,000, representing an increase of HK\$44,583,000 or 40% compared to HK\$112,377,000 for the same period last year.

### **Sales of Piped Gas**

During the six months ended 30 September 2012, consumption of piped gas by residential and industrial customers amounted to approximately  $633 \times 10^6$  and  $4,532 \times 10^6$  mega-joules respectively, as compared to  $507 \times 10^6$  and  $4,286 \times 10^6$  mega-joules respectively for the same period last year. For the six months ended 30 September 2012, the piped gas sales income of the Group amounted to HK\$434,269,000, representing an increase of HK\$32,545,000 or 8% compared to HK\$401,724,000 for the same period last year. The increase of large scale industrial users boosted the gas consumption of the Group.

### **Property Development**

As approved by the Board on 25 June 2012, the Group plans to dispose of the property under development. The Directors consider that the plan of disposal does not have significant financial impact to the Group.

## Prospects

As one of the most important supplier of natural gas in the Tianjin Binhai New Area, the Group has been cultivating the natural market of Tianjin Binhai New Area since the resumption of trading of the ordinary shares of the Company on the Stock Exchange. Up to now, the Group has initially formed a high-pressure pipeline network covering the Tianjin Binhai New Area through self-construction and the acquisition of the second gas pipeline net from the major shareholders of the Company. The Group acquired two sources of gas source from north and south direction of city of Tianjin. All of these provide a solid guarantee for the development of the Group.

Natural gas consumption in Tianjin Binhai New Area will reach 8.2 billion cubic meters in 2015, which is six times than that in 2010. As a high level modern manufacturing and research and development transformation base, Tianjin Binhai New Area has strong industrial development foundation and huge potential for development. Commercial and industrial customers are very thirsty for natural gas energy. The Group exerts itself to expand the pipeline gas sales, which is in line with the characteristics of the natural gas market in the Tianjin Binhai New Area. It can be expected that the Group will get more important customers in the future. In June 2012, the Company began to supply natural gas for Tangshan Lanxin Glass Company Limited ("Lanxin Glass"), and by the end of September 2012, the Group has sold 11.88 million cubic meters to Lanxin Glass. After the completion of the construction or renovation of four production lines of Lanxin Glass, the use of natural gas will grow exponentially.

Through these efforts, the Group has good conditions for further development. The Company will continue to return to the Company's shareholders and the community, and to create greater value for employees.

## **Financial Review**

### ***Gross Profit Margin***

The gross profit margin of the Group during the six months ended 30 September 2012 was 20% as compared to 13% for the corresponding period last year. The increase was mainly due to the change in revenue structure of the Group. For the six months ended 30 September 2012, on-site gas sales, which contributed lower gross profit, amounted to HK\$80,702,000, representing a sharp decrease of 71% from HK\$278,032,000 for the corresponding period last year. The connection service fees, which contributed higher gross profit, amounted to approximately HK\$156,960,000, representing an increase of 40% as compared to HK\$112,377,000 for the same period last year. The gross profit margin increased due to such change of revenue structure.

### ***Administrative Expenses***

Administrative expenses of the Group for the six months ended 30 September 2012 was HK\$55,705,000, representing an increase of HK\$6,119,000 or 12% as compared to HK\$49,586,000 for the corresponding period last year. Management cost comprising labor cost increased as the Group further expanded its operating scale.

### ***Profit attributable to owners of the Company***

The profit attributable to owners of the Company was approximately HK\$49,681,000 for the six months ended 30 September 2012, representing an increase of HK\$9,440,000 or 23% as compared to HK\$40,241,000 for the corresponding period in last year.

Basic earnings per share of the Company for the six months ended 30 September 2012 was HK0.43 cents, as compared to HK0.35 cents for the corresponding period last year.

