滨海投资有限公司
BINHAI INVESTMENT COMPANY LIMITED

(Formerly known as Wah Sang Gas Holdings Limited)
(Incorporated in the Bermuda with limited liability)
Stock Code: 8035

Annual Report
2009

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 high 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.

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 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:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENT

CORPORATE PROFILE

Binhai Investment Company Limited incorporated: Bermuda

↓ 100%

Winstar Venture Limited incorporated: BVI

↓ 100%

Wah Sang Gas Investment Group Limited incorporated: Hong Kong

Shareholding		Incorporated
100%	Wah Sang Gas Equipment and Engineering Company Limited	incorporated: Bermuda
100%	Yiyang Wah Sang Gas Co., Ltd	incorporated: Hunan Province
100%	Wah Sang Gas (China) Investment Co., Ltd	incorporated: Tianjin

Wah Sang Gas (China) Investment Co., Ltd ↓

Shareholding		Incorporated
100%	Tianjin Wah Sang Gas Enterprise Co., Ltd	Tianjin
100%	Tianjin Wah Sang Energy Development Co., Ltd	Tianjin
85%	Beijing Airport Wah Sang Gas Co., Ltd	Beijing
90%	Sanhe Yan Sang Gas Development Co., Ltd	Hebei Province
85%	Zhuozhou Wah Sang Gas Development Co., Ltd	Hebei Province
100%	Qinhuangdao Wah Sang Gas Co., Ltd	Hebei Province
100%	Zibo Wah Sang Gas Co., Ltd	Shandong Province
100%	Binzhou Wah Sang Gas Co., Ltd	Shandong Province
99%	Changle Wah Sang Gas Co., Ltd	Shandong Province
100%	Dezhou Wah Sang Gas Co., Ltd	Shandong Province
80%	Qingdao Jiaonan Wah Sang Gas Co., Ltd	Shandong Province
100%	Qingdao Jiaozhou Wah Sang Gas Co., Ltd	Shandong Province
100%	Haiyang Wah Sang Gas Co., Ltd	Shandong Province
100%	Zhaoyuan Wah Sang Gas Co., Ltd	Shandong Province
100%	Yishui Wah Sang Gas Co., Ltd	Shandong Province
100%	Qingdao Laixi Wah Sang Gas Co., Ltd	Shandong Province
100%	Juxian Wah Sang Gas Co., Ltd	Shandong Province
100%	Qixia Wah Sang Gas Co., Ltd	Shandong Province
100%	Leiyang Wah Sang Gas Co., Ltd	Hunan Province
100%	Funing Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Jinhu Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Suining Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Yizheng Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Nanjing Wah Sang Gas Co., Ltd	Jiangsu Province
99%	Jurong Wah Sang Gas Co., Ltd	Jiangsu Province
98%	Zhangjiagang Wah Sang Gas Co., Ltd	Jiangsu Province

CORPORATE PROFILE

		Incorporated
99%	Jingjiang Wah Sang Gas Co., Ltd	Jiangsu Province
90%	Deqing Wah Sang Gas Development Co., Ltd	Zhejiang Province
100%	Haiyan Wah Sang Gas Development Co., Ltd	Zhejiang Province
100%	Huzhou Nanxun Wah Sang Gas Co., Ltd	Zhejiang Province
98%	Tonglu Wah Sang Gas Co., Ltd	Zhejiang Province
100%	Yingtan Wah Sang Gas Co., Ltd	Jiangxi Province

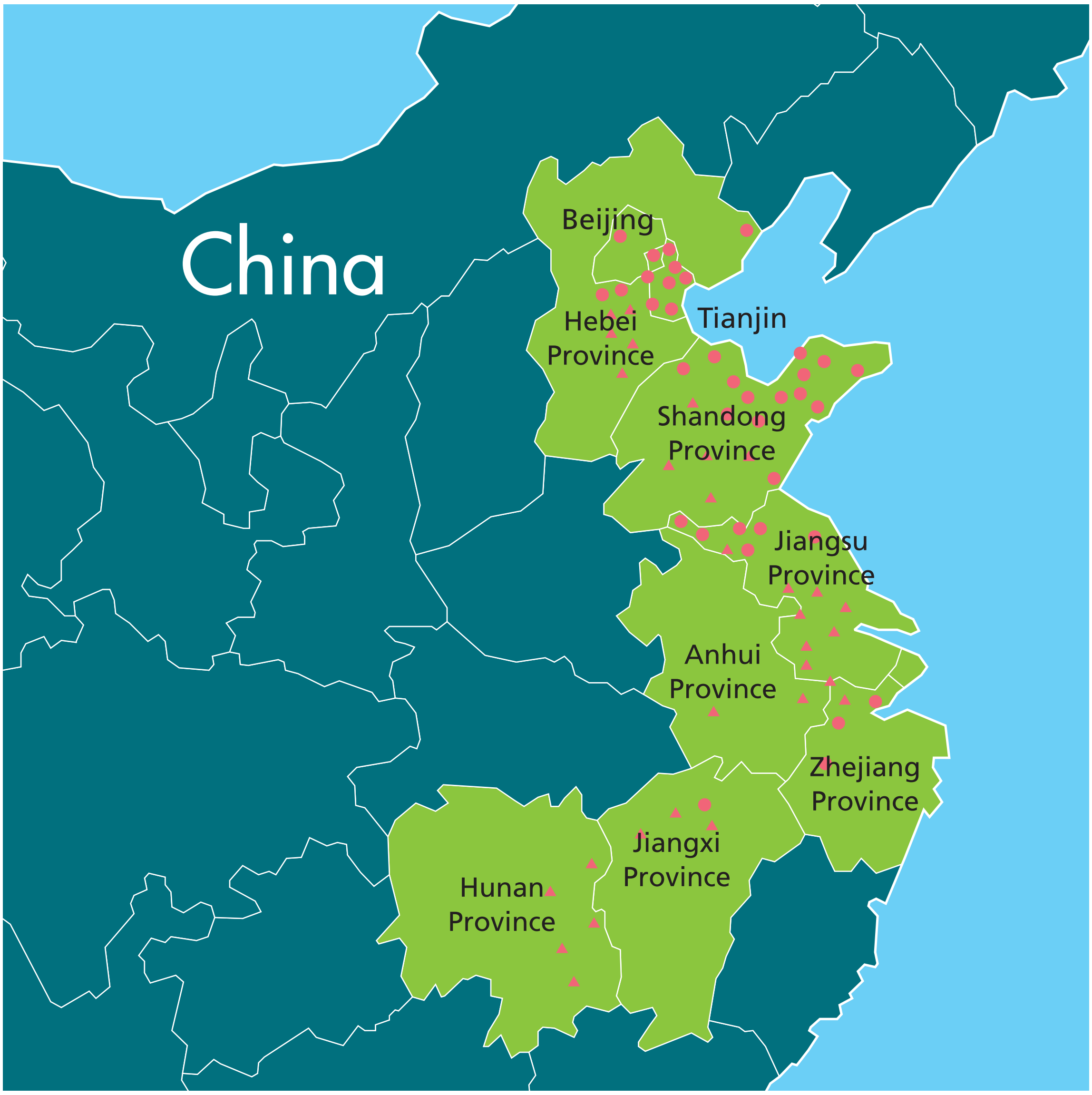
Subsidiaries regarded as disposed on 4 May 2009.

90%	Hengshui Wah Sang Gas Development Co., Ltd	Hebei Province
98%	Jizhou Wah Sang Gas Co., Ltd	Hebei Province
99%	Yixian Fujiang Wah Sang Gas Co., Ltd	Hebei Province
99%	Anxin Lihua Wah Sang Gas Co., Ltd	Hebei Province
99%	Qingyuan Yimin Wah Sang Gas Co., Ltd	Hebei Province
100%	Jinan Wah Sang Gas Co., Ltd	Shandong Province
100%	Xintai Wah Sang Gas Co., Ltd	Shandong Province
100%	Dongying Wah Sang Gas Co., Ltd	Shandong Province
75%	Shouguang Wah Sang Gas Development Co., Ltd	Shandong Province
100%	Boxing Wah Sang Gas Co., Ltd	Shandong Province
100%	Ningyang Wah Sang Gas Co., Ltd	Shandong Province
100%	Weishan Wah Sang Gas Co., Ltd	Shandong Province
100%	Liuyang Wah Sang Gas Co., Ltd	Hunan Province
100%	Ningxiang Wah Sang Gas Co., Ltd	Hunan Province
100%	Chenzhou Wah Sang Gas Co., Ltd	Hunan Province
100%	Youxian Wah Sang Gas Co., Ltd	Hunan Province
100%	Fengxian Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Pizhou Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Suqian Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Xinyi Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Xuzhou Wah Sang Gas Co., Ltd	Jiangsu Province
99%	Taizhou Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Peixian Wah Sang Gas Co., Ltd	Jiangsu Province
100%	Jiangshan Wah Sang Gas Co., Ltd	Zhejiang Province
99%	Ningguo Wah Sang Gas Co., Ltd	Anhui Province
100%	Huaining Wah Sang Gas Co., Ltd	Anhui Province
100%	Huangshan Wah Sang Gas Co., Ltd	Anhui Province
100%	Nanchang Wah Sang Gas Co., Ltd	Jiangxi Province
100%	Gaoan Wah Sang Gas Co., Ltd	Jiangxi Province
100%	Guixi Wah Sang Gas Co., Ltd	Jiangxi Province

CORPORATE PROFILE

GEOGRAPHICAL LOCATIONS

The Group had over 60 operating subsidiaries in 8 provinces in China as at 31 March 2009, of which 30 (marked △) are regarded as disposed of to Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA") (which holds such interest through Cavalier Asia Limited ("Tsinlien BVI") pursuant to a nominee arrangement) on 4 May 2009.



CHAIRMAN'S STATEMENT

I am pleased to present to shareholders the annual report of Binhai Investment Company Limited and its subsidiaries (thereafter collectively referred to as the "Group") for the year ended 31 March 2009.

NEW MEMBERS OF THE BOARD

At the Special General Meeting held on 23 March 2009 (the "Special General Meeting"), four independent non-executive directors, namely, Mr. Tse Tak Yin, Professor Japhet Sebastian Law, Mr. Lau Siu Ki Kevin and Mr. Ip Shing Hing J.P. were elected. The four existing executive directors were also re-elected at the Special General Meeting. Further, on 15 June 2009, the appointments of Mr. Liu Hui Wen, Mr. Zhou Li and Mr. Zhang Jun as executive directors became effective.

THE RESTRUCTURING

The Company announced its restructuring proposal in its announcement dated 29 May 2008 (the "Announcement") and provided particulars of the proposal in its circular to its shareholders dated 27 February 2009 (the "Circular"). The proposal involved, inter alia, the Debt Restructuring, the Subscription, the Open Offer, the General Offer, the Disposal and the Continuing Connected Transactions (such transactions as further described and defined in the Circular) (the "Restructuring").

Details of the transactions contemplated under the Restructuring were contained in the Circular for the shareholders' assessment and consideration. The Company's independent shareholders approved the Restructuring at the Special General Meeting. Through the Restructuring, the Group aims to streamline its operations and improve its financial position. Upon completion of the Restructuring around July 2009, the Directors expect that the Group's equity holders' deficit will turn positive and that there will be sufficient working capital for its normal operations and execution of its future business plan.

COMPLETION OF RESTRUCTURING

As at the date of this report, the Restructuring has been substantially completed with respect to the Debt Restructuring, the Subscription, the Open Offer, the Disposal and the Continuing Connected Transactions. The General Offer composite document was issued on 15 June 2009 and it is expected that the General Offer will be completed by around middle of July 2009.

RESUMPTION OF TRADING OF COMPANY'S SHARES

I am pleased to report that, the conditions proposed to the Securities and Futures Commission of Hong Kong (the "SFC") and imposed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as set out in the Announcement and the Circular have been fulfilled. The approval from the SFC and the permission to resume trading of the Company's ordinary shares have been obtained and these have led to the resumption of trading of the Company's ordinary shares on 12 May 2009 (the "Resumption Date") on the Growth Enterprises Market (the "GEM").

CHAIRMAN'S STATEMENT

CHANGE OF COMPANY'S NAME

With effect from the Resumption Date on 12 May 2009, the name of the Company has been changed to "Binhai Investment Company Limited" and the Company has also adopted a secondary name in Chinese as "濱海投資有限公司". The new name reflects the Company's strong backing to develop its businesses and capture new opportunities in the Binhai area in Tianjin and the Bohai Rim area.

PROSPECTS

The Group has been diligently developing gas market and expanding our coverage in designated regions, and has been focused on after-sale services. We will continue to deploy our resources in the investments in strategic and important areas, expanding our business scope and improving operational efficiency, enhancing our product quality and services. We also anticipate to further enhance our business partnering relationships for a win-win situation. We will endeavor to deploy our human resources and give reasonable returns to our stakeholders. We will take all necessary steps to transform into an admirable and respectable corporation in the communities where we operate. We will take pride to optimize the opportunities we face and make our best efforts to become a sizeable organization in the gas industry and strive to regain our reputation of an industry leader.

The Board would like to welcome the four independent non-executive directors and look forward to their continuing support.

On behalf of the board of directors, I would like to express our sincere gratitude to our shareholders, customers, staff and business partners for their continuing support to the Company and the Group.

For and on behalf of the Board of Directors

Liu Hui Wen
Chairman of the Board
Binhai Investment Company Limited

Hong Kong, 24 June 2009

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Company had applied the principles and complied with the code provisions and some of the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") throughout the year ended 31 March 2009, except for certain deviation as mentioned in the below section headed "Code on Corporate Governance Practices".

THE BOARD OF DIRECTORS

Composition

As at the date of this report, the Board comprises seven executive directors and four independent non-executive directors, and is responsible for supervising the management of the Group. Details of the directors of the Group are set in the section "Biographical Details of Directors and Senior Management" of this report. All directors give sufficient time and attention to the affairs of the Group since their respective appointment. With the various experience or the directors and the nature of the Group's business, the Board considered that the directors have a balance of skills and experience for the business of the Group.

During the year under review, four independent non-executive directors were appointed at the Special General Meeting, during which a series of resolutions in relation to the Restructuring were proposed and passed. Until the appointment of the independent non-executive directors as aforesaid mentioned, the Company was unable to strictly comply with Rule 5.05 of the GEM Listing Rules requiring the Company to have at least 3 independent non-executive directors and one of whom must have appropriate professional qualifications of accounting or related financial management expertise; or with Rule 5.28 of the GEM Listing Rules requiring the Company to retain at all times a minimum of three members of independent non-executive directors in its audit committee, at least one member must have appropriate professional qualifications or accounting or related financial management expertise. In addition, as a condition to the resumption proposed to the SFC, the Company is required to appoint and retain from time to time for a period of three years from the date of trading resumption two qualified persons as members of its audit committee.

