



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

(Incorporated in the Bermuda with limited liability)  
Stock Code: 8035

Interim 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.**

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

## FINANCIAL HIGHLIGHTS

	<b>Unaudited Six months ended 30 September 2010</b> <i>HK\$'000</i>	<b>Unaudited Six months ended 30 September 2009</b> <i>HK\$'000</i>	<b>Increase/ (Decrease)</b>
Revenue	484,075	325,141	49%
Gross profit	71,910	52,403	37%
Profit for the period	732 <i>(Note 1)</i>	211,462 <i>(Note 2)</i>	(99.65%)
Basic earnings per share attributable to the equity holders of the Company during the period	0.0002 cents	2.32 cents	(2.32) cents

	<b>Unaudited As at 30 September 2010</b> <i>HK\$'000</i>	<b>Audited As at 31 March 2010</b> <i>HK\$'000</i>	<b>Increase/ (Decrease)</b>
Total assets	948,934	833,633	14%
Total equity	411,069	376,086	9%
Total liabilities	537,865	457,547	18%

*Note 1:* Including recognized share-based expenses of HK\$26,126,000 during the period.

*Note 2:* Including interest waived of HK\$225,717,000 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 six months ended 30 September 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 September		Unaudited Six months ended 30 September	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue	4	270,939	178,154	484,075	325,141
Costs of sales		(223,928)	(151,538)	(412,165)	(272,738)
<b>Gross profit</b>		<b>47,011</b>	26,616	<b>71,910</b>	52,403
Other income and gains –net	6	5,244	1,899	5,727	2,756
Administrative expenses		(46,909)	(14,806)	(65,708)	(33,087)
		5,346	13,709	11,929	22,072
Interest waived		–	3,344	–	225,717
Finance costs	7	821	(1,858)	(14)	(13,719)
<b>Profit before taxation</b>		<b>6,167</b>	15,195	<b>11,915</b>	234,070
Income tax expenses	8	–	–	–	(17,408)
– related to interest waiver		–	–	–	(5,200)
– others		(8,923)	(2,084)	(11,183)	(22,608)
		(8,923)	(2,084)	(11,183)	(22,608)
<b>(Loss)/profit for the period</b>		<b>(2,756)</b>	13,111	<b>732</b>	211,462
<b>Attributable to:</b>					
– Equity holders of the Company		(3,308)	12,802	26	211,172
– Non-controlling interest		552	309	706	290
		(2,756)	13,111	732	211,462
<b>(Loss)/earnings per ordinary share</b>	10				
– basic (HK cents)		(0.03) cents	0.11 cents	0.0002 cents	2.32 cents
– diluted (HK cents)		(0.03) cents	0.11 cents	0.0002 cents	2.32 cents

## Condensed Consolidated Statement of Comprehensive Income

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
<b>Comprehensive income</b> (Loss)/profit for the period	<b>(2,756)</b>	13,111	<b>732</b>	211,462
<b>Other comprehensive income:</b> Exchange differences	<b>6,540</b>	59	<b>8,125</b>	(1,372)
Other comprehensive income	<b>6,540</b>	59	<b>8,125</b>	(1,372)
<b>Total comprehensive income for the period</b>	<b>3,784</b>	13,170	<b>8,857</b>	210,090
<b>Attributable to:</b> – Equity holders of the Company	<b>3,063</b>	12,857	<b>7,942</b>	209,807
– Non-controlling interest	<b>721</b>	313	<b>915</b>	283
<b>Total comprehensive income for the period</b>	<b>3,784</b>	13,170	<b>8,857</b>	210,090

## Condensed Consolidated Balance Sheet

		Unaudited As at 30 September 2010 HK\$'000	Audited As at 31 March 2010 HK\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		34,471	34,612
Property, plant and equipment	11	409,181	238,353
Interests in a jointly controlled entity	12	13,981	—
		<b>457,633</b>	272,965
<b>Current assets</b>			
Property under development		37,283	30,887
Inventories		39,703	29,991
Trade and other receivables	13	180,502	112,899
Cash and cash equivalents		233,813	386,891
		<b>491,301</b>	560,668
<b>Total assets</b>		<b>948,934</b>	833,633
<b>EQUITY</b>			
<b>Equity holders of the Company</b>			
Share capital	14		
— Ordinary shares		59,928	59,928
— Convertible preference shares		170,000	170,000
— Redeemable preferences shares		430,000	430,000
Share premium		424,737	424,737
Employee share-based compensation reserve	14	26,126	—
Others reserves		69,123	61,207
Accumulated losses		(779,593)	(779,619)
<b>Equity holders' interest</b>		<b>400,321</b>	366,253
<b>Non-controlling interest</b>		<b>10,748</b>	9,833
<b>Total equity</b>		<b>411,069</b>	376,086

