濱　海　投　資　有　限　公　司

BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)

Stock Code: 8035

Annual Report 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

CONTENT

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Liu Hui Wen *(Chairman)*
Mr. Gao Liang
Mr. Guan Xue Bin (resigned on 4 August 2009)
Mr. Lam Man Lim (resigned on 4 August 2009)
Mr. Zhou Li (resigned on 20 January 2010)

Mr. Dai Yan (re-designated as non-executive director on 9 February 2010)
Mr. Wang Gang (re-designated as non-executive director on 9 February 2010)
Mr. Zhang Jun (re-designated as non-executive director on 9 February 2010)

NON-EXECUTIVE DIRECTORS

Mr. Dai Yan (appointed on 9 February 2010)
Mr. Wang Gang (appointed on 9 February 2010)
Mr. Zhang Jun (appointed on 9 February 2010)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

Mr. Lau Siu Ki, Kevin *(Chairman)*
Mr. Ip Shing Hing, *J.P.*
Professor Japhet Sebastian Law
Mr. Tse Tak Yin

REMUNERATION COMMITTEE

Professor Japhet Sebastian Law *(Chairman)*
Mr. Gao Liang
Mr. Ip Shing Hing, *J.P.*
Mr. Lau Siu Ki, Kevin
Mr. Tse Tak Yin

NOMINATION COMMITTEE

Mr. Ip Shing Hing, *J.P. (Chairman)*
Mr. Gao Liang
Professor Japhet Sebastian Law
Mr. Lau Siu Ki, Kevin
Mr. Tse Tak Yin

COMPLIANCE OFFICER

Mr. Gao Liang

JOINT COMPANY SECRETARIES

Mr. Yin Fu Gang
Mr. Yip Wai Yin

AUTHORISED REPRESENTATIVES

Mr. Gao Liang
Mr. Yin Fu Gang

AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton
HM11 Bermuda

HEAD OFFICE

Suites 3205-07, 32/F., Shell Tower
Times Square, 1 Matheson Street
Causeway Bay, Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

COMPLIANCE ADVISER

WAG Worldsec Corporate Finance Limited
6th Floor, New Henry House
10 Ice House Street, Central, Hong Kong

LEGAL ADVISER ON HONG KONG LAW

Woo Kwan Lee & Lo
26th Floor, Jardine House, 1 Connaught Place
Central, Hong Kong

PRINCIPAL BANKERS

CITIC Bank International Limited
9th Floor, Tower 1, Lippo Centre,
89 Queensway, Hong Kong

China Construction Bank
No.19 One Plus Nanjing Road,
Hexi District, Tianjin, PRC

China Merchants Bank Hong Kong Branch
21st Floor, Bank of America Tower
Central, Hong Kong

STOCK CODE

8035

WEBSITE

www.binhaiinv.com

Binhai Investment Company Limited *(Note(i))* **incorporated: Bermuda**

↓ 100%

Winstar Venture Limited **incorporated: BVI**

↓ 100%

Binhai Investment (Hong Kong) Company Limited *(Note(ii))* **incorporated: Hong Kong**

↓ 100%

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

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Shareholding		Incorporated
100%	Tianjin Wah Sang Gas Enterprise Company Limited	Tianjin
100%	Tianjin Wah Sang Energy Development Company Limited	Tianjin
100%	Tianjin HuaTai Xinda Company Limited	Tianjin
100%	Tianjin Binhai Xinda Real Estate Company Limited	Tianjin
100%	Beijing Airport Wah Sang Gas Company Limited	Beijing
90%	Sanhe Yan Sang Gas Development Company Limited	Hebei Province
85%	Zhuozhou Wah Sang Gas Development Company Limited	Hebei Province
100%	Qinhuangdao Wah Sang Gas Company Limited	Hebei Province
100%	Zibo Wah Sang Gas Company Limited	Shandong Province
100%	Binzhou Wah Sang Gas Company Limited	Shandong Province
99%	Changle Wah Sang Gas Company Limited	Shandong Province
100%	Dezhou Wah Sang Gas Company Limited	Shandong Province
100%	Qingdao Jiaonan Wah Sang Gas Company Limited	Shandong Province
100%	Qingdao Jiaozhou Wah Sang Gas Company Limited	Shandong Province
100%	Haiyang Wah Sang Gas Company Limited	Shandong Province
100%	Zhaoyuan Wah Sang Gas Company Limited	Shandong Province
100%	Yishui Wah Sang Gas Company Limited	Shandong Province
100%	Qingdao Laixi Wah Sang Gas Company Limited	Shandong Province
100%	Juxian Wah Sang Gas Company Limited	Shandong Province
100%	Qixia Wah Sang Gas Company Limited	Shandong Province
100%	Leiyang Wah Sang Gas Company Limited	Hunan Province
100%	Funing Wah Sang Gas Company Limited	Jiangsu Province

CORPORATE PROFILE

		Incorporated
100%	Jinhu Wah Sang Gas Company Limited	Jiangsu Province
100%	Suining Wah Sang Gas Company Limited	Jiangsu Province
100%	Yizheng Wah Sang Gas Company Limited	Jiangsu Province
100%	Nanjing Wah Sang Gas Company Limited	Jiangsu Province
99%	Jurong Wah Sang Gas Company Limited	Jiangsu Province
98%	Zhangjiagang Wah Sang Gas Company Limited	Jiangsu Province
99%	Jingjiang Wah Sang Gas Co., Ltd	Jiangsu Province
90%	Deqing Wah Sang Gas Development Company Limited	Zhejiang Province
100%	Haiyan Wah Sang Gas Development Company Limited	Zhejiang Province
100%	Huzhou Nanxun Wah Sang Gas Company Limited	Zhejiang Province
98%	Tonglu Wah Sang Gas Company Limited	Zhejiang Province
100%	Yingtan Wah Sang Gas Company Limited	Jiangxi Province

Notes:

(i) Binhai Investment Company Limited, formerly named "Wah Sang Gas Holdings Limited", changed to its present name on 12 May 2009;

(ii) Binhai Investment (Hong Kong) Company Limited, formerly named "Wah Sang Gas Investment Group Limited", changed to its present name on 6 August 2009;

(iii) Binhai Investment (Tianjin) Company Limited ("BITCL"), formerly named "Wah Sang Gas (China) Investment Company Limited", changed to its present name on 6 January 2010.

FINANCIAL HIGHLIGHTS

	2010 **HK$'000**	2009 *HK$'000*	Increase/ (Decrease)
Revenue	**795,279**	621,464	28%
Gross profit	**126,867**	94,386	34%
Profit/(loss) for the year	**231,767**	(39,473)	687%
Earnings/(loss) per share attributable to the equity holders of the Company during the year	**2.2 cents**	(1.9) cents	4.1 cents

	2010 **HK$'000**	2009 *HK$'000*	Increase/ (Decrease)
Total assets	**833,633**	571,267	46%
Total equity/(net deficit)	**376,086**	(886,522)	142%
Total liabilities	**457,547**	1,457,789	(69%)

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "**Board**"), I am pleased to present the annual report of Binhai Investment Company Limited (the "**Company**") and its subsidiaries (thereafter collectively referred to as the "**Group**") for the year ended 31 March 2010.

PERFORMANCE REVIEW

For the year ended 31 March 2010, revenue of the Group amounted to HK$795,279,000 (2009: HK$621,464,000), representing an increase of approximately 28% from last year. The profit attributable to equity holders of the Company amounted to approximately HK$230,114,000 (2009: Loss: HK$40,451,000), representing an increase of approximately 669% from last year. As at 31 March 2010, the total assets and current assets of the Group was HK$833,633,000 (2009: HK$571,267,000) and HK$560,668,000 (2009: HK$329,087,000) respectively.

With the continuous growth in the Group's business, securing gas supply is of utmost importance. The Group actively explores sources of gas supply, and has signed two-gas supply agreements with PetroChina Company Limited for Tianjin and Qinhuangdao regions, which provides long-term primary gas supply assurance to the Group and basis for further development of the gas business in the above-mentioned regions.

CORPORATE GOVERNANCE

The Group has spared no effort to strengthen corporate governance practices, which lay a solid foundation for the Group's healthy development. Such corporate governance practices include:

— optimizing the structure of the Board, giving full play to the Directors of outstanding ability and experience in the relevant fields to exercise effective leadership over the Group;

— providing the senior management of the Group with a reasonable division of labour, to facilitate the effective implementation of various business strategies, operation and management targets established by the Board;

— adjusting the Group's organizational structure in accordance with the standards of an efficient management; and

— and engaging PricewaterhouseCoopers Consultants (Shenzhen) Limited, Beijing Branch ("PricewaterhouseCoopers — Beijing") as internal controls advisor to provide recommendations on the Group's internal controls for the year ended 31 March 2010.

PROSPECTS

Upon fulfillment of the conditions proposed by the Company to the Securities and Futures Commission of Hong Kong (the "**SFC**") and the Stock Exchange, the Company resumed trading of its ordinary shares on 12 May 2009 on the GEM. The name of the Company was changed to "Binhai Investment Company Limited" on 12 May 2009. The change of name of the Company is intended to reflect that geographically Binhai New Area will be the most important area to focus on for the Group's gas and related businesses.

In respect of gas business, the government of the People's Republic of China (the "**PRC**") 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. The Group will make good use of such favourable industry environment for its rapid development. The potential market is enormous, particularly in the Binhai New Area, which has been included in the Company's overall national development strategy. According to the non-competition agreement entered into by Tianjin TEDA Investment Holdings Co., Ltd. ("**TEDA**") with the Group, the Group may require TEDA to use its best endeavours to procure that the Company or its subsidiary may participate in business opportunities on no less favourable terms than those offered to TEDA or any company, enterprise or entity controlled by TEDA, in the event TEDA (including any company, enterprise, or entity it controls) comes across a business opportunity for the supply of gas to end users.

The Company will continue to adopt its "law-abiding, honest, healthy, cooperative and win-win" corporate culture, so as to seize opportunities and to maintain the Company's goodwill.

On behalf of the Board, I would like to extend my heartfelt thanks to shareholders, customers, employees, business partners and other stakeholders for their support towards the Group.

On behalf of the Board

Liu Hui Wen
Chairman of the Board

Hong Kong, 25 June 2010

RESTRUCTURING AND RESUMPTION OF TRADING

Trading in the shares of the Company ("**Shares**") on GEM had been suspended since April 2004. Thereafter, the Company underwent a restructuring ("**Restructuring**") which was approved by the Company's shareholders at a special general meeting on 23 March 2009, in order to provide adequate funding to the Group so that it can facilitate the running of a viable on-going business, to discharge the Group's indebtedness, to restructure and to re-focus the Group's business operations with a view to resume trading of the Shares on GEM. During the year ended 31 March 2010, all the conditions proposed to the SFC and required by the Stock Exchange for resumption of trading in the shares of the Company were fulfilled and the trading in the shares on GEM resumed on 12 May 2009.

The following major events related to the restructuring mentioned above took place during the year ended 31 March 2010:

(i) Debt restructuring

- On 7 May 2009, the Company repaid HK$10 million and issued 40 million non-voting irredeemable convertible preference shares of nominal value of HK$1.00 each in the capital of the Company ("**Convertible Preference Shares**") to the syndicated banks to discharge the syndicated bank loan of HK$210 million pursuant to the conditional settlement agreement dated 24 January 2008 entered into between the Company and the syndicated bank in respect of settlement of the syndicated bank loan ("**Settlement Agreement**"). The remaining HK$160 million is credited to the Group's reserves. Cavalier Asia Limited ("Tsinlien BVI") has committed to repurchase such Convertible Preference Shares from the syndicated banks in the year 2014 for HK$225 million on the fifth anniversary of the date of issue of such Convertible Preference Shares.

- On 11 May 2009, pursuant to the agreement dated 28 May 2008 entered into between China Merchants Bank Company Limited Hong Kong Branch ("**China Merchants Bank**"), the Company and Teda Hong Kong Property Company Limited ("**TEDA HK**") in respect of the restructuring of the China Merchants Bank loan, the Company repaid the amount of approximately HK$4.9 million to China Merchants Bank, together with related un-waived interests of HK$2.1 million. On 11 May 2009, the Group repaid the amount of RMB75 million (equivalent to approximately HK$85 million) to TEDA pursuant to the debt restructuring agreement dated 1 February 2008 (amended by supplemental agreements dated 26 May 2008 and 25 February 2009). On 11 May 2009, the Group repaid the amount of RMB70 million (equivalent to approximately HK$80 million) to Finance Bureau of the Tianjin Economic and Technological Development Area ("**TEDA Finance Bureau**") pursuant to the debt restructuring agreement dated 12 March 2008 (amended by supplemental agreements dated 26 May 2008 and 25 February 2009).

- On 2 June 2009, the Group repaid RMB280 million (equivalent to approximately HK$318 million) due to China Construction Bank Corporation Tianjin Branch ("**China Construction Bank**") in settlement of the entire bank loan pursuant to the agreement dated 1 February 2008 (amended by a supplemental agreement date 25 February 2009 and a written undertaking dated 26 May 2008 issued by China Construction Bank) among China Construction Bank, the Group, and TEDA in respect of restructuring of the China Construction Bank loan.

- On 29 July 2009, the Group paid interest of approximately RMB26 million (equivalent to approximately HK$30 million) to the Agricultural Bank of China Tianjin Branch ("**Agricultural Bank**") pursuant to the memorandum dated 26 June 2005 issued by Agricultural Bank.

In addition, it was disclosed in the circular of the Company dated 27 February 2009 that as part of the Restructuring, the Agricultural Bank had agreed in principle, subject to conditions, to maintain the credits of RMB65 million to the Group until 30 June 2010. As set out in the Company's announcement dated 29 July 2009, in order to avoid further accrual of interest on such loan by the Agricultural Bank, the Group repaid an amount of RMB5 million and RMB60 million on 29 June 2009 and 29 July 2009 respectively. For such early repayment of outstanding loan, the Agricultural Bank waived interest accrued in the amount of RMB2.95 million.

- Following the repayment of the Group's borrowings mentioned in the preceding paragraphs, certain portions of past due interests accrued up to the date of resumption of trading of the Company's shares were waived in accordance with the relevant agreements entered into with respective banks. Such interests waived amounted to HK$226 million and have been included in the income statement during the year ended 31 March 2010.

