



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

(Incorporated in the Bermuda with limited liability)

Stock Code: 8035

First Quarterly 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.**

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

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

## FINANCIAL HIGHLIGHTS

	Unaudited Three months ended 30 June 2010 HK\$'000	Unaudited Three months ended 30 June 2009 HK\$'000	Increase/ (Decrease)
Revenue	213,136	146,987	45%
Gross profit	24,899	25,787	(3%)
Profit for the period	3,488	198,351 <i>(Note)</i>	(98%)
Basic and diluted earnings per share attributable to the equity holders of the Company during the period	0.03 cents	3.14 cents	(3.11) cents

*Note:* Including interest waived of HK\$222,373,000 and income tax expense on interest waived of HK\$17,408,000.

The board of Directors (the “**Board**”) of Binhai Investment Company Limited (the “**Company**”) hereby announces the unaudited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 June 2010, together with the unaudited comparative figures for the corresponding period in 2009.

## FINANCIAL INFORMATION

### Condensed Consolidated Income Statement

	Note	Unaudited Three months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
Revenue	4	213,136	146,987
Costs of sales		(188,237)	(121,200)
<b>Gross profit</b>		<b>24,899</b>	25,787
Other income and gains — net		483	857
Administrative expenses		(18,799)	(18,281)
		<b>6,583</b>	8,363
Interest waived		—	222,373
Finance costs		(835)	(11,861)
<b>Profit before taxation</b>		<b>5,748</b>	218,875
Income tax expenses	5	—	(17,408)
— related to interest waiver		—	(3,116)
— others		(2,260)	(3,116)
		<b>(2,260)</b>	(20,524)
<b>Profit for the period</b>		<b>3,488</b>	198,351
<b>Attributable to:</b>			
— Equity holders of the Company		3,334	198,370
— Non-controlling interest		154	(19)
		<b>3,488</b>	198,351
<b>Earnings per ordinary share</b>			
— basic and diluted ( <i>HK cents</i> )	7	<b>0.03 cents</b>	3.14 cents

## Condensed Consolidated Statement of Comprehensive Income

	Unaudited Three months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
<b>Comprehensive income</b>		
Profit for the period	<b>3,488</b>	198,351
<b>Other comprehensive income:</b>		
Exchange differences	<b>1,585</b>	(1,431)
Other comprehensive income	<b>1,585</b>	(1,431)
<b>Total comprehensive income for the period</b>	<b>5,073</b>	196,920
<b>Attributable to:</b>		
– Equity holders of the Company	<b>4,879</b>	196,950
– Non-controlling interest	<b>194</b>	(30)
<b>Total comprehensive income for the period</b>	<b>5,073</b>	196,920

## Condensed Consolidated Statement of Changes in Equity

Changes in equity of the Group during the three months ended 30 June 2010 and 2009 are as follows:

	Unaudited						
	Attributable to equity holders of the Company					Non-controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
<b>Balance at 1 April 2009</b>	21,770	191,079	(97,927)	(1,009,733)	(894,811)	8,289	(886,522)
<b>Comprehensive income</b>							
Profit/(loss) for the period	–	–	–	198,370	198,370	(19)	198,351
<b>Other comprehensive income</b>							
Exchange differences	–	–	(1,420)	–	(1,420)	(11)	(1,431)
<b>Total comprehensive income for the period</b>	–	–	(1,420)	198,370	196,950	(30)	196,920
<b>Transactions with owners</b>							
Issue of shares	638,158	234,474	–	–	872,632	–	872,632
Assumption of debt by ultimate holding company	–	–	160,000	–	160,000	–	160,000
Disposal of subsidiaries	–	–	–	–	–	(159)	(159)
<b>Total transactions with owners</b>	638,158	234,474	160,000	–	1,032,632	(159)	1,032,473
<b>Balance at 30 June 2009</b>	659,928	425,553	60,653	(811,363)	334,771	8,100	342,871
<b>Balance at 1 April 2010</b>	659,928	424,737	61,207	(779,619)	366,253	9,833	376,086
<b>Comprehensive income</b>							
Profit for the period	–	–	–	3,334	3,334	154	3,488
<b>Other comprehensive income</b>							
Exchange differences	–	–	1,545	–	1,545	40	1,585
<b>Total comprehensive income for the period</b>	–	–	1,545	3,334	4,879	194	5,073
<b>Balance at 30 June 2010</b>	659,928	424,737	62,752	(776,285)	371,132	10,027	381,159

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

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

### 2. BASIS OF PREPARATION

This condensed consolidated financial information for the three months ended 30 June 2010 has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Rules Governing the Listing of Securities on GEM.

### 3. ACCOUNTING POLICIES

The financial information has been on historical cost basis.

The principle accounting policies adopted are consistent with those adopted in the annual financial statements for the year ended 31 March 2010.