## Condensed Consolidated Balance Sheet

		<b>Unaudited</b> <b>As at</b> <b>30</b> <b>September</b> <b>2010</b> <i>Note</i> <b>HK\$'000</b>	Audited As at 31 March 2010 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term payables	15	<b>17,476</b>	34,250
Borrowings	16	<b>10,000</b>	15,000
		<b>27,476</b>	49,250
<b>Current liabilities</b>			
Trade and other payables	15	<b>463,874</b>	357,457
Current income taxation liabilities		<b>41,515</b>	45,840
Borrowings	16	<b>5,000</b>	5,000
		<b>510,389</b>	408,297
<b>Total liabilities</b>		<b>537,865</b>	457,547
<b>Total equity and liabilities</b>		<b>948,934</b>	833,633
<b>Net current (liabilities)/assets</b>		<b>(19,088)</b>	152,371
<b>Total assets less current liabilities</b>		<b>438,545</b>	425,336

## Condensed Consolidated Statement of Changes in Equity

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

	Unaudited							Total HK\$'000
	Attributable to equity holders of the Company						Non- controlling interest HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Employee share- based compen- sation reserve HK\$'000	Other reserves HK\$'000	Accu- mulated 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 for the period	–	–	–	–	211,172	211,172	290	211,462
<b>Other comprehensive income</b>								
Exchange differences	–	–	–	(1,365)	–	(1,365)	(7)	(1,372)
<b>Total comprehensive income for the period</b>	–	–	–	(1,365)	211,172	209,807	283	210,090
<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	234,373	–	160,000	–	1,032,632	(159)	(1,032,473)
<b>Balance at 30 September 2009</b>	659,928	425,553	–	60,708	(798,561)	347,628	8,413	356,041
<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	–	–	–	–	26	26	706	732
<b>Other comprehensive income</b>								
Exchange differences	–	–	–	7,916	–	7,916	209	8,125
<b>Total comprehensive income for the period</b>	–	–	–	7,916	26	7,942	915	8,857
<b>Recognition of equity settled share-based payment</b>	–	–	26,126	–	–	26,126	–	26,126
<b>Balance at 30 September 2010</b>	659,928	424,737	26,126	69,123	(779,593)	400,321	10,748	411,069



## Condensed Consolidated Cash Flow Statement

	Unaudited Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
<b>Net cash generated from/(used in) operating activities</b>	<b>7,092</b>	(16,771)
<b>Net cash (used in)/generated from investing activities</b>	<b>(157,091)</b>	66,835
<b>Net cash (used in)/generated from financing activities</b>	<b>(5,400)</b>	230,520
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(155,399)</b>	280,584
Cash and cash equivalents at beginning of the period	<b>386,891</b>	63,095
Exchange differences	<b>2,321</b>	614
<b>Cash and cash equivalents at end of the period</b>	<b>233,813</b>	344,293

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 8 October 1999, with its registered office at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda, and its principal place of business in Hong Kong at Suites 3205-07, 32/F, 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 interim financial information for the six months ended 30 September 2010 has been prepared in accordance with Hong Kong Accounting Standards (“**HKAS**”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Rules Governing the Listing of Securities on GEM.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2010.

### 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 except for the following:

- **Jointly controlled entities**

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. Interests in jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group’s interest in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group’s share of the post-acquisition results in jointly controlled entities is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in a jointly controlled entity

equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the interests in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

- **Employee benefits – share-based payments**

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (option) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The Group has also adopted the new/revised accounting standards and interpretations effective for accounting periods 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 (“ <b>LPG</b> ”) 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 September 2010	Unaudited				
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Revenue					
– Tianjin TEDA Tsinlien Gas Co., Ltd ("TEDA Gas")	–	–	13,674	–	13,674
– Other customers	107,651	4,355	77,352	67,907	257,265
Revenue from external customers	107,651	4,355	91,026	67,907	270,939
Segment results	79	(240)	3,130	44,042	47,011
Unallocated income/ (expenses):					
– Other income					5,244
– Head office and corporate expenses					(46,909)
– Finance income-net					821
Profit before income tax					6,167
Other information for reportable segments:					
Depreciation	–	–	(2,582)	–	(2,582)