***Interest Rate Swap Contract***

For the six months ended 30 September 2012, the Group recognized a fair value loss on derivative financial instrument of HK\$11,369,000, primarily attributable to the drop in the fair value of an interest rate swap contract entered into by the Group for a long-term loan, as a result of the impact of the instability in global economy. In November 2011, the Group entered into a 7-year bank borrowings facilities of HK\$622,400,000 with Hong Kong syndicate banks, which carry interest at HIBOR plus 3.5% per annum from the first utilization date up to (but excluding) the second anniversary of the facility agreement and HIBOR plus 4% per annum thereafter. In order to minimize the risk of rising interest rates and to control borrowing costs, the Group entered into a floating-to-fix rate swap contract with Standard Chartered Bank London with an aggregate notional amount of HK\$571,635,000 to control the further interest costs ("Swap Contract"). The deferred payment interest rate swap contract will be effective on 30 September 2013 and will terminate on 30 September 2018 ("Termination Day"). Pursuant to the Swap Contract, the Group will pay interest at a fixed rate of 2.25%, and will receive interest at floating rate with reference to the HIBOR as published by the Hong Kong Association of Banks. Before the Termination Day, changes in the fair value of the Swap Contract will not have a significant impact on the Group's cash flow. In view of the market interest rates at historical lows, the fair value of the Swap Contract will be adjusted to economic situation and interest rates. The Group believes that such arrangements are advantageous to the Group in the long run.

***Liquidity and financial resources***

As at 30 September 2012, the total borrowings of the Group were HK\$842,206,000 (as at 31 March 2012: HK\$794,628,000) and the cash and bank deposit of the Group was HK\$350,631,000 (as at 31 March 2012: HK\$451,558,000). As at 30 September 2012, the Group had consolidated current assets of HK\$805,468,000 and its current ratio was 0.51. As at 30 September 2012, the Group had a gearing ratio of approximately 127%, measured by the ratio of total consolidated borrowings of HK\$842,206,000 to total equity (includes all capital and reserves of the Group excluding non-controlling interests) of HK\$665,623,000.

***Borrowings Structure***

As at 30 September 2012, the total borrowings of the Group were HK\$842,206,000 (as at 31 March 2012: HK\$794,628,000). Borrowings from Hong Kong syndicate banks of HK\$265,812,000 were denominated in HKD, secured by the Company's guarantee and interests in certain of the Group's subsidiaries, bearing interest at a floating rate. Borrowings from China Merchant Bank of HK\$5,000,000 were denominated in HKD, unsecured, bearing interest at a fixed rate of 4%. Borrowings from PRC banks were denominated in RMB, secured by guarantee, bearing interest at prevailing market rates. As at 30 September 2012, short-term borrowings and current portion of long-term borrowings amounted to HK\$593,648,000, while the remaining were long-term borrowings falling due after one year or above.

***Directors' opinion on sufficiency of working capital***

In view of the Group's current stable financial and liquidity positions and in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present needs. Taking into account the expected financial performance and net cash to be generated from operation of the Group, the available banking facilities and written confirmation supplied by TEDA stating its intention to extend payment term of amounts due to it upon maturity for twelve months if necessary, the Directors believe that the Group is able to meet its liabilities as when the fall due.

***Risks created by exchange rate fluctuations***

The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities. Certain bank balances and bank borrowings are denominated in HK Dollars and US Dollars which expose the Group to foreign currency risk. 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 arises.



***Charge over the Group's assets***

As at 30 September 2012, the Group had pledged bank deposits of HK\$30,840,000.

In November 2011, the Group entered into bank borrowings facilities of HK\$622,400,000 with two syndicated banks in Hong Kong. The borrowings are secured by the interests in certain of the Group's subsidiaries and guaranteed by the Company.

Save as disclosed above, there were no charges over of any the Group's assets as at 30 September 2012.

***Significant acquisitions and disposals***

The Group had no significant acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 30 September 2012.

***Contingent Liabilities***

As at 30 September 2012, the Group did not have any significant contingent liabilities.

