



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

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



Third Quarterly 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.**

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*This report, for which the directors (the “Directors”) of Binhai Investment Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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.*

## FINANCIAL HIGHLIGHTS

	Unaudited Nine months ended 31 December 2009 <i>HK\$'000</i>	Unaudited Nine months ended 31 December 2008 <i>HK\$'000</i>	Increase/ (Decrease)
Revenue	507,178	494,576	3%
Gross profit	81,580	79,579	3%
Profit/(loss) for the period	218,365	(52,709)	514%
Basic and diluted earnings/(loss) per share attributable to the equity holders of the Company during the period	2.18 cents	(2.4) cents	4.58 cents

The board of directors (the “**Board**”) of Binhai Investment Company Limited (the “**Company**”) hereby announces the unaudited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and nine months ended 31 December 2009, together with the unaudited comparative figures for the corresponding period in 2008.

## FINANCIAL INFORMATION

### Condensed Consolidated Income Statement

	Notes	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	3	182,037	131,585	507,178	494,576
Costs of sales		(152,860)	(105,654)	(425,598)	(414,997)
<b>Gross profit</b>		<b>29,177</b>	25,931	<b>81,580</b>	79,579
Other gains/(loss)-net		2,414	(2,906)	5,170	(5,300)
Administrative expenses		(17,893)	(19,238)	(50,980)	(69,513)
		<b>13,698</b>	3,787	<b>35,770</b>	4,766
Finance costs		(1,154)	(18,178)	(14,873)	(48,950)
<b>Profit/(loss) before interest waiver and taxation</b>		<b>12,544</b>	(14,391)	<b>20,897</b>	(44,184)
Interest waived	5	–	–	225,717	–
<b>Profit/(loss) before taxation</b>		<b>12,544</b>	(14,391)	<b>246,614</b>	(44,184)
Income tax expenses	6	–	–	(17,408)	–
– related to interest waiver		–	–	(17,408)	–
– others		(5,641)	(3,789)	(10,841)	(8,525)
		<b>(5,641)</b>	(3,789)	<b>(28,249)</b>	(8,525)
<b>Profit/(loss) for the period</b>		<b>6,903</b>	(18,180)	<b>218,365</b>	(52,709)
<b>Profit/(loss) attributable to</b>					
Equity holders of the Company		6,373	(18,255)	217,545	(52,952)
Minority interest		530	75	820	243
		<b>6,903</b>	(18,180)	<b>218,365</b>	(52,709)
<b>Earnings/(loss) per share attributable to the equity holders of the Company during the period (expressed in Hong Kong cents per share)</b>					
– basic and diluted	8	0.05 cents	(0.9) cents	2.18 cents	(2.4) cents

## Condensed Consolidated Statement of Comprehensive Income

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<b>Profit/(loss) for the period</b>	<b>6,903</b>	(18,180)	<b>218,365</b>	(52,709)
<b>Other comprehensive income</b>				
– Exchange differences	<b>149</b>	1,601	<b>(1,223)</b>	(18,021)
<b>Total other comprehensive income</b>	<b>149</b>	1,601	<b>(1,223)</b>	(18,021)
<b>Total comprehensive income</b>	<b>7,052</b>	(16,579)	<b>217,142</b>	(70,730)
<b>Total comprehensive income attributable to:</b>				
– Equity holders of the Company	<b>6,510</b>	(14,865)	<b>216,317</b>	(69,394)
– Minority interest	<b>542</b>	(1,714)	<b>825</b>	(1,336)
	<b>7,052</b>	(16,579)	<b>217,142</b>	(70,730)

## Condensed Consolidated Statement of Changes in Equity

Changes in equity of the Group during the nine months ended 31 December 2009 and 2008 are as follows:

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Accu- mulated losses HK\$'000	Minority interest HK\$'000	Total HK\$'000
<b>Balance at 1 April 2008</b>	21,770	191,079	(79,390)	(969,282)	7,145	(828,678)
Profit/(loss) for the period	–	–	–	(52,952)	243	(52,709)
Exchange differences	–	–	(16,442)	–	(1,579)	(18,021)
Total comprehensive income for the period	–	–	(16,442)	(52,952)	(1,336)	(70,730)
<b>Balance at 31 December 2008</b>	21,770	191,079	(95,832)	(1,022,234)	5,809	(899,408)
<b>Balance at 1 April 2009</b>	21,770	191,079	(97,927)	(1,009,733)	8,289	(886,522)
Issue of shares	638,158	234,474	–	–	–	872,632
Waiver of debt (Note)	–	–	160,000	–	–	160,000
Disposal of subsidiaries	–	–	–	–	(159)	(159)
Profit for the period	–	–	–	217,545	820	218,365
Exchange differences	–	–	(1,228)	–	5	(1,223)
Total comprehensive income for the period	–	–	(1,228)	217,545	825	217,142
<b>Balance at 31 December 2009</b>	659,928	425,553	60,845	(792,188)	8,955	363,093