Board meeting

The full Board regularly meets in person or through other means of electronic communication at least four times every year. Notice of board meetings were given to all directors, who were all given an opportunity to include matters in the agenda for discussion. The Company Secretary assists the Board in preparing the agenda for the meetings, and ensures that all applicable rules and regulations regarding the meeting are observed. The finalized agenda and accompanying board papers are then sent to all directors prior to the meeting.

CORPORATE GOVERNANCE REPORT

During the financial year ended 31 March 2009, 46 board meetings were held and the following is an attendance summary of the meetings by each director and their respective entitlements:

Attendance	Number of meetings attended/ entitled to attend	Attendance percentage
Executive Director		
Wang Gang (appointed on 3 May 2004)	46 out of 46	100%
Dai Yan (appointed on 25 June 2007)	44 out of 46	96%
Lam Man Lim (appointed on 25 June 2007)	46 out of 46	100%
Guan Xue Bin (appointed on 24 July 2007)	46 out of 46	100%
Independent Non-Executive Director		
Ip Shing Hing JP (appointed on 23 March 2009)	2 out of 2	100%
Professor Japhet Sebastian Law (appointed on 23 March 2009)	2 out of 2	100%
Tse Tak Yin (appointed on 23 March 2009)	2 out of 2	100%
Lau Siu Ki Kevin (appointed on 23 March 2009)	2 out of 2	100%

During regular meetings of the Board, the directors discuss and formulate the overall strategies of the Group, monitor financial performance and discuss the annual and quarterly results, as well as discuss and decide on other significant matters, such as the restructuring of the Company. Daily operations and administration of the Group are delegated to the management and supervised by the executive directors.

Nomination and Re-election of Directors

The Board takes the past performance, qualification, general market conditions and the Company's bye-laws into considerations in selecting and recommending candidates of directors during the year.

In accordance with the Company's bye-laws, the executive directors who were appointed before the date of the Circular retired and were re-elected at the Special General Meeting. In addition, four new independent non-executive directors were elected at the Special General Meeting. It was the intention of TEDA to appoint new directors to the Board following the change in control resulting from the completion of the Restructuring. The three new executive directors appointed by TEDA were elected at the Special General Meeting, and their details are set out in the section "Biographical Details of Directors and Senior Management" of this report. They joined the Board on 15 June 2009.

CORPORATE GOVERNANCE REPORT

Committees of the Board

No committee of the Board was formed before the appointment of the four independent non-executive directors at the Special General Meeting. However, the Company had an independent committee ("Committee") which comprised Mr. Ip Shing Hing J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Lau Siu Ki Kevin. Since its establishment in 2006, the Committee was periodically requested by the Company to assist in the general review of reported financial and internal control areas, and had been giving valuable comments and advices for the Company's consideration. The Board acknowledges that the members of the Committee had performed the work requested by the Company and expresses gratitude for their contributions. The Committee was dissolved with its responsibilities discharged on 23 March 2009, following the appointment of all of the Committee's members as independent non-executive directors.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules on 23 March 2009. Rule 5.28 of the GEM Listing Rules requires that the audit committee must comprise a minimum of three members of independent non-executive Directors and at least one member must have appropriate professional qualifications or accounting or related financial management expertise. In addition, as a condition to the resumption proposed to the SFC, the Company is required to appoint and retain from time to time for a period of three years from the date of trading resumption two qualified persons as members of its audit committee, and include in each annual report an opinion of such committee in a form satisfactory to the SFC regarding (a) the accuracy and completeness of the quarterly, semi-annual and annual financial statements for the relevant reporting period, and (b) the effectiveness and quality of the Group's accounting and management systems and controls, and the particulars of a full review of them conducted by such committee during that period. The audit committee comprises Mr. Ip Shing Hing J.P., Professor Japhet Sebastian Law, Mr. Lau Siu Ki, Kevin and Mr. Tse Tak Yin, all of whom are also independent non-executive Directors. Mr. Lau is the chairman of the audit committee. Mr. Tse and Mr. Lau are qualified accountants. During the year ended 31 March 2009, the audit committee held one meeting. The main roles and functions of the audit committee include, among others, the following:

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor;

(b) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports; and

(c) to review the Company's financial controls, internal control and risk management systems.

CORPORATE GOVERNANCE REPORT

Internal Control

Assisted by PricewaterhouseCoopers — Beijing, the Board conducted reviews of the system of internal control of the Group periodically to ensure an effective and adequate internal control system. During the reviews, PricewaterhouseCoopers — Beijing noted that the Company had continued to enhance its internal control system with formalized policies and procedures governing critical business processes and activities including internal audit, business performance reviews and staff training. The Company convened meetings periodically to discuss financial, operational and risk management control and issues, to ensure problems can be detected and resolved.

The Company had engaged PricewaterhouseCoopers — Beijing to conduct an internal control review for the year ended 31 March 2008 and PricewaterhouseCoopers — Beijing issued a report in September 2008 (the "March 2008 Report"). The review covered an expanded scope with certain processes and sub-processes covering all key business processes (sales processing, accounts receivable, construction project management, project investment decision, payment processing) and corporate governance areas. Exceptions found in the March 2008 Report were subsequently rectified and corrected before end of March 2009. PricewaterhouseCoopers — Beijing issued a follow-up report in March 2009 on the status of the exceptions and confirmed the rectification actions done by the management of the Group.

PricewaterhouseCoopers — Beijing were again engaged to conduct another review with limited scope for the year ended 31 March 2009 on certain selected subsidiaries with adequate representations on the Group's activities. The findings of the review revealed no major deficiency. In addition to these results, as suggested by the newly formed Audit Committee, the management has made comprehensive internal audit plan for each of the following years, to proactively conduct audit checks, and to continuously deploy resources and provide training for the internal audit team, accounting team and operations department to ensure they have adequate knowledge and awareness on internal controls.

Having reviewed the follow-up status of the exceptions, the current management system and control procedures, review report from PricewaterhouseCoopers — Beijing, and the declaration by the executive directors to the SFC made in February 2009, the Audit Committee opined and viewed that the Group's internal control system has not deteriorated since the previous review, and that there is no indication of any significant control failings or weaknesses in the Group's financial reporting system and internal control procedures.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

A remuneration committee was formed on 23 March 2009 upon the appointment of four independent non-executive directors at the Special General Meeting. The remuneration committee comprises four independent non-executive directors, namely Mr. Ip Shing Hing J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin, Mr. Lau Siu Ki Kevin and one executive director, Mr. Guan Xue Bin. Professor Japhet Sebastian Law is the chairman of the remuneration committee. Specific written terms of reference have been established for the committee which clearly deal with its authority and duties. During the year ended 31 March 2009, the committee had not held any meeting yet. The main roles and functions of the remuneration committee include, among others, the following:

(a) to review and formulate policies in respect of remuneration structure for all directors and senior management of the Company and make recommendations to the Board for its consideration; and

(b) to review and approve the performance-based bonuses and remuneration (if any) by reference to, inter alia, corporate goals and objectives resolved by the Board from time to time, job performance, as well as the revenue and profit margin of the Group in the relevant period of time.

During the year ended 31 March 2009, the remuneration of the executive directors of the Company was salary based and was determined by the board of directors with reference to market rates, their respective performance, qualifications and experience. They did not receive any fees from the Company for their directorships during the year under review.

The director's fee of the independent non-executive directors, who were appointed at the Special General Meeting, was determined by the board of directors with reference to market rates, their respective performance, qualifications and experience.

NOMINATION COMMITTEE

A nomination committee was formed on 23 March 2009 upon the appointment of four independent non-executive directors at the Special General Meeting. The nomination committee comprises of four independent non-executive directors, namely Mr. Ip Shing Hing J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin, Mr. Lau Siu Ki Kevin and one executive director, Mr. Guan Xue Bin. Mr. Ip Shing Hing J.P. is the chairman of the nomination committee. Specific written terms of reference have been established for the committee which clearly deal with its authority and duties. During the year ended 31 March 2009, the committee had not held any meeting yet. The main roles and functions of the nomination committee include, among others, the following:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board regarding any proposed changes;

CORPORATE GOVERNANCE REPORT

(b) to assess the independence of independent non-executive directors and proposed independent non-executive directors; and

(c) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

AUDITOR'S REMUNERATION

During the year, remuneration for the services provided by PricewaterhouseCoopers, the auditor of the Company, and PricewaterhouseCoopers — Beijing were as follows:

Audit services for the Group	HK$5.6 million
Non-audit services	HK$2.8 million

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 March 2009, the directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis.

The responsibilities of the external auditor are set out in the Auditor's Report to the shareholders of the Company on page 38 to 39 of this annual report.

The audited financial statements for the year ended 31 March 2009 have been reviewed by the audit committee on 18 June 2009 and have been approved at the board meeting on 24 June 2009.

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 set out in the Rules 5.48 to 5.67 of the GEM Listing Rules.

The Company, having made specific enquiry of all the directors, was not aware of any non-compliance with required standard dealings and its code of conduct regarding securities transactions by the directors throughout the year ended 31 March 2009.

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company had complied with the code provisions set out in Code on Corporate Governance Practices under Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2009, except for the following:

(i) the audit committee, the remuneration committee and the nomination committee were only established on 23 March 2009 after the appointment of independent non-executive directors; and

(ii) no Chairman was designated until 15 June 2009 and the Company could not comply with the requirement that the roles of chairman and chief executive officer be separated during the year under review.

COMPLIANCE ADVISER

WAG Worldsec Corporate Finance Limited has been appointed as the Compliance Adviser of the Company, for the period commencing on the Resumption Date and ending on the date that the Company issues its financial results of the third full financial year after the Resumption Date i.e. the financial year ending 31 March 2013. The responsibility of the Compliance Adviser is to provide the Company with advice regarding compliance with the GEM Listing Rules and corporate governance matters. The Compliance Adviser is independent from the Company and the Group.

FAMILY MEMBERS AND CLOSE PERSONAL RELATIONSHIPS

The board recognises that talents, relevant experience and skills are the most important considerations in executive officers and staff selection. It is the Group's policy that job positions are filled by suitably qualified candidates selected through internal promotions or from the open market on the merits of qualification, experience, skills and achievements. No employee is hired on account of family or close personal connection to any board member.

CORPORATE GOVERNANCE REPORT

CONNECTED TRANSACTIONS

The Group entered into the following connected transactions and continuing connected transactions during the year ended 31 March 2009:

(A) Connected Transactions

Non-exempt Connected Transactions

(a) Subscription Agreement between the Company and Tsinlien BVI

The Company and Tsinlien BVI, on behalf of TEDA Hong Kong Property Company Limited ("TEDA HK"), entered into the Subscription Agreement on 28 May 2008, pursuant to which Tsinlien BVI agreed to subscribe for and the Company agreed to issue and allot the 3,000,000,000 Shares to Tsinlien BVI after the completion of the Open Offer by the Company, the 130,000,000 New Convertible Preference Shares and 8,600,000 Redeemable Preference Shares before the commencement of the Open Offer.

Details of the above connected transaction were disclosed in the Announcement and the Circular.

(b) Disposal Agreement between Wah Sang Gas Investment Group Limited ("WSIG") and Tsinlien BVI

WSIG entered into the Disposal Agreement on 28 May 2008 with Tsinlien BVI (as amended by a supplemental agreement dated 25 February 2009) under which Tsinlien BVI agreed to acquire (on behalf of TEDA HK) the entire issued share capital in a subsidiary of the Company which would indirectly hold equity interest in 30 of its subsidiaries in the PRC, at a consideration of HK$81.9 million to be satisfied by Tsinlien BVI arranging for the settlement of outstanding inter-company balances due from these 30 subsidiaries to the Group in the amount of RMB64.9 million (equivalent to approximately HK$72.0 million), and by Tsinlien BVI paying to WSIG the amount of HK$9.9 million in cash on completion of the Disposal Agreement. The Group's equity interest in these 30 subsidiaries would be rearranged and transferred to a Hong Kong intermediate holding company which is held by a BVI intermediate holding company to be acquired by Tsinlien BVI under the Disposal Agreement, the completion of which was subject to (1) completion of the Subscription Agreement; (2) the accounts payable due from these subsidiaries to the Group have been fully settled; and (3) any other consents, approvals, authorizations and waivers as may be necessary for the transactions under the Disposal Agreement.

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The total consideration for the Disposal Agreement of HK$81.9 million is subject to adjustment according to the audited net asset value of the 30 subsidiaries and the inter-company loans due from them to the Group as at the completion date of the Disposal Agreement (being 4 May 2009).

Pursuant to the Disposal Agreement, WSIG is given a right of first refusal to buy back these subsidiaries in the future at the net asset value of such subsidiaries in the event of disposal by Tsinlien BVI. In the event WSIG has not repurchased the 30 subsidiaries after the 3 year term of engagement of Wah Sang Gas (China) Investment Co., Ltd. ("WSGC") as the manager and WSGC does not continue to manage those subsidiaries, TEDA would have to dispose of its interest in the 30 subsidiaries in order to avoid a breach of the non-competition agreement entered into with the Company.

Details of the above connected transaction were disclosed in the Announcement and the Circular.

(B) Continuing Connected Transactions

TEDA and TEDA HK have become the ultimate controlling shareholders of the Company upon completion of the subscription for 3 billion new ordinary shares of the Company by Tsinlien BVI on 12 June 2009 under the Subscription Agreement and accordingly, have become connected persons of the Company under the GEM Listing Rules. As Tianjin TEDA Tsinlien Gas Co. Ltd. ("TEDA Gas") is a non-wholly owned subsidiary of Tsinlien Group Company Limited ("Tsinlien"), the holding company of Tianjin Development Holdings Limited ("Tianjin Development") which wholly owns Santa Resources Limited ("Santa Resources"), a substantial shareholder of the Company, TEDA Gas is therefore an associate of Santa Resources and is a connected person of the Company.