For the three months ended 30 September 2009	Unaudited				
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Revenue					
– TEDA Gas	–	–	13,547	–	13,547
– Other customers	59,471	3,931	59,469	41,736	164,607
Revenue from external customers	59,471	3,931	73,016	41,736	178,154
Segment results	401	82	2,411	23,722	26,616
Unallocated income/ (expenses):					
– Other income					1,899
– Head office and corporate expenses					(14,806)
– Finance income-net					1,486
Profit before income tax					15,195
<i>Other information for reportable segments:</i>					
Depreciation	–	(34)	(1,796)	–	(1,830)

For the six months ended 30 September 2010	Unaudited				
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Revenue					
– TEDA Gas	–	–	30,483	–	30,483
– Other customers	191,638	8,751	149,684	103,519	453,592
Revenue from external customers	191,638	8,751	180,167	103,519	484,075
Segment results	1,346	(563)	6,378	64,749	71,910
Unallocated income/ (expenses):					
– Other income					5,727
– Head office and corporate expenses					(65,708)
– Finance costs					(14)
Profit before income tax					11,915
<i>Other information for reportable segments:</i>					
Depreciation	–	(99)	(5,228)	–	(5,327)

For the six months ended 30 September 2009	Unaudited				
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Revenue					
– TEDA Gas	–	–	23,892	–	23,892
– Other customers	100,041	6,675	117,665	76,868	301,249
Revenue from external customers	100,041	6,675	141,557	76,868	325,141
Segment results	584	240	6,883	44,696	52,403
Unallocated income/(expenses):					
– Other income					2,756
– Head office and corporate expenses					(33,087)
– Finance income-net					211,998
Profit before income tax					234,070
Other information for reportable segments:					
Depreciation	–	(56)	(3,960)	–	(4,016)

## 5. EXPENSES BY NATURE

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Costs of sales	<b>223,928</b>	151,538	<b>412,165</b>	272,738
Depreciation	<b>2,818</b>	2,108	<b>5,838</b>	5,237
Amortisation	<b>265</b>	120	<b>504</b>	274
Share-based payment expenses (Note 14)	<b>26,126</b>	–	<b>26,126</b>	–
Other expenses	<b>17,700</b>	12,578	<b>33,240</b>	27,576
Total cost of sales and administrative expenses	<b>270,837</b>	166,344	<b>477,873</b>	305,825



## 6. OTHER INCOME AND GAINS – NET

	Unaudited Three months ended 30 September 2010		Unaudited Six months ended 30 September 2010	
	HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Interest income	178	190	351	295
Income from management of disposed subsidiaries	246	643	487	1,015
Income from management of TEDA Gas	365	359	724	475
Gain on disposal of assets	3,958	—	3,577	—
Others	497	707	588	971
	<b>5,244</b>	1,899	<b>5,727</b>	2,756

## 7. FINANCE COST

	Unaudited Three months ended 30 September 2010		Unaudited Six months ended 30 September 2010	
	HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Interest on bank loans	135	939	328	12,016
Interest on amounts due to Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA") and Tsinlien Group Company Limited ("Tsinlien")	1,065	1,038	2,113	2,044
Exchange gain	(2,021)	(119)	(2,427)	(341)
	<b>(821)</b>	1,858	<b>14</b>	13,719

## 8. INCOME TAX EXPENSES

No Hong Kong profit tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (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 September 2010		Unaudited Six months ended 30 September 2010	
	HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Current taxation:				
– taxation on interest waived	–	–	–	17,408
– others	<b>8,923</b>	2,084	<b>11,183</b>	5,200
	<b>8,923</b>	2,084	<b>11,183</b>	22,608

## 9. INTERIM DIVIDEND

No interim dividend was declared in respect of the six months ended 30 September 2010 (2009: Nil).

## 10. EARNINGS PER SHARE

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

	Unaudited Three months ended 30 September 2010		Unaudited Six months ended 30 September 2010	
	HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
<b>Earnings</b>				
(Loss)/profit attributable to equity holders of the Company	<b>(3,308)</b>	12,802	<b>26</b>	211,172
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note (i))	<b>11,659,478,666</b>	11,659,478,666	<b>11,659,478,666</b>	9,107,222,805
Effect of dilutive potential ordinary shares arising from share options (Note (ii))	–	–	<b>3,098</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	–	–	<b>11,659,481,764</b>	–

Note:

- (i) 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.
- (ii) The calculation of diluted loss per share for the 3-month period ended 30 September 2010 does not include the adjustment for the dilutive potential ordinary shares for share options as this would result in a decrease in loss per share.