(ii) The subscription for new shares, redeemable preference shares, and new convertible preference shares

HK$800 million was injected by TEDA HK, a subsidiary of TEDA, into the Group through 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 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 pursuant to the conditional subscription agreement entered into between the Company and Tsinlien BVI on 28 May 2008 and subsequently amended by a supplemental agreement dated 25 February 2009. These shares in the Company are held by Tsinlien BVI to be delivered to TEDA HK pursuant to a nominee arrangement. Upon completion of the acquisition of the entire issued share capital of Tsinlien BVI mentioned in Note 34 to the financial statements by TEDA HK, TEDA would formally become the ultimate controlling shareholder of the Company.

(iii) Open offer and general offer

The open offer of one new share for one existing share held by shareholders of the Company (other than Mr. Shum Ka Sang, Tianjin Development Holdings Limited and parties acting in concert with them) ("**Open Offer**") closed on 29 May 2009. The Company received gross proceeds of approximately HK$32.6 million and 815,812,000 new Shares were issued on 2 June 2009.

The mandatory unconditional cash offer to the shareholders pursuant to the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC ("**General Offer**") by TEDA HK (through Tsinlien BVI) for all the issued Shares (other than those already owned by or agreed to be acquired by TEDA HK or parties acting in concert with it) was completed on 6 July 2009. The General Offer does not have any impact on the financial position of the Group as no additional shares were issued by the Company.

(iv) Disposal of subsidiaries

On 4 May 2009, the Group disposed 30 of its subsidiaries ("**Disposed Subsidiaries**") to Tsinlien BVI (the entire issued share capital of which is to be transferred to TEDA HK) at a provisional consideration of approximately HK$82 million, amount of which was received on 7 May 2009 pursuant to the agreement dated 28 May 2008 and subsequently amended by a supplemental agreement dated 25 February 2009 (the "**Disposal**"). Related legal procedures were in progress. The total consideration receivable by the Group will be adjusted according to 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. As of date of this report, the completion audit of the Disposed Subsidiaries is still in progress. Based on the management accounts of the Disposed Subsidiaries, the Directors of the Company expect the final consideration will be around HK$89 million. The difference between the expected final consideration and the amount already received has been included in the net payable to TEDA as at 31 March 2010. The Group does not expect to record any gain or loss on the Disposal.

(v) Continuing connected transactions

The Restructuring also comprised certain continuing connected transactions between TEDA, Tianjin TEDA Tsinlien Gas Co., Ltd ("**TEDA Gas**") Gas, Tsinlien Group Company Limited ("**Tsinlien**"), TEDA Real Property Development Co.(天津開發區泰達大廈房地產開發公司) and the Group. Details of such transactions are set out in the section headed "CONTINUING CONNECTED TRANSACTIONS" in the "DIRECTORS' REPORT" contained herein.

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 March 2010, the Group's total gas pipeline network was approximately 818 kilometers, which was reduced by 168 kilometers as a result of the disposal of 30 subsidiaries (as part of the restructuring proposal of the Group, details of which are disclosed in the section headed "RESTRUCTURING AND RESUMPTION OF TRADING" above). Excluding the effect from the Disposal, an increase of 68 kilometers of the pipeline network was recorded for the year. During the year, the connection service fees amounted to approximately HK$174 million, representing an increase of HK$5 million or 3% as compared to HK$169 million last year.

Piped Gas Sales

During the year, consumption of piped gas by residential and industrial customers amounted to approximately $985*10^6$ and $4,198*10^6$ mega-joules respectively, as compared to $831*10^6$ and $1,922*10^6$ mega-joules respectively for the last year. For this year, the piped gas sales income of the Group amounted to HK$390 million, representing an increase of HK$145 million or 59% from last year. Of this increase, HK$67 million was due to the completion of the second natural gas pipelines network of the Binhai New Area and commencement of gas sales to TEDA Gas. Furthermore, the increase of connected households caused a gradual escalation of gas consumption.

Property Development

On 11 November 2009, the Company announced that Binhai Investment (Tianjin) Company Limited (formerly "Wah Song Gas (China) Investment Company Limited") ("**BITCL**"), a wholly-owned subsidiary of the Company, proposed to establish a property company to create a new business segment to further the growth of the business of the Group. On 9 December 2009, BITCL established Tianjin Binhai Xinda Real Estate Company Limited (the "Property Company") with the approval of Tianjin Industrial and Commercial Administration. On 31 December 2009, the Property Company entered into the "Agreement of Transfer of Tianjin State-owned land use right for construction" (天津市國有建設用地使用權出讓合同) with Tianjin Airport Economic Area Land Bureau(天津空港經濟區土地局)in accordance with legal procedures, to acquire the land use rights of 15899.6 square meters located to the east of Central West Road, west of Central Road, north of Xi San Road, south of Xi Er Road in the Tianjin Airport Economic Area(天津空港經濟區) in Binhai New Area (the "Land") at a price of RMB10.18 million.

On 25 June 2010, the Company proposes to construct commercial building on the Land for lease or sale, and the total costs including construction costs and the land costs is estimated to be approximately RMB300 million. The construction costs are expected to be financed by internal resources, corporate banking facilities and project financing as deemed appropriate by the board of directors of the Company. by the end of the year, total cost of approximately HK$31 million had been incurred and recorded in the consolidated balance sheet of the Group as at 31 March 2010 as "Property under development".

After the establishment of the Property Company was approved by Tianjin Industrial and Commercial Administration, during the relevant filing processes with the Ministry of Commerce of the People's Republic of China (the "PRC"), the Company was verbally notified in January 2010 by the Tianjin Commission of Commerce that there was an adjustment in the guiding policy of the Ministry of Commerce to the effect that foreign-owned investment companies established in the PRC are not permitted to invest in property development projects in the PRC. As a result the Property Company could not complete the filing processes and the contribution of capital by BITCL to the Property Company could not be completed. On 25 June 2010, in order to develop its property business, the Company also proposes to make Binhai Investment (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong, as the investor of the Property Company in place of BITCL according to the existing policy adjustment. Related issues are being followed up by the Company.

Taking into consideration the conditions of the property market of the Binhai New Area, the Group may dispose of its land use rights or relevant rights at appropriate time and in an appropriate manner. Further announcements will be made by the Company if and when required under the GEM Listing Rules. In the event that the Group later decides to dispose of the land use rights or relevant rights prior to the completion of the intended construction or development, part of the construction costs will not be incurred.

FINANCIAL REVIEW

Gross Profit Margin

The gross profit margin of the Group during the year was 16% versus 15% last year. That was mainly due to the improvement of operating performances and the Disposal of 30 subsidiaries (which contributed lower gross profit margin).

Administrative Expenses

Administrative expenses of the Group for the year ended 31 March 2010 was HK$71 million, maintaining the same level as last year.

Profit/loss attributable to equity holders

For the year ended 31 March 2010, the profit attributable to equity holders of the Group was approximately HK$230 million, comparing to a loss attributable to equity holders of the approximately HK$40 million in 2009. For the year ended 31 March 2010, the profit attributable to equity holders excluding interest waived and income tax expense on interest waived was approximately HK$21 million as disclosed in Note 13 to the financial statements, representing an increase of HK$61 million from last year, which was mainly due to the good performances of the Group's business.

Basic earnings per share for the year ended 31 March 2010 was HK2.2 cents, as compared to a loss per share of HK1.9 cents in 2009.

Liquidity

For the year ended 31 March 2010, the Group maintained a sound financial position. As at 31 March, the cash and bank deposit of the Group was HK$386,891,000 (2009: HK$63,095,000). Details of the cash and bank deposit are set out in Note 22 to the financial statements. As at 31 March 2010, the Group had consolidated current assets of approximately HK$561 million and its current ratio was approximately 1.4. As at 31 March 2010, the Group had a gearing ratio of approximately 2%, measured by the ratio of total consolidated borrowings of approximately HK$20 million to consolidated total assets of approximately HK$834 million.

Financial resources

During the year ended 31 March 2010, the Group generally financed its operations with proceeds from the restructuring and internally generated resources. As at 31 March 2010, the Group had total borrowings of HK$20 million, 25% of which are considered current liabilities and repayable within one year, and the remaining repayable in the following three years. The borrowings are interest bearing bank loans on a fixed interest rate of 4%. The borrowings were unsecured.

Directors' opinion on sufficiency of working capital

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

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.

Future plans for material investment or capital assets

The Company intends to construct commercial building, and the construction costs and the land costs are estimated to be approximately RMB300 million. Total cost of approximately HK$31 million had been incurred and recorded in the consolidated balance sheet of the Group as at 31 March 2010 as "Property under development". Details were set out in the section headed "Property Development" in "BUSINESS REVIEW".

Charge over the Group's assets

As at 31 March 2010, there were no charges over any of the Group's assets.

Acquisitions, disposals and significant investments

Save for the Disposal which was deemed to have been completed on 4 May 2009, the Group had no material acquisitions, disposals of any subsidiaries or affiliated companies nor held any significant investments during the year ended 31 March 2010. Details of the Disposal are set out in the section headed "RESTRUCTURING AND RESUMPTION OF TRADING" above.

Contingent Liabilities

As at 31 March 2010, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 31 March 2010, the Group had 967 employees (2009: 1,093). For the year ended 31 March 2010, the salaries and wages of the employees was HK$31 million (2009: HK$31 million).

REMUNERATION POLICY

The remuneration of the employees of the Group is determined by reference to the market rate, and the performance, qualification and experience of the relevant staff. Also, a discretionary bonus based on individual performance during the year will be distributed to reward the contributions of employees to the Group. The Group also provides training opportunity and other benefits, including pension insurance, unemployment insurance, injury insurance, medical insurance, maternity insurance and housing fund, etc. Details of pension scheme are set out in Note 2.18(c) and Note 8 to the financial statements.

USE OF PROCEEDS

Upon the completion of the restructuring and reorganization of the Group, the Group received an injection of net fund of approximately HK$897 million from the subscription of 8.6 million redeemable preference shares, 130 million convertible preference shares and 3 billion new ordinary shares by Tsinlien BVI (**the** "**Subscription**"), the Disposal, and the Open Offer. The net fund was arrived at after the deduction of the expenses of approximately HK$17 million in connection with the Restructuring which includes the issue of the Shares pursuant to the Subscription Agreement and the Open Offer.

During the year ended 31 March 2010, the practical applications of the proceeds were as follows:

- Approximately HK$383 million was used for settlement of bank loans – of which approximately (1) HK$5 million, (2) HK$10 million, (3) RMB280 million (approximately HK$318 million (Note)) and (4) RMB45 million (approximately HK$50 million) were paid to (1) China Merchants Bank, (2) the syndicated banks of a term loan facility under a loan agreement of 5 November 2002, (3) China Construction Bank and (4) Agricultural Bank respectively.

- Approximately HK$32 million was used for repayment of bank loan interest, of which approximately HK$2 million and HK$30 million were paid to China Merchants Bank and Agricultural Bank respectively.

- Approximately HK$165 million was used for repayment of other advances/loans, of which RMB75 million (equivalent to approximately HK$85 million (Note)) and RMB70 million (equivalent to approximately HK$80 million (Note)) were paid to TEDA and TEDA Finance Bureau respectively.

- Approximately HK$3 million was used as injection of capital to subsidiaries for construction of pipeline.

- Approximately HK$20 million was used to meet operating needs.

- Approximately HK$39 million was used for settlement of the trade payable under the prescribed terms of their respective contracts.

- Approximately HK$1 million was invested in a computerized financial management and control system.

As at 31 March 2010, the actual amount of proceeds used by the Company was approximately HK$643 million in aggregate, and the remaining net proceeds was approximately HK$254 million. Save for the loan repayment of RMB45 million to Agricultural Bank as disclosed in the announcement dated 29 July 2009 as a change in use of proceeds, the usage of proceeds above is in accordance with the circular of the Company dated 27 February 2009. Of the remaining net proceeds, approximately HK$102 million was deposited with CITIC Bank International Limited in Hong Kong Dollars, approximately HK$89 million was deposited with China Construction Bank in US Dollars and approximately HK$63 million was deposited with commercial banks in RMB. The Board believes that the remaining net proceeds will be used according to the intended usage as set out in the circular dated 27 February 2009.

Note:

Difference with the circular dated 27 February 2009 was due to difference in exchange rate.

The Board presents the corporate governance report of the Company for the year ended 31 March 2010.

The Board believes that good corporate governance is of utmost importance for the success and sustained, rapid development of the Company. The Board is making efforts to improve the transparency and independence of the operation of the Company and increase the level of corporate governance for the healthy development of the Company and promotion of value to shareholders.

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibility for the leadership and control of the Group, including provision and formulation of the Group's business directions and strategies in the interests of the Group. It believes in good corporate governance practices that strengthen investors' confidence, facilitate the development of the Group, and increase transparency in the operation of the Group, ultimately striving for the long term interest of the Group and enhancement of shareholders' value. It is committed to and has applied the principles of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules ("**Corporate Governance Code**").

During the year ended 31 March 2010, the Company had fully complied with the code provisions set out in the Corporate Governance Code, except for the following deviations:

1. Due to changes in financial staff of the Company and handover arrangements in respect of such changes, the Company was unable to deliver all board papers of Audit Committee meetings held in August and November 2009 to all members of Audit Committee in a timely manner at least 3 days before the date of such meetings. The Company has taken measures to avoid any similar problem arising again.

2. As no Chairman was designated until 16 June 2009, the Company was unable to comply with paragraph A.2.1 of the Corporate Governance Code that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The Company has re-complied with this requirement of the Corporate Governance Code as from 16 June 2009.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company regulates the securities trading of Directors according to the required standard of dealings as set out in Rules 5.48 to 5.67 of GEM Listing Rules. Dealings in securities of the Company by Directors are subject to the approval of the chairman of the Board.

All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of GEM Listing Rules throughout the year ended 31 March 2010.

THE BOARD

The Board currently comprises nine directors which includes two executive directors, three non-executive directors, and four independent non-executive directors. Mr. Liu Hui Wen is the chairman and executive Director, Mr. Gao Liang is executive Director, Mr. Zhang Jun, Mr. Dai Yan and Mr. Wang Gang are non-executive Directors, Mr. Ip Shing Hing J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin, and Mr. Lau Siu Ki, Kevin are independent non-executive Directors. Detailed information of the Directors are set out in the section titled "BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT" herein. Two of the Company's former Executive Directors, Mr. Guan Xue Bin and Mr. Lam Man Lim, retired and did not offer themselves for re-election at the annual general meeting of the Company held on 4 August 2009. Mr. Zhou Li resigned as an executive Director on 20 January 2010.

