



濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED

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

Third Quarterly Report **2010**

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

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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

	Unaudited nine months ended 31 December 2010 HK\$'000	Unaudited nine months ended 31 December 2009 HK\$'000	Increase/ (Decrease)
Revenue	817,402	507,178	61%
Gross profit	119,910	81,580	47%
Profit for the period	18,425 (Note 1)	218,365 (Note 2)	(92%)
Basic earnings per share attributable to the equity holders of the Company during the period	0.15 cents	2.18 cents	(2.03) cents

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 nine months ended 31 December 2010, together with the unaudited comparative figures for the corresponding period in 2009.

FINANCIAL INFORMATION

Condensed Consolidated Income Statement

	Note	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue	4	333,327	182,037	817,402	507,178
Costs of sales		(285,327)	(152,860)	(697,492)	(425,598)
Gross profit		48,000	29,177	119,910	81,580
Other income and gains – net		5,215	2,414	10,942	5,170
Administrative expenses		(24,055)	(17,893)	(89,763)	(50,980)
Share of results of a jointly controlled entity		(118)	–	(118)	–
		29,042	13,698	40,971	35,770
Interest waived		–	–	–	225,717
Finance costs		(3,994)	(1,154)	(4,008)	(14,873)
Profit before taxation		25,048	12,544	36,963	246,614
Income tax expenses	5	–	–	–	(17,408)
– related to interest waiver		–	–	–	(17,408)
– others		(7,355)	(5,641)	(18,538)	(10,841)
		(7,355)	(5,641)	(18,538)	(28,249)
Profit for the period		17,693	6,903	18,425	218,365
Attributable to:					
– Equity holders of the Company		17,402	6,373	17,428	217,545
– Non-controlling interest		291	530	997	820
		17,693	6,903	18,425	218,365
Earnings per ordinary share	7				
– basic (HK cents)		0.15 cents	0.05 cents	0.15 cents	2.18 cents
– diluted (HK cents)		0.15 cents	0.05 cents	0.15 cents	2.18 cents

Condensed Consolidated Statement of Comprehensive Income

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	31 December		31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Comprehensive income				
Profit for the period	17,693	6,903	18,425	218,365
Other comprehensive income:				
Exchange differences	6,457	149	14,582	(1,223)
Other comprehensive income	6,457	149	14,582	(1,223)
Total comprehensive income for the period	24,150	7,052	33,007	217,142
Attributable to:				
– Equity holders of the Company	23,689	6,510	31,631	216,317
– Non-controlling interest	461	542	1,376	825
Total comprehensive income for the period	24,150	7,052	33,007	217,142

Condensed Consolidated Statement of Changes In Equity

Changes in equity of the Group during the three months ended 31 December 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	Employee share-based compensation reserve HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000			
Balance at 1 October 2009	659,928	425,553	–	60,708	(798,561)	347,628	8,413	356,041	
Comprehensive income									
Profit for the period	–	–	–	–	6,373	6,373	530	6,903	
Other comprehensive income									
Exchange differences	–	–	–	137	–	137	12	149	
Total comprehensive income for the period	–	–	–	137	6,373	6,510	542	7,052	
Balance at 31 December 2009	659,928	425,553	–	60,845	(792,188)	354,138	8,955	363,093	
Balance at 1 October 2010	659,928	424,737	26,126	69,123	(779,593)	400,321	10,748	411,069	
Comprehensive income									
Profit for the period	–	–	–	–	17,402	17,402	291	17,693	
Other comprehensive income									
Exchange differences	–	–	–	6,287	–	6,287	170	6,457	
Total comprehensive income for the period	–	–	–	6,287	17,402	23,689	461	24,150	
Balance at 31 December 2010	659,928	424,737	26,126	75,410	(762,191)	424,010	11,209	435,219	