1. *Continuing Connected Transactions exempt from Independent Shareholders' Approval Requirements*

(a) *Lease of premises by WSGC from an associate of TEDA*

Pursuant to a lease dated 20 May 2008 entered into by WSGC with TEDA Real Property Development Company (天津開發區泰達大廈房地產開發公司), an indirectly wholly-owned subsidiary of TEDA, WSGC has leased the office premises on 25/F, Teda Building, 256 South of Jiefang Road, Hexi District, Tianjin with a total floor area of 2117.25 square metres from TEDA Real Property Development Company for a term from 1 July 2008 to 30 June 2011. The rent under the lease is payable in cash at RMB193,200 per

CORPORATE GOVERNANCE REPORT

month from 1 July 2008 to 30 June 2009 and at RMB199,639 per month from 1 July 2009 to 30 June 2011. The total rental for the year ended 31 March 2009 under this lease amounted to RMB2,193,000. This lease did not constitute a continuing connected transaction of the Company for the year ended 31 March 2009 as TEDA, the holding company of the landlord, had not yet become a connected person of the Company by 31 March 2009.

(b) *Leasing agreement of Second Pipelines Network between WSGC and TEDA*

Pursuant to the leasing agreement between TEDA and WSGC dated 28 May 2008 (as amended by supplemental agreements), WSGC has agreed to lease from TEDA the Second Pipelines Network upon its completion at a leasing charge of RMB0.1 per cubic meter of gas supplied by the network. The leasing agreement is subject to the obtaining of necessary approvals and consents for the transactions under the lease agreement, the resumption of trading of the ordinary shares of the Company on GEM, and satisfactory completion of the Second Pipelines Network taking place, and is for a term of 3 years from the date of fulfillment of these conditions.

The estimated maximum aggregate amounts payable to TEDA for the leasing of the Second Pipelines Network will be RMB4.8 million and RMB6.0 million for the two years ending 31 March 2011.

(c) *Management agreement between TEDA and WSGC for the 30 subsidiaries disposed of under the Disposal Agreement*

Pursuant to the management agreement dated 28 May 2008 entered into between TEDA and WSGC (as amended by supplemental agreements), the Group would continue to manage and operate the 30 subsidiaries of the Group disposed of to Tsinlien BVI under the Disposal Agreement following completion of the Disposal. WSGC shall be engaged as the manager of these 30 companies from the date the Disposal has been completed, trading in the ordinary shares of the Company on GEM has resumed and all necessary approvals of the transactions under the management agreement have been obtained, for a term of 3 years or until the completion of the repurchase of interest in these 30 companies (whichever is earlier).

CORPORATE GOVERNANCE REPORT

The Group will charge an annual management fee equal to 3% of the net asset value (as at the preceding financial year end) (payable semi-annually) plus 20% of the audited net profit for the preceding financial year (payable within third month of the relevant financial year) of the companies to be disposed for the services of WSGC.

The Directors estimate that the maximum aggregate amounts to be received for the management of the 30 disposed companies will be RMB2.4 million for each of the two financial years ending 31 March 2011 respectively.

(d) *Management agreement for TEDA Gas between TEDA Gas, WSGC, TEDA and Tsinlien*

Pursuant to the management agreement dated 28 May 2008 entered into between TEDA Gas, WSGC, TEDA and Tsinlien (the current shareholders of TEDA Gas), WSGC shall be engaged as the manager of TEDA Gas for a term of 3 years from the date the Subscription Agreement has been completed, trading in the ordinary shares of the Company on GEM has resumed and all necessary approvals of the transactions under the management agreement have been obtained.

The Group will charge an annual management fee equal to 3% of the net asset value (as at the preceding financial year end) of TEDA Gas (payable semi-annually) plus 20% of the audited net profit of TEDA Gas for the preceding financial year (payable within the third month of the relevant financial year).

The Directors estimate that the maximum aggregate amounts to be received for the management of TEDA Gas will be RMB2.1 million for each of the two financial years ending 31 March 2011 respectively.

(e) *Temporary Gas Supply Agreement*

WSGC entered into the Gas Supply Agreement (as described under paragraph 2(f) below) with TEDA Gas which would take effect subject to the fulfillment of certain conditions precedent. To cover the period of gas supply to TEDA Gas prior to the execution of the Gas Supply Agreement, on 25 March 2009, one of the Company's subsidiary, Tianjin Wah Sang Gas Enterprise Co., Ltd. ("Tianjin Wah Sang") and TEDA Gas entered into the Temporary Gas Supply Agreement for the supply of gas up to 30 June 2009, subject to earlier termination upon the Gas Supply Agreement taking effect before 30 June 2009.

CORPORATE GOVERNANCE REPORT

The caps for the aggregate revenue from such sales of gas was RMB3,471,000 for the year ended 31 March 2009 and would be RMB7,529,000 for the year ending 31 March 2010. The revenue from the sales of gas by Tianjin Wah Sang up to the year ended 31 March 2009 amounted to approximately RMB3.44 million.

As TEDA Gas is a non wholly-owned subsidiary of Tsinlien, the holding company of Tianjin Development which wholly owns Santa Resources, a substantial shareholder of the Company, TEDA Gas is consequently an associate of Santa Resources and therefore a connected person of the Company. The transaction constitutes a continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

Details of the above connected transactions exempt from independent shareholders' approval continuing requirement under Chapter 20 of the GEM Listing Rules were disclosed in the announcement of the Company dated 25 March 2009.

2. *Non-exempt Continuing Connected Transaction*

(a) *Sales of gas to TEDA Gas*

Pursuant to the gas supply agreement dated 28 May 2008 between WSGC and TEDA Gas for supply of gas (the "Gas Supply Agreement"), the Group will start supplying gas to TEDA Gas for a term of 3 years from the date the Subscription Agreement has been completed, construction of the Second Pipeline Network has been satisfactorily completed, trading in the ordinary shares of the Company on GEM has resumed and all necessary approvals of the transactions under the Gas Supply Agreement have been obtained. The subsidiaries of WSGC shall be the suppliers of natural gas to TEDA Gas in priority over other suppliers given equal terms. TEDA Gas shall pay for the gas supplied under the Gas Supply Agreement to WSGC in each on a monthly basis.

The Directors estimate that the maximum aggregate revenue for the sales of gas to TEDA Gas under the Gas Supply Agreement will be RMB120 million and RMB160 million for each of the two financial years ending 31 March 2011 respectively.

CORPORATE GOVERNANCE REPORT

Save for transactions (B)1(a) and (e), all other transactions had not commenced in the year ended 31 March 2009.

Details of the transaction under (B)1(a) to (d), and (B)2(a) were disclosed in the Announcement and the Circular.

Confirmation by the Audit Committee

The Audit Committee, comprises four Independent Non-executive Directors, confirmed that, after taking into account the Restructuring, which was approved by shareholders of the Company at the Special General Meeting on 23 March 2009, the respective comments on the above Continuing Connected Transactions by the Independent Financial Adviser, OSK Capital Hong Kong Limited and the agreed upon precedures performed by the Company's auditor in relation to the Continuing Connected Transaction - Temporary Gas Supply Agreement as set out below, it is satisfied that such Continuing Connected Transactions have been entered into:

(i) at arm's length and on normal commercial terms;

(ii) in the ordinary and usual course of business of the Group and the Company;

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable; and

(iv) in the interests of the Company and its shareholders as a whole.

Agreed upon Procedures Performed by the Auditor in relation to the Continuing Connected Transaction

In accordance with rule 20.38 of the GEM Listing Rules, the Board of Directors engaged the auditor of the Company to perform certain factual finding procedures on the continuing connected transaction (B)1(e) above in relation to the temporary gas supply to TEDA Gas (the "Transaction"). The procedures were performed in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Because these procedures do not constitute an assurance engagement made in accordance with any assurance standard issued by the HKICPA, the Company's auditor does not express any assurance on the Transaction. The auditor has reported the factual findings on the Transaction based on the agreed upon procedures to the Board of Directors.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NEW EXECUTIVE DIRECTORS

New executive Directors elected at the Special General Meeting whose appointments became effective after the despatch of the composite offer document in relation to the General Offer on 15 June 2009:

Mr. Liu Hui Wen, aged 54, is the Chairman of the Company and an executive Director following the Restructuring Proposal. Mr. Liu graduated from 吉林大學 (Jilin University) with a bachelor degree in economics in 1983. Mr. Liu was the finance division head of and the deputy general manager of 天津開發區總公司 (TEDA Corporation) for the period from 1985 to 1996. He was the general manager of Tianjin TEDA Group Co., Ltd for the period from 1996 to 2001. Mr. Liu is currently the chairman of TEDA, 渤海財產保險股份有限公司 (Bohai Property Insurance Joint Stock Co., Ltd.) 泰達荷銀基金管理公司 (ABN AMRO TEDA Fund Management Co., Ltd.) and 北方國際信托股份公司 (Northern International Trust Co., Ltd.) and a director of 渤海銀行股份有限公司 (China Bohai Bank Co., Ltd.).

Mr. Liu does not hold any other positions with any members of the Group. Since 1997, Mr. Liu has been the chairman of Tianjin TEDA Co. Ltd (listed on Shenzhen Stock Exchange). Since March 2008, he has been chairman of Sihuan Pharmaceutical Co., Ltd (listed on Shenzhen Stock Exchange).

Mr. Zhou Li, aged 44, is an executive Director following the Restructuring Proposal. Mr. Zhou graduated from 天津大學 (Tianjin University) with a bachelor degree in chemistry in 1985 and a master degree from 中國科學院山西煤炭化學研究所 (ShanXi Institute of Coal Chemistry Chinese Academy of Sciences) in 1988. Since 1996, Mr. Zhou has been working for the TEDA group. He was the manager of the investment development department of Tianjin TEDA Group Co., Ltd for the period from 1996 to 2001 and has been the deputy general manager of that company since 2003. From 2001 to 2003, he was a director and the general manager of 天津泰達股份有限公司 (Tianjin TEDA Co., Ltd.), a company listed on the Shenzhen Stock Exchange. Mr. Zhou is currently director of 天津渤海証券有限責任公司 (Tianjin Bohai Securities Co., Ltd.).

Mr. Zhou does not hold any other positions with any members of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Jun, aged 41, is an executive Director following the Restructuring Proposal. Mr. Zhang graduated from 北京師範大學 (Beijing Normal University) with a degree in philosophy in 1990 and completed a course in economics from 南開大學 (NanKai University) in 1998. He is currently general manager of Tianjin TEDA Group Co., Ltd., a wholly owned subsidiary of TEDA. Prior to that, Mr. Zhang was administrative officer of TEDA and deputy administrative officer of 天津經濟技術開發區管理委員會 (TEDA Administrative Commission) and administrative officer of 天津經濟技術開發區總公司園林綠化公司 (TianJin TEDA Eco-Landscape Development Co., Ltd). Mr. Zhang is a director of TEDA and of TEDA HK.

Mr. Zhang does not hold any other positions with any members of the Group. He has been a director of Sihuan Pharmaceutical Co., Ltd (listed on Shenzhen Stock Exchange) since March 2008 and a director of Tianjin Binhai Teda Logistics (Group) Corporation Limited since April 2008 (listed on the Hong Kong Stock Exchange).

EXECUTIVE DIRECTORS

Executive directors who retired at the Special General Meeting offered themselves for re-election. All the following four executive directors were re-elected at the Special General Meeting.

Mr. Dai Yan, aged 56, is an executive Director of the Company since 2007. Mr. Dai is a senior economist. Mr. Dai graduated from Beijing Foreign Economic Trade University in 1980. In 1998, he completed the postgraduate professional course in law in the Party School of the Central Committee of the Communist Party of China and the postgraduate course of international trade in the Tianjin Economics and Finance Institute respectively. From 1988 to 2002 he worked as the deputy general manager of Tianjin Garment Import & Export Corporation; deputy general manager of Tianjin Garment Associate Corporation; director, deputy general manager and general manager of Tianjin Zhong Fu International Group Company Limited and deputy general manager and director of Tianjin Textile (Holdings) Limited. He is currently a director and deputy general manager of Tianjin Development Holdings Limited and is also a director and deputy general manager of 津聯集團有限公司 (Tsinlien Group Co., Ltd.), the controlling shareholder of Tianjin Development Holdings Limited. Mr. Dai has solid experience in management for over twenty years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Guan Xue Bin, aged 46, is an executive Director of the Company since 2007, he is also the general manager of the Company. Mr. Guan graduated with a Bachelor's degree in communication engineering from Xidian University and was subsequently a postgraduate of information engineering at Tianjin University. He joined Tianjin Optical Electrical Group Co., Ltd ("TOEC Group") in August 1983 and had acted as its product development engineer, head of the mobile communications equipment factory, assistant to general manager and head of Electronic Manufacture Service Department. He is currently a deputy general manager and chief engineer of TOEC Group. He is also a deputy general manager and director of TOEC Technology Co., Ltd. Mr. Guan is a panel member of the Tianjin Municipal Electronics Communications Professional Qualification, the Tianjin Technology Prize of Tianjin Municipality and the National Technology Prize, and is a Standing Director of Tianjin Communication Academic Society.

Mr. Wang Gang, aged 43, is an executive Director of the Company since 2004. He is also the compliance officer of the Company. He is the former chief executive officer of the Company and the former general manager of Tianjin district operations. He has ample professional experience in thermal engineering. From August 2003 to May 2004, he has been the chairman and general manager of TEDA Gas, a subsidiary of Tsinlien and a fellow subsidiary of Tianjin Development (a substantial shareholder of the Company) operating gas supply business in Tianjin. Mr. Wang was the vice manager of 泰達熱電公司 (TEDA Heat and Power Company), a wholly owned subsidiary of TEDA, the vice general manager of 泰達津聯熱電公司 (Tianjin TEDA Tsinlien Heat & Power Co., Ltd.), a subsidiary of Tianjin Development, and the general manager of 國華能源發展(天津)有限公司 (Guohua Energy Development (Tianjin) Co., Ltd.) from August 1997 to August 2003. Mr. Wang was responsible for the day-to-day operation of the Group including the implementation of the business plan of the Group from May 2004 to July 2007.

Mr. Lam Man Lim, aged 53, is an executive Director of the Company since 2007, he is also the company secretary of the Company. Mr. Lam graduated with a Master's degree in Business Administration from the Royal Melbourne Institute of Technology, Australia. He is an associate member of the Chartered Institute of Management Accountants, UK and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lam has over 20 years of audit and corporate management experience and has held various group controller and managerial positions in operational finance, financing, shared services accounting and internal controls in the Link Management Limited, Johnson Electric, IT Ventures Group, Motorola Asia Pacific region and Philips Electronics. He was the Group Financial Controller of The Link Management Limited (the Manager of The Link Real Estate Investment Trust) from 2004 to 2007 before joining the Company in March 2007 as its Chief Financial Officer.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

With effect from 23 March 2009, Mr. Ip Shing Hing J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Lau Siu Ki, Kevin have been elected as independent non-executive directors of the Company. All of them were members of the Company's independent committee which was established in January 2006 during the transitional period before the approval of the Restructuring (as described in the Circular) up to 23 March 2009. The Company has received from each of the four independent non-executive directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers each of them to be independent.