Rule 5.05 of the GEM Listing Rules requires the Company to have at least three independent non-executive directors and one of whom must have appropriate professional qualifications or accounting or related financial management expertise. Rule 5.28 of the GEM Listing Rules requires the Company to retain at all times a minimum of three independent non-executive directors in its audit committee, and at least one member of the audit committee must have appropriate professional qualifications or accounting or related financial management expertise. In addition, as a condition for resumption of trading proposed by the Company to the SFC, the Company is required to appoint and retain two qualified persons as members of its audit committee from time to time for a period of three years from the date of resumption of trading. Throughout the year ended 31 March 2010, the Company had four independent non-executive Directors appointed on 23 March 2009, being Mr. Ip Shing Hing J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin, and Mr. Lau Siu Ki, Kevin. Mr. Tse Tak Yin and Mr. Lau Siu Ki, Kevin are qualified accountants.

According to Rule 5.09 of the GEM Listing Rules, the Company has received from each independent non-executive Director a written confirmation of independence. The Company considers all independent non-executive Directors to be independent.

There is/are no financial, business, family or other material/relevant relationship(s) between the Board members (including between the chairman and the General Manager).

The Board is responsible for the overall management of the Company, undertakes the responsibility to leadership and control and to promote the success of the Company through direction and supervision. All the Directors are bound by their duties to act in the interests of the Company to make an objective decision. The Board is responsible for the major affairs of the Company, including the approval and supervision of all major policies, overall strategies, internal control and risk management systems, material transactions (particular transactions which may involve a conflict of interest), financial information, appointment of Directors and other material financial and operating matters.

The management is responsible for the Group's daily administration and operations. Material transactions by the management are subject to approval of the Board.

A total of 12 Board meetings were held during the year ended 31 March 2010 (comprising 4 regular meetings and 8 temporary meetings) to discuss and decide on the Company's major strategies, important business matters, financial issues and issues regarding the Company's bye-laws set forth in other matters. A summary of the Directors' attendance at such meetings is as follows:

Name of Directors	Number of meetings attended/ Number of meetings held	Attendance percentage
Mr. Liu Hui Wen	2/5 *(Note: 6 Board meetings were held after his appointment, one of which involved a conflict of interest on the part of Mr. Liu and hence Mr. Liu was, not counted in the quorum and abstain from voting on resolution)*	40%
Mr. Gao Liang	3/4 *(Note: 4 Board meetings were held after his appointment.)*	75%
Non-Executive Directors		
Mr. Wang Gang	11/12	92%
Mr. Dai Yan	7/11 *(Note: one meeting involved a conflict of interest on the part of Mr. Dai and hence Mr. Dai was not counted in the quorum and abstain from voting on resolution)*	64%
Mr. Zhang Jun	5/5 *(Note: 6 Board meetings were held after his appointment, one of which involved a conflict of interest on the part of Mr. Zhang and hence Mr. Zhang was not counted in the quorum and abstain from voting on resolution)*	100%

Independent Non-Executive Directors	Number of meetings attended/ Number of meetings held	Attendance percentage
Mr. Lau Siu Ki, Kevin	11/12	92%
Mr. Ip Shing Hing *JP*	10/12	83%
Professor Japhet Sebastian Law	10/12	83%
Mr. Tse Tak Yin	8/12	67%

Resigned Directors	Number of meetings attended/ Number of meetings held	Attendance percentage
Mr. Zhou Li	5/5 *(Note: 5 Board meetings were held during his term of office in the year)*	100%
Mr. Guan Xue Bin	5/8 *(Note: 8 Board meetings were held during his term of office in the year)*	63%
Mr. Lam Man Lim	8/8 *(Note: 8 Board meetings were held during his term of office in the year.)*	100%

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

The chairman of the Board ("**Chairman**") is Mr. Liu Hui Wen, and the general manager of the Company ("**General Manager**") is Mr. Gao Liang. The Chairman is primarily responsible for the formulation of development strategy and business strategy, and the General Manager is primarily responsible for the day-to-day operations of the Company. Such distinction between the respective roles and responsibilities of the Chairman and the General Manager are set out in the Regulation on Operation of the Board and its Committees of the Company.

TERM OF OFFICE AND RE-ELECTION

The independent non-executive Directors, Mr. Ip Shing Hing J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin, and Mr. Lau Siu Ki, Kevin, have a term of service from 23 March 2009 to the date of the annual general meeting of the Company to be held in 2010 and shall be eligible for re-election. Other non-executive Directors have three years' term of office, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the "**Remuneration Committee**") comprises four independent non-executive Directors, namely Professor Japhet Sebastian Law (chairman), Mr. Tse Tak Yin, Mr. Lau Siu Ki, Kevin, Mr. Ip Shing Hing JP, and an executive Director, Mr. Gao Liang.

The main responsibilities of the Remuneration Committee include, among others, the following:

1. to review and formulate policies in respect of the remuneration structure for all Directors and senior management of the Company and make recommendations to the Board for its consideration and approval; and

2. to review and approve 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.

During the year ended 31 March 2010, the Remuneration Committee held two meetings and established remuneration policies of senior management of the Company and remuneration standards of executive Directors and non-executive Directors.

The following table lists the details of attendance of members of the Remuneration Committee at the meetings held during the year ended 31 March 2010:

Committee members	**Number of meetings attended/ Number of meetings held**	**Attendance percentage**
Professor Japhet Sebastian Law *(chairman)*	2/2	100%
Mr. Tse Tak Yin	2/2	100%
Mr. Lau Siu Ki, Kevin	2/2	100%
Mr. Ip Shing Hing *J.P.*	2/2	100%
Mr. Gao Liang	0/2 *(Note: As Mr. Gao Liang had to refrain from determining his own remuneration as an executive Director, he was excused from attendance and abstain from voting on resolution.)*	0%

On 11 November 2009, the Remuneration Committee approved and recommended to the Board for approval, the proposal for remuneration of executive Directors, under which Mr. Liu Hui Wen is entitled to HK$400,000 per year as from his date of appointment, whereas Mr. Gao Liang is entitled to HK$200,000 per year as from 4 August 2009 and each of Mr. Dai Yan, Mr. Zhang Jun, and Mr. Wang Gang, is entitled to HK$200,000 per year as from 15 June 2009.

On 4 February 2010, the Remuneration Committee discussed and recommended to the Board for approval the remuneration of senior management of the Company, payment of the basic salary of senior management of the Company, and the performance payment program for the financial year ended 31 March 2010.

NOMINATION OF DIRECTORS

The nomination committee of the Company ("**Nomination Committee**") currently 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 executive director Mr. Gao Liang.

The main responsibilities of Nomination Committee include, among others, the following:

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

2. to assess the independence of independent non-executive Directors and proposed independent non-executive Directors; and

3. to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession for Directors, in particular the Chairman and the General Manager.

During the year ended 31 March 2010, the Nomination Committee recommended to the Board the appointment of Mr. Gao Liang as Executive Director and General Manager of the Company, and the re-designation of executive Directors Mr. Zhang Jun, Mr. Dai Yan, Mr. Wang Gang as non-executive Directors, all of which was approved by the Board.

Nomination procedures of Committee include identification and acknowledgement of qualified individuals by the Nomination Committee, and review and approval of such nominations by the Board. The Nomination Committee will evaluate potential candidates considering factors such as professional expertise, relevant experience, personal ethics and integrity.

During the year ended 31 March 2010, no meetings were held by the Nomination Committee.

AUDITOR'S REMUNERATION

The statement of responsibility to the financial statements by PricewaterhouseCoopers, the auditor of the Group, is set out in the section of "INDEPENDENT AUDITOR'S REPORT" on page 44 of this Annual Report. The remuneration for the auditor's services for the year ended 31 March 2010 amounted to RMB4 million.

To maintain an effective and adequate internal control system of the Group, the Board engaged PricewaterhouseCoopers-Beijing as internal controls advisor to provide recommendations on the Group's internal controls. Also, the Board engaged PricewaterhouseCoopers-Beijing to offer tax services. The remuneration for non-audit services for the year ended 31 March 2010 included: (1) review of internal control amounted to RMB2.6 million; (2) tax services amounted to RMB438,000.

AUDIT COMMITTEE

The Company established an audit committee ("**Audit Committee**") in accordance with Rule 5.28 of the GEM Listing Rules, duties of which have been set out in writing in compliance with Rule 5.29 of the GEM Listing Rules. The main responsibilities of the Audit Committee include, among others, the following:

1. to make recommendations to the Board on the appointment, reappointment and removal of the external auditor;

2. to ensure the accuracy and completeness of the Company's financial statements, annual reports and accounts, half-year reports and quarterly reports; and

3. to monitor the Company's financial controls, internal control and risk management systems.

The Audit Committee comprises four independent non-executive directors, namely Mr. Lau Siu Ki, Kevin, Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Ip Shing Hing J.P. Mr. Lau, who is the chairman of the audit committee, and Mr. Tse are qualified accountants.

Four meetings were held by the Audit Committee during the year ended 31 March 2010.

In the meeting, the Audit Committee reviewed and discussed the following matters:

1. the audited results, financial statements of the Group for the year ended 31 March 2009;

2. the unaudited results of the Group for the 3 months, 6 months and 9 months ended 30 June 2009, 30 September and 31 December 2009 respectively.

3. financial reporting system and internal control procedures;

4. relationship with the external auditor.

The following table lists the details of attendance of members of the Audit Committee at the meetings held during the year ended 31 March 2010:

Committee members	Number of meetings attended/ Number of meetings held	Attendance percentage
Mr. Lau Siu Ki, Kevin *(chairman)*	4/4	100%
Professor Japhet Sebastian Law	4/4	100%
Mr. Tse Tak Yin	4/4	100%
Mr. Ip Shing Hing J.P.	4/4	100%

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Audit Committee has also reviewed the audited annual result of the Group for the year ended 31 March 2010. The Audit Committee opined and viewed that:

1. The Group's accounting and management systems and controls procedures has been maintained at a generally satisfactory and acceptable standard.

2. The quarterly, interim and annual financial statements for the relevant reporting period are complete and accurate in all respects.

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements for the year ended on 31 March 2010 in accordance with statutory requirements and applicable standards.

The Directors consider that in preparing the financial statements, the Group adopts appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy the financial position of the Group, and facilitate the preparation of the financial statements in accordance with the applicable accounting standards.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

The reporting responsibility of the external auditor of the Company on the consolidated financial statements of the Group are set out in the independent auditor's report on page 44 herein.

INTERNAL CONTROL

The Company's internal audit department oversees the Group's internal control system. In addition, the Company appointed PricewaterhouseCoopers-Beijing as internal controls advisor to provide recommendations on the Group's internal controls for the year ended 31 March 2010 and PricewaterhouseCoopers-Beijing issued two reports respectively in January 2010 (covering the review period from 1 April 2009 to 30 September 2009) and June 2010 (covering the review period from 1 October 2009 to 31 March 2010) (collectively, the "**Two Reports**").

The Two Reports covered the following issues:

1. The process of corporate governance, focused on several aspects as follows:

    (1) the Board and the Audit Committee;

    (2) anti-fraud system (including the Company's code of conduct);

    (3) authorization and segregation of duties;

    (4) risk (such as business risks, finance risks, compliance risks, operational risks and other risks) management procedures;

    (5) internal audit system;

    (6) human resources policies and practices;

    (7) the monitoring program to the subsidiaries;

    (8) other policies and procedures of disclosure required by the GEM Listing Rules (such as relevant internal control policies and procedures on connected transactions, records and disclosure of major transactions).

2. Business processes:

    (1) sales and receivables process;

    (2) procurement and payment processes;

3. asset management processes;

4. the financial reporting process; and

5. capital management processes.

The Two Reports also made some recommendations on improving the corporate governance processes and business processes to the Group. The exceptions found in the January 2010 Report and June 2010 Report which are controllable and rectifiable were mostly the defects of implementation due to the adjustment of company's organization and department. The management of the company has made a thorough analysis and provided effective remedies to these exceptions.

The Audit Committee has assessed the management systems and control procedures of the Group and has also reviewed the Two Reports of the PricewaterhouseCoopers-Beijing and the follow-up status of the exceptions. Based on the assessment and review, the audit committee is of the opinion that the Group's internal control system during the financial year ended 31 March 2010 has been maintained at a generally satisfactory and acceptable standard.

During the year ended 31 March 2010, the management of the Company provided training to the internal audit, accounting team and operations teams, so as to ensure effective implementation of the internal control system and procedures. The Audit Committee paid great attention to internal controls and made efforts to improve the internal control system during the financial year ended 31 March 2010.

The Directors have conducted reviews of its internal control system periodically to ensure the effective and adequate internal control system. The Company convened meetings periodically to review financial, operational, compliance controls. The Directors are of the view that the existing system of internal control is effective and adequate to the Group.

COMPLIANCE ADVISER

WAG Worldsec Corporate Finance Limited has been appointed as the Compliance Adviser of the Company, for the period commencing on the date of resumption of trading in the Shares on GEM (12 May 2009) and ending on the date that the Company issues its financial results of the third full financial year after the date of resumption of trading 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.

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Hui Wen, aged 55, is the Chairman of the Company and an executive Director since June 2009. 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 北方國際信託股份公司 (Northern International Trust Co., Ltd.) and a director of 渤海銀行股份有限公司 (China Bohai Bank Co., Ltd.). 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. Gao Liang, aged 43, is an executive Director of the Company since August 2009 and he is also the general manager of the Company since August 2009. 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.

Non-Executive Directors

Mr. Zhang Jun, aged 43, is a Non-Executive Director of the Company since February 2010. Mr. Zhang worked as an Executive Director of the Company since June 2009, and was re-designated as a non-executive Director in February 2010. 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. 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 (listed on the Stock Exchange) since April 2008.

Mr. Dai Yan, aged 57, is a Non-Executive Director of the Company since February 2010. Mr. Dai worked as an Executive Director of the Company since 2007, and was re-designated as a non-executive Director in February 2010. 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, a director and deputy general manager of 津聯集團有限公司 (Tsinlien Group Co., Ltd.) ("**Tsinlien**"), the controlling shareholder of Tianjin Development Holdings Limited and also an executive director of Tianjin Port Development Holdings Limited (listed on the Main Board of the Stock Exchange) since September 2009. Mr. Dai has solid experience in management for over twenty years.