Condensed Consolidated Statement of Changes In Equity

Changes in equity of the Group during the nine months ended 31 December 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	Employee share-based compensation reserve HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000			
Balance at 1 April 2009	21,770	191,079	–	(97,927)	(1,009,733)	(894,811)	8,289	(886,522)	
Comprehensive income									
Profit for the period	–	–	–	–	217,545	217,545	820	218,365	
Other comprehensive income									
Exchange differences	–	–	–	(1,228)	–	(1,228)	5	(1,223)	
Total comprehensive income for the period	–	–	–	(1,228)	217,545	216,317	825	217,142	
Transactions with owners									
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)	
Total transactions with owners	638,158	234,474	–	160,000	–	1,032,632	(159)	1,032,473	
Balance at 31 December 2009	659,928	425,553	–	60,845	(792,188)	354,138	8,955	363,093	
Balance at 1 April 2010	659,928	424,737	–	61,207	(779,619)	366,253	9,833	376,086	
Comprehensive income									
Profit for the period	–	–	–	–	17,428	17,428	997	18,425	
Other comprehensive income									
Exchange differences	–	–	–	14,203	–	14,203	379	14,582	
Total comprehensive income for the period	–	–	–	14,203	17,428	31,631	1,376	33,007	
Recognition of equity settled share-based payment	–	–	26,126	–	–	26,126	–	26,126	
Balance at 31 December 2010	659,928	424,737	26,126	75,410	(762,191)	424,010	11,209	435,219	

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 nine months ended 31 December 2010 has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Rules Governing the Listing of Securities on 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 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 (“ 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 31 December 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")	–	–	16,213	–	16,213
– Other customers	121,699	5,999	132,495	56,921	317,114
Revenue from external customers	121,699	5,999	148,708	56,921	333,327
Segment results	1,056	188	7,652	39,104	48,000
Unallocated income/ (expenses):					
– Other income					5,215
– Head office and corporate expenses					(24,055)
– Share of results of a jointly controlled entity					(118)
– Finance costs					(3,994)
Profit before income tax					25,048
Other information for reportable segments:					
Depreciation	–	(41)	(3,283)	–	(3,324)

For the three months ended 31 December 2009	Unaudited				Total HK\$'000
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	
Revenue					
– TEDA Gas	–	–	15,718	–	15,718
– Other customers	31,924	4,800	84,297	45,298	166,319
Revenue from external customers	31,924	4,800	100,015	45,298	182,037
Segment results	248	(114)	4,943	24,100	29,177
Unallocated income/ (expenses):					
– Other income					2,414
– Head office and corporate expenses					(17,893)
– Finance costs					(1,154)
Profit before income tax					12,544
<i>Other information for reportable segments:</i>					
Depreciation	–	(40)	(2,145)	–	(2,185)

For the nine months ended 31 December 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	–	–	46,696	–	46,696
– Other customers	313,337	14,750	282,179	160,440	770,706
Revenue from external customers	313,337	14,750	328,875	160,440	817,402
Segment results	2,402	(375)	14,030	103,853	119,910
Unallocated income/ (expenses):					
– Other income					10,942
– Head office and corporate expenses					(89,763)
– Share of results of a jointly controlled entity					(118)
– Finance costs					(4,008)
Profit before income tax					36,963
Other information for reportable segments:					
Depreciation	–	(140)	(8,511)	–	(8,651)

For the nine months ended 31 December 2009	Unaudited				
	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	–	–	39,610	–	39,610
– Other customers	131,965	11,475	201,962	122,166	467,568
Revenue from external customers	131,965	11,475	241,572	122,166	507,178
Segment results	832	126	11,826	68,796	81,580
Unallocated income/ (expenses):					
– Other income					5,170
– Head office and corporate expenses					(50,980)
– Finance income-net					210,844
Profit before income tax					246,614
<i>Other information for reportable segments:</i>					
Depreciation	–	(96)	(6,105)	–	(6,201)

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 31 December 2010		Unaudited Nine months ended 31 December 2010	
	HK\$'000	2009 HK\$'000	HK\$'000	2009 HK\$'000
Current taxation:				
– taxation on interest waived	–	–	–	17,408
– others	7,355	5,641	18,538	10,841
	7,355	5,641	18,538	28,249

6. DIVIDEND

No dividend was declared in respect of the nine months ended 31 December 2010 (2009: Nil).

7. EARNINGS PER SHARE

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

	Unaudited Three months ended 31 December		Unaudited Nine months ended 31 December	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Earnings				
Profit attributable to equity holders of the Company	17,402	6,373	17,428	217,545
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	11,659,478,666	11,659,478,666	11,659,478,666	9,961,068,402
Effect of dilutive potential ordinary shares arising from share options	5,144,211	–	657,553	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	11,664,622,877	11,659,478,666	11,660,136,219	9,961,068,402

Note:

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.