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 September		Unaudited Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
(Loss)/profit attributable to equity holders	<b>(3,308)</b>	12,802	<b>26</b>	211,172
Adjustments for:				
– Interest waived	–	(3,344)	–	(225,717)
– Income tax expense on interest waived	–	–	–	17,408
(Loss)/profit attributable to equity holder (excluding interest waived and income tax expense on interest waived)	<b>(3,308)</b>	9,458	<b>26</b>	2,863
Adjusted basic (loss)/earnings per share (excluding interest waived and income tax expense on interest waived)	<b>(0.03) cents</b>	0.08 cents	<b>0.0002 cents</b>	0.03 cents
Adjusted diluted (loss)/earnings per share (excluding interest waived and income tax expense on interest waived)	<b>(0.03) cents</b>	0.08 cents	<b>0.0002 cents</b>	0.03 cents

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>Unaudited As at 30 September 2010 HK\$'000</b>	Unaudited As at 30 September 2009 HK\$'000
<b>Opening net book amount</b>	<b>238,353</b>	205,312
Additions	<b>169,519</b>	19,525
Disposal	<b>(783)</b>	(1,957)
Depreciation	<b>(5,838)</b>	(5,237)
Exchange differences	<b>7,930</b>	—
<b>Closing net book amount</b>	<b>409,181</b>	217,463

## 12. INTEREST IN A JOINTLY CONTROLLED ENTITY

As at 30 September 2010, the Group had equity interest in a jointly controlled entity. Although the Group holds 40% equity interest in this entity, no investors in this entity has unilateral control of its economic activities, resulting in joint control over the entity by the respective investors. The jointly controlled entity is principally engaged in the provision of gas sales and related inquire service.

## 13. TRADE AND OTHER RECEIVABLES

	<b>Unaudited As at 30 September 2010 HK\$'000</b>	Audited As at 31 March 2010 HK\$'000
Trade receivables	<b>112,338</b>	80,909
less: Provision for impairment	<b>(27,050)</b>	(26,568)
	<b>85,288</b>	54,341
Advances to suppliers	<b>140,032</b>	105,608
less: Provision for impairment	<b>(84,201)</b>	(82,561)
	<b>55,831</b>	23,047
Prepayments and other receivables	<b>45,513</b>	41,517
less: Provision for impairment	<b>(6,130)</b>	(6,006)
	<b>39,383</b>	35,511
	<b>180,502</b>	112,899

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

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

	<b>Unaudited As at 30 September 2010 HK\$'000</b>	<b>Audited As at 31 March 2010 HK\$'000</b>
0 – 90 days	<b>61,639</b>	37,601
91 – 180 days	<b>6,060</b>	7,827
181 – 360 days	<b>14,351</b>	5,342
Over 360 days	<b>30,288</b>	30,139
	<b>112,338</b>	80,909
Less: Provision for impairment of trade receivable	<b>(27,050)</b>	(26,568)
	<b>85,288</b>	54,341

#### 14. SHARE CAPITAL

	<b>Unaudited As at 30 September 2010</b>		<b>Audited As at 31 March 2010</b>	
	<b>Number of shares Million</b>	<b>Amounts HK\$'000</b>	<b>Number of shares Million</b>	<b>Amounts HK\$'000</b>
Ordinary shares of HK\$0.01 each				
Authorised:	<b>15,000</b>	<b>150,000</b>	15,000	150,000
Issued and fully paid:	<b>5,993</b>	<b>59,928</b>	5,993	59,928
Convertible Preference Shares of HK\$1.00 each				
Authorised:	<b>170</b>	<b>170,000</b>	170	170,000
Issued and fully paid:	<b>170</b>	<b>170,000</b>	170	170,000
Redeemable Preference Shares of HK\$50.00 each				
Authorised:	<b>9</b>	<b>430,000</b>	9	430,000
Issued and fully paid:	<b>9</b>	<b>430,000</b>	9	430,000
Total Authorised:		<b>750,000</b>		750,000
Issued and fully paid:		<b>659,928</b>		659,928