Mr. Wang Gang, aged 44, is a Non-Executive Director of the Company since February 2010. Mr. Wang worked as an Executive Director of the Company since 2004, and was re-designated as a non-executive Director in February 2010. 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.

Independent Non-Executive Directors

Mr. Ip Shing Hing J.P., aged 54, is an Independent Non-Executive Director of the Company since March 2009. He 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 practising 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.

Professor Japhet Sebastian Law, aged 58, is an Independent Non-Executive Director of the Company since March 2009. He 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 62, is an Independent Non-Executive Director of the Company since March 2009. He 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. Lau Siu Ki, Kevin, aged 51, is an Independent Non-Executive Director of the Company since March 2009. He is currently running his own management consultancy firm, Hin Yan Consultants Limited. 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 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, 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 Greenfield Chemical Holdings Limited, a company listed on the Main Board of the Stock Exchange, from April 2002 to June 2010. 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.

SENIOR MANAGEMENT

Mr. Ji Li Guo, aged 46, senior engineer, joined the Group in May 2009, is currently Executive Deputy General Manager of the Group. Mr. Ji graduated from Harbin Institute of Technology (哈爾濱工業大學) in 1986. During the period from 1999 to 2005, he served as Chief Engineer of Tianjin TEDA Group Real Estate Department (天津泰達集團房產部); During the period from 2005 to 2009, he served as Deputy General Manager of Tianjin TEDA Venture Project Management Co., Ltd (天津泰達創業項目管理有限公司).

Mr. Xing Dong, aged 42, joined the Group in June 2007. He is currently Deputy General Manager of the Group. Mr. Xing graduated from Tianjin University (天津大學) in 1989. During the period from 1990 to 2007, he was Minister of the Engineering Department, Diversion Operation Department and Investment Management Department of Tianjin Economic-Technological Development Area Water Corporation (天津經濟開發區總公司自來水公司).

Mr. Hu Mao Jie, aged 57, senior engineer, joined the Group in July 2009. He is currently Chief Engineer of the Group. Mr. Hu graduated from East China University of Science and Technology (華東理工大學) with a bachelor degree, and obtained a master degree from Tianjin University of Finance and Economics (天津財經大學). During the period from 1998 to 2001, he was Deputy Party Secretary and General Manager of Tianjin Gas Group Company (天津燃氣集團公司). During the period from 2001 to 2003, he was Vice Chairman and Executive Deputy General Manager of Tianjin Gas Group Company (天津燃氣集團公司). During the period from 2004 to 2006, he was Director, General Manager of Beijing New Hualian Gas Investment Company (北京新華聯燃氣投資公司). During the period from 2007 to 2008, he was Vice President of China Leason Investment Group (Hong Kong) Co. Ltd (香港中國聯盛投資公司). Mr. Hu has nearly thirty years' experience in the gas industry, and he is also a director of the China Civil Engineering Association (中國土木工程協會), China Gas Association (中國煤氣協會), and an executive director of China City Gas Society (中國煤氣學會).

Mr. Zhang Zhong Hai, aged 35, accountant, joined the Group in May 2009. He is currently the Chief Finance Officer of the Company. Mr. Zhang holds a master's degree in accounting in Nankai University (南開大學) and has worked as an accounting manager, finance vice-president and finance minister in other PRC corporations prior to joining the Group.

Mr. Yin Fu Gang, aged 36, joined the Group in September 2009. He is currently the Company Secretary. Mr. Yin holds a master's degree of Laws in Nankai University (南開大學). Mr. Yin is a qualified lawyer in the PRC and also has the qualifications as a judge and a corporate legal adviser in the PRC. He works together with Mr. Yip Wai Yin, a practising solicitor of the Hong Kong Special Administrative Region and a partner of Messrs Woo Kwan Lee & Lo, as joint company secretaries of the Company in handling the corporate and secretarial matters of the Company. During the period from 1997 to 2002, he was a former court judge of the People's Court of Jinnan District, Tianjin. During the period from 2005 to 2009, he was a Section Chief in TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司).

The Directors present their report together with the audited financial statements for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company is an investment holding company. Details of the principal activities of the Company's subsidiaries are set out in Note 18 to the financial statements.

The analysis of the Group's performance for the year by business segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2010 are set out in the consolidated income statement on page 46.

The Board does not recommend the payment of a dividend in respect of the year (2009: Nil).

FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Group for the last five financial years ended 31 March 2010 is set out on page 116.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 16 to the financial statements.

SHARE CAPITAL

As at 31 March 2010, the Company had 5,992,812,000 Shares, 170,000,000 Convertible Preference Shares and 8,600,000 Redeemable Preference Shares in issue. The 130,000,000 Convertible Preference Shares and 8,600,000 Redeemable Preference Shares were issued to Tsinlien BVI for the consideration of HK$130 million and HK$430 million respectively on 4 May 2009. As part of the Group's restructuring included in section headed "RESTRUCTURING AND RESUMPTION OF TRADING", 3,000,000,000 new Shares were issued to Tsinlien BVI on 12 June 2009, and 40,000,000 Convertible Preference Shares were issued to the Hong Kong syndicated banks with the repayment of HK$10 million to discharge the syndicated bank loan of HK$210 million on 7 May 2010.

The Convertible Preference Shares are convertible into Shares during the period from the fifth anniversary of the date of issuance but before the tenth anniversary thereof at the conversion price of HK$0.03 per Share (subject to adjustment and no fractional Shares will be issued). All outstanding Convertible Preference Shares will be automatically converted by the Company after the tenth anniversary of the date of issue.

The Redeemable Preference Shares are redeemable at the discretion of the Company into their full nominal amount of HK$50.00 per Redeemable Preference Share as from the fifth anniversary of the date of resumption of trading of the Shares on GEM, i.e. 12 May 2009, subject to various conditions.

Details of the movements in the share capital of the Company during the year are set out in Note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which impose an obligation on 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 25 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had no reserves available for cash distribution and/or distribution in specie as calculated under the Companies Act of Bermuda as at 31 March 2010 (2009: Nil).

CHARITABLE DONATIONS

During the year ended 31 March 2010, the Group made no charitable and other donations (2009: Nil).

SHARE OPTIONS

The company operated 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 included the Executive Directors and full time employees of the Group. The Scheme was valid and effective from 26 February 2000 up to 25 February 2010, after which no further options can be granted but the provisions of the Scheme remain in full force and effect in respect of options granted during the life of the Scheme.

During the year ended 31 March 2010, no share option was granted under the Scheme. Throughout the year ended 31 March 2010 and up to the date of this report, all the outstanding shares options previously granted under the Scheme had lapsed or been cancelled.

DIRECTORS

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

Executive Directors:

Mr. Liu Hui Wen *(Chairman)*	(appointed on 15 June 2009)
Mr. Gao Liang	(appointed on 4 August 2009)
Mr. Zhang Jun	(re-designated on 9 February 2010 as a non-executive director)
Mr. Wang Gang	(re-designated on 9 February 2010 as a non-executive director)
Mr. Dai Yan	(re-designated on 9 February 2010 as a non-executive director)
Mr. Zhou Li	(resigned on 20 January 2009)
Mr. Guan Xue Bin	(resigned on 4 August 2009)
Mr. Lam Man Lim	(resigned on 4 August 2009)

Non-executive directors:

Mr. Zhang Jun	(formerly an executive director before 9 February 2010)
Mr. Wang Gang	(formerly an executive director before 9 February 2010)
Mr. Dai Yan	(formerly an executive director before 9 February 2010)

Independent Non-executive directors:

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

The Company has received an annual confirmation of independence from each of its independent non-executive directors pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all independent non-executive directors to be independent.

DIRECTORS' SERVICE CONTRACTS

As at the date of this report, no Director proposed for re-election at the forthcoming AGM 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 were 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). The non-executive Directors have 3 years' term of office from their date of re-designation from executive directorship on 9 February 2010, subject to retirement by rotation and re-election in accordance with the Company's bye-laws.

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the contracts with TEDA and Tsinlien BVI relating to the restructuring of the Group as referred to in the section headed "RESTRUCTURING AND RESUMPTION OF TRADING" above, there were no material contracts between the Group and controlling shareholders or its subsidiaries during the year ended 31 March 2010.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2010.

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 2010 or at any time during the year.

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' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals are set out in Note 8 to the consolidated financial statement to this report. Policies of the Directors' remuneration were set out in the section headed "REMUNERATION OF DIRECTORS" in "CORPORATE GOVERNANCE REPORT".

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 March 2010, 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March 2010, 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 shareh 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)	8,670,653,873 (Note 2)	9,166,841,873	152.96%
	Short	–	–	8,670,653,873 (Note 3)	–	8,670,653,873	144.68%
TEDA	Long	–	–	8,670,653,873 (Note 3)	–	8,670,653,873	144.68%
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 8,670,653,873 ordinary shares of HK$0.01 each in the Company ("Shares") represent (i) 3,000,000,000 Shares which were allotted and issued to Cavalier Asia Limited ("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) 3,987,207 Shares acquired by Tsinlien BVI due to acceptances by shareholders of the General Offer which closed on 6 July 2009; (iii) 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 (iv) 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.

Other than as disclosed above, as at 31 March 2010, 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' INTERESTS IN A COMPETING BUSINESS

During the period, save for the interests of TEDA and Tsinlien (through Tsinlien BVI) in the 30 Disposed Subsidiaries, 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. Although some of the business carried out by the 30 Disposed Subsidiaries is similar to the business of the Group, they are of a different scale and/or in different locations. Therefore, the Directors are of the view that the business of the 30 Disposed Subsidiaries do not compete directly with the business of the Group.

As at 31 March 2010, the names, nature of business and details of ownership of Tsinlien BVI in the Disposed Subsidiaries 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
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	Liuyang 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

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 year ended 31 March 2010, 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.

CONTINUING CONNECTED TRANSACTIONS

TEDA and TEDA HK became 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 by virtue of the nominee arrangement under the TEDA Investment Agreement dated 28 May 2008 entered into by Tsinlien and TEDA HK (please refer to note 33 to the consolidated financial statements for details) and accordingly, became connected persons of the Company under the GEM Listing Rules.

Tsinlien, the holding company of Tsinlien BVI which is a controlling shareholder of the Company, is a connected person of the Company.

TEDA Gas is a non-wholly owned subsidiary of Tsinlien, an associate of Tsinlien BVI and a connected person of the Company.

TEDA Real Property Development Company（天津開發區泰達大廈房地產開發公司）, an indirect wholly-owned subsidiary of TEDA, is a connected person of the Company under the GEM Listing Rules.

During the year, the Group's continuing connected transactions with the above connected persons or their respective associates were as follows:

(a) Lease of premises from an associate of TEDA

Date of the agreement	20 May 2008
Parties:	BITCL, a wholly-owned subsidiary of the Group (as the lessee) TEDA Real Property Development Company, an indirect wholly-owned subsidiary of TEDA (as the lessor)
Transaction involved:	lease of 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 for a term from 1 July 2008 to 30 June 2011
Annual cap for the year ended 31 March 2010	RMB2,376,351
Actual amount for the year ended 31 March 2010	RMB2,376,351

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

Date of the agreement:	28 May 2008 (as amended by supplemental agreements dated 16 June 2008 and 25 February 2009)
Parties:	TEDA (as the lessor) BITCL (as the lessee)
Transaction involved:	lease of the Second Pipelines Network for the exclusive use by BICL for distribution of piped gas at a leasing charge of RMB0.1 per cubic meter of gas supplied by the network
Annual cap for the year ended 31 March 2010	RMB4,800,000
Actual amount for the year ended 31 March 2010	RMB3,591,621

(c) Management agreement between TEDA and BITCL for the Disposed Subsidiaries

Date of the agreement:	28 May 2008 (as amended by supplemental agreements dated 3 July 2008 and 25 February 2009)
Parties:	TEDA BITCL
Transaction involved:	Appointment by TEDA of the Group to continue to manage and operate the 30 Disposed Subsidiaries following completion of the Disposal which was deemed to have taken place on 4 May 2009 An annual management fee equal to 3% of the net asset value (as at the preceding financial year end) of the Disposed Subsidiaries plus 20% of the audited net profit for the preceding financial year of these subsidiaries are payable to the Group for its services
Annual cap for the year ended 31 March 2010	RMB2,400,000
Actual amount for the year ended 31 March 2010	RMB2,056,836

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

Date of the agreement:	28 May 2008
Parties:	TEDA and Tsinlien (as the shareholders of TEDA Gas) BITCL TEDA Gas
Transaction involved:	Appointment by TEDA and Tsinlien of BITCL to manage the business and administration and operations of TEDA Gas An annual management fee equal to 3% of the net asset value (as at the preceding financial year end) of TEDA Gas plus 20% of the audited net profit for the preceding financial year of TEDA Gas are payable to BITCL for its services
Annual cap for the year ended 31 March 2010	RMB2,100,000
Actual amount for the year ended 31 March 2010	RMB1,256,000

(e) Sales of gas to TEDA Gas (the "Gas Supply Agreement")

Date of the agreement:	28 May 2008
Parties:	TEDA Gas
	Tianjin Wah Sang Gas Enterprise Co., Ltd. (a wholly-owned subsidiary of the Group)
Transaction involved:	Supply of gas by the Group 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, at prices determined in accordance with prevailing market rates and no less favourable than those charged to independent third parties
Annual cap for the year ended 31 March 2010	RMB120,000,000
Actual amount for the year ended 31 March 2010	RMB56,093,905

(f) Temporary Gas Supply Agreement

Date of the agreement:	25 March 2009
Parties:	TEDA Gas
	Tianjin Wah Sang Gas Enterprise Co., Ltd. (a wholly-owned subsidiary of the Group)
Transaction involved:	Supply of gas by the Group to TEDA Gas for the period pending the Gas Supply Agreement taking effect, at prices determined in accordance with prevailing market rates and no less favorable than those charged to independent third parties
Annual cap for the year ended 31 March 2010	RMB7,529,000
Actual amount for the year ended 31 March 2010	RMB5,884,876

(g) Sales of gas to the Disposed Subsidiaries

As mentioned in the section headed "RESTRUCTURING AND RESUMPTION OF TRADING", on 4 May 2009 the Group was deemed to have completed the disposal of the Disposed Subsidiaries to Tsinlien BVI (the entire issued share capital of which is to be transferred to TEDA HK). As Tsinlien BVI nominated persons designated by TEDA to be the directors of the Disposed Subsidiaries pursuant to a nominee arrangement in connection with the restructuring of the Group, the de facto control of the Disposal Subsidiaries had been transferred to TEDA since the deemed completion of the Disposal.

