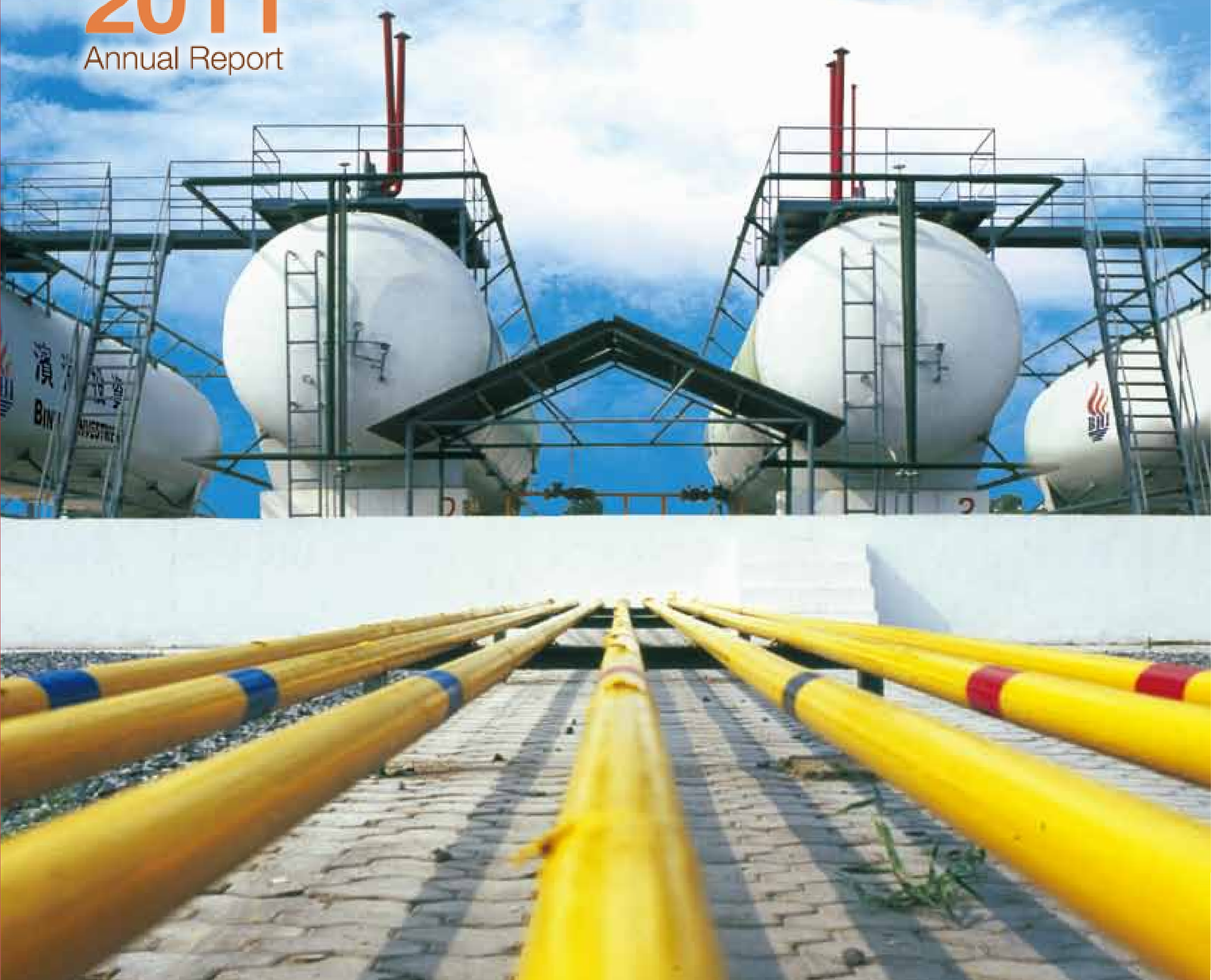
濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED

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

2011
Annual Report



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

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

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

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

CONTENT

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Zhang Bing Jun *(Chairman)* (appointed on 25 February 2011)
Mr. Liu Hui Wen *(Chairman)* (resigned on 25 February 2011)
Mr. Gao Liang