## SHARE OPTIONS

On 27 September 2010, the Company granted share options (the "Share Options") to the Directors and certain employees to subscribe for a total 90,500,000 ordinary shares of HK\$0.01 each in the share capital of the Company under the share option scheme adopted by the Company on 20 August 2010, all of which are immediately exercisable on date of grant. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

The fair value of the Share Options determined at the date of grant using the Binomial model and the significant inputs are as follows:

Exercise Price (HK\$)	0.56
Risk Free Rate	2.104%
Expected Volatility	51%
Expected Dividend Yield	1%
Expected Option Life	8.2
Fair Value (HK\$)	0.29

The Binomial model requires input of certain subjective assumptions thus the fair value calculated varies with different assumptions.

The expected volatility measured at the standard deviation is based on statistical analysis of the volatility of shares of companies in similar industry.

## 15. TRADE AND OTHER PAYABLES

	Unaudited As at 30 September 2010 HK\$'000	Audited As at 31 March 2010 HK\$'000
Trade payables	134,543	112,827
Amounts due to TEDA and Tsinlien	82,325	52,236
Accrued expenses	21,868	20,274
Advance from customers	98,763	69,246
Interest payable	13,587	11,527
Other payables	112,788	91,347
Trade and other payables	<b>463,874</b>	357,457
Long-term portion of amount due to TEDA	<b>17,476</b>	34,250
	<b>481,350</b>	391,707

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

The ageing analysis of the trade payables was as follows:

	<b>Unaudited As at 30 September 2010 HK\$'000</b>	Audited As at 31 March 2010 HK\$'000
0 – 90 days	<b>44,462</b>	37,711
91 – 180 days	<b>14,732</b>	9,780
181 – 360 days	<b>17,523</b>	7,348
Over 360 days	<b>57,826</b>	57,988
	<b>134,543</b>	112,827

## 16. BORROWINGS

	<b>Unaudited As at 30 September 2010 HK\$'000</b>	Audited As at 31 March 2010 HK\$'000
<b>Current</b>		
<i>Unsecured:</i>		
– Bank loans	<b>5,000</b>	5,000
Within one year	<b>5,000</b>	5,000
<b>Non-current</b>		
<i>Unsecured:</i>		
– Over one year, less than two years	<b>5,000</b>	5,000
– Over two year, less than five years	<b>5,000</b>	10,000
	<b>10,000</b>	15,000
	<b>15,000</b>	20,000

## 17. COMMITMENTS

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

	<b>Unaudited As at 30 September 2010 HK\$'000</b>	Audited As at 31 March 2010 HK\$'000
<b>Authorised but not contracted for:</b>		
Property under development	<b>308,268</b>	291,000
<b>Contracted but not provided for:</b>		
Property, plant and equipment	<b>16,701</b>	11,387
Property under development	<b>6,134</b>	20,613
	<b>22,835</b>	32,000

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

	<b>Unaudited As at 30 September 2010 HK\$'000</b>	Audited As at 31 March 2010 HK\$'000
Not later than one year	<b>4,604</b>	4,604
Later than one year and not later than five years	<b>5,317</b>	1,923
Later than five years	<b>4,514</b>	4,560
	<b>14,435</b>	11,087

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

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



## 18. RELATED PARTY TRANSACTIONS

In addition to those mentioned elsewhere in the condensed consolidated interim financial information, the followings are significant related party transactions entered between the Group and its related parties during the six months ended 30 September 2010:

	Unaudited Six months ended 30 September 2010	
	2009 HK\$'000	2009 HK\$'000
<b>(a) Transactions with holding company:</b>		
Income from management of disposed subsidiaries	487	1,015
Leasing charges of Second Pipelines Network	(1,766)	(1,384)
<b>(b) Transactions with fellow subsidiaries:</b>		
Sale of gas to TEDA Gas and other fellow subsidiaries	47,654	23,892
Income from management of TEDA Gas	724	475
Rental charges of office premises to TEDA Real Property Development Company Ltd	(1,381)	(1,337)
<b>(c) Key management compensation:</b>		
Fees	(1,103)	(480)
Salaries, share options and other allowances	(1,957)	(862)
Pension costs	(115)	(15)

	<b>Unaudited As at 30 September 2010 HK\$'000</b>	<i>Audited As at 31 March 2010 HK\$'000</i>
<b>(d) Balances with a fellow subsidiary:</b>		
Trade receivable	<b>14,872</b>	—
Management fee receivable	<b>2,195</b>	1,434