The Group has adopted the new/revised accounting standards and interpretations effective for the accounting period beginning on or after 1 July 2009. Adoption of such new/revised accounting standards and interpretations has no material effects on the condensed consolidated financial information, and has caused no material change to the accounting policies of the Group.

### 4. SEGMENT INFORMATION

The 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

Segment assets and liabilities of the Group are not disclosed because they are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors.

For the three months ended 30 June 2010	Unaudited				Total HK\$’000
	On-site gas sales HK\$’000	Bottled gas sales HK\$’000	Piped gas sales HK\$’000	Connection services HK\$’000	
Revenue					
– Tianjin TEDA Tsinlien Gas Co., Ltd (“TEDA Gas”)	–	–	16,809	–	16,809
– Other customers	83,987	4,396	72,332	35,612	196,327
Revenue from external customers	83,987	4,396	89,141	35,612	213,136
Segment results	1,267	(323)	3,248	20,707	24,899
Unallocated income/ (expenses):					
– Other income					483
– Head office and corporate expenses					(18,799)
– Finance costs					(835)
Profit before income tax					5,748
Other information for reportable segments:					
Depreciation	–	(99)	(2,646)	–	(2,745)



For the three months ended 30 June 2009	Unaudited				Total HK\$'000
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	
Revenue					
– TEDA Gas	–	–	10,354	–	10,354
– Other customers	40,570	2,744	58,187	35,132	136,633
Revenue from external customers	40,570	2,744	68,541	35,132	146,987
Segment results	183	158	4,472	20,974	25,787
Unallocated income/ (expenses):					
– Other income					857
– Head office and corporate expenses					(18,281)
– Finance income, net					210,512
Loss before income tax					218,875
<i>Other information for reportable segments:</i>					
Depreciation	–	(22)	(2,164)	–	(2,186)

## 5. 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 22% to 25% (2009:20% to 25%). All of the following taxation arose in the PRC.

	Unaudited Three months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Current taxation:		
– taxation on interest waived	–	17,408
– others	<b>2,260</b>	3,116
	<b>2,260</b>	20,524

## 6. DIVIDEND

No dividend was proposed in respect of the three months ended 30 June 2010 (2009: Nil).

## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the three months ended 30 June 2010 is based on the profit attributable to equity holders of HK\$3,334,000 (2009: HK\$198,370,000) and the weighted average number of shares during the period of 11,659,478,667 (2009:6,321,444,444). The calculation has taken into account the 5,666,666,666 new ordinary shares to be issued upon the conversion of the 170 million convertible preference shares as these preference shares will be automatically converted into ordinary shares of the Company by the tenth anniversary of issue.

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

	Unaudited Three months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Profit attributable to equity holders of the Company	<b>3,334</b>	198,370
Basic and diluted earnings per share	<b>0.03 cents</b>	3.14 cents

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

	Unaudited Three months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Profit attributable to equity holders	<b>3,334</b>	198,370
Adjustments for:		
– Interest waived	–	(222,373)
– Income tax expense on interest waived	–	17,408
Profit/(loss) attributable to equity holder (excluding interest waived and income tax expense on interest waived)	<b>3,334</b>	(6,595)
Adjusted basic and diluted earnings/(loss) per share (excluding interest waived and income tax expense on interest waived)	<b>0.03 cents</b>	(0.1) cents

## BUSINESS REVIEW

The Group is principally engaged in the construction of gas pipeline networks, provision of connection services, sale of 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 30 June 2010, the Group's total gas pipeline network was approximately 860 kilometers, representing an increase of 42 kilometers of the pipeline network was recorded for the three months ended 30 June 2010. During the three months ended 30 June 2010, the connection service fees amounted to approximately HK\$35,612,000, maintaining the same level as that in the corresponding period last year.

### Piped Gas Sales

During the three months ended 30 June 2010, consumption of piped gas by residential and industrial customers amounted to approximately  $244 \times 10^6$  and  $994 \times 10^6$  mega-joules respectively, as compared to  $186 \times 10^6$  and  $466 \times 10^6$  mega-joules respectively for the same period last year. For the three months ended 30 June 2010, the piped gas sales income of the Group amounted to HK\$89,141,000, representing an increase of HK\$20,600,000 or 30% compared to HK\$68,541,000 for the same period last year. The increase of connected households caused a gradual escalation of gas consumption.

### Property Development

The Company proposed to construct commercial building for lease or sale. As at 30 June 2010, a total cost of approximately HK\$35 million had been incurred and recorded in the consolidated balance sheet of the Group as at 30 June 2010 as "Property under development". In addition, the Company

is currently following up on the issues related to the contribution of capital by the Group to Tianjin Binhai Xinda Real Estate Company Limited, the subsidiary established for property development business.