As the board of directors of each of the Disposed Subsidiaries are in effect controlled by TEDA since the deemed completion of the Disposal through Tsinlien BVI's nomination of persons designated by TEDA as directors, the Disposed Subsidiaries are associates of TEDA and became connected persons of the Company as from 12 June 2009, the date on which TEDA became the ultimate controlling shareholder of the Company.

From 12 June 2009 up to 31 March 2010, 天津華燊燃氣實業有限公司 (Tianjin Wah Sang Gas Enterprise Company Limited) (a wholly-owned subsidiary of the Group) supplied gas in the aggregate amount of HK$1,893,306 to five of the Disposed Subsidiaries, namely 安新利華華燊燃氣有限公司 (Anxin Lihua Wah Sang Gas Company Limited), 豐縣華燊燃氣有限公司 (Fengxian Wah Sang Gas Company Limited), 冀州華燊燃氣有限公司 (Jizhou Wah Sang Gas Company Limited), 邳州華燊燃氣有限公司 (Pizhou Wah Sang Gas Company Limited) and 清苑益民華燊燃氣有限公司 (Qingyuan Yimin Wah Sang Gas Company Limited). The supply of gas to these Disposal Subsidiaries were at prices determined on normal commercial terms. Such supply of gas was carried out for the normal operations of the Disposed Subsidiaries.

In accordance with Rule 20.38 of the GEM Listing Rules, the Board engaged the auditor of the Company to perform certain factual finding procedures on the continuing connected transaction above. The procedures were performed in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agree-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The auditor of the Company confirmed that the continuing connected transactions referred to above for the year ended 31 March 2010:

(a) have received the approvals of the Board;

(b) are in accordance with the pricing policies of the Group if the transactions involve provision of goods or services by the Group;

(c) have been entered into in accordance with the relevant agreement governing the transactions; and

(d) have not exceeded the caps disclosed in the circular dated 27 February 2009 or previous announcement containing details of such transactions, except for sales of gas as stated in (g) above where no applicable caps are available for comparison.

The independent non-executive Directors have reviewed the continuing connected transactions referred to above for the year ended 31 March 2010 and confirm that these transactions have been entered into:

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

(b) on normal commercial terms; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 March 2010,sales to the Group's five largest customers accounted for 16% (2009: 9%) of the total sales for the year and sales to the largest customer included therein accounted for 9% (2009: 2%).

Purchases from the Group's five largest suppliers accounted for 66% (2009: 41%) of the total purchases for the year ended 31 March 2010 and purchases from the largest supplier included therein accounted for 30% (2009: 23%).

Save for TEDA Gas, which is a non-wholly owned subsidiary of Tsinlien and one of the top five largest customers to the Group, none of the Directors of 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 and suppliers.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2010.

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.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the upcoming annual general meeting. There was no change in auditor of the Company in any of the 3 years immediately preceding the date of the report.

On behalf of the Board

Gao Liang
Director

Hong Kong, 25 June 2010

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Binhai Investment Company 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 46 to 115, which comprise the consolidated and company balance sheets as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, 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.

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 2010 and of the Group's profit 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, 25 June 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	Note	**2010** **HK$'000**	2009 HK$'000
Revenue	5	**795,279**	621,464
Costs of sales	7	**(668,412)**	(527,078)
Gross profit		**126,867**	94,386
Other income and gains — net	6	**12,249**	10,324
Administrative expenses	7	**(70,758)**	(70,309)
		68,358	34,401
Interest waived	9	**226,282**	—
Finance costs	10	**(13,938)**	(58,748)
Profit/(loss) before taxation		**280,702**	(24,347)
Income tax expenses	11		
— related to interest waiver		**(17,408)**	—
— others		**(31,527)**	(15,126)
		(48,935)	(15,126)
Profit/(loss) for the year		**231,767**	(39,473)
Attributable to:			
— Equity holders of the Company		**230,114**	(40,451)
— Minority interest		**1,653**	978
		231,767	(39,473)
Earnings/(loss) per ordinary share			
— basic and diluted (HK cents)	13	**2.2 cents**	(1.9) cents

The notes on page 54 to 115 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	2010 **HK$'000**	2009 HK$'000
Comprehensive income		
Profit/(loss) for the year	**231,767**	(39,473)
Other comprehensive income:		
Exchange differences	**(794)**	(18,371)
Other comprehensive income	**(794)**	(18,371)
Total comprehensive income/(loss) for the year	**230,973**	(57,844)
Attributable to:		
— Equity holders of the Company	**229,248**	(58,988)
— Minority interest	**1,725**	1,144
Total comprehensive income/(loss) for the year	**230,973**	(57,844)

The notes on page 54 to 115 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Land use rights	15	**34,612**	36,868
Property, plant and equipment	16	**238,353**	205,312
		272,965	242,180
Current assets			
Property under development	19	**30,887**	—
Inventories	20	**29,991**	28,231
Trade and other receivables	21	**112,899**	102,333
Cash and cash equivalents	22	**386,891**	63,095
		560,668	193,659
Assets of disposal group held for sale	23	**—**	135,428
		560,668	329,087
Total assets		**833,633**	571,267
EQUITY			
Equity holders of the Company			
Share capital			
— Ordinary shares	24	**59,928**	21,770
— Convertible preference shares	24	**170,000**	—
— Redeemable preferences shares	24	**430,000**	—
Share premium		**424,737**	191,079
Others reserves	25	**61,207**	(97,927)
Accumulated losses		**(779,619)**	(1,009,733)
Equity holders' interest/(deficit)		**366,253**	(894,811)
Minority interest		**9,833**	8,289
Total equity/(net deficit)		**376,086**	(886,522)

CONSOLIDATED BALANCE SHEET

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term payables	26	**34,250**	–
Borrowings	27	**15,000**	–
		49,250	–
Current liabilities			
Trade and other payables	26	**357,457**	696,615
Current income taxation liabilities		**45,840**	8,576
Borrowings	27	**5,000**	704,922
		408,297	1,410,133
Liabilities of disposal group held for sale	23	**–**	47,676
		408,297	1,457,789
Total liabilities		**457,547**	1,457,789
Total equity and liabilities		**833,633**	571,267
Net current assets/(liabilities)		**152,371**	(1,128,702)
Total assets less current liabilities		**425,336**	(886,522)

On behalf of the Board

Director
Liu Hui Wen

Director
Gao Liang

The notes on page 54 to 115 are an integral part of these financial statements.

BALANCE SHEET

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	18	**318,186**	—
Current assets			
Trade and other receivables		**249**	174
Cash and cash equivalents	22	**39,817**	—
		40,066	174
Total assets		**358,252**	174
EQUITY			
Equity holders of the Company			
Share capital			
— Ordinary shares	24	**59,928**	21,770
— Convertible preference shares	24	**170,000**	—
— Redeemable preferences shares	24	**430,000**	—
Share premium		**424,737**	191,079
Others reserves	25	**156,301**	(3,847)
Accumulated losses	12	**(904,375)**	(508,528)
Equity holders' interest/(deficit)		**336,591**	(299,526)

BALANCE SHEET

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**15,000**	–
Current liabilities			
Trade and other payables	26	**1,661**	64,820
Borrowings	27	**5,000**	234,880
		6,661	299,700
Total liabilities		**21,661**	299,700
Total equity and liabilities		**358,252**	174
Net current assets/(liabilities)		**33,405**	(299,526)
Total assets less current liabilities		**351,591**	(299,526)

On behalf of the Board

Director
Liu Hui Wen

Director
Gao Liang

The notes on page 54 to 115 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Attributable to equity holders of the Company						
	Share capital	Share premium	Other reserves	Accu-mulated losses	Total	Minority interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2008	21,770	191,079	(79,390)	(969,282)	(835,823)	7,145	(828,678)
Comprehensive income							
Loss for the year	–	–	–	(40,451)	(40,451)	978	(39,473)
Other comprehensive income							
Exchange differences	–	–	(18,537)	–	(18,537)	166	(18,371)
Total comprehensive income for the year	–	–	(18,537)	(40,451)	(58,988)	1,144	(57,844)
Balance at 31 March 2009	21,770	191,079	(97,927)	(1,009,733)	(894,811)	8,289	(886,522)
Comprehensive income							
Profit for the year	–	–	–	230,114	230,114	1,653	231,767
Other comprehensive income							
Exchange differences	–	–	(866)	–	(866)	72	(794)
Total comprehensive income for the year	–	–	(866)	230,114	229,248	1,725	230,973
Transactions with owners							
Issue of shares *(Note 24)*	638,158	233,658	–	–	871,816	–	871,816
Assumption of debt by ultimate holding company *(Note 1(b)(iii))*	–	–	160,000	–	160,000	–	160,000
Disposal of subsidiaries *(Note 29(b))*	–	–	–	–	–	(181)	(181)
Total transactions with owners	638,158	233,658	160,000	–	1,031,816	(181)	1,031,635
Balance at 31 March 2010	659,928	424,737	61,207	(779,619)	366,253	9,833	376,086

The notes on page 54 to 115 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Net cash generated from operations	29(a)	**82,044**	65,657
Income tax paid		**(11,671)**	(10,102)
Net cash generated from operating activities		**70,373**	55,555
Cash flow from investing activities			
Purchase of property, plant and equipment		**(56,930)**	(47,538)
Purchase of properties under development		**(20,903)**	–
Purchase of land use rights		**(510)**	(2,386)
Proceeds from disposal of subsidiaries	29(b)	**82,000**	–
Proceeds from sale of property, plant and equipment		**3,570**	220
Proceeds from disposal of assets		**13,454**	–
Interest received		**614**	287
Net cash generated from/(used in) investing activities		**21,295**	(49,417)
Cash flow from financing activities			
Proceeds from issuance of shares		**831,816**	–
Repayments of borrowings		**(486,793)**	–
(Repayments to)/advance from TEDA		**(85,285)**	11,326
Interest paid		**(32,228)**	–
Net cash generated from financing activities		**227,510**	11,326
Net increase in cash and cash equivalents		**319,178**	17,464
Cash and cash equivalents at beginning of the year		**63,095**	50,145
Cash and cash equivalents in disposal group held for sale		**–**	(5,270)
Effect of exchange differences		**4,618**	756
Cash and cash equivalents at end of the year		**386,891**	63,095

The notes on page 54 to 115 are an integral part of these financial statements.

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 principle activities of its subsidiaries are set out in Note 18 to these consolidated financial statements. The Company and its subsidiaries are hereafter together referred to as the Group.

For purpose of these financial statements, the directors regard TEDA Investment Holdings Co., Ltd. ("TEDA") as being the ultimate holding company (Note 33).

The Company has its listing on the Growth Enterprise Market Board of The Stock Exchange of Hong Kong Limited.

(a) 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 was suspended since 6 April 2004. Thereafter, the Company underwent a restructuring ("Restructuring") as disclosed in the Company's circular dated 27 February 2009 (Note 1(b)) which was approved by the Company's shareholders at a special general meeting on 23 March 2009.

During the year, all conditions required by the relevant authorities for resumption of trading in the shares of the Company were fulfilled and the trading of shares was resumed on 12 May 2009.

(b) Restructuring

The following major events related to the restructuring mentioned in note 1(a) above took place during the year:

(i) Injection of capital

- HK$800 million was injected by TEDA Hong Kong Property Company Limited ("TEDA HK"), a subsidiary of 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 (Note 24). Upon completion of the acquisition of the entire issued shares of Tsinlien BVI mentioned in Note 34, TEDA will become the ultimate controlling shareholder of the Company.

- As part of the Restructuring, the one for one issue of new share to existing shareholders ("Open Offer") 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.

- The mandatory unconditional cash offer to the shareholders pursuant to the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC ("General Offer") by TEDA HK (through Tsinlein BVI) 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) was completed on 6 July 2009. The General Offer does not have any impact on the financial information of the Group as no additional shares were issued by the Company.

(ii) Disposal of subsidiaries

On 4 May 2009, the Group disposed 30 of its subsidiaries ("Disposed Subsidiaries") to Tsinlien BVI (the entire issued share capital of which is to be transferred to TEDA) at a provisional consideration of approximately HK$82 million, amount of which was received on 7 May 2009. The total consideration receivable by the Group will be adjusted according to 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. As of date of this report, the completion audit of the Disposed Subsidiaries is still in progress. Based on the management accounts of the Disposed Subsidiaries, the Directors of the Company expected the final consideration to be around HK$89 million. The difference between the expected final consideration and the amount already received has been included in the net payable to TEDA as at year end.

(iii) Debt restructuring

As part of the Restructuring, nearly all of the overdue interests are waived by the respective bankers and lenders, including TEDA and recorded as other income in the current period. Details of which have been disclosed in Note 9 to these financial statements. Specific debt restructuring arrangement is made to settle the outstanding loan principal and remaining interest as follows:

- 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 remaining HK$160 million is credited to the Group's reserves. TEDA HK 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.

- On 11 May 2009, the Group repaid approximately HK$4.9 million, RMB75 million (approximately HK$85 million) and RMB70 million (approximately HK$80 million) to China Merchants Bank Company Limited Hong Kong Branch ("China Merchants Bank"), TEDA and Finance Bureau of the Tianjin Economic and Technological Development Area ("TEDA Finance Bureau") respectively together with related un-waived interests of HK$2.1 million.

- On 2 June 2009, the Group repaid RMB280 million (approximately HK$318 million) due to China Construction Bank Corporation Tianjin Branch ("China Construction Bank") in settlement of the entire bank loan.

- On 29 June 2009, the Group repaid RMB5 million (approximately HK$6 million) to the Agricultural Bank of China Tianjin Branch ("Agricultural Bank"). Though not covered by the Restructuring, on 29 July 2009, the Group early repaid the entire outstanding amount of RMB60 million (approximately HK$68 million) plus interest of approximately RMB26 million (approximately HK$30 million), partly out of restructuring proceeds and partly out of internal resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the 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 consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared on the historical cost convention.

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 estimates and judgements are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policies and disclosures

(a) The following standards, amendments and interpretation are mandatory and relevant to the Group for the accounting periods beginning on or after 1 April 2009:

HKAS 1 (revised) Presentation of financial statements

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. The consolidated financial statements are presented in compliance with this revised standard, and comparative information has been re-presented accordingly. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

HKAS 23 (revised) Borrowing costs

The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. This revision has no impact to the Group.