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

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as “state-controlled entities”). The directors 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 period, the Group’s significant transactions with these state controlled entities are mainly purchases of gases. As at the end of the period, majority of the Group’s cash and bank balances and borrowings are also with state controlled banks.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review**

The Group is principally engaged in the construction of gas pipeline networks, provision of connection services, 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 September 2010, the Group's total gas pipeline network was approximately 893 kilometers, representing an increase of 75 kilometers of the pipeline network from 818 kilometers as at 31 March 2010. During the six months ended 30 September 2010, the connection service fees amounted to approximately HK\$103,519,000, representing an increase of HK\$26,651,000 compared to HK\$76,868,000 for the same period last year.

### **Piped Gas Sales**

During the six months ended 30 September 2010, consumption of piped gas by residential and industrial customers amounted to approximately  $456 \times 10^6$  and  $1,900 \times 10^6$  mega-joules respectively, as compared to  $371 \times 10^6$  and  $1,395 \times 10^6$  mega-joules respectively for the same period last year. For the six months ended 30 September 2010, the piped gas sales income of the Group amounted to HK\$180,167,000, representing an increase of HK\$38,610,000 or 27% compared to HK\$141,557,000 for the same period last year. The increase of connected households caused a gradual escalation of gas consumption.

## **Property Development**

Based on the latest plan of the Company, the Group proposed to construct a commercial building partly for sale and rental and partly for self-use. As at 30 September 2010, a total cost of approximately HK\$37 million had been incurred and recorded in the consolidated balance sheet of the Group as at 30 September 2010 as “Property under development”. In addition, the contribution of capital by the Group to Tianjin Binhai Xinda Real Estate Company Limited (天津濱海信達地產有限公司, which is the subsidiary established for property development business) is in progress.

## **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. During the period, the Group also invested in a jointly controlled entity to make good use of the favorable conditions and further the development of the business of the Group. 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 six months ended 30 September 2010 was 15%, compared to 16% for the corresponding period last year. Main reasons of this decrease were as follows:

- (i) for the six months ended 30 September 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 cost 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 subject to related government documents in the future, and the profitability of the Group would be improved.

### Administrative Expenses

Administrative expenses of the Group for the six months ended 30 September 2010 was HK\$65,708,000, including recognized share-based expenses of HK\$26,126,000, representing an increase of HK\$32,621,000 compared to HK\$33,087,000 for the same period last year. For the three months ended 30 September 2010, the loss of the Group was mainly due to the share-based expenses of HK\$26,126,000 recognized during the period. Details of the share-based expenses are set out in Note 14 to the interim financial statements.

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

As per the above results, the profit attributable to equity holders of the Group was approximately HK\$26,000 for the six months ended 30 September 2010, comparing to HK\$211,172,000 in the corresponding period in 2009. Excluding interest waived and income tax expense on interest waived, the profit attributable to equity holders of the Group was approximately HK\$2,863,000 for the six months ended 30 September 2009. The decrease of the profit attributable to equity holders was mainly due to the share-based expenses of HK\$26,126,000 recognized in the period.

Basic earnings per share for the six months ended 30 September 2010 was HK0.0002 cents, as compared to HK2.32 cents for the corresponding period last year. Excluding interest waived and income tax expense on interest waived, basic earnings per share was HK0.03 cents in the same period last year.

### ***Liquidity***

For the six months ended 30 September 2010, the Group maintained a sound financial position. As at 30 September 2010, the cash and bank deposit of the Group was HK\$233,813,000 (As at 31 March 2010: HK\$386,891,000). The reduction of the cash and bank deposit of the Group was mainly due to the investment in main pipeline network during the six months ended 30 September 2010. As at 30 September 2010, the Group had consolidated current assets of approximately HK\$491 million and its current ratio was approximately 0.96. As at 30 September 2010, the Group had a gearing ratio of approximately 1.6%, measured by the ratio of total consolidated borrowings of approximately HK\$15 million to consolidated total assets of approximately HK\$949 million.

As at 30 September 2010, the net current liabilities of the Group were HK\$19,088,000 (The net assets as at 31 March 2010: HK\$152,372,000). Net current liabilities as at 30 September 2010 arose because of financing of pipeline network construction with short term payables during the period. The Company believes that the Group's net current liabilities is temporary, and proposes to improve the situation through optimizing financial structure of the Group.