Pursuant to the letters of appointment entered into between the Company and the new independent non-executive directors, the Company appointed the new independent non-executive directors for a term commencing on the date of the Special General Meeting of the Company up to the date of the annual general meeting of the Company to be held in the year of 2010 (subject to retirement by rotation and re-election in accordance with the Company's Bye-laws). Each of the new independent non-executive directors is entitled to a director's fee of HK$20,000 per month as determined by the Board with reference to market rates and their qualifications and experience.

Mr. Ip Shing Hing J.P., aged 53, holds a Bachelor of Laws (Hons.) Degree from the University of Hong Kong and a Master of Arts: Arbitration and Alternative Dispute Resolution from the City University of Hong Kong. He is a solicitor and Notary Public, Hong Kong SAR and China-Appointed Attesting Officer, and Justice of Peace, and has been a practicing solicitor in Hong Kong for more than 20 years. He also serves as an independent non-executive director on the board of Far East Hotels and Entertainment Limited. He was an independent non-executive director of Quam Limited during the period from 1 October 2006 to 30 September 2008. He is enthusiastic in community activities which include serving as the President of The Law Society of Hong Kong (2002-2004), Vice-President of The Law Society of Hong Kong (1999-2002), Council Member of the Association of China-Appointed Attesting Officers Limited (since 2002), Director of Hong Kong Chinese General Chamber of Commerce (since 1997) and part-time Member of Central Policy Unit (2004-2005), Member of Basic Law Promotion Steering Committee, Member of The Greater Pearl River Delta Business Council.

Mr. Ip has been appointed the chairman of the nomination committee and a member of the audit committee and the remuneration committee of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Professor Japhet Sebastian Law, aged 57, obtained his Ph.D. in Mechanical/Industrial Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Professor Law has acted as a consultant with various corporations in Hong Kong and overseas and is currently an independent non-executive director of Tianjin Port Development Holdings Limited, Beijing Capital International Airport Co., Ltd. and Global Digital Creations Holdings Limited. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government, and various Government and charitable boards and committees. Professor Law is a Professor in the Department of Decision Sciences and Managerial Economics at the Chinese University of Hong Kong.

Professor Law has been appointed the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company.

Mr. Tse Tak Yin, aged 61, has 17 years of experience in finance and operation of the gas industry. He was the Chief Accountant of a local piped gas company in 1980 and was appointed as General Manager of Customer Services Division in 1993 and General Manager of Corporate Development Division until 1997. He is currently Director — Corporate Finance and Affairs of ITApps Limited. Mr. Tse is a Fellow Member of ACCA and an Associate Member of Hong Kong Institute of Certified Public Accountants.

Mr. Tse has been appointed a member of the audit committee, the nomination committee and the remuneration committee of the Company.

Mr. Lau Siu Ki, Kevin, aged 50, is currently running his own management consultancy firm, Hin Yan Consultants Limited. He is also a consultant to the corporate finance division of PCP CPA Limited, a certified public accountant firm in Hong Kong. Mr. Lau has previously worked at Ernst & Young for over 15 years. He graduated from the Hong Kong Polytechnic in 1981. Mr. Lau is a fellow member of both the ACCA and the Hong Kong Institute of Certified Public Accountants. Mr. Lau is also a member of the world council of ACCA and was the President of ACCA Hong Kong Branch in 2000/2001. Mr. Lau is currently the company secretary of Yeebo (International Holdings) Limited and Times Ltd, and an independent non-executive director of Carry Wealth Holdings Limited, COL Capital Limited, Comba Telecom Systems Holdings Limited, Embry Holdings Limited, Foxconn International Holdings Limited, Greenfield Chemical Holdings Limited, Proview International Holdings Limited, Samson Holdings Ltd and TCL Communication Technology Holdings Limited respectively and the shares of these companies are listed on the Main Board of the Stock Exchange. Mr. Lau also acted as an independent non-executive director of Forefront International Holdings Limited (subsequently renamed as Forefront Group Limited), a company listed on the Main Board of the Stock Exchange, from May 2001 to April 2007 and an independent non-executive director of Sys Solutions Holdings Limited (subsequently

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

renamed as Enviro Energy International Holdings Limited), a company listed on GEM, from December 2002 to December 2006. Mr. Lau was a director of Latchfield Investment Limited, a dormant company incorporated in Hong Kong which was struck off from the register of companies in March 1999 for its failure to file annual returns for two consecutive years.

Mr. Lau has been appointed the chairman of the audit committee and a member of the nomination committee and the remuneration committee of the Company.

General Manager of WSGC

Mr. Gao Liang, aged 42, is a general manager of WSGC, a wholly-owned subsidiary of the Company incorporated in the PRC. Mr. Gao is Secretary of the Branch of Communist Party of China and a senior engineer. Mr. Gao graduated from 武漢城市建設學院 (Wuhan Urban Construction Institute) with a major in environment hygiene engineering in 1988, and obtained a master of business administration from 南開大學 (Nankai University) in 2005. He was the deputy director of 天津市城鄉建設管理委員會科技推廣中心 (the Science Promotion Center of Urban and Rural Development Administrative Committee of Tianjin Municipal) for the period from 1993 to 1995 and the deputy director of the 天津市環衛工程設計院 (Tianjin Municipal Environmental and Hygienic Engineering Design Council) for the period from 1995 to 2001. He is currently the Executive Deputy Managing Manager of 天津泰達環保有限公司 (Tianjin TEDA Environmental Protection Co., Ltd.), a subsidiary of TEDA, and the General Manager of 中新生態城環保有限公司 (Sino-Singapore Tianjin Eco-city Environmental Protection Co., Ltd.).

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 March 2009.

SUSPENSION AND RESUMPTION OF TRADING

At the direction of the SFC, trading in the ordinary shares of the Company on GEM was suspended since 6 April 2004. Following the approval of the SFC and the permission from the Stock Exchange, the Company resumed trading of its ordinary shares on GEM on 12 May 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries are set out in note 9 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements.

The board of directors does not recommend the payment of a dividend in respect of the year.

FINANCIAL SUMMARY

The 2004, 2005, 2006, 2007, 2008 and 2009 financial figures had reflected the result of a reconstruction of the accounting records of the Group. Details of the 2009 figures (with 2008 comparatives) are set out in notes to the consolidated financial statements.

A summary of the results and of the assets and liabilities of the Group for the past six financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out under "MANAGEMENT DISCUSSION AND ANALYSIS" section.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 7 to the financial statements.

DIRECTORS' REPORT

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 14 to the financial statements.

The Special General Meeting approved the increase of the authorized share capital of the Company to HK$750 million dividend into 15,000,000,000 ordinary shares of HK$0.01 each ("Shares"), 170,000,000 convertible preference shares of HK$1.00 each ("Convertible Preference Shares") and 8,600,000 redeemable non-voting preference shares of HK$50.00 each ("Redeemable Preference Shares").

Subsequent to 31 March 2009 and up to the date of this report, 170,000,000 Convertible Preference Shares, 8,600,000 Redeemable Preference Shares and 3,000,000,000 new Shares have been issued pursuant to the Restructuring. In addition, 815,812,000 new Shares have been issued pursuant to the Open Offer.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or articles of association or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 15 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had no reserves available for distribution as at 31 March 2009.

The Company's share premium account, in the amount of approximately HK$191 million, may be applied in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

CHARITABLE DONATIONS

No charitable and other donations were made by the Group during the year (2008: nil).

DIRECTORS' REPORT

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Liu Hui Wen	*(Chairman)*	(appointed on 15 June 2009)
Zhou Li		(appointed on 15 June 2009)
Zhang Jun		(appointed on 15 June 2009)
Wang Gang		(appointed on 3 May 2004)
Dai Yan		(appointed on 25 June 2007)
Lam Man Lim		(appointed on 25 June 2007)
Guan Xue Bin		(appointed on 24 July 2007)

Independent Non-Executive directors:

Ip Shing Hing	(appointed on 23 March 2009)
Lau Siu Ki Kevin	(appointed on 23 March 2009)
Professor Japhet Sebastian Law	(appointed on 23 March 2009)
Tse Tak Yin	(appointed on 23 March 2009)

In accordance with clause 86(2) of the Company's bye-laws, Messrs. Wang Gang, Guan Xue Bin and Lam Man Lim will retire and will be eligible for re-election at the forthcoming annual general meeting.

The Company had no independent non-executive director before 23 March 2009 and was unable to strictly comply with Rules 5.05 and 5.08 of the GEM Listing Rules requiring the Company to retain at all times a minimum of three independent non-executive directors.

DIRECTORS' SERVICE CONTRACTS

As at the date of this report, no director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The independent non-executive directors are appointed for a specific term commencing on the date of the Special General Meeting on 23 March 2009 up to the date of the annual general meeting of the Company to be held in the year of 2010 (subject to retirement by rotation and re-election in accordance with the Company's Bye-laws).

DIRECTORS' REPORT

DIRECTORS' INTERESTS 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 the end of the year on 31 March 2009 or at any time during the year.

SHARE OPTIONS

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive directors and employees of the Group. The Scheme became effective on 26 February 2000 and, unless otherwise cancelled or amended, will remain in force until 25 February 2010.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. No option shall be granted to any executive director or employee which if exercised in full would result in such person's maximum entitlement to exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme. At 31 March 2009, no share options remain outstanding.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the board of directors to each grantee and in any event such period of time should not be less than three years and not more than nine years commencing on the expiry of six months after the date on which the option is accepted and expiring on the last day of such period or 25 February 2010, whichever is earlier.

DIRECTORS' REPORT

The exercise price of the share options under the Scheme is determinable by the board of directors and will be the highest of (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the year ended 31 March 2009, no share option was granted under the Scheme. As at the date of this report, all the outstanding shares options granted under the Scheme had lapsed or been cancelled.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefit by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such right in any other body corporate.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

None of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had any interests in a business which competes or may compete with the businesses of the Group.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31 March 2009, the following persons that had interests in the Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

		Number of Shares held				
	Positions	Personal Interests	Family Interests	Corporate Interests	Total	Percentage of the Issued share capital
Mr. Shum Ka Sang *(Note 1)*	Long	45,650,000	–	819,350,000	865,000,000	39.73%
Santa Resources *(Note 2)*	Long	–	–	496,188,000	496,188,000	22.79%
Wah Sang Gas Development Group (Cayman Islands) Limited *(Note 1)*	Long	–	–	819,350,000	819,350,000	37.64%
Mdm. Wu Man Lee *(Note 3)*	Long	–	865,000,000	–	865,000,000	39.73%

Notes:

1. As at 31 March 2009, Wah Sang Gas Development Group (Cayman Islands) Limited was wholly owned by Mr. Shum Ka Sang. The corporate interests disclosed under Mr. Shum Ka Sang represents his deemed interests in the shares of the Company by virtue of his interests in Wah Sang Gas Development Group (Cayman Islands) Limited.

2. Santa Resources is a wholly-owned subsidiary of Tianjin Development, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main board of the Stock Exchange.

3. Madam Wu Man Lee was deemed to be interested in 865,000,000 Shares in the Company by virtue of the interests in such Shares by her spouse, Mr. Shum Ka Sang.

Other than as disclosed above, as at 31 March 2009, the Company had not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital.

DIRECTORS' REPORT

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECTUIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2009, none of the directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealing by the directors of the listed issuers as referred to in Rule 5.46 of the GEM Listing Rules).

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 March 2009, sales to the Group's five largest customers accounted for 12% (2008: 9%) of the total sales for the year and sales to the largest customer included therein accounted for 3% (2008: 2%).

Purchases from the Group's five largest suppliers accounted for 47% (2008: 49%) of the total purchases of fuel gas for the year and purchases from the largest supplier of fuel gas included therein accounted for 27% (2008: 21%).

Subcontracting fees paid to the Group's five largest pipeline subcontractors accounted for 11% (2008: 18%) of the total subcontracting fees incurred for the year and subcontracting fees paid to the largest pipeline subcontractors included therein accounted for 4% (2008: 5%).

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers, suppliers and subcontractors.

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 set out in the Rules 5.48 to 5.67 of the GEM Listing Rules.

The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2009.

DIRECTORS' REPORT

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the GEM Listing Rules.

SUBSEQUENT EVENTS

Details of the significant subsequent events taking place subsequent to 31 March 2009 and up to the date of this report are set out on note 1(b) to the financial statements.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Lam Man Lim
Director

Hong Kong, 24 June 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

A summary of the results and of the assets and liabilities of the Group for the six financial years ended 31 March 2009 is set out below in order to provide the shareholders a better understanding on the operations and results of the Group.

Note: The financial summaries for the two years ended 31 March 2005 are prepared in accordance with accounting principles generally accepted in Hong Kong whilst those for the four years ended 31 March 2009 are prepared under Hong Kong Financial Reporting Standards ("HKFRS"). The adoption of HKFRS has no significant impact to the Group's financials other than presentational changes.

Results

For the year ended 31 March

	2009	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**621,464**	587,479	425,950	423,273	508,852	539,285
Cost of sales	**(527,078)**	(529,730)	(369,677)	(350,964)	(413,241)	(533,696)
Gross profit	**94,386**	57,749	56,273	72,309	95,611	5,589
Other revenue	**–**		–	–	–	1,302
Selling and marketing expenses	**–**	–	(1,660)	(1,974)	(3,191)	(7,057)
Administrative expenses	**(70,309)**	(63,334)	(84,298)	(92,706)	(67,802)	(94,692)
Other gains/(losses) — net	**10,324**	1,164	(14,312)	(53,303)	(57,242)	(189,321)
Operating profit/(loss)	**34,401**	(4,421)	(43,997)	(75,674)	(32,624)	(284,179)
Finance costs, net	**(58,748)**	(37,866)	(49,156)	(31,233)	(30,936)	(22,180)
Loss before income tax	**(24,347)**	(42,287)	(93,153)	(106,907)	(63,560)	(306,359)
Income tax expense	**(15,126)**	(13,132)	(4,687)	(8,524)	(9,913)	(6,321)
Loss for the year	**(39,473)**	(55,419)	(97,840)	(115,431)	(73,473)	(312,680)
Minority interests	**(978)**	5,491	(298)	(69)	(2,020)	2,121
Net loss attributable to equity holders	**(40,451)**	(49,928)	(98,138)	(115,500)	(75,493)	(310,559)

MANAGEMENT DISCUSSION AND ANALYSIS

Assets, liabilities and minority interests

As at 31 March

	2009	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**571,267**	478,679	418,191	358,232	349,968	331,426
Total liabilities	**(1,457,789)**	(1,307,357)	(1,103,540)	(930,609)	(800,811)	(706,266)
Minority interests	**(8,289)**	(7,145)	(11,596)	(10,818)	(10,470)	(10,607)
Equity holders' deficit	**(894,811)**	(835,823)	(696,945)	(583,195)	(461,313)	(385,447)

Operational Review

The principal activities of the Group include the construction of gas pipelines, the provision of connection services, the production and sale of liquefied petroleum gas ("LPG") and piped gas, and the sale of gas appliances. As at 31 March 2009, the accumulated length of pipeline network of the Group amounted to approximately 918 kilometers. During the year ended 31 March 2009, consumption of piped gas by residential and industrial customers amounted to approximately 831 x 10^6 and 1,922 x 10^6 mega-joules respectively.