HKFRS 8 Operating segments

HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in segments being reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

HK(IFRIC) – Int 18 Transfer of Assets from Customers

HK(IFRIC) – Int 18 clarifies that an asset received from a customer should be recognised initially at fair value, and the related income should be recognised immediately or if there is a future service obligation, over the relevant service period. This interpretation also applies to cash received from a customer for the acquisition or construction of an asset.

These new HKFRSs have no material effect on the results or financial position of the Group for the current or prior accounting periods nor any substantial changes in the Group's accounting policies and presentation of the accounts except the presentation of the consolidated statement of comprehensive income to present the non-owner consolidated changes in equity as required under HKAS 1 (Revised) and the segment information as required under HKFRS 8.

(b) The Group early adopted following amended standards:

HKAS24 (Revised) "Related party disclosures" and amendments to HKFRS8 "Operating segments", which are effective for annual period beginning 1 January 2011 and 2010, respectively and have been early adopted by the Group.

HKAS24 (Revised) introduces an exemption from all of the disclosure requirement of HKAS24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose:

— the name of the government and the nature of their relationship; and

— the nature and amount of any individually-significant transactions; and

— the extent of any collectively-significant transactions qualitatively or quantitatively.

HKFRS8 (Revised) clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker.

(c) Amendments to accounting standards published and relevant to the Group's but are not effective for the financial year ended 31 March 2010 and have not been early adopted by the Group:

HKAS 1 (amendment)	Presentation of financial statements
HKAS 27 (revised)	Consolidated and separate financial statements
HKFRS 3 (revised)	Business combinations
HKFRS 9	"Financial instruments"
HK(IFRIC) – Int 19	Extinguishing of financial liabilities with equity instruments
Improvement to HKFRSs 2009	Amendment to HKAS 17 "Leases"

The application of HK(IFRIC) – Int 19 effective for annual periods beginning on or after 1 July 2010 which requires retrospective application (only from the beginning of the earliest comparative period presented) may affect the Group's accounting for its equity instruments issued to extinguish financial liabilities (Note 1(b)(iii)).

The Group is in the process of assessing the impact of the application of the other new standards, interpretations and amendments but is not yet in a position to state whether they would have a significant impact on its results 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 2010.

(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.

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 18). 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.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors of the Company.

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 of the Company and the Group 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.

(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:

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

(ii) 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

(iii) 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.

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 2.7).

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

2.6 Intangible assets

Intangible assets represent cost of acquisition of operating licenses. They are stated at cost less accumulated amortisation and any identified impairment loss.

2.7 Impairment of investment in subsidiaries and non-financial assets

Assets 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.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.8 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.

2.9 Financial assets and liabilities

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(a) Financial assets

The Group's financial assets are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment loss (Note 2.9(b)).

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

(b) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For trade and other receivables that are not assessed to be impaired individually, they are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, an impairment loss is recognised in the consolidated income statement where there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of trade and other receivables and amounts due from related parties is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables and amounts due from related parties are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decreases can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(c) Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities (including amounts due to related parties, dividend payable, trade and other payables, amount due to minority shareholder of a subsidiary and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(d) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

2.10 Properties under development

Properties under development are included in current assets at the lower of cost and net realisable value.

The costs of properties under development consist of construction expenditures, amounts capitalised in respect of amortisation of upfront payments of land use rights, borrowing costs directly attributable to construction of such properties and other direct costs. Net realisable value is based on estimated selling price in the ordinary course of business as determined by management with reference to the prevailing market conditions, less further costs expected to be incurred to completion and selling and marketing costs.

No depreciation is provided on properties under development.

2.11 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.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 2.9(b)).

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks with original maturities of three months or less.

2.14 Share Capital

Ordinary shares are classified as equity.

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.

2.15 Trade payable

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.16 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.

2.17 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 recognised, 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.

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.

2.18 Employee benefits

(a) 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.

(b) 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.

(c) 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.

2.19 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.

2.20 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

Connection service connects customers to the Group's pipeline network. 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) and when it is probable that future economic benefits will flow to the Group.

(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.

2.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the year in which they are incurred.

2.22 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.

2.23 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.

2.24 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the company's shareholders.

3. FINANCIAL RISK MANAGEMENT

Capital risk management

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.

Following the completion of the restructuring mentioned in Note 1(b), the Group monitors its capital structure using the gearing ratio (consolidated debt to total equity). Debt refers to the consolidated borrowings of the Group and total equity comprise of issued capital and reserves. Going forward, the Group targets to achieve a gearing ratio in the range of 50% to 60%. As the Group was in the process of restructuring prior to May 2009, debt equity ratio for the year ended 31 March 2009 is not comparable and hence, not presented.

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

	2010	2009
	HK$'000	*HK$'000*
Debt *(Note (i))*	**20,000**	704,922
Equity *(Note (ii))*	**366,253**	(894,811)
Debt to equity ratio	**5%**	N/A

(i) Debt is defined as long and short-term borrowings, as detailed in Note 27.

(ii) Equity includes all capital and reserves of the Group excluding minority interest.

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.

Borrowings of the Group are at fixed rates and hence, expose the Group to fair value interest rate risk. Management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

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 from daily operation is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities.

Certain bank balances and bank borrowings are denominated in HK Dollars which exposes the Group to foreign currency risk. 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 following table details the Group's sensitivity to a 10% (2009: 10%) appreciation in RMB against Hong Kong Dollars.

	2010 ***HK$'000***	2009 *HK$'000*
Decrease in profit for the year and equity of 2010	**(8,144)**	N/A
Decrease in loss for the year and deficit of 2009	**N/A**	29,407

For a 10% (2009: 10%) depreciation of RMB against HK Dollars, there would be an equal and opposite impact on the profit and equity.

Credit risk

The maximum credit risk of the Company includes the carrying value of its financial assets on books.

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 bank deposits 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 (Note 1(b)).

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.

Group	Weighted average effective interest rate %	Less than 1 year HK$ million	1 to 5 years HK$ million	Total undiscounted cash flow HK$ million	Carrying amount at 31 March HK$ million
2010					
Trade payables	**N/A**	**112**	**–**	**112**	**112**
Borrowings (HK)	**4.0%**	**6**	**16**	**22**	**20**
Amounts due to TEDA and Tsinlien	**0%-5.4%**	**56**	**37**	**93**	**86**
2009					
Trade payables	N/A	97	–	97	97
Borrowings (PRC)	10.40%	470	–	470	470
Borrowings (HK)	5.60%	235	–	235	235
Amounts due to TEDA and Tsinlien	0%-7.0%	163	–	163	163

Company	Weighted average effective interest rate %	Less than 1 year HK$ million	1 to 5 years HK$ million	Total undiscounted cash flow HK$ million	Carrying amount at 31 March HK$ million
2010					
Trade payables	**N/A**	**2**	**–**	**2**	**2**
Borrowings (HK)	**4.00%**	**6**	**16**	**22**	**20**
2009					
Trade payables	N/A	65	–	65	65
Borrowings (HK)	5.6%	235	–	235	235

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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's major operating assets are gas pipelines and other gas supply machinery and equipment. Management performs review for impairment of these gas pipelines and machinery and equipment whenever events or changes in circumstances indicate that their carrying values may not be recovered.

The recoverable amounts of the gas pipelines and gas supply machinery and equipment are determined based on value-in-use calculations. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. At 31 March 2010, the carrying amount of property, plant and equipment is HK$238 million (2009: HK$205 million). Details of the recoverable amount calculation are disclosed in Note 16.

(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) Income taxes

As at 31 March 2010, no deferred tax asset is recognised in the Group's balance sheet in relation to the estimated unused tax losses of HK$69 million due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, a recognition of deferred tax asset may arise, which would be recognised in the consolidated income statement for the period in which such recognition takes place.

(d) Revenue recognition of on-site gas sales

The Group considers itself as a principal in the on-site gas sales business and hence, recognises the corresponding revenue on a gross basis. As part of the assessment to determine the basis of revenue recognition for on-site gas sales, the directors of the Company took into consideration of the price risk, product risk, credit risk and inventory risk involved. The Group will regularly review its revenue recognition policy for on-site gas sales and make necessary changes should there be a change in the business model in the future.

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The chief operating decision makers of the Group have been identified as the executive directors of the Company (the "Executive Directors").

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

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors that are used to make strategic decisions.

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

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

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

All of the Group's revenue are generated in the PRC (place of domicile of the group entities that derive revenue). No individual customer of the Group has contributed sales of over 10% of the total revenue of the Group for each of the years ended 31 March 2010 and 2009.

	For the year ended 31 March 2010				
	On-site gas sales *HK$'000*	**Bottled gas sales** *HK$'000*	**Piped gas sales** *HK$'000*	**Connection services** *HK$'000*	**Total** *HK$'000*
Revenue					
— TEDA Gas	**–**	**–**	**70,478**	**–**	**70,478**
— Other customers	**215,571**	**15,727**	**319,162**	**174,341**	**724,801**
Revenue from external customers	**215,571**	**15,727**	**389,640**	**174,341**	**795,279**
Segment results	**1,617**	**184**	**23,994**	**101,072**	**126,867**
Unallocated income/(expenses):					
— Other income					**12,249**
— Head office and corporate expenses					**(70,758)**
— Finance income, net					**212,344**
Profit before income tax					**280,702**
Other information for reportable segments:					
Depreciation	**–**	**(120)**	**(7,666)**	**–**	**(7,786)**

	For the year ended 31 March 2009				
	On-site gas sales	**Bottled gas sales**	**Piped gas sales**	**Connection services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
– TEDA Gas	–	–	3,853	–	3,853
– Other customers	178,772	28,926	241,219	168,694	617,611
Revenue from external customers	178,772	28,926	245,072	168,694	621,464
Segment results	584	(3,037)	1,121	95,718	94,386
Unallocated income/(expenses):					
– Other income					10,324
– Head office and corporate expenses					(70,309)
– Finance costs					(58,748)
Loss before income tax					(24,347)
Other information for reportable segments:					
Depreciation	–	(1,268)	(10,908)	–	(12,176)

6. OTHER INCOME AND GAINS — NET

	2010 HK$'000	2009 HK$'000
Other income:		
Fee for managing pipelines network project for TEDA	–	21,291
Income from management of Disposed Subsidiaries	**2,339**	–
Income from management of Tianjin TEDA Tsinlien Gas Co., Ltd ("TEDA Gas") *(Note 32)*	**1,428**	–
Others	**1,513**	5,107
	5,280	26,398
Other gains/(loss) — net:		
Gain on disposal of property, plant and equipment	**483**	122
Land use rights write-off	–	(1,518)
Reimbursement/(compensation) for accidents	**1,137**	(14,678)
Compensation received for demolition of assets of a subsidiary	**1,558**	–
Gain on disposal of assets	**3,791**	–
	6,969	(16,074)
	12,249	10,324

7. EXPENSES BY NATURE

	2010 **HK$'000**	2009 HK$'000
Cost of gas purchased	**546,411**	407,205
Changes in inventories	**(1,276)**	3,929
Cost of pipeline materials	**19,448**	21,220
Subcontractor and other costs	**53,821**	51,580
Employee benefit expense *(Note 8)*	**37,008**	37,692
Depreciation		
— Cost of sales	**7,786**	10,411
— Administrative expenses	**1,278**	2,449
Impairment charge write back, net	**(1,133)**	—
Operating lease rental		
— TEDA	**6,787**	2,457
— Others	**3,773**	4,196
Write back of impairment of trade and other receivable – net	**(2,327)**	(12,454)
Inventory write-off	**(186)**	656
Amortisation	**761**	1,278
Auditor's remuneration	**4,549**	5,600
Other professional fees	**10,447**	19,940
Others	**52,023**	41,228
Total cost of sales and administrative expenses	**739,170**	597,387

8. EMPLOYEE BENEFIT EXPENSE

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

	Group	
	2010 **HK$'000**	2009 HK$'000
Wages and salaries	**30,551**	31,356
Pension costs	**3,503**	4,492
Other welfares	**2,954**	1,844
	37,008	37,692

(b) The emoluments paid or payable to the each of the directors is as follow:

	Directors' fee *HK$'000*	Salaries and allowances *HK$'000*	Pension cost *HK$'000*	Others *HK$'000*	Total *HK$'000*
For the year ended 31 March 2010					
Executive Directors:					
Liu Hui Wen	318	–	–	–	318
Gao Liang	132	239	7	12	390
Zhou Li *(Note ii)*	120	–	–	–	120
Guan Xue Bin *(Note i)*	–	131	4	16	151
Lam Man Lim *(Note i)*	–	475	5	601	1,081
Non-Executive Directors:					
Dai Yan *(Note iii)*	159	–	–	–	159
Zhang Jun *(Note iii)*	159	–	–	–	159
Wang Gang *(Note iii)*	159	–	–	–	159
Independent Non-Executive Directors:					
Lau Siu Ki, Kevin	240	–	–	–	240
Ip Shing Hing	240	–	–	–	240
Japhet Sebastian Law	240	–	–	–	240
Tse Tak Yin	240	–	–	–	240
	2,007	845	16	629	3,497

	Directors' fee HK$'000	Salaries and allowances HK$'000	Pension cost HK$'000	Others HK$'000	Total HK$'000
For the year ended 31 March 2009					
Executive Directors:					
Guan Xue Bin *(Note i)*	393	–	–	–	393
Lam Man Lim *(Note i)*	1,105	–	–	–	1,105
Dai Yan *(Note iii)*	–	–	–	–	–
Wang Gang *(Note iii)*	–	–	–	–	–
Independent Non-Executive Directors:					
Lau Siu Ki, Kevin	6	–	–	–	6
Ip Shing Hing	6	–	–	–	6
Japhet Sebastian Law	6	–	–	–	6
Tse Tak Yin	6	–	–	–	6
	1,522	–	–	–	1,522

(i) Resigned on 4 August 2009.

(ii) Resigned on 9 February 2010.

(iii) Re-designated as non-executive directors on 9 February 2010.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 3 directors (2009: 2 Directors) whose emoluments are reflected in the analysis presented above. The emolument of the remaining 2 (2009: 3) individuals, is below HK$1 million. The emoluments paid to the 2 (2009: 3) highest paid individuals is as follows

	2010 **HK$'000**	2009 HK$'000
Wages and salaries	**547**	1,053
Pension costs	**20**	211
	567	1,264

No emoluments were paid by the Group to the directors or the five highest individuals as an inducement to join or upon joining the Group. Approximately HK$549,000 has been paid to one of the directors as compensation for loss of office.