***Events after the balance sheet date***

On 18 October 2012, the Company announced that it had priced the CNY500,000,000 6.50 per cent. bonds due 2015 (the "Bonds"). The Bonds were issued at an issue price of 100 per cent., bear interest at a rate of 6.50 per cent. per annum payable semi-annually in arrear and will mature in 2015. The Company currently intends to use the net proceeds from the issue of the Bonds for payment of construction payables and the repayment of current borrowings, and for working capital purposes. On 24 October 2012, the Company announced that an application had been made to Stock Exchange for the listing of and permission to deal in the Bonds by way of debt issues to professional investors only, as described in the offering circular dated 18 October 2012. The listing of and permission to deal in the Bonds became effective on 25 October 2012.

On 26 October 2012, the Company announced that the Company had regained control of six disposed subsidiaries, namely Jizhou Wah Sang Gas Co., Ltd., Anxin Lihua Wah Sang Gas Co., Ltd., Qingyuan Binhai Gas Co., Ltd., Fengxian Wah Sang Gas Co., Ltd., Liuyang Wah Sang Gas Co., Ltd., and Gaoan Wah Sang Gas Co., Ltd. (the "Six Subsidiaries"), and would pay Teda Hong Kong Property Company Limited ("TEDA HK") in Hong Kong dollars an amount equivalent to RMB66,124,792.53 with reference to the net asset value of the Six Subsidiaries as at 31 December 2011, to reflect that TEDA HK (through Nicetime Investment Limited) will cease to have control over the Six Subsidiaries. The Company considers that the business operations of the Six Subsidiaries have improved and are worth re-investing in by the Group. The Group anticipates that taking control over the Six Subsidiaries again will enhance the value of the Group. The Company does not intend to repurchase any other disposed subsidiaries after acquiring the Six Subsidiaries.

## **Employees**

As at 30 September 2012, the Group had 1,188 employees (2011: 1,123). For the six months ended 30 September 2012, the salaries and wages of the employees was HK\$32,885,000 (2011: HK\$28,053,000).

The Group offers competitive remuneration to staff, with discretionary bonus and share options granted to eligible staff based on individual and company performance.

## OTHER INFORMATION

### Interests and Short Positions of Directors, Chief Executives, Substantial Shareholders and other Persons in the Shares and Underlying Shares of the Company

#### (a) *Interests and short positions of the Directors and the chief executives in the share capital of the Company and its associated corporations*

As at 30 September 2012, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 of the Laws of Hong Kong) which were required to be: (a) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name of Director	Capacity	Interest in ordinary shares of the Company			Total interests in shares	Interests in underlying ordinary shares of the Company pursuant to share options	Total aggregate interests in ordinary shares and underlying shares of the Company	Approximate percentage of the Company's total issued ordinary share capital as at 30 September 2012
		Personal interests	Corporate interests	Family interests				
Mr. Gao Liang	Beneficial owner	-	-	-	-	10,000,000	10,000,000	0.17%
Mr. Zhang Jun	Beneficial owner	-	-	-	-	7,000,000	7,000,000	0.12%
Mr. Dai Yan	Beneficial owner	-	-	-	-	7,000,000	7,000,000	0.12%
Mr. Wang Gang	Beneficial owner	-	-	-	-	7,000,000	7,000,000	0.12%
Ms. Zhu Wen Fang	Beneficial owner	-	-	-	-	7,000,000	7,000,000	0.12%
Mr. Ip Shing Hing, J.P. Professor Japhet	Beneficial owner	-	-	-	-	2,000,000	2,000,000	0.03%
Sebastian Law	Beneficial owner	1,000,000	-	-	1,000,000	2,000,000	3,000,000	0.05%
Mr. Tse Tak Yin	Beneficial owner	-	-	-	-	2,000,000	2,000,000	0.03%
Mr. Lau Siu Ki, Kevin	Beneficial owner	-	-	-	-	2,000,000	2,000,000	0.03%

Details of the Director's interests in share options granted by the Company are set out below under the heading "Director's rights to acquire shares".