Sales Revenue

Sales revenue of approximately HK$621 million reflects a year on year increase of HK$34 million. Piped-gas sales accounted for approximately HK$245 million, an increase of approximately HK$47 million from HK$198 million recorded for the previous year, or an increase of 24%. Connection service fees accounted for approximately HK$169 million, or 27.1% of total revenue (2008: 24.8%), an increase of approximately HK$23 million.

Business Prospects and Segment Results

During the year under review, the Group had recognized the total income for connection services of approximately HK$ 169 million (2008: HK$146 million). This income represented the completion of the connection services contracts during the year and recognized on the percentage of completion method. The Group had piped-gas sales revenue of approximately HK$245 million (2008: HK$198 million) as the major income source that depended on gas consumption from its customer groups. The Group expects that the piped-gas sales for the ensuing year will be increased upon the completion of the Second Pipelines Network and commencement of gas sales to TEDA Gas.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Profit

The Group reported operating profit of approximately HK$34 million. For the year ended 31 March 2009, loss attributable to equity holders of the Company was approximately HK$40 million for the year (2008: HK$50 million), after taking into consideration of finance costs of approximately HK$58 million (2008: HK$38 million).

Bank Financing and Liquidity

As at 31 March 2009, total bank borrowings amounted to approximately HK$626 million, of which amounts due to PRC banks was approximately HK$391 million and amount due to the Hong Kong banks was approximately HK$235 million. As at 31 March 2009, the total current assets of the Group amounted to approximately HK$329 million, while the total current liabilities amounted to approximately HK$1,458 million, resulting in a negative liquidity of approximately HK$1,129 million.

Headcount

As at 31 March 2009, the Group had a total headcount of 1,093 (2008: 1,105)

DIVIDEND

The board of directors does not recommend the payment of a dividend in respect of the year under review.

PURCHASES, SALE AND REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTIONS GRANTED AND EXPIRED

During the year ended 31 March 2009, no share option has been granted under the Scheme (as defined in the Directors' Report). As at 31 March 2009, all the outstanding share options have lapsed or have been cancelled. As at the date of this report, no new share option has been granted or outstanding under the Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

TRADING ACTIVITIES

During the year under review, there was no trading activity as the trading of the Shares of the Company continued suspended. The closing price of the Company's shares was HK$0.64 per Share as quoted on the Stock Exchange on the last trading date on 4 June 2004.

The Company had applied for the resumption of trading of shares and the Company's shares resumed trading on 12 May 2009.

EVENTS AFTER BALANCE SHEET DATE

Major events

Major events, as detailed in the Restructuring Circular, that have taken place after the balance sheet date of 31 March 2009 can be referred to note 1(b) to the consolidated financial statements.

Disposal of 30 subsidiaries

On 4 May 2009, the Group disposed of 30 of its subsidiaries effectively to TEDA (through Tsinlien BVI under a nominee arrangement) at a consideration of approximately HK$82 million, which was received on 7 May 2009. This consideration is equivalent to the net assets value of the 30 subsidiaries and the amount of inter-company loans due from them to the Group as of 31 March 2008. The total consideration of the Disposal is subject to adjustment according to the audited net asset value of the subsidiaries and the inter-company loans due from them to the Group as at the completion date of the Disposal, such that the Disposal will not give rise to any gain or loss.

As from 4 May 2009, the Group had de-recognised the assets and liabilities held for sale upon completion of Disposal, and ceased to consolidate the results of the 30 subsidiaries.

Pursuant to the Disposal Agreement, the income statement and balance sheet of the 30 subsidiaries had ceased to be consolidated in the financial statements of the Group effective from the date of completion of the Disposal by the Group losing control over these subsidiaries, despite that the eventual effective transfer of ownership in some of these subsidiaries to TEDA may not be completed before the completion of the Disposal Agreement. Pursuant to the Disposal Agreement, Wah Sang Gas Investment Group Limited ("WSIG") and Tsinlien BVI have agreed that the economic interest in all the 30 subsidiaries shall be vested in Tsinlien BVI as if these subsidiaries were owned by Tsinlien BVI as at the completion date of the Disposal. Tsinlien BVI has also agreed to indemnify WSIG against all loss, costs and liabilities in respect of these 30 subsidiaries whether incurred before or after the completion date of the Disposal.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Binhai Investment Company Limited
(Formerly Wah Sang Gas Holdings Limited)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Binhai Investment Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 91, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 June 2009

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

(All amounts in HK$'000 unless otherwise stated)

	Note	2009	2008
ASSETS			
Non-current assets			
Land use rights	6	**36,868**	53,717
Property, plant and equipment	7	**205,312**	258,617
		242,180	312,334
Current assets			
Inventories	10	**28,231**	34,227
Trade and other receivables	11	**102,333**	81,973
Cash and cash equivalents	12	**63,095**	50,145
		193,659	166,345
Assets of disposal group held for sale	13	**135,428**	—
		329,087	166,345
Total assets		**571,267**	478,679
EQUITY			
Equity holders of the Company			
Share capital	14	**21,770**	21,770
Share premium		**191,079**	191,079
Other reserves	15(a)	**(97,927)**	(79,390)
Accumulated losses		**(1,009,733)**	(969,282)
Equity holders' deficit		**(894,811)**	(835,823)
Minority interest		**8,289**	7,145
Total equity		**(886,522)**	(828,678)
LIABILITIES			
Current liabilities			
Trade and other payables	16	**696,615**	607,403
Current income taxation liabilities		**8,576**	4,934
Borrowings	17	**704,922**	695,020
		1,410,113	1,307,357
Liabilities of disposal group held for sale	13	**47,676**	—
Total liabilities		**1,457,789**	1,307,357
Total equity and liabilities		**571,267**	478,679
Net current liabilities		**(1,128,702)**	(1,141,012)
Total assets less current liabilities		**(886,522)**	(828,678)

Guan Xue Bin
Director

Lam Man Lim
Director

COMPANY'S BALANCE SHEET

As at 31 March 2009 *(All amounts in HK$'000 unless otherwise stated)*

	Note	2009	2008
ASSETS			
Non-current assets			
Subsidiaries	9	**–**	–
Current assets			
Trade and other receivables		**174**	199
Cash and cash equivalents		**–**	3
		174	202
Total assets		**174**	202
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	14	**21,770**	21,770
Share premium		**191,079**	191,079
Other reserves	15(b)	**(3,847)**	2,912
Accumulated losses		**(508,528)**	(494,418)
Equity holders' deficit		**(299,526)**	(278,657)
LIABILITIES			
Current liabilities			
Trade and other payables		**64,820**	43,979
Borrowings	17	**234,880**	234,880
Total liabilities		**299,700**	278,859
Total equity and liabilities		**174**	202
Net current liabilities		**(299,526)**	(278,657)
Total assets less current liabilities		**(299,526)**	(278,657)

Guan Xue Bin
Director

Lam Man Lim
Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009 *(All amounts in HK$'000 unless otherwise stated)*

	Note	**2009**	2008
Revenue	*5(a)*	**621,464**	587,479
Cost of sales		**(527,078)**	(529,730)
Gross profit		**94,386**	57,749
Other gains — net	*19*	**10,324**	1,164
Administrative expenses		**(70,309)**	(63,334)
Operating profit/(loss)	*20*	**34,401**	(4,421)
Finance costs, net	*22*	**(58,748)**	(37,866)
Loss before income tax		**(24,347)**	(42,287)
Income tax expenses	*23*	**(15,126)**	(13,132)
Loss for the year		**(39,473)**	(55,419)
Loss attributable to:			
Equity holders of the Company		**(40,451)**	(49,928)
Minority interest		**978**	(5,491)
		(39,473)	(55,419)
Loss per share attributable to the equity holders of the Company during the year (expressed in Hong Kong cents per share)			
— basic and diluted	*25*	**1.9 cents**	2.3 cents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009 *(All amounts in HK$'000 unless otherwise stated)*

	Attributable to equity holders of the Company						
	Share capital	Share premium	Other reserves	Accu-mulated losses	Total	Minority interest	Total
Balance at 1 April 2007	21,770	191,079	9,560	(919,354)	(696,945)	11,596	(685,349)
Loss for the year	–	–	–	(49,928)	(49,928)	(5,491)	(55,419)
Exchange differences	–	–	(88,950)	–	(88,950)	1,040	(87,910)
Balance at 31 March 2008	21,770	191,079	(79,390)	(969,282)	(835,823)	7,145	(828,678)
(Loss)/profit for the year	–	–	–	(40,451)	(40,451)	978	(39,473)
Exchange differences	–	–	(18,537)	–	(18,537)	166	(18,371)
Balance at 31 March 2009	21,770	191,079	(97,927)	(1,009,733)	(894,811)	8,289	(886,522)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009 *(All amounts in HK$'000 unless otherwise stated)*

	Note	2009	2008
Cash flows from operating activities			
Net cash generated from operations	26	**65,657**	21,261
Income tax paid		**(10,102)**	(8,198)
Net cash generated from operating activities		**55,555**	13,063
Cash flows from investing activities			
Purchase of property, plant and equipment		**(47,538)**	(32,275)
Purchase of land use rights		**(2,386)**	(355)
Proceeds from sale of property, plant and equipment		**220**	2,662
Interest received		**287**	393
Net cash used in investing activities		**(49,417)**	(29,575)
Cash flows from financing activities			
Advances from TEDA		**11,326**	37,002
Net cash generated from financing activities		**11,326**	37,002
Net increase in cash and cash equivalents		**17,464**	20,490
Cash and cash equivalents at beginning of the year		**50,145**	27,994
Reclassification to assets of disposal group held for sale		**(5,270)**	—
Effect of exchange differences		**756**	1,661
Cash and cash equivalents at end of the year		**63,095**	50,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

1. GENERAL INFORMATION

Binhai Investment Company Limited, formerly "Wah Sang Gas Holdings Limited" (the "Company") was incorporated in Bermuda on 8 October 1999, with a registered office in Suites 3205-07, 32/F., Shell Tower, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company changed to its present name on 12 May 2009.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 9 to these consolidated financial statements. The Company and its subsidiaries are hereafter together referred to as the Group.

(a) Suspension and resumption of trading of the Company's shares

At the direction of the Securities and Futures Commission ("SFC"), trading in the shares of the Company had been suspended since 6 April 2004. In response, the Company engaged WAG Worldsec Corporate Finance Limited as its financial adviser to restructure the Group ("Restructuring") details of which are as described in the circular dated 27 February 2009 (the "Restructuring Circular"). The Restructuring was approved by the Company's shareholders at a Special General Meeting on 23 March 2009.

Subsequent to 31 March 2009, all conditions required by relevant authorities for resumption of trading in the shares of the Company, as set out in the Restructuring Circular, were fulfilled and the trading of shares was resumed on 12 May 2009.

(b) Restructuring

The following major events, as detailed in the Restructuring Circular, took place after 31 March 2009:

(i) On 30 April 2009, HK$800 million was injected by Teda Hong Kong Property Company Limited ("TEDA HK"), a subsidiary of Tianjin TEDA Investment Holding Co., Ltd. ("TEDA"), into the Group through Cavalier Asia Limited ("Tsinlien BVI") for the subscription of 8.6 million Redeemable Preference Shares ("RPS"), 130 million Convertible Preference Shares ("CPS") and 3 billion new Ordinary Shares for consideration of HK$430 million, HK$130 million and HK$240 million respectively.

Tsinlien BVI was allotted the 8.6 million RPS and 130 million CPS on 4 May 2009 and the remaining 3 billion new Ordinary Shares on 12 June 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(ii) On 4 May 2009, the Tianjin Municipality Government approved the further increase in authorised share capital of Wah Sang Gas (China) Investment Co., Ltd. ("WSGC") (Note 9(a)) from US$65 million to US$145 million. Up to the date of this report, the registered capital of WSGC has been fully paid up for it to discharge its PRC indebtedness as mentioned in (iv) below and for its operational needs.

(iii) On 4 May 2009, the Group disposed its 30 subsidiaries effectively to TEDA at a consideration of approximately HK$82 million, which was received on 7 May 2009 (Note 13).

(iv) Settlement of borrowings: (Note 17(a))

- On 7 May 2009, the Company repaid HK$10 million and issued 40 million CPS at par to the Hong Kong syndicated banks to discharge the syndicated bank loan of HK$210 million. The hair cut of HK$160 million will be credited to the Group's reserves after 31 March 2009. TEDA has committed to repurchase these CPS from the syndicated banks in 2014 for HK$225 million on the fifth anniversary of the date of issue of the CPS.

- On 11 May 2009, the Company repaid HK$4.9 million, RMB75 million and RMB70 million to China Merchants Bank, TEDA and TEDA Finance Bureau respectively together with related un-waived interests of HK$2.1 million.

- On 2 June 2009, the Company repaid RMB280 million due to China Construction Bank.

Following repayments of the Group's borrowings, certain portion of past due interests which have been accrued to date will be waived in accordance with the relevant agreement with each bank. Such interest amounted to approximately HK$215 million as at 31 March 2009 and has been included under trade and other payables (Note 16(d)).

(v) The Open Offer on the basis of one Open Offer Share for one ordinary share held as detailed in the prospectus of the Company dated 11 May 2009 was completed on 29 May 2009. The Company received gross proceeds of approximately HK$32.6 million and 815,812,000 new ordinary shares were issued on 2 June 2009.