No options were granted to the Directors under the share option scheme.

None of directors has waived any emoluments in the year ended 31 March 2010.

9. INTEREST WAIVED

As a result of the debt restructuring disclosed in Note 1(b)(iii), one-off interest waiver from the following banks and lenders have been credited to the Group's income statement:

	2010	2009
	HK$'000	*HK$'000*
China Construction Bank	**139,242**	–
Syndicated banks	**48,264**	–
China Merchants Bank	**5,969**	–
Agricultural Bank	**3,355**	–
TEDA Finance Bureau	**17,715**	–
TEDA	**11,737**	–
	226,282	–

10. FINANCE COST

	2010	2009
	HK$'000	*HK$'000*
Interest on bank loans	**10,840**	58,496
Interest on amounts due to TEDA and Tsinlien	**3,675**	6,329
Exchange gain	**(577)**	(6,077)
	13,938	58,748

11. INCOME TAX EXPENSES

No Hong Kong profit tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (2009: 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% (2009: 18% to 25%). All of the following taxation arose in the PRC.

	2010 ***HK$'000***	2009 *HK$'000*
Current taxation:		
— taxation on interest waived *(Note)*	**(17,408)**	—
— others	**(31,527)**	(15,126)
	(48,935)	(15,126)

Note:

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

The taxation on the profit/(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 aggregate tax at the rates applicable to profits in the respective entities concerned.

	2010 ***HK$'000***	2009 *HK$'000*
Profit/(loss) before taxation	**280,702**	(24,347)
Tax calculated at the respective applicable tax rates	**59,821**	(4,959)
Expenses not deductible for taxation purposes	**10,079**	8,204
Unutilised tax losses of subsidiaries	**4,280**	21,824
Income not subject to tax	**(8,948)**	—
Utilisation of tax losses previously not recognised	**(16,297)**	(9,943)
	48,935	15,126

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the company is dealt with in the financial statements of the Company to the extent of HK$396 million (2009: loss of HK$14 million).

13. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share for the year ended 31 March 2010 is based on the profit attributable to equity holders of HK$230 million (2009: loss of HK$40 million) and the weighted average number of shares during the year of 10,379,854,495 (2009: 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 Note 24 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 is no potential factor diluting earnings/(loss) for both 2009 and 2010.

	2010 ***HK$'000***	2009 *HK$'000*
Profit/(loss) attributable to equity holders of the Company	**230,114**	(40,451)
Basic and diluted earnings/(loss) per share	**2.2 cents**	(1.9) cents

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.

	2010 **HK$'000**	2009 HK$'000
Profit/(loss) attributable to equity holders	**230,114**	(40,451)
Adjustments for:		
— Interest waived	**(226,282)**	—
— Income tax expense on interest waived	**17,408**	—
Profit/(loss) attributable to equity holder (excluding interest waived and income tax expense on interest waived)	**21,240**	(40,451)
Adjusted basic and diluted earnings/(loss) per share (excluding interest waived and income tax expense on interest waived)	**0.2 cents**	(1.9) cents

14. DIVIDENDS

No dividend was proposed in respect of the year ended 31 March 2010 (2009: Nil).

15. LAND USE RIGHT

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:

	HK$'000
As as 1 April 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
Exchange difference	298
Additions	510
Amortisation charge	(761)
Disposal and write-off	(2,303)
As at 31 March 2010	34,612

The Group is in the process of applying for the title to certain land use rights with cost of approximately HK$1.4 million (approximately RMB1.2 million) as at 31 March 2010 (2009 HK$1.4 million (approximately RMB1.2 million)). The directors of the Company believe that the title documents will be obtained in due course without significant cost.

16. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Leasehold properties HK$'000	Machinery and equipment HK$'000	Gas pipelines HK$'000	Office equipment and motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
Cost:						
At 1 April 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
Exchange differences	721	806	2,410	298	143	4,378
Additions	683	1,379	4,747	16,699	33,422	56,930
Transfer upon completion	358	408	18,728	14	(19,508)	–
Disposals	(6,209)	(5,188)	(13,294)	(5,100)	(7,331)	(37,122)
At 31 March 2010	**84,821**	**88,762**	**309,547**	**50,573**	**26,995**	**560,698**
Accumulated depreciation and impairment:						
At 1 April 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
Disposal	(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
Exchange differences	428	633	2,489	257	65	3,872
Reclassification	–	–	9,484	–	(9,484)	–
Charge for the year	3,869	746	1,420	3,029	–	9,064
Write back of impairment charge	–	–	(1,133)	–	–	(1,133)
Disposal	(3,084)	(4,172)	(6,630)	(4,140)	(2,632)	(20,658)
At 31 March 2010	**53,489**	**75,389**	**160,905**	**32,562**	**–**	**322,345**
Net book value:						
At 31 March 2010	**31,332**	**13,373**	**148,642**	**18,011**	**26,995**	**238,353**
At 31 March 2009	36,992	13,175	141,681	5,246	8,218	205,312

Notes:

(a) The Group is in the process of applying for the title to certain buildings with cost of approximately Rmb3 million (approximately HK$4 million) as at 31 March 2010 (2009: HK$4 million). The directors of the Company believe that the title documents will be obtained in due course without significant additional cost.

(b) For purpose of annual assessment of impairment of property, plant and equipment, management considers each subsidiary represents a separate cash generating unit ("CGU").

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates of 15% using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on forecasted number of connection customers whist no growth is assumed in the unit price throughout the model. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The value in use calculations is derived from cash flow projections based on the most recent financial budgets for the year 2011 approved by management. Cash flows from 2012 to 2020 have been extrapolated using an average growth rate of 2009 to 2011 and assumed such growth rate will remain constant throughout the projection.

Movement of the provision for impairment charges as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 April	**267,919**	282,288
Exchange differences	**3,377**	6,356
Impairment charge for the year *(Note (i))*	**33,237**	–
Reversal of impairment charge *(Note (ii))*	**(34,370)**	(1,647)
Reversal of impairment charge of assets disposed	**(14,230)**	–
Reclassified to assets of disposal group held for sale	**–**	(19,078)
At 31 March	**255,933**	267,919

(i) Impairment charge for the year relates to CGU where limited growth is expected because of saturation of market and incoming of competitors.

(ii) Impairment charge is reversed for CGU where there are sustainable profits and future cash flow anticipated.

17. INTANGIBLE ASSETS

The cost of licensed held by the Group approximately RMB7 million (approximately HK$7.6 million) has been fully provided for since 31 March 2004.

18. SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	**47,748**	47,748
Less: Provision for interest in a subsidiary	**(47,748)**	(47,748)
	–	–
Amount due from a subsidiary	**1,137,741**	382,531
Less: Provision for amount due from a subsidiary	**(819,555)**	(382,531)
	318,186	–

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.

Details of all the subsidiaries at 31 March 2010 are set out below:

(a) Investment holding companies:

	Place of incorporation	Particulars of issued and fully paid capital	Effective interest held
Winstar Venture Ltd	British Virgin Islands ("BVI")	US$200 ordinary shares	100%
Binhai Investment Hong Kong Ltd	Hong Kong	HK$2 ordinary shares, HK$29 million non-voting deferred shares *(Note (ii))*	100%
Wah Sang Gas Equipment and Engineering Co., Ltd	BVI	US$0.05 million ordinary shares	100%
Binhai Investment (Tianjin) Co. Ltd	PRC	US$145 million	100%

Note:

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

(ii) The principal rights and restrictions of non-voting deferred shares held by Binhai Investment Hong Kong 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 to vote at any general meeting of the Company.

(b) Interests in subsidiaries

		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
1	Zibo Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	25	–	100
2	Tianjin Wah Sang Gas Enterprise Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	23	–	100
3	Binzhou Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	21	–	100
4	Zhaoyuan Wah Sang Gas Development Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	20	–	100
5	Deqing Wah Sang Gas Company Limited	Sino-foreign equity joint ventures@, PRC	Connection services and sale of gases, PRC	20	–	90
6	Qingdao Laixi Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures# , PRC	Connection services and sale of gases, PRC	16	–	100
7	Zhuozhou Wah Sang Gas Development Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	10	–	100
8	Nanjing Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	10	–	100

		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
9	Yizheng Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	10	–	100
10	Qinhuangdao Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	9	–	100
11	Tianjin Wah Sang Energy Development Co., Ltd	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	9	–	100
12	Qingdao Jiaonan Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	8	–	100
13	Sanhe YanSang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	7	–	90
14	Changle Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7	–	100
15	Dezhou Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	5	–	90
16	Jurong Wah Sang Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	2	–	100

		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
17	Yingtan Wah Sang Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	4	21	100
18	Yiyang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	3	19	100
19	Zhangjiagang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	3	18	100
20	Qingdao Jiaozhou Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	2	13	100
21	Jingjiang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	2	13	100
22	Leiyang Wah Sang Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	2	13	100
23	Funing Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	2	12	100
24	Yishui Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	2	11	100

		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
25	Juxian Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	13	–	100
26	Haiyan Wah Sang Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	25	–	100
27	Huzhou Nanxun Wah Sang Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	20	–	100
28	Beijing Airport Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	12	–	100
29	Haiyang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	2	10	100
30	Tonglu Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	12	8	98
31	Suining Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	1	8	100
32	Jinhu Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	7	–	100

		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
33	Qixia Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	6	5	100
34	Tianjin Hua Tai Xinda Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	6	–	100
35	Tianjin Binhai Xinda Real Estate Company Limited	Wholly foreign owned enterprises*, PRC	Property development, PRC	–	155	100
					306	

Note:

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

(ii) The Company's potential capital contributions, through Binhai Investment (Tianjin) Co. Ltd, into the subsidiaries amounts to approximately HK$306 million.

(iii) Effective interests held are determined by assets appropriation upon the dissolution of the subsidiaries, instead of by proportion of the capital injection. The 2010 position is unchanged from 2009.

(iv) All of the subsidiaries are incorporated and operating in the PRC whose principal activities are provision of gas pipeline connection service and sales of gases. Their legal forms are indicated as follows:

* * Wholly foreign owned enterprises
* @ Sino-foreign equity joint ventures
* # Sino-foreign co-operative joint ventures

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

19. PROPERTY UNDER DEVELOPMENT

	Group	
	2010	2009
	HK$'000	*HK$'000*
Land	**11,686**	–
Development costs	**19,201**	–
	30,887	–

The property under development is located in the PRC. The directors of the Company is in the process of identifying a buyer for this property under development.

Management estimated the total budget for the property under development to be around RMB 300 million of which about HK$31 million has been contracted and provided for as of year end. Taking into consideration the conditions of the property market of the Binhai New Area, the Group may dispose of its land use rights or relevant rights at appropriate time and in an appropriate manner. In the event that the Group later decides to dispose of the land or relevant rights prior to the completion of the intended construction or development, part of the construction cost will not be incurred (Note 31).

20. INVENTORIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Materials for gas pipelines	**26,117**	25,633
Gases (including cushion gas)	**3,874**	2,598
	29,991	28,231

21. TRADE AND OTHER RECEIVABLES

		Group	
	Note	**2010** *HK$'000*	2009 *HK$'000*
Trade receivables		**80,909**	76,233
less: Provision for impairment		**(26,568)**	(30,959)
	(a)	**54,341**	45,274
Advances to suppliers		**105,608**	106,077
less: Provision for impairment	(d)	**(82,561)**	(80,743)
		23,047	25,334
Prepayments and other receivables	(e)	**41,517**	30,825
less: Provision for impairment		**(6,006)**	(8,038)
		35,511	22,787
		112,899	93,395
Amount due from TEDA		**–**	8,938
		112,899	102,333

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

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

(a) 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	
		2010	2009
	Note	***HK$'000***	*HK$'000*
0 — 90 days		**37,601**	25,411
91 — 180 days		**7,827**	7,740
181 — 360 days		**5,342**	9,878
Over 360 days		**30,139**	33,204
		80,909	76,233
Less: Provision for impairment of trade receivable	*(c)*	**(26,568)**	(30,959)
		54,341	45,274

Trade receivables of HK$54 million are fully collectible as they are due from active trading customers with low default rate.

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
91 — 180 days	**280**	518
181 — 360 days	**–**	779
Over 360 days	**3,790**	2,045
	4,070	3,342

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 April	**(30,959)**	(49,141)
Exchange differences	**(229)**	(891)
Write back for the year – net	**4,620**	12,454
Bad debts written off	**–**	3,103
Reclassified to assets of disposal group held for sale	**–**	3,516
At 31 March	**(26,568)**	(30,959)

(d) Provision for impairment of approximately HK$83 million principally relates to advances to suppliers which arose as a result of termination of trading relationships. Movement for 2010 is mainly because of the completion of projects and recognition of cost.

(e) Prepayments and other receivables mainly represent deposits for gas purchase. Balance also includes management fee receivable from TEDA Gas of about HK$1.4 million (Note 32).

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**286,830**	63,095	**194**	–
Short term deposits	**100,061**	–	**39,623**	–
	386,891	63,095	**39,817**	–

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi	**284,377**	61,179	**–**	–
Hong Kong dollars	**102,514**	1,916	**39,817**	–
	386,891	63,095	**39,817**	–

The maximum exposure to credit risk at the reporting dare is the fair value of each class of bank deposits mentioned above.

The conversion of Renminbi denominated balances into foreign currencies and remittance out of the PRC is subject to the rules and regulation of foreign exchange controls promulgated by the PRC government.

23. 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 Group disposed 30 subsidiaries to TEDA at a partial consideration of HK$82 million (Note 1(b)). The disposal was effected on 4 May 2009 on which date the Group cease to control the Disposed Subsidiaries and derecognise their respective assets and liabilities.

Pending finalisation of the completion audit of the Disposed Subsidiaries, the Group does not expect to have a significant financial impact on the disposal. Details of the assets and liabilities disposed are set out in Note 29(b) to this report.