### **Director's rights to acquire shares**

Pursuant to the share option scheme adopted by the Company on 20 August 2010, the Company granted options on its ordinary shares to the Directors, the details of such options outstanding as at 1 April 2012 and as at 30 September 2012 were as follows:

<b>Name of Director</b>	<b>Date of grant</b>	<b>Exercise Period</b>	<b>Exercise Price (HK\$)</b>	<b>Number of ordinary shares subject to outstanding options as at 1 April 2012</b>	<b>Number of ordinary shares subject to outstanding options as at 30 September 2012</b>	<b>Approximate percentage of the Company's total issued ordinary share capital as at 30 September 2012</b>
Mr. Gao Liang	27.9.2010	27.9.2010 – 26.9.2020	0.56	10,000,000	10,000,000	0.17%
Mr. Zhang Jun	27.9.2010	27.9.2010 – 26.9.2020	0.56	7,000,000	7,000,000	0.12%
Mr. Dai Yan	27.9.2010	27.9.2010 – 26.9.2020	0.56	7,000,000	7,000,000	0.12%
Mr. Wang Gang	27.9.2010	27.9.2010 – 26.9.2020	0.56	7,000,000	7,000,000	0.12%
Ms. Zhu Wen Fang	27.9.2010	27.9.2010 – 26.9.2020	0.56	7,000,000	7,000,000	0.12%
Mr. Ip Shing Hing, J.P.	27.9.2010	27.9.2010 – 26.9.2020	0.56	2,000,000	2,000,000	0.03%
Professor Japhet Sebastian Law	27.9.2010	27.9.2010 – 26.9.2020	0.56	2,000,000	2,000,000	0.03%
Mr. Tse Tak Yin	27.9.2010	27.9.2010 – 26.9.2020	0.56	2,000,000	2,000,000	0.03%
Mr. Lau Siu Ki, Kevin	27.9.2010	27.9.2010 – 26.9.2020	0.56	2,000,000	2,000,000	0.03%

*Note:* The exercisable period of the above share options is 10 years from the date of grant.

Save as disclosed above, as at 30 September 2012, there were no other interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations entered in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors referred to in Rules 5.46 of the GEM Listing Rules.

**(b) *Interests and short positions of substantial shareholders and other persons in the share capital of the Company***

As at 30 September 2012, the persons (not being a Director or chief executive of the Company) or companies who had interests or short positions in the shares or underlying shares of the Company which were notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO are listed as follows:

Name of shareholder	Position	Capacity and nature of interest	Interest in ordinary share of the Company				Total	Approximate percentage of the total issued ordinary share capital of the Company as at 30 September 2012
			Beneficial interests	Family interests	Corporate interests	Others		
Tsinlien Group Company Limited ("Tsinlien")	Long	Interest of controlled corporation	–	–	496,188,000 (Note 1)	1,333,333,333 (Note 2)	1,829,521,333	30.53%
	Short	Nominee for another person	–	–	1,333,333,333 (Note 3)	–	1,333,333,333	22.25%
TEDA	Long	Interest of controlled corporation	–	–	8,670,653,873 (Note 3)	–	8,670,653,873	144.68%
Tianjin Development Holdings Limited	Long	Interest of controlled corporation	–	–	496,188,000 (Note 1)	–	496,188,000	8.28%
Tianjin Investment Holdings Limited	Long	Interest of controlled corporation	–	–	496,188,000 (Note 1)	–	496,188,000	8.28%
Santa Resources Limited	Long	Beneficial owner	496,188,000 (Note 1)	–	–	–	496,188,000	8.28%
Mr. Shum Ka Sang ("Mr. Shum")	Long	Beneficial owner/ Interest of controlled corporation	15,650,000	–	749,350,000 (Note 4)	–	765,000,000	12.77%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	749,350,000 (Note 4)	–	–	–	749,350,000	12.50%
Ms. Wu Man Lee	Long	Interest of spouse	–	765,000,000 (Note 5)	–	–	765,000,000	12.77%