(vi) The General Offer by TEDA HK for all the issued ordinary shares of the Company (other than those already owned by or agreed to be acquired by TEDA HK or parties acting in concert with it) will be completed around middle of July 2009.

Upon occurrence of the above events, the Group's Restructuring involving assets disposal to TEDA, injection of significant new capital into the Group by TEDA and debts restructuring is also substantially completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

Consequently, by the end of June 2009, the Group's equity shareholders' deficit as at 31 March 2009 is expected to revert to positive assets whilst its net current liabilities position is expected to turn into net current assets position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(a) Going concern

The Group incurred a loss of approximately HK$40 million for the year ended 31 March 2009 and as at that date, its net current liabilities and equity holders' deficit amounted to approximately HK$1,129 million and HK$895 million, respectively.

The Directors have prepared these consolidated financial statements on a going concern basis, following the successful outcome of the Group's Restructuring subsequent to balance sheet date of 31 March 2009, as described in Note 1(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(b) Accounting policies

Following are new amendments and interpretations ("new Amendments and Interpretations") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

(i) Effective in the current year:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) — INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) — INT 12	Service concession arrangements
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

These new Amendments and Interpretations are either not applicable to the Group or has no material effect on the results or financial position of the Group for the current or prior accounting periods.

(ii) Published and relevant to the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not effective for financial year ended 31 March 2009 and have not been early adopted by the Group:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Financial Instruments: Presentation
HKAS 27 and HKFRS 1 (Amendment)	Consolidated and Separate Financial Statements and First-time adoption of HKFRS — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based payment
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosure
HKFRS 8	Operating Segments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

Improvements to HKFRS were published in October 2008 by the Hong Kong Institute of Certified Public Accountants, which set out amendments to a number of HKFRS primarily with a view to removing inconsistencies and clarify wordings.

The Group has already commenced but has not completed its assessment of the impact of these new standards, amendments and interpretations on the results of its operations and financial position.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements, to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.6). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interest as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Joint ventures

Joint venture companies are independent business entities established and operating in the PRC. The joint venture agreements and related constitutions stipulate the capital contributions of the joint venture parties, the duration of the joint ventures and the basis on which assets are to be realised upon their dissolutions. The profits and losses from joint venture companies' operations and any distribution of surplus assets are shared by the joint venture partners, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreements.

The Group's joint venture companies are accounted for as subsidiaries because the Group's effective unilateral control, directly or indirectly, over the joint venture companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environment.

The Group has determined that business segments be presented as the primary reporting format. No geographical segment analysis is presented as the Group has only one single geographical segment which is the business operation in the PRC.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and each of its subsidiaries is determined to be Renminbi ("RMB").

The financial statements are presented in Hong Kong dollars as the Directors are of the view that presenting the consolidated financial statements in Hong Kong dollars will provide a better reference to its readers.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

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Construction-in-progress represents gas station properties, machinery and pipelines and related assets under construction/installation and is stated at cost less any provision for impairment losses. Cost comprises direct costs of construction, installation and testing. No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed. On completion, construction-in-progress is transferred to appropriate categories of property, plant and equipment.

Depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold properties	30 years
Machinery and equipment	20 years
Gas pipelines	30 years
Office equipment and motor vehicles	5 years

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.6 Impairment of investments in subsidiaries and non-financial assets

Assets that are not yet available for use are not subject to amortisation, and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

2.7 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.8 Inventories

Inventories principally comprise materials for gas pipelines and gases, and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

2.11 Share capital

Ordinary shares are classified as equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Trade payables

Trade payables are recognised initially a fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluated positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

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Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

(i) Employee leave entitlements

All of the Group's eligible employees are entitled to annual leave which are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

All eligible employees of the Group's subsidiaries which operate in the PRC participate in a central pension scheme operated by the local municipal government.

All eligible employees in Hong Kong participate in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance.

The assets of both the above schemes are held separately from those of the Group in an independently administered fund. Contributions made are based on a percentage of the participating employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the respective scheme. The employer contributions are vested fully once they are made.

2.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and business tax.

(a) Connection services

When the outcome of a connection service contract can be ascertained with reasonable certainty and the stage of completion at the balance sheet date can be measured reliably, revenue and costs are recognised over the period of the contract. The percentage of completion method is used to determine the appropriate amount of revenue and costs to be recognised in a given period. The stage of completion is measured for each specific contracted work by reference to the proportion of the services performed to date as a percentage of total services to be performed. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When it is probable that total costs will exceed total revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated with reasonable certainty, revenue is recognised only to the extent of costs incurred that it is probably recoverable. Costs are recognised when incurred.

(b) Sale of gases

Revenue from the sale of gases is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the gas is delivered to customers and title has passed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(c) Interest income

Interest income from a financial asset is accrued on a time-proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.18 Borrowing costs

All borrowing costs are expensed as incurred.

2.19 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the period of the lease.

2.20 Financial guarantee contract

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary holder of the guarantee (i.e. the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognized at their fair values, and subsequently measured at the higher of (i) the amount initially recognized less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

3. FINANCIAL INSTRUMENTS AND CAPITAL DISCLOSURES

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The gearing ratio has been greatly improved upon the successful completion of the Restructuring after 31 March 2009 (Note 1(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The capital structure of the Group consists of net debt, which includes borrowings, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital and reserves. The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital.

The Group's overall strategy remains unchanged from prior year.

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Cash flow interest rate risks and fair value interest rate risks

The Group does not have any specific interest rate policy except that the Group would regularly review the market interest rates to capture potential opportunities to reduce the borrowing costs. Fair value interest rate risk is considered insignificant as all fixed rate borrowings are current.

The Group's cash flow interest rate risk primarily relates to variable-rate bank balances and bank borrowings. The Group has not used any interest rate swaps in order to mitigate its exposure associated with fluctuation relating to interest cash flows. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The impact on the Group's cash flow is due in part to its sensitivity to interest rates which has been determined based on the exposure to the floating-rate at the balance sheet date. If interest rates on interest bearing payables and borrowings had been 100 basis points higher/lower and all other variables were held constant, loss for the year will increase/decrease by HK$6 million (2008: HK$8 million).

Foreign currency risk

The Group collects most of its revenue in RMB and incurs most of its expenditure including capital expenditure in RMB. The Directors considered 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.

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The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The Directors considered that the sensitivity of the Group's exposure towards the change in foreign exchange rates mainly arises from its Hong Kong dollars borrowings. However this has been reduced to zero following full settlement subsequent to 31 March 2009.

Credit risk

The maximum credit risk of the Company includes the carrying value of its financial assets on books and is increased by the notional amount of financial guarantee contract issued for its subsidiaries (Note 27).

In order to minimize the credit risk over trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each half-year end date and balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Concentration of credit risk with respect to trade receivables is limited as the Group has a large number of customers none of whom singly exceeds 5% of gross receivables. Therefore, management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade receivables.

The credit risk on liquid funds is limited because the counterparties are reputational PRC banks. The Group has no significant concentration of credit risk as the exposure is spreaded over a number of counterparties.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group's dependence on the financial support from TEDA, has been reduced following completion of the Restructuring subsequent to 31 March 2009 (Note 1(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The following table details the Group's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to repay, including both interest and principal cash flows prior to Restructuring. These financial liabilities have been substantially settled after 31 March 2009 (Note 1(b)(iv)):

	Weighted average effective interest rate %	Payable within 1 year *HK$ million*	Total undiscounted cash flow *HK$ million*
2009			
Trade payables	**N/A**	**97**	**97**
Borrowings (PRC)	**10.4%**	**470**	**470**
Borrowings (HK)	**5.6%**	**235**	**235**
Amount due to related parties	**7.0%**	**187**	**187**
Interest for borrowings	**N/A**	**255**	**255**
		1,244	**1,244**
2008			
Trade payables	N/A	101	101
Borrowings (PRC)	9.7%	460	460
Borrowings (HK)	6.7%	235	235
Amount due to related parties	7.0%	177	177
Interest for borrowings	N/A	186	186
		1,159	1,159

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of property, plant and equipment

The Group performs annual test to assess whether its property, plant and equipment have suffered any impairment, in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require significant use of estimates such as discount rates, future profitability and growth rates.

(b) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to these receivables where events or changes in circumstance indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the year in which such estimate has been made.

(c) Recognition of connection services revenue and project management fee income

Connection services revenue and project management fee income are recognized on the percentage of completion method.

Any changes to the estimated total cost or benchmarks used to estimate the percentage of completion may have material impact on the revenue and profit recognized in each accounting period over the contract term.

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5. SEGMENT INFORMATION

The Group is principally engaged in the provision of connection services through the Group's network of pipelines ("Connection services") and sale of gases in the PRC. There is no sale or other transaction between the business segments.

(a) Revenue which represents turnover recognised during the year are as follows:

	2009	2008
Trading in:		
— on-site gas sales *(Note (i))*	**178,772**	200,545
— piped gas *(Note (ii))*	**245,072**	198,234
— bottled gas	**28,926**	42,911
	452,770	441,690
Connection services	**168,694**	145,789
Total turnover	**621,464**	587,479

Note:

(i) On-site gas sales represent the wholesale of liquefied petroleum gas ("LPG") to individual agents directly from the suppliers' depots.

(ii) The 2009 piped gas revenue included approximately HK$3.9 million of sales to a related party, Tianjin TEDA Tsinlien Gas Co., Ltd ("TEDA Gas").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(b) Segment results are as follows:

	On-site gas sales	Bottled gas sales	Piped gas sales	Connection services	Total
For the year ended 31 March 2009					
Revenue	**178,772**	**28,926**	**245,072**	**168,694**	**621,464**
Segment results	**584**	**(3,037)**	**1,121**	**95,718**	**94,386**
Unallocated costs					**(59,985)**
Operating gain					**34,401**
Finance costs, net					**(58,748)**
Loss before income tax					**(24,347)**
Income tax expense					**(15,126)**
Loss for the year					**(39,473)**
For the year ended 31 March 2008					
Revenue	200,545	42,911	198,234	145,789	587,479
Segment results	1,246	(6,083)	(18,323)	80,909	57,749
Unallocated costs					(62,170)
Operating loss					(4,421)
Finance costs, net					(37,866)
Loss before income tax					(42,287)
Income tax expense					(13,132)
Loss for the year					(55,419)

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(c) Segment assets and liabilities are as follows:

	Piped gas sales	Connection services	Unallocated	Total
As at 31 March 2009				
Assets	**391,404**	**66,893**	**112,970**	**571,267**
Liabilities	**32,926**	**126,465**	**1,298,398**	**1,457,789**
Other information:				
Amortisation charge	**1,278**	**–**	**–**	**1,278**
Depreciation	**10,532**	**–**	**2,328**	**12,860**
Land use rights written-off	**1,518**	**–**	**–**	**1,518**
Gain on disposal of property, plant, equipment	**(122)**	**–**	**–**	**(122)**
Capital expenditure	**49,924**	**–**	**–**	**49,924**
As at 31 March 2008				
Assets	349,155	50,118	79,406	478,679
Liabilities	37,375	107,641	1,162,341	1,307,357
Other information:				
Amortisation charge	1,171	–	–	1,171
Depreciation	9,213	–	1,122	10,335
Impairment for property, plant and equipment	12,138	–	84	12,222
Loss on disposal of property, plant, equipment	31	–	–	31
Capital expenditure	32,630	–	–	32,630

Note:

Assets and liabilities relating to on-site and bottled gas sales are minimal and are included in piped gas sales.

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For purpose of segment disclosure, unallocated costs represent head office expenses. Segment assets consist primarily of land use rights, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain head office borrowings. Capital expenditure principally comprises additions to land use rights and property, plant and equipment.

6. LAND USE RIGHTS

Movements of the Group's interests in land use rights held under leases of between 10 to 50 years in the PRC are as follows:

As at 1 April 2007	49,726
Exchange difference	4,807
Additions	355
Amortisation charge	(1,171)
As at 31 March 2008	**53,717**
Exchange difference	1,150
Additions	2,386
Amortisation charge	(1,278)
Write-off	(1,518)
Reclassified to assets of disposal group held for sale	(17,589)
As at 31 March 2009	**36,868**

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7. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Leasehold properties	Machinery and equipment	Gas pipelines	Office equipment and motor vehicles	Construction -in-progress	Total
Cost:						
At 1 April 2007	108,372	108,221	250,510	36,540	32,457	536,100
Exchange differences	10,312	11,382	23,472	3,459	3,313	51,938
Additions	2,998	586	1,531	1,856	25,304	32,275
Transfer upon completion	1,414	–	15,988	3	(17,405)	–
Disposals	(2,939)	(959)	(273)	(932)	(2,513)	(7,616)
At 31 March 2008	120,157	119,230	291,228	40,926	41,156	612,697
Exchange differences	2,658	2,776	6,361	842	2,713	15,350
Additions	2,545	3,442	7,564	2,257	31,730	47,538
Transfer upon completion	2,532	2,178	36,915	86	(41,711)	–
Disposals	(488)	(1,266)	(643)	(726)	(521)	(3,644)
Reclassified to assets of disposal group held for sale	(38,136)	(35,003)	(44,469)	(4,723)	(13,098)	(135,429)
At 31 March 2009	**89,268**	**91,357**	**296,956**	**38,662**	**20,269**	**536,512**
Accumulated depreciation and impairment:						
At 1 April 2007	53,989	75,365	129,901	31,456	14,083	304,794
Exchange differences	5,472	7,661	14,709	2,857	953	31,652
Charge for the year	2,335	2,405	4,473	1,122	–	10,335
Impairment charge	638	1,917	8,551	84	1,032	12,222
Disposals	(1,466)	(68)	(107)	(855)	(2,427)	(4,923)
At 31 March 2008	60,968	87,280	157,527	34,664	13,641	354,080
Exchange differences	1,507	1,994	3,788	758	210	8,257
Charge for the year	2,526	1,128	7,030	2,176	–	12,860
Disposals	(221)	(986)	(1,110)	(708)	(521)	(3,546)
Reclassified to assets of disposal group held for sale	(12,504)	(11,234)	(11,960)	(3,474)	(1,279)	(40,451)
At 31 March 2009	**52,276**	**78,182**	**155,275**	**33,416**	**12,051**	**331,200**
Net book value:						
At 31 March 2009	**36,992**	**13,175**	**141,681**	**5,246**	**8,218**	**205,312**
At 31 March 2008	59,189	31,950	133,701	6,262	27,515	258,617

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Note:

As at the date of approval of these consolidated financial statements, the Group is in the process of obtaining approvals from the respective government bodies to confirm the Group's ownership in respect of certain assets. Net book value of affected gas pipelines and leasehold buildings, included in property, plant and equipment and assets of disposal group held for sale, as at 31 March 2009 amounted to about HK$10 million and HK$14 million, respectively (2008: HK$42 million and zero respectively).