Note: The Company issued ordinary shares, convertible preference shares and redeemable preference shares as part of the restructuring proposal of the Group. Details are set out in paragraphs (i), (iv) and (v) in the section headed "Restructuring" of this report.

Changes in equity of the Group during the three months ended 31 December 2009 and 2008 are as follows:

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Accu- mulated losses HK\$'000	Minority interest HK\$'000	Total HK\$'000
<b>Balance at 1 October 2008</b>	21,770	191,079	(99,222)	(1,003,979)	7,523	(882,829)
Profit/(loss) for the period	–	–	–	(18,255)	75	(18,180)
Exchange differences	–	–	3,390	–	(1,789)	1,601
Total comprehensive income for the period	–	–	3,390	(18,255)	(1,714)	(16,579)
<b>Balance at 31 December 2008</b>	21,770	191,079	(95,832)	(1,022,234)	5,809	(899,408)
<b>Balance at 1 October 2009</b>	659,928	425,553	60,708	(798,561)	8,413	356,041
Profit for the period	–	–	–	6,373	530	6,903
Exchange differences	–	–	137	–	12	149
Total comprehensive income for the period	–	–	137	6,373	542	7,052
<b>Balance at 31 December 2009</b>	659,928	425,553	60,845	(792,188)	8,955	363,093

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION

This condensed consolidated financial information for the nine months ended 31 December 2009 has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

### 2. ACCOUNTING POLICIES

The principle accounting policies adopted are consistent with those adopted in the annual financial statements for the year ended 31 March 2009 except in relation to the following new/revised accounting standards and interpretations that are effective for the accounting period beginning 1 January 2009:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 & HKAS 1 (Amendment)	Presentation of financial statements & financial Instruments: Presentation – Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Share-based payment – Vesting conditions and cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – Int 9 & HKAS 39	Reassessment of embedded derivatives
HK(IFRIC) – Int 13	Customer loyalty programs
HK(IFRIC) – Int 15	Agreements for the construction of real estate
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation

These new amendments and interpretations are either not applicable to the Group or has no material effect on the results of the Group for the current or prior accounting period.

### 3. REVENUE

Revenue of the Group is analysed as follows:

	Unaudited Three months ended 31 December 2009		Unaudited Nine months ended 31 December 2009	
	HK\$'000	2008 HK\$'000	HK\$'000	2008 HK\$'000
On-site gas sales (Note)	<b>31,924</b>	13,660	<b>131,965</b>	160,011
Piped gas sales				
— sales to TEDA	<b>15,248</b>	—	<b>39,140</b>	—
Gas				
— sales to others	<b>84,767</b>	61,326	<b>202,432</b>	160,316
	<b>100,015</b>	61,326	<b>241,572</b>	160,316
Bottled gas sales	<b>4,800</b>	6,437	<b>11,475</b>	24,880
<b>Total gas sales</b>	<b>136,739</b>	81,423	<b>385,012</b>	345,207
Connection services	<b>45,298</b>	50,162	<b>122,166</b>	149,369
<b>Total revenue</b>	<b>182,037</b>	131,585	<b>507,178</b>	494,576

Note:

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

### 4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 requires operating segment to be identified on the basis of internal report about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The adoption of HKFRS 8 has not resulted in a redesign of the Group's reportable segment.

The Group has identified four operating segments — on-site gas sales, bottled gas sales, piped gas sales and connection services, the reports of which are used by the Group's chief operating decision maker (Executive Directors) to make strategic decisions.