*Notes:*

1. The interest disclosed represents the interest in the Company held by Santa Resources Limited, a company which is directly wholly-owned by Tianjin Development Holdings Limited, a company incorporated in Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange. Tsinlien, through Tianjin Investment Holdings Limited which it wholly-owns, is a controlling shareholder of Tianjin Development Holdings Limited.
2. These 1,333,333,333 ordinary shares of HK\$0.01 each in the Company ("Shares") represent the 1,333,333,333 potential Shares which are issuable assuming full conversion of the 40,000,000 Convertible Preference Shares issued to the syndicated banks under the Settlement Agreement, pursuant to which Cavalier Asia Limited ("Tsinlien BVI"), a wholly-owned subsidiary of Tsinlien, has agreed to buy back such Convertible Preference Shares from the syndicated banks on the 5th anniversary of the date of issue of such Convertible Preference Shares. Tsinlien BVI has agreed to transfer such Convertible Preference Shares to TEDA HK, a wholly-owned subsidiary of TEDA, after completion of acquisition from the syndicated banks.
3. These 8,670,653,873 Shares represent (i) 3,003,987,207 Shares held by TEDA HK, a wholly-owned subsidiary of TEDA; (ii) 4,333,333,333 potential Shares which are issuable to TEDA HK assuming full conversion of 130,000,000 Convertible Preference Shares held by TEDA HK; (iii) 1,333,333,333 potential Shares that TEDA HK will acquire from Tsinlien BVI as referred to Note 2 above.
4. Wah Sang Gas Development Group (Cayman Islands) Limited is wholly-owned by Mr. Shum. The corporate interests held by Mr. Shum represent his deemed interests in the Shares by virtue of his interests in Wah Sang Gas Development Group (Cayman Islands) Limited.
5. Ms. Wu Man Lee is deemed to be interested in the Shares by virtue of the interests in such Shares owned by her spouse, Mr. Shum.

Other than as disclosed above, as at 30 September 2012, the Company had not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital.

## SHARE OPTION SCHEME

At the annual general meeting of the Company held on 20 August 2010, the shareholders of the Company approved a new share option scheme (the "2010 Scheme") in place of the previous scheme which has lapsed.

No share option was granted, exercised, cancelled or lapsed under the 2010 Scheme during the six months ended 30 September 2012.

Details of movement of share options granted under the 2010 Scheme during the six months ended 30 September 2012 were as follows:

Grantee	Date of grant	Exercise Period (Note)	Exercise Price (HK\$)	Number of ordinary shares subject to outstanding options as at 1 April 2012	Number of ordinary shares subject to outstanding options as at 30 September 2012	Approximate percentage of the Company's total issued ordinary share capital as at 30 September 2012
Directors	27.9.2010	27.9.2010 – 26.9.2020	0.56	46,000,000	46,000,000	0.77%
Employees	27.9.2010	27.9.2010 – 26.9.2020	0.56	28,000,000	28,000,000	0.47%
Total				74,000,000	74,000,000	1.24%

Notes: The exercisable period of the share options is 10 years from the date of grant.



## **INTERESTS OF COMPLIANCE ADVISER**

Pursuant to the Compliance Adviser Agreement dated 7 May 2009 between the Company and WAG Worldsec Corporate Finance Limited ("WAG Worldsec"), WAG Worldsec has been appointed as the compliance adviser of the Company for the period from 12 May 2009 to the date that the Company issues its financial results for the year ending 31 March 2013.

Save as disclosed above, none of WAG Worldsec or its directors, employees or associates had any interests in the securities of the Company or any member of the Group, nor any rights to subscribe or nominate others to subscribe for the securities of the Company or any members of the Group.

## **DIRECTORS' INTEREST IN CONTRACTS**

No Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party which subsisted at any time during the six months ended 30 September 2012.

## **CHANGE IN DIRECTOR'S INFORMATION**

Professor Japhet Sebastian Law, an independent non-executive Director, retired from the Chinese University of Hong Kong with effect from 1 August 2012.

## **LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE BY THE CONTROLLING SHAREHOLDER**

On 29 November 2011 Binhai Investment Hong Kong Limited, a wholly-owned subsidiary of the Company, as borrower and the Company as guarantor entered into a credit facility agreement (the "Facility Agreement") with Standard Chartered Bank (Hong Kong) Limited and China Development Bank Corporation Hong Kong Branch for a loan facility in the aggregate amount of HK\$622,400,000 for a term of seven years. Loan funds will be used for company operations and business development. Pursuant to the terms of the Facility Agreement, if TEDA ceases to be the single largest shareholder (whether directly or indirectly) of the Company, the facility commitments of the lenders under the Facility Agreement may be cancelled and all outstanding loans and accrued interests may be declared to be immediately due and payable. TEDA currently through its wholly-owned subsidiary holds approximately 50.13% of the total issued ordinary share capital of the Company.