The Directors believe that such evidence of ownership should be obtainable in due course without significant additional cost to the Group.

8. INTANGIBLE ASSETS

The cost of licenses held by the Group approximately RMB7 million has been fully provided for since 31 March 2004.

9. SUBSIDIARIES

	Company	
	2009	2008
Unlisted shares, at cost	**47,748**	47,748
Less: Provision for interest in a subsidiary	**(47,748)**	(47,748)
	–	–
Amount due from a subsidiary	**382,531**	392,262
Less: Provision for amount due from a subsidiary	**(382,531)**	(392,262)
	–	–

Provision for interest in a subsidiary represents the estimated impairment of the Group's interest in this subsidiary. The amount due from a subsidiary which basically represents the Company's indirect investment cost in all of its other subsidiaries is unsecured, interest free and has no fixed terms of repayment.

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Details of all the subsidiaries at 31 March 2009 are set out in the following three sections:

(a) Investment holding companies:

	Place of incorporation	Particulars of issued and fully paid capital	Effective interest held *(Note (v))*
Winstar Venture Ltd	British Virgin Islands ("BVI")	US$200 ordinary shares	100
Wah Sang Gas Investment Group Ltd	Hong Kong	HK$2 ordinary shares, HK$29 million non-voting deferred shares *(Note (iii))*	100
Wah Sang Gas Equipment and Engineering Co., Ltd	BVI	US$0.05 million ordinary shares	100
Wah Sang Gas (China) Investment Co., Ltd[1] *(Note 1(b)(ii))*	PRC	US$45 million	100

Note:

(i) All companies are indirectly held by the Company except Winstar Venture Ltd which is directly held.

(ii) No entity has commitment for further capital contribution except Wah Sang Gas (China) Investment Co. Ltd which has outstanding commitment of US$20 million.

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(b) Subsidiaries to be retained after the Restructuring (Note 1(a)):

			Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *HK$ Million*	Effective indirect interest *(Note (v))* *(%)*
1	Zibo WS#*(Note(ii))*	淄博華燊燃氣有限公司	25	–	100
2	Tianjin WS[1]	天津華燊燃氣實業有限公司	23	–	100
3	Binzhou WS#	濱州華燊燃氣有限公司	21	–	100
4	Zhaoyuan WS#	招遠華燊燃氣有限公司	20	–	100
5	Deqing WS[2]	德清華燊燃氣開發有限公司	20	–	90
6	QingdaoLaixi WS#	青島萊西華燊燃氣有限公司	16	–	100
7	Zhuozhou WS#	涿州華燊燃氣發展有限公司	10	–	85
8	Nanjing WS#	南京華燊燃氣有限公司	10	–	100
9	Yizheng WS#	儀征華燊燃氣有限公司	10	–	100
10	Qinhuangdao WS#	秦皇島華燊燃氣有限公司	9	–	100
11	Tianjin WS Energy[1]	天津華燊能源發展有限公司	9	–	100
12	QingdaoJiaonan WS#	青島膠南華燊燃氣有限公司	8	–	80
13	SanheYanSang#	三河燕燊燃氣發展有限公司	7	–	90
14	Changle WS#	昌樂華燊燃氣有限公司	7	–	99
15	Dezhou WS#	德州華燊燃氣有限公司	5	–	100
16	Jurong WS[1]	句容華燊燃氣有限公司	2	–	99
17	Yingtan WS[1]	鷹潭華燊燃氣有限公司	4	21	100
18	Yiyang WS#	益陽華燊燃氣有限公司	3	19	100
19	Zhangjiagang WS#	張家港華燊燃氣有限公司	3	18	98
20	QingdaoJiaozhou WS#	青島膠州華燊燃氣有限公司	2	13	100
21	Jingjiang WS#	靖江華燊燃氣有限公司	2	13	99
22	Leiyang WS[1]	耒陽華燊燃氣有限公司	2	13	100
23	Funing WS#	阜寧華燊燃氣有限公司	2	12	100
24	Yishui WS#	沂水華燊燃氣有限公司	2	11	100
25	Juxian WS#	莒縣華燊燃氣有限公司	2	11	100
26	Haiyan WS[1]	海鹽華燊燃氣開發有限公司	15	10	100
27	HuzhouNanxun WS[1]	湖州南潯華燊燃氣有限公司	10	10	100
28	Beijing Airport WS#	北京空港華燊燃氣有限公司	2	10	85
29	Haiyang WS#	海陽華燊燃氣有限公司	2	10	100
30	Tonglu WS#	桐廬華燊燃氣有限公司	12	8	98
31	Suining WS#	睢寧華燊燃氣有限公司	1	8	100
32	Jinhu WS#	金湖華燊燃氣有限公司	1	6	100
33	Qixia WS#	棲霞華燊	6	5	100
				198	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(c) Subsidiaries to be sold to TEDA pursuant to the Restructuring (Note 1(b)(iii)):

			Issued and fully paid capital *(Note (i))* *HK$ Million*	Outstanding capital contributions to be discharged *HK$ Million*	Effective indirect interest *(Note (v))* *(%)*
1	Xintai WS#	新泰華燊燃氣有限公司	17	–	100
2	Shouguang WS[2]	壽光華燊燃氣開發有限公司	16	–	75
3	Dongying WS#	東營華燊燃氣有限公司	13	–	100
4	Jizhou WS#	冀州華燊燃氣有限公司	11	–	98
5	Boxing WS#	博興華燊燃氣有限公司	7	–	100
6	Hengshui WS[2]	衡水華燊燃氣發展有限公司	5	–	90
7	Weishan WS#	微山華燊燃氣有限公司	3	–	100
8	QingyuanYimin WS#	清苑益民華燊燃氣有限公司	2	–	99
9	AnxinLihua WS#	安新利華華燊燃氣有限公司	2	–	99
10	Ningyang WS#	寧陽華燊燃氣有限公司	2	–	100
11	YixianFujiang WS#	易縣富江華燊燃氣有限公司	2	–	99
12	Jinan WS#	濟南市華燊燃氣有限公司	1	–	100
13	Jiangshan WS#	江山華燊燃氣有限公司	4	21	100
14	Xuzhou WS#	徐州華燊燃氣有限公司	4	20	100
15	Suqian WS#	宿遷華燊燃氣有限公司	3	19	100
16	Ningguo WS#	寧國華燊燃氣有限公司	3	17	99
17	Huaining WS#	懷寧華燊燃氣有限公司	3	17	100
18	JiangxiNanchang WS#	南昌華燊燃氣有限公司	3	17	100
19	Huangshan WS[1]	黃山華燊燃氣有限公司	–	16	100
20	Guixi WS[1]	貴溪華燊燃氣有限公司	3	15	100
21	Gaoan WS#	高安華燊燃氣有限公司	2	14	100
22	Liuyang WS#	瀏陽華燊燃氣有限公司	2	14	100
23	Pizhou WS#	邳州華燊燃氣有限公司	2	13	100
24	Xinyi WS#	新沂華燊燃氣有限公司	2	13	100
25	Youxian WS#	攸縣華燊燃氣有限公司	2	13	100
26	Ningxiang WS#	寧鄉華燊燃氣有限公司	2	13	100
27	Fengxian WS#	豐縣華燊燃氣有限公司	2	12	100
28	Taizhou WS#	泰州華燊燃氣有限公司	4	11	99
29	Peixian WS[1]	沛縣華燊燃氣有限公司	–	10	100
30	Chenzhou WS#	郴州華燊燃氣有限公司	11	10	100
				265	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

Note:

(i) Paid up capital of each subsidiary has been translated from original currency of contribution to HK dollar equivalent.

(ii) "WS" through out this Note is the short form used for "Wah Sang Gas Co., Ltd.". English translation of name of subsidiaries is for identification purpose only and does not represent the entities' official name which is only in Chinese.

(iii) The principal rights and restrictions of non-voting deferred shares held by Wah Sang Gas Investment Group Limited are set out below:

- No part of the profits shall be distributed among the holders of the non-voting deferred shares.
- On return of assets on winding up or otherwise, one half of balance of the Company's assets, after the first HK$100,000,000 million, shall belong to the holders of non voting deferred shares.
- Non-voting deferred shareholders are not entitled to receive notice of or to attend or vote at any general meeting of the Company.

(iv) The Company's potential capital contribution into the subsidiaries retained after the Restructuring amounts to approximately HK$198 million *(Note 28)*. Although the deadlines for injecting the commitments for all of these subsidiaries have expired, they are all still operating as at date of these consolidated financial statements.

In respect of the 30 subsidiaries to be sold to TEDA, the outstanding capital contribution of HK$265 million are expected to be discharged upon sale of these subsidiaries (Note 1(b)).

(v) Effective interests held are determined by assets appropriation upon the dissolution of the subsidiaries, instead of by proportion of the capital injection. The 2009 position is unchanged from 2008.

(vi) All of the subsidiaries are incorporated and operating in the PRC and are principally in the business of connection services and sale of gases. Their legal forms are indicated as follows:

[1] wholly foreign owned enterprises
[2] sino-foreign equity joint ventures
sino-foreign co-operative joint ventures

(vii) All the subsidiaries in the PRC adopt 31 December as their financial year end pursuant to the domestic regulation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

10. INVENTORIES

	Group	
	2009	2008
Materials for gas pipelines	**25,633**	27,700
Gases	**2,598**	6,527
	28,231	34,227

11. TRADE AND OTHER RECEIVABLES

		Group	
	Note	**2009**	2008
Trade receivables		**76,233**	90,021
Less: Provision for impairment		**(30,959)**	(49,141)
	(a)	**45,274**	40,880
Advance to suppliers		**106,077**	97,899
Other receivables		**30,825**	34,867
Less: Provision for impairment	*(d)*	**(88,781)**	(91,673)
		48,121	41,093
Amount due from TEDA *(Note 19)*		**8,938**	—
		102,333	81,973

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(a) Other than sale of gas on cash basis, the majority of 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:

	Group	
	2009	2008
0 — 90 days	**25,411**	26,638
91 — 180 days	**7,740**	14,054
181 — 360 days	**9,878**	17,094
Over 360 days	**33,204**	32,235
	76,233	90,021
Less: Provision for impairment of trade receivables	**(30,959)**	(49,141)
	45,274	40,880

(b) The ageing analysis of the trade receivables that are past due but not considered impaired is as follows:

	Group	
	2009	2008
91 — 180 days	**518**	344
181 — 360 days	**779**	352
Over 360 days	**2,045**	1,437
	3,342	2,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(c) Movements of the Group's provision for impairment of trade receivables are as follows:

	Group	
	2009	2008
At 1 April	**(49,141)**	(49,472)
Exchange differences	**(891)**	(4,733)
Write back for year — net	**12,454**	5,064
Bad debts written off	**3,103**	—
Reclassified to assets of disposal group held for sale	**3,516**	—
At 31 March	**(30,959)**	(49,141)

(d) Provision for impairment of approximately HK$89 million principally relates to advances to suppliers which arose as a result of termination of trading relationships. Movement during 2009 is mainly because of fluctuation in exchange rate.

(e) The carrying amounts of trade and other receivables approximate their fair values due to their short-term maturities.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group include Renminbi deposits and cash held in the PRC of approximately HK$61 million (2008: HK$49 million). The conversion of these Renminbi denominated balances into foreign currencies and remittance out of the PRC is subject ot the rules and regulation of foreign exchange controls promulgated by the PRC government.

The Group's and the Company's bank balances and cash are principally denominated in Renminbi.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

13. ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE

Pursuant to a sale and purchase agreement dated 28 May 2008 and a supplemental agreement dated 25 February 2009, the income statements and balance sheets of the Group's 30 subsidiaries to be sold to TEDA *(Note 9(c))* will cease to be consolidated in the financial statement of the Group effective from the date when the Group loses control over these subsidiaries.

The disposal was effected on 4 May 2009, on which date these assets or liabilities held for sale would be de-recognised. Pending finalisation of the completion audit of the 30 subsidiaries, the Group does not expect to have any significant financial impact on the disposal for which it has received approximately HK$82 million *(Note 1(b)(iii))*.

(a) Assets held for sale

	2009
Property, plant and equipment — net book value	**94,978**
Land use rights	**17,589**
Trade and other receivables	**9,199**
Inventories	**8,392**
Cash	**5,270**
	135,428

(b) Liabilities held for sale

	2009
Trade and other payables	**47,676**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(c) Other information on the disposal group

Results of the disposal group consolidated line-by-line in the income statement for the year ended 31 March 2009 are approximately as follows:

	2009
	HK$ million
Revenue	**50**
Cost of sales	**(41)**
Other losses net	**(5)**
Administrative expenses	**(11)**
Operating loss for the year	**(7)**
Accumulated losses	**(155)**

(d) Management agreement between TEDA and WSGC for the 30 subsidiaries to be disposed of

Pursuant to the management agreement dated 28 May 2008 (as amended by two supplemental agreements dated 3 July 2008 and 25 February 2009) entered into with TEDA, the Group will provide management services to the 30 subsidiaries following completion of the disposal.

The Group shall be responsible for providing management services in respect of the business and the administration and operations of these subsidiaries, for which it will charge an annual management fee equal to 3% of the net asset value of these subsidiaries plus 20% of their audited net profits for the preceding financial year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

14. SHARE CAPITAL

	Number of shares *(million)*	*HK$'000*
At 1 April 2008 and 31 March 2009		
Ordinary shares of HK$0.01 each:		
Authorised	5,000	50,000
Issued and fully paid	2,177	21,770

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's executive Directors and employees of the Group. The Scheme became effective on 26 February 2000 and, unless otherwise cancelled or amended, will remain in force until 25 February 2010. The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

No share options were granted, exercised or cancelled during the year. All share options have lapsed as at 31 March 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

15. OTHER RESERVES

	Contributed surplus *(Note (i))*	Exchange reserve *(Note (ii))*	Statutory reserves *(Note (iii))*	Total
(a) Group				
Balance at 1 April 2007	28,800	(21,801)	2,561	9,560
Translation differences	–	(88,950)	–	(88,950)
Balance at 31 March 2008	28,800	(110,751)	2,561	(79,390)
Translation differences	–	(18,537)	–	(18,537)
Balance at 31 March 2009	**28,800**	**(129,288)**	**2,561**	**(97,927)**
(b) Company				
Balance at 31 March 2007	47,547	(16,605)	–	30,942
Translation differences	–	(28,030)	–	(28,030)
Balance at 31 March 2008	47,547	(44,635)	–	2,912
Translation difference	–	(6,759)	–	(6,759)
Balance at 31 March 2009	**47,547**	**(51,394)**	**–**	**(3,847)**

Note:

(i) Contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation on 26 February 2000 in preparation for the listing of the Company's shares on SEHK and the nominal value of the Company's shares issued in exchange therefor.

Contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganization on 26 February 2000, over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Act 1981 of Bermuda, a company may make distributions to its members out of its contributed surplus under certain circumstances.

(ii) The exchange reserve arose upon translation of the consolidated financial statements from the functional to the presentation currency.

(iii) In accordance with the relevant PRC regulations, the subsidiaries of the Company established in the PRC are required to transfer a certain percentage (as determined by the board of Directors of each of the subsidiaries) of their profits after tax (as determined in accordance with PRC generally accepted accounting principles), if any, to the statutory reserves. The statutory reserves can be used to offset accumulated losses or to increase capital upon approval by their respective board of Directors. The statutory reserves are not distributable unless the respective subsidiaries in the PRC are dissolved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

16. TRADE AND OTHER PAYABLES

	Note	Group	
		2009	2008
Trade payables	*(a)*	**96,814**	100,817
Amounts due to related parties			
— TEDA	*(b)*	**135,916**	134,677
— Others	*(c)*	**51,331**	41,995
Accrued expenses			
— Interest for borrowings	*(b)/(d)*	**254,678**	186,168
— Others		**28,886**	16,561
Advance from customers		**71,701**	81,122
Other payables		**57,289**	46,063
		696,615	607,403

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2009	2008
Renminbi	**631,018**	562,870
Hong Kong dollars	**65,597**	44,533
	696,615	607,403

(a) At 31 March 2009, the ageing analysis of the trade payables is as follows:

	Group	
	2009	2008
0 — 90 days	**19,386**	23,166
91 — 180 days	**11,403**	16,651
181 — 360 days	**15,556**	12,896
Over 360 days	**50,469**	48,104
	96,814	100,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(b) All amounts due to TEDA are unsecured, of which about HK$62 million bears annual interest of about 8%, whilst the remaining HK$74 million is interest free. However, pursuant to the Restructuring, TEDA has agreed to waive all interests due, to date when the Company's shares resume trading, which amounted to approximately HK$4.6 million for the year ended 31 March 2009 and approximately HK$11.8 million as at that date included under accrued interest for borrowings (Note 16(d)).

Also as agreed, subsequent to 31 March 2009, the Group repaid TEDA about RMB75 million (Note 1(b)(iv)) whilst the remaining amount due will be repaid in equal installments over three years.

(c) Amounts due to other related parties are as follows:

	Group	
	2009	2008
Tsinlien *(Note)*	**27,183**	26,610
Minority shareholders of subsidiaries	**24,148**	15,385
	51,331	41,995

Note:

The balance payable to Tsinlien is unsecured, bears an average annual interest of 6% (2008: 6%) and has no fixed repayment terms.

Tsinlien is the ultimate holding company of Santa Resources Limited, a substantial shareholder of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(d) Out of the interest payable for borrowings, about HK$215 million will be waived by the following lenders subject to various terms of the debt restructuring agreements and settlement agreements which were fulfilled after 31 March 2009:

	HK$'000
Hong Kong syndicated banks	47,611
China Construction Bank	134,705
China Merchants Bank	3,797
TEDA *(Note 16(b))*	11,752
TEDA Finance Bureau	17,294
	215,159

Accordingly, such interest waived will only be taken to the Group's income after 31 March 2009.

(e) The carrying amounts of trade and other payables approximate their fair values due to their short-term maturities.

17. BORROWINGS

	Group		**Company**	
	2009	2008	**2009**	2008
Current				
Bank borrowings, unsecured:				
– PRC banks	**390,758**	382,526	**–**	–
– Hong Kong syndicated banks	**210,000**	210,000	**210,000**	210,000
– Other Hong Kong banks	**24,880**	24,880	**24,880**	24,880
	625,638	617,406	**234,880**	234,880
Borrowing from TEDA Finance Bureau ("TFB")	**79,284**	77,614	**–**	–
Total borrowings	**704,922**	695,020	**234,880**	234,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(a) The Group's total borrowings as at 31 March 2009 were substantially settled after year end as a result of the Restructuring (Note 1(b)(iv)).

(b) The carrying amounts of all borrowings approximate their fair values as at 31 March 2009.

(c) The effective annual interest rates at the balance sheet date were as follows. The interests accrued and waived are as described in Note 16(d).

	Group		Company	
	2009	2008	**2009**	2008
PRC banks *(Note)*	**10.4%**	9.7%	**–**	–
Hong Kong syndicated banks	**5.6%**	6.7%	**5.6%**	6.7%
Other Hong Kong banks	**5.6%**	7.0%	**5.6%**	7.0%
Borrowing from TFB	**6.5%**	5.4%	**–**	–

Note: The effective interest rates include penalty for overdue borrowings.

(d) The carrying amounts of the borrowings are denominated in the following currencies.

	Group		Company	
	2009	2008	**2009**	2008
Hong Kong Dollars	**234,880**	234,880	**234,880**	234,880
Renminbi	**470,042**	460,140	**–**	–
	704,922	695,020	**234,880**	234,880

(e) The Group did not have any undrawn borrowing facility as at 31 March 2009 (2008: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

18. DEFERRED TAXATION

The Group recognises deferred tax assets for tax loss carry forward only to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group did not recognize deferred tax assets in respect of operating losses amounting to approximately HK$725 million which can be carried forward against future taxable income. These unutilised losses expire after five years from occurrence.

19. OTHER GAINS — NET

	2009	2008
Compensation for accidents in certain subsidiaries	**(14,678)**	—
Fee for managing pipelines network project for TEDA *(Note)*	**21,291**	—
Fee for designing pipelines network for TEDA *(Note)*	**–**	10,043
Impairment charge of property, plant and equipment	**–**	(12,222)
Gain/(loss) on disposal of property, plant and equipment	**122**	(31)
Land use rights written-off	**(1,518)**	—
Others	**5,107**	3,374
	10,324	1,164

Note:

The fee for managing the construction of the network pipeline for TEDA of approximately HK$21 million represents the entire fee due upon completion in accordance with agreements signed prior to 31 March 2009. The construction of the pipeline was deemed fully completed as at 31 March 2009 despite registration of certain documents with the relevant authorities, a task which the Group's management believes will be performed in due course with no significant cost to the Group (Note 28(c)). The outstanding fee receivable as at 31 March 2009 is about HK$9 million (Note 11).

The 2008 design fee of the network pipeline was received in full during the year ended 31 March 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

20. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting) the following:

	2009	2008
Cost of inventories sold	**411,134**	421,650
Cost of connection services	**72,800**	64,880
Employee benefit expense *(Note 21(a))*	**37,692**	32,221
Depreciation		
— Cost of sales	**10,411**	9,213
— Administrative expenses	**2,449**	1,122
Rental of premises from a subsidiary of TEDA	**2,457**	1,920
Write back of impairment of trade receivables		
— net	**(12,454)**	(5,064)
Inventory write-off	**656**	2,626
Amortisation	**1,278**	1,171
Auditor's remuneration	**5,600**	5,180
Other professional fees	**19,940**	16,367

21. EMPLOYEE BENEFIT EXPENSE

(a) The analysis of employee benefit expense is as follows:

	2009	2008
Wages and salaries	**31,356**	28,063
Pension costs	**6,336**	4,158
	37,692	32,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(b) Directors' emoluments

The aggregate amounts of emoluments payable to the Directors during the year of HK$1.5 million comprised only salaries (2008: HK$2.8 million salaries). No director fees were payable for 2009 (2008: Nil).

During the year, no options were granted to the Directors under the share option scheme.

During the year, none of the Directors waived any emoluments. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any Director during the year.

Details of emoluments of individual Directors and supervisors are set out as below:

	2009	2008
Executive Directors:		
Lam Man Lim	**1,105**	1,087
Guan Xue Bin	**393**	265
Dai Yan	**–**	–
Wang Gang	**–**	–
Shum Ka Sang *(i)*	**–**	1,300
Shi Dun Hong *(i)*	**–**	169
Independent Non-Executive Directors *(ii)*:		
Lau Siu Ki, Kevin	**6**	–
Ip Shing Hing	**6**	–
Law Japhet Sebastian	**6**	–
Tse Tak Yin	**6**	–
	1,522	2,821

(i) The above Directors have resigned from the Company during the year ended 31 March 2008.

(ii) The above Directors were appointed at the SGM on 23 March 2009. Prior to their appointment, each of the Directors received remuneration of HK$234,000 in their capacity as independent committee member (2008: HK$240,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 2 Directors (2008: 3 Directors) whose emoluments are reflected in the analysis presented above. The emolument of each of the remaining 3 (2008: 2) individuals, is below HK$1 million. The aggregate amount of emoluments paid to the 3 (2008: 2) highest paid individuals is HK$1,263,500 (2008: HK$520,000).

22. FINANCE COSTS, NET

	2009	2008
Interest on bank loans wholly repayable within five years	**58,496**	58,327
Interest on amounts due to TEDA and Tsinlien	**6,329**	5,882
Exchange gain	**(6,077)**	(26,343)
	58,748	37,866

Of the total finance costs of HK$59 million for the year, approximately HK$56 million will be waived (Note 16(d)).

23. INCOME TAX EXPENSES

No Hong Kong profits tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (2008: Nil).

The subsidiaries established in the PRC are subject to the PRC enterprise income tax ("EIT") at rates ranging from 18% to 25%.

The amount of taxation charged to the consolidated income statement represents:

	2009	2008
Current taxation:		
— PRC enterprise income tax	**15,126**	13,132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

The taxation on the loss before taxation of the Group differs from the theoretical amount that would arise using the applicable statutory enterprise income tax rate. Below is the reconciliation between taxation in the consolidated income statement and the aggregate tax at the rates applicable to profits in the respective entities concerned.

	2009	2008
Loss before taxation	**(24,347)**	(42,287)
Tax calculated at the respective applicable tax rates	**(4,959)**	(11,131)
Expenses not deductible for taxation purposes	**8,204**	6,228
Tax losses for which no deferred income tax asset was recognized *(Note 18)*	**21,824**	19,648
Utilisation of available tax losses	**(9,943)**	(1,613)
Tax charge	**15,126**	13,132

24. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS

The 2009 loss attributable to equity holders is dealt with in the financial statements of the Company to the extent of approximately HK$14 million (2008: profit of HK$10 million).

25. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the loss attributable to equity holders of the Company of approximately HK$40 million (2008: HK$50 million).

The basic loss per share is based on the weighted average number of 2,177 million ordinary shares in issue during 2009 (2008: 2,177 million).

The diluted loss per share is equal to its basic loss per share as there is no dilutive potential share for the year ended 31 March 2009 (2008: No dilutive share).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

26. CASH GENERATED FROM OPERATIONS

Reconciliation of loss before income tax to net cash generated from operations:

	2009	2008
Loss before taxation	**(24,347)**	(42,287)
Adjustments for:		
— Interest income	**(287)**	(393)
— Depreciation	**12,860**	10,335
— Amortisation	**1,278**	1,171
— Impairment charge on property, plant and equipment	**–**	12,222
— Write-back of impairment charge on trade receivables — net	**(12,454)**	(5,064)
— Finance costs	**58,748**	37,866
— (Gain)/loss on disposal of property, plant and equipment *(Note(i))*	**(122)**	31
— Land use rights write-off	**1,518**	—
Changes in working capital:		
— Inventories	**(2,396)**	(2,450)
— Trade and other receivables	**(19,226)**	18,185
— Trade and other payables	**50,085**	(8,355)
Net cash generated from operations	**65,657**	21,261

(i) Movements on disposal of property, plant and equipment comprise:

	2009	2008
Net book value	**98**	2,693
Proceeds from disposal	**(220)**	(2,662)
(Gain)/loss on disposal	**(122)**	31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

27. FINANCIAL GUARANTEE CONTRACTS

During the year, the Company has given guarantee of approximately HK$391 million (2008: HK$383 million) to subsidiaries in respect of their bank borrowings, of which HK$317 million has been released subsequent to 31 March 2009.

28. COMMITMENTS

(a) Capital expenditure of the Group at the balance sheet date contracted but not yet incurred is approximately as follows (Company: None in 2009 and 2008):

	2009 ***HK$ million***	2008 *HK$ million*
Property, plant and equipment contracted but not provided for	**5**	20
Potential capital contributions to subsidiaries established in the PRC *(Note 9(b))*	**198**	184
	203	204

(b) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows (Company: None in 2009 and 2008):

	2009 ***HK$ million***	2008 *HK$ million*
Not later than one year	**5**	5
Later than one year and not later than five years	**6**	11
Later than five years	**6**	4
	17	20

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK$'000 unless otherwise stated)

(c) In addition, on 28 May 2008, the Group entered into an agreement with TEDA to lease its pipeline network, the construction of which was managed by the Group (Note 19). The lease is for a term of three years and the maximum annual lease payment will not exceed approximately RMB6 million.

The lease agreement had not commenced as at 31 March 2009, subject to fulfilment of certain conditions set out in the agreement.

29. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA") became the ultimate major shareholder of the Group upon completion of the Restructuring after year end (Note 1(b)) and hence is regarded by management as a related party to the Group for the year ended 31 March 2009.

Other than as disclosed elsewhere in these consolidated financial statements, there is no other significant related party transaction during the year ended 31 March 2009.

Key management compensation is described in Note 21.

30. EVENTS AFTER THE BALANCE SHEET DATE

Details of the major events after 31 March 2009 are as described in Note 1(b).

31. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Directors on 24 June 2009.

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Guan Xue Bin
Lam Man Lim
Liu Hui Wen *(Chairman)*
Wang Gang
Zhang Jun
Zhou Li

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Ip Shing Hing *J.P.*
Lau Siu Ki Kevin
Professor Japhet Sebastian Law
Tse Tak Yin

COMPLIANCE OFFICER

Wang Gang

AUTHORISED REPRESENTATIVES

Wang Gang
Lam Man Lim

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Lam Man Lim

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The Growth Enterprise Market of the
Stock Exchange of Hong Kong Limited

STOCK CODE

8035

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