Segment results are as follows:

Nine months ended 31 December 2009	Unaudited				Total HK\$'000
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	
Segment revenue	131,965	11,475	241,572	122,166	507,178
Segment results	832	126	11,826	68,796	81,580
Unallocated costs					(45,810)
					35,770
Finance costs					(14,873)
Profit before interest waiver and taxation					20,897
Interest waived					225,717
Profit before taxation					246,614
Income tax expense					
—related to interest waiver					(17,408)
—others					(10,841)
Profit for the period					218,365

All revenue of the Group is from external customers (including related parties).

Nine months ended 31 December 2008	Unaudited				Total HK\$'000
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	
Segment revenue	160,011	24,880	160,316	149,369	494,576
Segment results	615	240	(863)	79,587	79,579
Unallocated costs					(74,813)
					4,766
Finance costs					(48,950)
Loss before income tax					(44,184)
Income tax expense					(8,525)
Loss for the period					(52,709)

Three months ended 31 December 2009	Unaudited				Total HK\$'000
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	
Segment revenue	31,924	4,800	100,015	45,298	182,037
Segment results	248	(114)	4,943	24,100	29,177
Unallocated costs					(15,479)
Finance costs					13,698 (1,154)
Profit before taxation					12,544
Income tax expense					(5,641)
Profit for the period					6,903

Three months ended 31 December 2008	Unaudited				Total HK\$'000
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	
Segment revenue	13,660	6,437	61,326	50,162	131,585
Segment results	99	1,059	1,227	23,546	25,931
Unallocated costs					(22,144)
Finance costs					3,787 (18,178)
Loss before income tax					(14,391)
Income tax expense					(3,789)
Loss for the period					(18,180)

## 5. INTEREST WAIVED

HK\$226 million interests waived have been credited to the Group's interest income for the nine months ended 31 December 2009. The amount comprises approximately HK\$138 million waived by China Construction Bank Corporation Tianjin Branch ("China Construction Bank"), HK\$12 million waived by TEDA, HK\$18 million waived by Finance Bureau of the Tianjin Economic and Technological Development Area ("TEDA Finance Bureau"), HK\$48 million waived by the syndicated banks, HK\$6 million waived by China Merchants Bank Company Limited Hong Kong Branch ("China Merchants Bank") and HK\$4 million waived by the Agricultural Bank of China Tianjin Branch ("Agricultural Bank").

This is a one-off waiver of interest.

## 6. INCOME TAX EXPENSES

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

Subsidiaries established in the People's Republic of China (the "PRC") are subject to the PRC enterprise income tax ("EIT") at rates ranging from 20% to 25% (2008:18% to 25%). All of the following taxation arose in the PRC.

	Unaudited Three months ended 31 December 2009		Unaudited Nine months ended 31 December 2009	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Current taxation:				
– taxation on interest waived (Note)	–	–	(17,408)	–
– others	(5,641)	(3,789)	(10,841)	(8,525)
	<b>(5,641)</b>	<b>(3,789)</b>	<b>(28,249)</b>	<b>(8,525)</b>

### Note:

Taxation on interest waived represents provisions for maximum potential tax payable, currently under negotiation with relevant authorities.

## 7. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2009 (2008: Nil).

## 8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share for the nine months ended 31 December 2009 is based on the profit attributable to equity holders of HK\$217,545,000 (2008: loss of HK\$52,952,000) and the weighted average number of shares during the period of 9,961,068,402 (2008: 2,177,000,000). The calculation of the basic earnings per share for the three months ended 31 December 2009 is based on the profit attributable to equity holders of HK\$6,373,000 (2008: loss of HK\$18,255,000) and the weighted average number of shares during the period of 11,659,478,667 (2008: 2,177,000,000). The calculation has taken into account the 5,666,666,666 new ordinary shares to be issued upon the conversion of the 170 million convertible preference shares as described in the "Restructuring" section (paragraphs (i) and (iv)) below as these preference shares will be automatically converted into ordinary shares of the Company by the tenth anniversary of issue.

The amount of diluted earnings/(loss) per share for the current and comparative periods are not separately shown as there are no potential factors diluting earnings/(loss) for both periods.

To enable investors to better understand the Group's results, below is a table reconciling earnings/(loss) per share to adjusted earnings/(loss) per share, excluding the one-off waiver of interest and the related provision for income tax expenses.