Results of the Disposed Subsidiaries consolidated line-by-line in the income statement for the year ended 31 March 2010 are approximately as follows:

	2010 ***HK$'000***
Revenue	**3,237**
Cost of sales	**(3,012)**
Expenses	**(647)**
Loss for the year	**(422)**

24. SHARE CAPITAL

(a) Authorised

	Number of shares		Amounts	
	2010	2009	**2010**	2009
	million	*million*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.01 each				
At beginning of the year	**5,000**	5,000	**50,000**	50,000
Issue of new shares	**10,000**	–	**100,000**	–
At end of the year	**15,000**	5,000	**150,000**	50,000
Convertible Preference Shares of HK$1.00 each				
At beginning of the year	**–**	–	**–**	–
Issue of new shares	**170**	–	**170,000**	–
At end of the year	**170**	–	**170,000**	–
Redeemable Preference Shares of HK$50.00 each				
At beginning of the year	**–**	–	**–**	–
Issue of new shares	**9**	–	**430,000**	–
At end of the year	**9**	–	**430,000**	–
Total			**750,000**	50,000

(b) Issued and fully paid

	Number of shares		Amounts	
	2010	2009	**2010**	2009
	million	*million*	***HK$'000***	*HK$'000*
Issued and paid:				
Ordinary shares of HK$0.01 each				
At beginning of the year	**2,177**	2,177	**21,770**	21,770
Issue of shares	**3,816**	–	**38,158**	–
At end of the year	**5,993**	2,177	**59,928**	21,770
Convertible Preference Shares of HK$1.00 each				
At beginning of the year	**–**	–	**–**	–
Issue of shares *(Note (i))*	**170**	–	**170,000**	–
At end of the year	**170**	–	**170,000**	–
Redeemable Preference Shares of HK$50.00 each				
At beginning of the year	**–**	–	**–**	–
Issue of shares *(Note(ii))*	**9**	–	**430,000**	–
At end of the year	**9**	–	**430,000**	–
Total			**659,928**	21,770

Notes:

(i) During the year, the Company issued 130 million and 40 million Convertible Preference Shares to Tsinlien BVI and syndicate banks, respectively. These Convertible Preference Shares are ((Note 1(b)(i)) and Note 1(b)(iii)):

- not entitled to dividend;
- non-voting;
- non-redeemable and at zero coupon;
- convertible at a price of HK$0.03 per share at the option of the holder from the date immediately after the fifth anniversary of the date of issuance but before the tenth anniversary; and
- automatically converted by the Company after the tenth anniversary of the date of issue.

(ii) During the year, the Company issued 8.6 million Redeemable Preference Shares to Tsinlien BVI, these Redeemable Preference Shares are (Note 1(b)(i)):

- not entitled to dividend;
- non-voting;
- non-convertible and at zero coupon;
- redeemable into their full nominal amount (subject to conditions) at the discretion of the Company as from the date immediately after the fifth anniversary of the date of resumption of trading of the Company's shares.

(ii) 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. The scheme became effective on 26 February 2000 and expired on 25 February 2010.

No share option was granted, exercised or cancelled during the year.

25. OTHER RESERVES

	Contributed surplus *(Note (i))* HK$'000	Exchange reserve *(Note (ii))* HK$'000	Statutory reserves *(Note (iii))* HK$'000	Other reserves HK$'000	Total HK$'000
(a) Group					
Balance at 1 April 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)
Translation differences	–	(866)	–	–	(866)
Assumption of debt by ultimate holding company *(Note 1(b)(iii))*	–	–	–	160,000	160,000
Balance at 31 March 2010	28,800	(130,154)	2,561	160,000	61,207
(b) Company					
Balance at 1 April 2008	47,547	(44,635)	–	–	2,912
Translation differences	–	(6,759)	–	–	(6,759)
Balance at 31 March 2009	47,547	(51,394)	–	–	(3,847)
Translation differences	–	148	–	–	148
Assumption of debt by ultimate holding company *(Note 1(b)(iii))*	–	–	–	160,000	160,000
Balance at 31 March 2010	47,547	(51,246)	–	160,000	156,301

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 reorganization 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.

26. TRADE AND OTHER PAYABLES

		Group		Company	
		2010	2009	**2010**	2009
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	*(a)*	**112,827**	96,814	**–**	–
Amounts due to TEDA and Tsinlien	*(b)*	**52,236**	163,099	**–**	–
Accrued expenses		**20,274**	28,886	**1,661**	64,820
Advance from customers		**69,246**	71,701	**–**	–
Interest payable	*(c)*	**11,527**	254,678	**–**	–
Other payables	*(d)*	**91,347**	81,437	**–**	–
Trade and other payables		**357,457**	696,615	**1,661**	64,820
Long-term portion of amount due to TEDA	*(b)*	**34,250**	–	**–**	–
		391,707	696,615	**1,661**	64,820

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
RMB	**389,416**	631,018
HK dollars	**2,291**	65,597
	391,707	696,615

(a) At 31 March 2010, the ageing analysis of the trade payables was as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
0 — 90 days	**37,711**	19,386
91 — 180 days	**9,780**	11,403
181 — 360 days	**7,348**	15,556
Over 360 days	**57,988**	50,469
	112,827	96,814

(b) The balance comprised:

	Group	
	2010	2009
	HK$'000	*HK$'000*
TEDA *(Note (i))*	**58,626**	135,916
Tsinlien *(Note (ii))*	**27,860**	27,183
	86,486	163,099

(i) Balance payable as at 31 March 2009 included HK$62 million which bore annual interest of 8%, whilst the remaining HK$74 million was interest free. The Group repaid about RMB75 million (approximately HK$85.3 million) during the year whilst the remaining balance will be repaid in equal installments over three years.

(ii) The balance payable to Tsinlien bears an average annual interest of 5.4% (2009: 6.5%) and has no fixed repayment terms.

(c) Interest payable as at 31 March 2009 has been substantially waived during the year as a result of the restructuring mentioned in Note 1(b)(iii).

(d) Included in other payable are amounts due to minority shareholders of subsidiaries calculated pursuant to the respective joint venture agreement.

27. BORROWINGS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current				
Unsecured:				
— PRC banks	**–**	390,758	**–**	–
— Syndicated banks	**–**	210,000	**–**	210,000
— Other Hong Kong banks	**5,000**	24,880	**5,000**	24,880
— TEDA Finance Bureau	**–**	79,284	**–**	–
Within one year	**5,000**	704,922	**5,000**	234,880
Non-current				
Unsecured:				
— Over one year, less than two years	**5,000**	–	**5,000**	–
— Over two year, less than five years	**10,000**	–	**10,000**	–
	15,000	–	**15,000**	–
	20,000	704,922	**20,000**	234,880

Notes:

(a) During the year, the Group settled borrowings of approximately HK$391 million, HK$210 million, HK$80 million, and HK$5 million to PRC banks, Syndicated banks, TEDA Finance Bureau, and other Hong Kong banks respectively. Details are set out in Note 1(b)(iii).

The remaining unsettled borrowings of HK$20 million is payable to China Merchants Bank, whereby the balance would be settled with payments of HK$5 million on each of the first, second, third and fourth anniversary from date of resumption of trading of the Company's shares plus interest on such amount at an interest rate of 4% per annum.

(b) The carrying amounts and fair values of the long term borrowings for both the Group and the Company are as follows:

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Borrowings from China Merchants Bank	**20,000**	—	**18,875**	—

The fair values are based on cash flows discounted at rates disclosed in note (c) below.

(c) The effective annual interest rates at the balance sheet date were as follows. The interests accrued and waived are as described in Note 9 and Note 10.

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
— PRC banks	**–**	10.4%	**–**	—
— Syndicated banks	**–**	5.6%	**–**	5.6%
— Other Hong Kong banks	**4.0%**	5.6%	**–**	5.6%
— TEDA Finance Bureau	**–**	6.5%	**–**	—

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong Dollars	**20,000**	234,880	**20,000**	234,880
Renminbi	**–**	470,042	**–**	—
	20,000	704,922	**20,000**	234,880

(e) The Group did not have any undrawn borrowing facility as at 31 March 2010 (2009: nil).

28. 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$69 million which can be carried forward against future taxable income. These unutilised losses expire after five years from occurrence

29. NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of profit/ (loss) before income tax to net cash generated from operations:

	2010 **HK$'000**	2009 HK$'000
Profit/(loss) before taxation	**280,702**	(24,347)
Adjustments for:		
— Interest income	**(614)**	(287)
— Depreciation	**9,064**	12,860
— Amortisation	**761**	1,278
— Impairment charge on trade and other receivables	**(2,327)**	(12,454)
— Finance costs	**(212,344)**	58,748
— Gain on disposal of property, plant and equipment *(Note (i))*	**(483)**	(122)
— Gain on disposal of assets *(Note (i))*	**(5,349)**	—
— Land use rights write-off	**—**	1,518
Changes in working capital:		
— Inventories	**(3,578)**	(2,396)
— Trade and other receivables	**(12,019)**	(19,226)
— Trade and other payables	**28,231**	50,085
Net cash generated from operations	**82,044**	65,657

(i) Movements on disposal of assets comprise:

	2010 **HK$'000**	2009 HK$'000
Net book amount of land use right	**2,303**	98
Net book amount of property, plant and equipment	**16,464**	—
Net book amount of assets disposed	**3,985**	—
Proceeds from disposal	**(28,584)**	(220)
Gain on disposal	**(5,832)**	(122)

(b) Disposal of subsidiaries

	2010 HK$'000	2009 HK$'000
Net assets/(liabilities) disposed		
Property, plant and equipment	97,496	–
Land use right	17,611	–
Trade and other receivables	16,056	–
Inventories	6,852	–
Cash and cash equivalent	4,219	–
Trade and other payables	(52,113)	–
Identifiable net assets	90,121	–
Less: minority interests	(181)	–
Net assets disposed	89,940	–
Gain on disposal	–	–
Satisfied by:		
Cash consideration	82,000	–
Amount due from TEDA	7,940	–
	89,940	–
Net cash inflow in respect of disposal of subsidiaries	77,781	–

30. FINANCIAL GUARANTEE

As at 31 March 2010, the Company's guarantee to subsidiaries in respect of their bank borrowings had been released due to the repayment of all bank loans (2009: HK$391 million).

31. COMMITMENTS

(a) Capital commitments of the Group (Company: None in 2010 and 2009) at the balance sheet date is as follows:

	2010 ***HK$'000***	2009 *HK$'000*
Authorised but not contracted for:		
Property under development *(Note 19)*	**291,000**	–
Contracted but not provided for:		
Property, plant and equipment	**11,387**	5,000
Property under development *(Note 19)*	**20,613**	–
	32,000	5,000

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

	2010 ***HK$'000***	2009 *HK$'000*
Not later than one year	**4,604**	5,000
Later than one year and not later than five years	**1,923**	6,000
Later than five years	**4,560**	6,000
	11,087	17,000

Note: The above amounts include a lease commitment with a subsidiary of TEDA (Note 32).

(c) On 28 May 2008, the Group entered into an agreement with TEDA to lease its pipeline network (Note 32). The lease is for a term of three years and the maximum annual lease payment will not exceed approximately RMB6 million.

32. RELATED PARTY TRANSACTIONS

In addition to those mentioned elsewhere in the financial statements, the followings are significant related party transactions entered between the Group and its related parties:

		2010 HK$'000	2009 HK$'000
(a)	**Transactions with holding company:**		
	Income from management of Disposed Subsidiaries *(Note (i))*	**2,339**	–
	Leasing charges of Second Pipelines Network *(Note (ii))*	**(4,085)**	–
(b)	**Transactions with other related parties:**		
	Sale of gas to TEDA Gas *(Note (iii))*	**70,478**	3,853
	Income from management of TEDA Gas *(Note (iv))*	**1,428**	–
	Rental charges of office premises to TEDA Real Property Development Company Ltd *(Note (v))*	**(2,702)**	–

		2010 HK$'000	2009 HK$'000
(c)	**Balances with other related party:**		
	Management fee receivable	**1,434**	–

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

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

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

(e) Key management compensation

Key management compensation is set out in Note 8 to these financial statements.

Notes:

(i) The Group provides management services to the Disposed Subsidiaries (Note 23). Annual management fee is calculated at 3% of the net asset value of the 30 subsidiaries as at the preceding financial year-end (taking into account any inter-company balances) plus 20% of the audited net profit of the 30 subsidiaries for the preceding financial year.

(ii) The Group leased from TEDA the Second Pipelines Network at a usage charge of RMB0.10 per cubic metre of gas supplied via the network.

(iii) The Group supplies gas to TEDA Gas via the Second Pipelines Network at a price determined by the State Government and the Tianjin Municipal Government.

(iv) The Group provides management service to TEDA Gas, the annual management fee of which is calculated at 3% of the audited net asset value (as at the preceding year end on 31 December) of TEDA Gas plus 20% of the audited net profit of TEDA Gas for the preceding financial year.

(v) Group lease office premises from TEDA Real Property Development Company Ltd. at a rate of RMB94.29 per square meter per month.

33. ULTIMATE HOLDING COMPANY

As of 31 March 2010, Tsinlien BVI, a wholly owned subsidiary of Tsinlien Group Company Limited ("Tsinlien"), is the nominee major shareholder of the Company.

Pursuant to an agreement dated 28 May 2008 and supplemental agreement dated 25 February 2009, Tsinlien has agreed to transfer the entire issued share capital of Tsinlien BVI to TEDA HK, a company incorporated in Hong Kong with limited liability and beneficially wholly owned by TEDA, at a nominal consideration equal to the par value of the issued shares of Tsinlien BVI on or before 30 June 2010. Upon completion of the transfer, TEDA will become the ultimate controlling shareholder of the Company.

The necessary PRC regulatory approvals for TEDA to invest in the Company via TEDA HK mentioned in the preceding paragraph have remained outstanding as of date of this report. In addition, in any event the necessary approvals are not obtained by 30 June 2010, Tsinlien will be entitled to keep its shareholding interest in Tsinlien BVI and remain as the controlling shareholder of the Company.

For purpose of this report, the directors regard TEDA (ie. the ultimate beneficiary shareholder) as being the ultimate holding company.

34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Directors on 25 June 2010.

FIVE-YEAR FINANCIAL SUMMARY

The following table summarized the results, assets and liabilities of the Group for the five years ended 31 March 2010.

	2010 **HK$'000**	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Revenue	**795,279**	621,464	587,479	425,950	423,273
Profit/(loss) attributable to Equity holders of the Company	**230,114**	(40,451)	(49,928)	(98,138)	(115,500)
Total assets	**833,633**	571,267	478,679	418,191	358,232
Total liabilities	**457,547**	1,457,789	1,307,357	1,103,540	930,609
Equity holder' equity/(deficit)	**366,253**	(894,811)	(835,823)	(696,945)	(583,195)
Minority interest	**9,833**	8,289	7,145	11,596	10,818