### ***Financial resources***

During the six months ended 30 September 2010, the Group generally financed its operations from internally generated resources. As at 30 September 2010, the Group had total borrowings of HK\$15 million, HK\$5 million of which is considered current liabilities and repayable within one year, and the remaining repayable in the following two 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 estimated construction costs and land cost are approximately RMB300 million. By 30 September 2010, total cost of approximately HK\$37 million had been recorded in the account of "Property under development".

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

As at 30 September 2010, there were no charges over any of the Group's assets.

### ***Significant acquisitions and disposals***

The Group had no significant acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 30 September 2010.

### ***Contingent Liabilities***

As at 30 September 2010, the Group did not have any significant contingent liabilities.

### ***Employees***

As at 30 September 2010, the Group had 1,251 employees (2009: 973). For the six months ended 30 September 2010, the salaries and wages of the employees was HK\$26,698,000 (2009: HK\$15,155,000).

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

## **OTHER INFORMATION**

### **Interests and Short Positions of Directors, 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 September 2010, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) which were 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) recorded 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 Rule 5.46 of the GEM Listing Rules were as follows:

Name of Director	Capacity	Interest in ordinary shares of the Company			Total interests in shares	Interests in underlying shares pursuant to share options	Total aggregate interests in shares and underlying shares	Approximately percentage of the Company's total issued ordinary share capital as at 30 September 2010
		Personal interests	Corporate interests	Family interests				
Mr. Liu Hui Wen	Beneficial owner	–	–	–	–	15,000,000	15,000,000	0.25%
Mr. Gao Liang	Beneficial owner	–	–	–	–	10,000,000	10,000,000	0.17%
Mr. Zhang Jun	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.12%
Mr. Dai Yan	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.12%
Mr. Wang Gang	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.12%
Ms Zhu Wen Fang	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.12%
Mr. Ip Shing Hing, J.P.	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.03%
Professor Japhet Sebastian Law	Beneficial owner	1,000,000	–	–	1,000,000	2,000,000	3,000,000	0.05%
Mr. Tse Tak Yin	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.03%
Mr. Lau Siu Ki, Kevin	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.03%

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

### Director's rights to acquire shares

Pursuant to the Company's share option scheme adopted on 20 August 2010 by an ordinary resolution at the annual general meeting of the Company, the Company granted options on the Company's ordinary shares to the Directors of the Company, the details of which were as follows:

Name of Director	Date of grant	Exercise Period (Note 1)	Exercise Price (HK\$) (Note 2)	Number of shares subject to outstanding options as at 1 April 2010	Number of options granted during the period	Number of shares subject to outstanding options as at 30 September 2010	Approximately percentage of the Company's total issued share capital as at 30 September 2010
Mr. Liu Hui Wen	27.9.2010	27.9.2010 – 26.9.2020	0.56	–	15,000,000	15,000,000	0.25%
Mr. Gao Liang	27.9.2010	27.9.2010 – 26.9.2020	0.56	–	10,000,000	10,000,000	0.17%
Mr. Zhang Jun	27.9.2010	27.9.2010 – 26.9.2020	0.56	–	7,000,000	7,000,000	0.12%
Mr. Dai Yan	27.9.2010	27.9.2010 – 26.9.2020	0.56	–	7,000,000	7,000,000	0.12%
Mr. Wang Gang	27.9.2010	27.9.2010 – 26.9.2020	0.56	–	7,000,000	7,000,000	0.12%
Ms. Zhu Wen Fang	27.9.2010	27.9.2010 – 26.9.2020	0.56	–	7,000,000	7,000,000	0.12%
Mr. Ip Shing Hing, J.P.	27.9.2010	27.9.2010 – 26.9.2020	0.56	–	2,000,000	2,000,000	0.03%
Professor Japhet Sebastian Law	27.9.2010	27.9.2010 – 26.9.2020	0.56	–	2,000,000	2,000,000	0.03%
Mr. Tse Tak Yin	27.9.2010	27.9.2010 – 26.9.2020	0.56	–	2,000,000	2,000,000	0.03%
Mr. Lau Siu Ki, Kevin	27.9.2010	27.9.2010 – 26.9.2020	0.56	–	2,000,000	2,000,000	0.03%

#### Notes:

1. The vesting period of the share options is 10 years from the date of grant.
2. The closing price of the ordinary shares of the Company on the trading day immediately before date on which the above options were granted was HK\$0.58.