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) attributable to equity holders	<b>6,373</b>	(18,255)	<b>217,545</b>	(52,952)
Adjustments for:				
Interest waived	–	–	<b>(225,717)</b>	–
Income tax expense on Interest waived	–	–	<b>17,408</b>	–
Profit/(loss) attributable to equity holder (excluding interest waived and income tax expense on interest waived)	<b>6,373</b>	(18,255)	<b>9,236</b>	(52,952)
Adjusted basic and diluted earnings/(loss) per share (excluding interest waived and income tax expense on interest waived)	<b>0.05 cents</b>	(0.9) cents	<b>0.09 cents</b>	(2.4) cents

## BUSINESS REVIEW

The Group is principally engaged in the construction of gas pipeline networks, provision of connection services, sale of liquefied petroleum gas ("LPG") and piped gas and property development.

### Connection Services

The Group constructs gas pipelines for its clients and connects their pipelines to the Group's main gas pipeline networks, and charges connection service fees from industrial and commercial customers, property developers and property management agents. As at 31 December 2009, the Group's total gas pipeline network was approximately 788 kilometers, which was reduced by 168 kilometers as a result of the disposal of 30 subsidiaries (as part of the restructuring proposal the Group, details of which were set out in the circular of the Company dated 27 February 2009). Excluding the effect from such disposal, an increase of 38 kilometers of the pipeline network was recorded for the nine months ended 31 December 2009. During the relevant period, the connection service fees amounted to approximately HK\$122 million, representing a decrease of HK\$27 million or 18% as compared to HK\$149 million in the corresponding period last year. This was mainly attributable to the disposal of 30 subsidiaries from the Group which was deemed to have been completed in May 2009. Since 4 May 2009, the Group had ceased to consolidate the results of the 30 subsidiaries.

### Piped Gas Sales

During the nine months ended 31 December 2009, consumption of piped gas by residential and industrial customers amounted to approximately  $648 \times 10^6$  and  $2,486 \times 10^6$  mega-joules respectively, as compared to  $518 \times 10^6$  and  $1,380 \times 10^6$  mega-joules respectively for the same period last year. For the nine months ended 31 December 2009, the piped gas sales income of the Group amounted to HK\$242 million, representing an increase of HK\$82 million or

51% over the same period last year. Of this increase, HK\$39 million was due to the completion of the second natural gas pipelines network of the Binhai New Area and commencement of gas sales to Tianjin TEDA Tsinlien Gas Co., Ltd (“TEDA Gas”). Furthermore, the increase of connected households caused a gradual escalation of gas consumption.

### Property Development

In order to explore property development business in the PRC, Wah Sang Gas (China) Investment Co. Ltd. (“**WSGC**”, now known as Binhai Investment (Tianjin) Company Limited), a wholly-owned subsidiary of the Company, established Tianjin Binhai Xinda Real Estate Co. Ltd. in the PRC with registered capital of US\$20 million on 9 December 2009 (the “**Property Company**”). Initially US\$3 million, which will be funded by internal resources of the Group, will be injected into the Property Company by the Group. The Property Company has not made any investment since its establishment.

### PROSPECTS

After restructuring, the sufficient working capital and stable financial position of the Group provide reliable guarantee for further development of the Group.

The continued economic growth has brought about an increase in the demand for energy in the PRC. The PRC government has been very supportive of the development of the natural gas industry and has promulgated various policies and guidelines to encourage and regularize the usage of natural gas. That offers good opportunity for future growth in the natural gas industry in the PRC. The Group will ride on these favorable industry foundations for rapid development to achieve good results in performance. Within the year, the Group will continue to work on construction of the pipeline network to further piped gas sales, especially natural gas sales. The Group is confident that piped gas sales volume will have a steady increase this year.

With the continuous growth in the Group's gas sales volume, securing gas supply is of utmost importance. Tianjin Wah Sang Gas Enterprise Co., Ltd, and Qinhuangdao Wah Sang Gas Co., Ltd., wholly-owned subsidiaries of the Group, entered into the agreements for the sale and purchase and transmission of natural gas with PetroChina Company Limited on 28 August 2009 and 27 January 2010 respectively for the supply of natural gas to the Group for a term of 20 years starting from 2010 and 2011. Such agreements will provide a long term primary supply of gas to the Group and the basis for further development of the gas business of the Group in Tianjin, Qinhuangdao and their surrounding regions, and are conducive to the safe and stable supply of gas to the Group.

In addition to the gas-related business, the Group proposes to explore property development business to further the growth of the business of the Group.

The Binhai New Area has been included into the overall national development strategy, which has entered a new stage of development. The rapid development of Binhai New Area will provide opportunities and platforms for the Group's long-term development, so the Group has full confidence in its future prospects.