## PROSPECTS

The continued economic growth has brought about an increase in the demand for energy in the PRC. The PRC government encourages and advocates energy saving and reduction in emission. As a kind of clean energy, natural gas has enormous market potential. During the year, the Group will make good use of these favorable industry foundations for its rapid development and to achieve a steady increase on gas-related business. In addition, the rapid development of Binhai New Area provides a wide range of opportunities and a suitable platform for the Group's long-term development. With an outstanding operation management team, stable natural gas resources and good business relationships with cooperative partners and local governments in various areas, the Group has full confidence in its future prospects.

## FINANCIAL REVIEW

### Gross Profit Margin

The gross profit margin of the Group during the three months ended 30 June 2010 was 12%, compared to 18% for the corresponding period last year. Main reasons of this decrease were as follows:

- (i) For the three months ended 30 June 2010, the ratio of on-site gas sales to revenue increased comparing with the corresponding period last year. As on-site gas sales contributed lower gross profit margin, the gross profit margin of the Group decreased;
- (ii) Influenced by market price, the price of LPG was higher than the same period last year, leading to the costs of bottled gas sales and piped gas sales being increased and the gross profit margin being decreased; and

- (iii) Pursuant to the notice on adjustments of natural gas selling prices issued by National Development and Reform Commission on 31 May 2010, the cost of natural gas incurred by some subsidiaries has increased since 1 June 2010. Part of the increased costs could be transferred to users in the future, and the profitability of the Group would be improved.

### **Administrative Expenses**

Administrative expenses of the Group for the three months ended 30 June 2010 was HK\$18,799,000, maintaining the same level as that in the corresponding period last year.

### **Profit attributable to equity holders**

As per the above results, the profit attributable to equity holders of the Group was approximately HK\$3,334,000 for the three months ended 30 June 2010, comparing to HK\$198,370,000 in the corresponding period in 2009. Excluding interest waived and income tax expense on interest waived, the loss attributable to equity holders of the Group was approximately HK\$6,595,000 in the same period last year. With the settlement of the Group's borrowings, finance costs for the three months ended 30 June 2010 had significantly decreased.

Basic earnings per share for the three months ended 30 June 2010 was HK0.03 cents, as compared to HK3.14 cents for the corresponding period last year. Excluding interest waived and income tax expense on interest waived, basic loss per share was HK0.1 cents in the same period last year.

### **Financial resources**

During the three months ended 30 June 2010, the Group generally financed its operations with proceeds from the restructuring and internally generated resources. As at 30 June 2010, the Group had total borrowings of HK\$15 million. 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.

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

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

As at 30 June 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.

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

As at 30 June 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 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%
Tianjin TEDA Investment Holdings Co., Ltd. ("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%



Name of shareholder	Position	Beneficial interests	Family interests	Corporate interests	Others	Total	Approximate percentage of the issued ordinary share capital
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:**

- 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.
- 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 due to acceptance 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 Hong Kong Property Company Limited ("**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 30 June 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.

## 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.

As at 30 June 2010, none of WAG Worldsec or its directors, employees or associates had any interests in the securities of the Company or any member of the Group, nor any rights to subscribe or nominate others to subscribe for the securities of the Company or any members of the Group.

## DIRECTORS' INTEREST IN CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party which subsisted at any time during the three months ended 30 June 2010.

## COMPETING INTERESTS

During the three months ended 30 June 2010, save for the interests of Tsinlien BVI in 30 former subsidiaries of the Group pursuant to a disposal agreement dated 28 May 2008 (as amended by a supplemental agreement dated 25 February 2009), the disposal of which was deemed to have completed in May 2009, none of the Directors or the controlling shareholders of the Company or their respective associates had any interests in a business which competes or may compete with the business of the Group. Although some of the business carried out by the 30 former subsidiaries of the Group 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 subsidiaries do not compete directly with the business of the Group.

As at 30 June 2010, the names, nature of business and details of ownership of Tsinlien BVI in the 30 former subsidiaries of the Group were as follows:

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

	Name of former subsidiary	Nature of Business	% of interests
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	Liyang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
23	Taizhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
24	Ningyang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
25	Qingyuan Yimin Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
26	Peixian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
27	Yixian Fujiang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
28	Anxin Lihua Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
29	Chenzhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
30	Weishan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100

## AUDIT COMMITTEE

The Company established an audit committee ("**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:

- (i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- (ii) to ensure the accuracy and completeness of the Company's financial statements, annual reports and accounts, half-year reports and quarterly reports ;and
- (iii) to monitor the Company's financial control, internal control and risk management systems.

The Audit Committee comprises the four independent non-executive directors, namely Mr. Lau Siu Ki Kevin, Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Ip Shing Hing JP. Mr. Lau, who is the chairman of the audit committee, and Mr. Tse are qualified accountants. The Audit Committee has reviewed the unaudited consolidated results of the Group for the three months ended 30 June 2010 and has provided advice and comments on this report.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the three months ended 30 June 2010.

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

The Company did not redeem any of its issued shares during the three months ended 30 June 2010. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the three months ended 30 June 2010.

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

Hong Kong, 9 August 2010

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