Save as disclosed above, as at 30 September 2010, there were no other interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations entered in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors referred to in Rules 5.46 of the GEM Listing Rules.

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

As at 30 September 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 were notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO are listed as follows:

Name of shareholder	Position	Capacity and nature of interest	Beneficial interests	Family interests	Corporate interests	Others	Total	Approximate percentage of the issued ordinary share capital
Tsinlien Group Company Limited	Long	Interest of controlled corporation	–	–	496,188,000 (Note 1)	8,670,653,873 (Note 2)	9,166,841,873	152.96%
	Short	Nominee for another person	–	–	8,670,653,873 (Note 3)	–	8,670,653,873	144.68%
Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA")	Long	Interest of controlled corporation	–	–	8,670,653,873 (Note 3)	–	8,670,653,873	144.68%
Tianjin Development Holdings Limited	Long	Interest of controlled corporation	–	–	496,188,000 (Note 1)	–	496,188,000	8.28%

Name of shareholder	Position	Capacity and nature of interest	Beneficial interests	Family interests	Corporate interests	Others	Total	Approximate percentage of the issued ordinary share capital
Tianjin Investment Holdings Limited	Long	Interest of controlled corporation	-	-	496,188,000 (Note 1)	-	496,188,000	8.28%
Santa Resources Limited	Long	Beneficial owner	496,188,000	-	-	-	496,188,000	8.28%
Mr. Shum Ka Sang	Long	Beneficial owner/ Interest of controlled corporation	45,650,000	-	749,350,000 (Note 4)	-	795,000,000	13.27%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	749,350,000 (Note 4)	-	-	-	749,350,000	12.50%
Ms. Wu Man Lee	Long	Interest of spouse	-	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 controlling shareholder of Tianjin Development Holdings Limited. Tianjin Investment Holdings Limited is wholly-owned by Tsinlien Group Company 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**"), a wholly-owned subsidiary of Tsinlien Group Company Limited, 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 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 September 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.

## SHARE OPTION SCHEME

The share option scheme (the "**2000 Scheme**") adopted by the Company in February 2000 had lapsed in February 2010. There are no outstanding options granted under that scheme.

On 20 August 2010, the shareholders of the Company approved a new share option scheme (the "**2010 Scheme**") at the annual general meeting. Pursuant to the 2010 Scheme, the Company granted share options to the Directors of the Company and certain continuous contract employees of the Group on 27 September 2010.

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

Grantee	Date of grant	Exercise Period (Note 1)	Exercise Price (HK\$) (Note 2)	Number of shares subject to outstanding options as at 1 April 2010	Number of options granted during the period	Number of shares subject to outstanding options as at 30 September 2010	Approximately percentage of the Company's total issued share capital as at 30 September 2010
Directors	27.9.2010	27.9.2010 – 26.9.2020	0.56	–	61,000,000	61,000,000	1.02%
Employees	27.9.2010	27.9.2010 – 26.9.2020	0.56	–	29,500,000	29,500,000	0.49%
Total				–	90,500,000	90,500,000	1.51%

*Notes:*

1. The vesting period of the share options is 10 years from the date of grant.
2. The closing price of the ordinary shares of the Company on the trading day immediately before the date on which the above options were granted was HK\$0.58.

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

## 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. Pursuant to the two agreements both dated 13 September 2010 between the Company and WAG Worldsec, WAG Worldsec has also been appointed as the financial adviser of the Company, and WAG Worldsec receives a fee for working as the financial adviser of the Company.

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

## DIRECTORS' INTEREST IN CONTRACTS

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 six months ended 30 September 2010.

## COMPETING INTERESTS

During the six months ended 30 September 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 September 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%
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%



## CHANGE IN DIRECTOR'S INFORMATION

The Company sets out in this report pursuant to 17.50A(1) of the GEM Listing Rules that Mr. Lau Siu Ki, Kevin, an independent non-executive Director, resigned from the position of independent non-executive director of Proviv International Holdings Limited (a company listed on the Main Board of Stock Exchange) with effect from 24 August 2010.

## 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 controls, 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 six months ended 30 September 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, confirmed that all the Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 September 2010.

## CORPORATE GOVERNANCE CODE COMPLIANCE

During the six months ended 30 September 2010, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices under Appendix 15 of the GEM Listing Rules.

## PURCHASES, SALES AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2010.

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

Hong Kong, 9 November 2010

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