## **INTERESTS IN COMPETING BUSINESS**

For the six months ended 30 September 2012, save for the interests acquired by TEDA (through TEDA HK) in certain former subsidiaries of the Group ("Disposed Subsidiaries") the disposal of which to Tsinlien BVI pursuant to an agreement dated 28 May 2008 between Tsinlien BVI and a subsidiary of the Group (as amended) was deemed to have been completed in May 2009, none of the Directors or the controlling shareholders of the Company or their respective associates had any interests in a business which competes or may compete with the business of the Group. As disclosed above, on 26 October 2012, TEDA HK ceased to control and no longer had interest in six of the Disposed Subsidiaries. Although some of the business carried out by the former subsidiaries of the Group is similar to the business of the Group, they are in different locations. Therefore, the Directors are of the view that the business of the former subsidiaries do not compete directly with the business of the Group.

As at 30 September 2012, the names, nature of business and details of ownership of TEDA HK in the former subsidiaries of the Group were as follows:

Name of former subsidiary	Nature of Business	% of interests
1 Shouguang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	75
2 Dongying Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
3 Jizhou Wah Sang Gas Co. Ltd.*	Connection Service & Sale of Gases	98
4 Boxing Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
5 Jinan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
6 Jiangshan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
7 Xuzhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
8 Huaining Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
9 Jiangxi Nanchang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
10 Suqian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
11 Gaoan Wah Sang Gas Co. Ltd.*	Connection Service & Sale of Gases	100
12 Pizhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
13 Xinyi Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
14 Fengxian Wah Sang Gas Co. Ltd.*	Connection Service & Sale of Gases	100
15 Liuyang Wah Sang Gas Co. Ltd.*	Connection Service & Sale of Gases	100
16 Ningyang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
17 Qingyuan Yimin Wah Sang Gas Co. Ltd.*	Connection Service & Sale of Gases	99
18 Anxin Lihua Wah Sang Gas Co. Ltd.*	Connection Service & Sale of Gases	99
19 Weishan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100

\* These former subsidiaries were repurchased by the Group on 26 October 2012, and TEDA HK ceased to have interest in such companies.

## AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in accordance with the GEM Listing Rules. The Audit Committee comprises four independent non-executive Directors, namely Mr. Lau Siu Ki, Kevin, Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Ip Shing Hing, J.P.. Mr. Lau, the chairman of the Audit Committee, and Mr. Tse are qualified accountants. The Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2012 and has provided advices and comments on this report.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has 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 Rules 5.48 to 5.67 of the GEM Listing Rules. Dealings in securities of the Company by Directors shall be notified to and acknowledged by the Chairman of the Board in accordance with required standard of time.

All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the six months ended 30 September 2012.

## CORPORATE GOVERNANCE CODE COMPLIANCE

Except as disclosed in the paragraphs below, during the six months ended 30 September 2012, the Company had complied with the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") set out in Appendix 15 of the GEM Listing Rules.

Due to unexpected business commitments, all of the non-executive Directors and an independent non-executive Director were unable to attend the annual general meeting of the Company held on 23 August 2012, and hence deviated from provision A.6.7 of the Corporate Governance Code.

## 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 six months ended 30 September 2012.

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

Hong Kong, 8 November 2012

*As at the date of this report, the Board comprises two executive Directors, namely, Mr. Zhang Bing Jun and Mr. Gao Liang, five non-executive Directors, namely, Mr. Shen Xiao Lin, Mr. Zhang Jun, Mr. Dai Yan, Mr. Wang Gang and Ms. Zhu Wen Fang, and four independent non-executive Directors, namely, Mr. Ip Shing Hing, J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Lau Siu Ki, Kevin.*