## RESTRUCTURING

The following events took place during the nine months ended 31 December 2009:

- (i) HK\$800 million was injected by Teda Hong Kong Property Company Limited ("**TEDA HK**"), a subsidiary of TEDA Investment Holdings Co., Ltd. ("**TEDA**"), into the Group through Cavalier Asia Limited ("**Tsinlien BVI**") for the subscription of 8.6 million non-voting redeemable preference shares of nominal value of HK\$50 each in the capital of the Company (the "**Redeemable Preference Shares**"), 130 million non-voting irredeemable convertible preference share of nominal value of HK\$1.00 each in the capital of the Company (the "**Convertible**

**Preference Shares**") and 3 billion new ordinary shares of the Company for consideration of HK\$430 million, HK\$130 million and HK\$240 million respectively. Upon acquisition of the entire issued shares of Tsinlien BVI, TEDA would become the ultimate controlling shareholder of the Company, and the procedures were in progress.

Tsinlien BVI was allotted the 8.6 million Redeemable Preference Shares and 130 million Convertible Preference Shares on 4 May 2009, and 3 billion new ordinary shares on 12 June 2009.

- (ii) On 4 May 2009, the Tianjin Municipality Government approved a further increase in the registered capital of WSGC from US\$65 million to US\$145 million. As at 31 December 2009, the entire registered capital of WSGC had been fully paid up.
- (iii) On 4 May 2009, the Group was deemed to have completed the disposal of 30 of its subsidiaries to Tsinlien BVI (the entire issued share capital of which is to be transferred to TEDA) at a consideration of approximately HK\$82 million, which was received on 7 May 2009. The final gross consideration would be adjusted based on the audited net asset value of the 30 subsidiaries and the audited outstanding inter-company loans payable to the Group by these subsidiaries as at the date of completion of the disposal and the procedures were in progress. The Group does not expect to record any gain or loss on the disposal.
- (iv) Settlement of borrowings:
  - On 7 May 2009, the Group repaid HK\$10 million and issued 40 million Convertible Preference Shares to the syndicated banks to discharge the syndicated bank loan of HK\$210 million. The hair cut of HK\$160 million has been credited to the Group's reserves. Pursuant to the settlement agreement (the "**Settlement Agreement**") dated 24 January 2008 entered into between the Company and the syndicated banks in respect of the settlement of a syndicated loan of HK\$220 million, Tsinlien BVI

has committed to repurchase these Convertible Preference Shares from the syndicated banks in 2014 for HK\$225 million on the fifth anniversary of the date of issue of the Convertible Preference Shares by entering into a sale and purchase agreement with the syndicated banks on 7 May 2009.

- On 11 May 2009, the Group repaid approximately 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 (in accordance with debt restructuring agreements disclosed in the circular of the Company dated 27 February 2009).
  - On 2 June 2009, the Group repaid RMB280 million due to China Construction Bank, details of which were set out in the announcement of the Company dated 3 June 2009.
  - On 29 June 2009, the Group repaid RMB5 million to the Agricultural Bank of China Tianjin Branch, and on 29 July 2009 repaid the entire outstanding amount of RMB60 million plus interest of approximately RMB26 million, details of which were set out in the announcement of the Company dated 29 July 2009.
- (v) The Company issued 815,812,000 ordinary shares by way of an open offer, the details of which were set out in the prospectus of the Company dated 11 May 2009. The open offer was over-subscribed as disclosed in the announcement of the Company dated 29 May 2009. The Company received proceeds of approximately HK\$32.6 million and 815,812,000 new ordinary shares were issued on 2 June 2009.

Upon the occurrence of the above events, the Group is deemed to have completed the disposal of 30 subsidiaries to Tsinlien BVI, the injection of new capital into the Group by TEDA and the debt restructuring.

As at 31 December 2009, the Group's equity shareholders' deficit as at 31 March 2009 was reverted to positive assets whilst its net current liabilities position was turned into net current assets position.

## **FINANCIAL REVIEW**

### **Gross Profit Margin**

The gross profit margin of the Group during the nine months ended 31 December 2009 was 16%, maintaining the same level as that in the corresponding period last year.