To enable investors to better understand the Group's results, below is a table reconciling earnings per share to adjusted earnings 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 31 December 2010		Unaudited Nine months ended 31 December 2010	
	2009 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Profit attributable to equity holders	17,402	6,373	17,428	217,545
Adjustments for:				
— Interest waived	—	—	—	(225,717)
— Income tax expense on interest waived	—	—	—	17,408
Profit attributable to equity holder (excluding interest waived and income tax expense on interest waived)	17,402	6,373	17,428	9,236
Adjusted basic earnings per share (excluding interest waived and income tax expense on interest waived)	0.15 cents	0.05 cents	0.15 cents	0.09 cents
Adjusted diluted earnings per share (excluding interest waived and income tax expense on interest waived)	0.15 cents	0.05 cents	0.15 cents	0.09 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 31 December 2010, the Group's total gas pipeline network was approximately 924 kilometers, representing an increase of 106 kilometers of the pipeline network from 818 kilometers as at 31 March 2010. During the nine months ended 31 December 2010, the connection service fees amounted to approximately HK\$160,440,000, representing an increase of HK\$38,274,000 or 31% compared to HK\$122,166,000 for the same period last year.

Piped Gas Sales

During the nine months ended 31 December 2010, consumption of piped gas by residential and industrial customers amounted to approximately 733×10^6 and $3,385 \times 10^6$ mega-joules respectively, as compared to 648×10^6 and $2,486 \times 10^6$ mega-joules respectively for the same period last year. For the nine months ended 31 December 2010, the piped gas sales income of the Group amounted to HK\$328,875,000, representing an increase of HK\$87,303,000 or 36% compared to HK\$241,572,000 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. The contribution of capital by Binhai Investment (Hong Kong) Company Limited (a wholly-owned subsidiary of the Company) 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 made an investment of RMB12,000,000 in a jointly controlled entity, which is principally engaged in the provision of gas sales and related inquire service, 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 nine months ended 31 December 2010 was 15%, compared to 16% for the corresponding period last year. Main reasons of this decrease were as follows:

- (i) for the nine months ended 31 December 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 nine months ended 31 December 2010 was HK\$89,763,000, representing an increase of HK\$38,783,000 compared to HK\$50,980,000 for the same period last year. The increase was mainly due to the share-based expenses of HK\$26,126,000 recognized during the period.

Profit attributable to equity holders

As per the above results, the profit attributable to equity holders of the Group was approximately HK\$17,428,000 for the nine months ended 31 December 2010, comparing to HK\$217,545,000 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\$9,236,000 for the nine months ended 31 December 2009. The increase of the profit attributable to equity holders compared to the same period last year (excluding interest waived and income tax expense on interest waived) profited from the decrease of finance costs and the good performances of the Group's business.

Basic earnings per share for the nine months ended 31 December 2010 was HK0.15 cents, as compared to HK2.18 cents for the corresponding period last year. Excluding interest waived and income tax expense on interest waived, basic earnings per share was HK0.09 cents in the same period last year.

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

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

As at 31 December 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) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (b) 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				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 31 December 2010
		Personal interests	Corporate interests	Family interests	Total interests in shares			
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	Exercise Price (HK\$)	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 31 December 2010	Approximately percentage of the Company's total issued share capital as at 31 December 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%

Note: The vesting period of the share options is 10 years from the date of grant.

Save as disclosed above, as at 31 December 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 and other persons in the share capital of the Company

As at 31 December 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%
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	15,650,000	–	749,350,000 (Note 4)	–	765,000,000	12.77%
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	–	765,000,000 (Note 5)	–	–	765,000,000	12.77%

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 controlling shareholder of Tianjin Development Holdings Limited. Tianjin Investment Holdings Limited is wholly-owned by Tsinlien Group Company 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**"), 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. Ms. 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 December 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 90,500,000 share options to the Directors of the Company and certain continuous contract employees of the Group on 27 September 2010.

As at 31 December 2010, no option has been exercised, cancelled or lapsed during the period.

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 nine months ended 31 December 2010.

COMPETING INTERESTS

During the nine months ended 31 December 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 31 December 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	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%

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 nine months ended 31 December 2010 and has provided advice and comments on this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

All the 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 the GEM Listing Rules throughout the nine months ended 31 December 2010.

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 nine months ended 31 December 2010.

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

Hong Kong, 28 January 2011

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.