The gross profit margin of piped gas sales during the nine months ended 31 December 2009 was 5%, showing a marked increase compared to -1% for the same period last year. Such increase was mainly due to the increase of the industrial customer's consumption, which was a relatively high gross margin contributor.

The gross profit margin of bottled gas sales during the nine months ended 31 December 2009 was 1%, maintaining the same level as that in the corresponding period last year. The gross profit margin of bottled gas sales during the three months ended 31 December 2009 was -2%. The low gross profit margin of bottled gas sales was significantly affected by the changes in cost. The Group believes that changes were within normal range, and the bottled gas sales business was the beneficial supplement of the Group in the long run.

### **Administrative Expenses**

Administrative expenses of the Group for the nine months ended 31 December 2009 was HK\$51 million, representing a decrease of HK\$19 million from HK\$70 million for the corresponding period in 2008. Such decrease was mainly due to the decrease of professional fees after the resumption of trading.

### **Profit/loss attributable to equity holders**

As per the above results, the profit attributable to equity holders of the Group was approximately HK\$218 million for the nine months ended 31 December 2009, comparing to a loss attributable to equity holders of the approximately HK\$53 million in the corresponding period in 2008. Such increase in profit was mainly due to the interest waived and the decrease of administrative expenses and finance costs.

Basic earnings per share for the nine months ended 31 December 2009 was HK2.18 cents, as compared to a loss per share of HK2.4 cents for the corresponding period last year.

### **Financial resources**

During the nine months ended 31 December 2009, the Group generally financed its operations with proceeds from the restructuring and internally generated resources.

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

In view of the Group's current stable financial and liquidity positions and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present needs.

### **Exposure to exchange rate fluctuations**

The Directors consider that the Group did not have any significant exposure to fluctuations in foreign exchange rates or any related hedges as all transactions and borrowings were denominated in Renminbi and Hong Kong Dollars.

## **INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND CHIEF EXECUTIVES IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

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

As at 31 December 2009, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong) which would be required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which a director or a chief executive would be taken or deemed to have under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors referred to in Rules 5.46 of the GEM Listing Rules.

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

As at 31 December 2009, the persons (not being a Director or chief executive of the Company) or companies who had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO and who

were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of shareholder	Position	Beneficial interests	Family interests	Corporate interests	Others	Total	Approximate percentage of the issued ordinary share capital
Tsinlien Group Company Limited	Long	–	–	496,188,000 (Note 1)	8,666,666,666 (Note 2)	9,162,854,666	152.90%
	Short	–	–	8,666,666,666 (Note 3)	–	8,666,666,666	144.62%
TEDA	Long	–	–	8,666,666,666 (Note 3)	–	8,666,666,666	144.62%
Tianjin Development Holdings Limited	Long	–	–	496,188,000 (Note 1)	–	496,188,000	8.28%
Tianjin Investment Holdings Limited	Long	–	–	496,188,000 (Note 1)	–	496,188,000	8.28%
Santa Resources Limited	Long	496,188,000	–	–	–	496,188,000	8.28%
Mr. Shum Ka Sang	Long	45,650,000	–	749,350,000 (Note 4)	–	795,000,000	13.27%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	749,350,000 (Note 4)	–	–	–	749,350,000	12.50%
Ms. Wu Man Lee	Long	–	795,000,000 (Note 5)	–	–	795,000,000	13.27%

*Notes:*

1. The interest disclosed represents the interest in the Company held by Santa Resources Limited, a company which is directly wholly-owned by Tianjin Development Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange. Tianjin Investment Holdings Limited is a substantial shareholder of Tianjin Development Holdings Limited.
2. These 8,666,666,666 ordinary shares of HK\$0.01 each in the Company ("Shares") represent (i) 3,000,000,000 Shares which were allotted and issued to Tsinlien BVI on 12 June 2009 pursuant to the conditional subscription agreement entered into between the Company and Tsinlien BVI on 28 May 2008 and subsequently amended by the supplemental agreement dated 25 February 2009 ("**Subscription Agreement**"), (ii) 4,333,333,333 potential Shares which are issuable to Tsinlien BVI assuming full conversion of 130,000,000 Convertible Preference Shares issued to Tsinlien BVI under the Subscription Agreement and (iii) 1,333,333,333 potential Shares which are issuable assuming full conversion of the 40,000,000 Convertible Preference Shares issued to the syndicated banks under the Settlement Agreement, pursuant to which Tsinlien BVI has agreed to buy back such Convertible Preference Shares from the syndicated banks on the 5th anniversary of the date of issue of such Convertible Preference Shares.
3. The interests disclosed represent the interests in the Company held by Tsinlien BVI which shall be delivered to TEDA HK pursuant to a nominee arrangement between Tsinlien Group Co., Ltd and TEDA HK. TEDA HK, a wholly-owned subsidiary of TEDA, has conditionally agreed to acquire Tsinlien BVI from Tsinlien Group Co., Ltd.
4. Wah Sang Gas Development Group (Cayman Islands) Limited is wholly-owned by Mr. Shum. The corporate interests held by Mr. Shum represent his deemed interests in the Shares by virtue of his interests in Wah Sang Gas Development Group (Cayman Islands) Limited.
5. Madam Wu Man Lee is deemed to be interested in the Shares by virtue of the interests in such shares owned by her spouse, Mr. Shum.

## INTERESTS OF COMPLIANCE ADVISER

Pursuant to the Compliance Adviser Agreement dated 7 May 2009 between the Company and WAG Worldsec Corporate Finance Limited ("**WAG Worldsec**"), WAG Worldsec has been appointed as the compliance adviser of the Company for the period from 12 May 2009 to 31 March 2013. WAG Worldsec receives a fee for working as the compliance adviser of the Company.

In June 2005, WAG Worldsec entered into an agreement with the Company to act as the financial adviser to the Company in respect of the restructuring proposal of the Company for resumption of trading of the Shares on GEM, under which WAG Worldsec receives a fee. During the nine months ended 31 December 2009, WAG Worldsec continued to act as the financial adviser to the Company on the restructuring proposal.

On 4 May 2009, WAG Worldsec entered into an agreement with the Company in respect of the underwriting of the Open Offer of the Company, the details of which were set out in the prospectus of the Company dated 11 May 2009. As stated in the announcement of the Company dated 29 May 2009, the Open Offer was over-subscribed and as a result the obligations of WAG Worldsec as an underwriter under the Underwriting Agreement were fully discharged.

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

## SHARE OPTIONS GRANTED AND EXERCISED

During the period from 1 April 2009 to 31 December 2009, no share options have been granted or exercised under the share option scheme adopted by the Company on 26 February 2000. As at the date of this report, all the outstanding share options have lapsed or have been cancelled.

## DIRECTORS' INTEREST IN CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party which subsisted at any time during the nine months ended 31 December 2009.

## COMPETING INTERESTS

During the period, save for the interests of Tsinlien BVI in the 30 former subsidiaries of the Group, the disposal of which was deemed to have completed in May 2009, none of the Directors or the management shareholders of the Company or their respective associates had any interests in a business which competes or may compete with the business of the Group. As at 31 December 2009, the names, nature of business and details of ownership of Tsinlien BVI in the said 30 former subsidiaries of the Group were as follows:

	Name of former subsidiary	Nature of Business	% of interests
1	Xintai Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
2	Shouguang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	75
3	Dongying Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
4	Jizhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	98
5	Boxing Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
6	Hengshui Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	90

	Name of former subsidiary	Nature of Business	% of interests
7	Jinan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
8	Jiangshan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
9	Xuzhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
10	Ningguo Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
11	Huaining Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
12	Jiangxi Nanchang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
13	Suqian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
14	Huangshan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
15	Guixi Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
16	Gaoan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
17	Pizhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
18	Xinyi Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
19	Youxian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
20	Fengxian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
21	Ningxiang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
22	Liyang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
23	Taizhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
24	Ningyang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
25	Qingyuan Yimin Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
26	Peixian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
27	Yixian Fujiang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
28	Anxin Lihua Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
29	Chenzhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
30	Weishan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100

## AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules on 23 March 2009. 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 independent non-executive directors. Mr. Lau is the Chairman of the Audit Committee. The primary duties of the Audit Committee include the review and supervision of the Group’s financial reporting system and internal control procedures, review of the Group’s financial information and review of the Company’s relationship with its auditors. The Audit Committee has reviewed the unaudited consolidated results of the Group for the nine months ended 31 December 2009 and has provided advice and comments on this report.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

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

## **PURCHASES, SALES AND REDEMPTION OF LISTED SECURITIES**

The Company had not redeemed any of its issued shares during the nine months ended 31 December 2009. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the nine months ended 31 December 2009.

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

Hong Kong, 9 February 2010

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