NON-EXECUTIVE DIRECTORS

Mr. Shen Xiao Lin
Mr. Dai Yan
Mr. Wang Gang
Mr. Zhang Jun
Ms. Zhu Wen Fang

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPLIANCE OFFICER

Mr. Gao Liang

JOINT COMPANY SECRETARIES

Mr. Yin Fu Gang
Mr. Yip Wai Yin

AUTHORISED REPRESENTATIVES

Mr. Gao Liang
Mr. Yin Fu Gang

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton
HM11 Bermuda

HEAD OFFICE

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPLIANCE ADVISER

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

LEGAL ADVISER ON HONG KONG LAW

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

PRINCIPAL BANKERS

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

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

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

STOCK CODE

8035

WEBSITE

www.binhaiinv.com

CORPORATE PROFILE

Binhai Investment Company Limited — **incorporated: Bermuda**

↓ 100%

Winstar Venture Limited — **incorporated: BVI**

↓ 100%

Binhai Investment Hong Kong Limited — **incorporated: Hong Kong**

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Share-holding		
100%	Wah Sang Gas Equipment and Engineering Company Limited	incorporated: Bermuda
100%	Yiyang Wah Sang Gas Co., Ltd	incorporated: Hunan Province
100%	Tianjin Binhai Xinda Real Estate Company Limited	incorporated: Tianjin
100%	Binhai Investment (Tianjin) Company Limited	incorporated: Tianjin

Share-holding		Incorporated
100%	Tianjin Wah Sang Gas Enterprise Company Limited	Tianjin
100%	Tianjin Wah Sang Energy Development Company Limited	Tianjin
100%	Tianjin HuaTai Xinda Company Limited	Tianjin
85%	Beijing Airport TEDA Gas Company Limited *(Note(1))*	Beijing
90%	Sanhe TEDA Gas Company Limited *(Note(2))*	Hebei Province
85%	Zhuozhou Binhai Gas Development Company Limited *(Note(3))*	Hebei Province
100%	Qinhuangdao TEDA Gas Company Limited *(Note(4))*	Hebei Province
100%	Zibo Jin Bin Gas Company Limited *(Note(5))*	Shandong Province
100%	Binzhou Wah Sang Gas Company Limited	Shandong Province
99%	Changle Wah Sang Gas Company Limited	Shandong Province
100%	Dezhou Wah Sang Gas Company Limited	Shandong Province
100%	Qingdao Jiaonan Wah Sang Gas Company Limited	Shandong Province
100%	Qingdao Jiaozhou Wah Sang Gas Company Limited	Shandong Province
100%	Haiyang Wah Sang Gas Company Limited	Shandong Province
100%	Zhaoyuan Wah Sang Gas Company Limited	Shandong Province
100%	Yishui Wah Sang Gas Company Limited	Shandong Province
100%	Qingdao Laixi Wah Sang Gas Company Limited	Shandong Province
100%	Rizhao Binhai Gas Company Limited *(Note(6))*	Shandong Province
100%	Qixia Wah Sang Gas Company Limited	Shandong Province
100%	Leiyang Wah Sang Gas Company Limited	Hunan Province

CORPORATE PROFILE

Interest	Company	Incorporated
100%	Funing TEDA Gas Company Limited *(Note(7))*	Jiangsu Province
100%	Jinhu Wah Sang Gas Company Limited	Jiangsu Province
100%	Suining Wah Sang Gas Company Limited	Jiangsu Province
100%	Yizheng TEDA Gas Company Limited *(Note(8))*	Jiangsu Province
100%	Nanjing Wah Sang Gas Company Limited	Jiangsu Province
99%	Jurong Wah Sang Gas Company Limited	Jiangsu Province
98%	Zhangjiagang Wah Sang Gas Company Limited	Jiangsu Province
99%	Jingjiang Wah Sang Gas Co., Ltd	Jiangsu Province
90%	Deqing BinHai Gas Company Limited *(Note(9))*	Zhejiang Province
100%	Haiyan Tian Tai Gas Development Company Limited *(Note(10))*	Zhejiang Province
100%	Huzhou Nanxun Binhai Gas Company Limited *(Note(11))*	Zhejiang Province
98%	Tonglu Wah Sang Gas Company Limited	Zhejiang Province
100%	Yingtan Wah Sang Gas Company Limited	Jiangxi Province
100%	Tangshan Binhai Gas Company Limited	Hebei Province
100%	Yizheng Jin Bin Gas Company Limited	Jiangsu Province

Note:

(1) Beijing Airport TEDA Gas Company Limited, formerly name "Beijing Airport Wah Sang Gas Company Limited", changed to its present name on 26 September 2010.

(2) Sanhe TEDA Gas Development Company Limited, formerly name "Sanhe Yan Sang Gas Development Company Limited", changed to its present name on 8 September 2010.

(3) Zhuozhou Binhai Gas Development Company Limited, formerly name "Zhuozhou Wah Sang Gas Development Company Limited", changed to its present name on 4 June 2010.

(4) Qinhuangdao TEDA Gas Company Limited, formerly name "Qinhuangdao Wah Sang Gas Company Limited", changed to its present name on 16 July 2010.

(5) Zibo Jin Bin Gas Company Limited, formerly name "Zibo Wah Sang Gas Company Limited", changed to its present name on 16 December 2010.

(6) Rizhao Binhai Gas Company Limited, formerly name "Juxian Wah Sang Gas Company Limited", changed to its present name on 26 November 2010.

(7) Funing TEDA Gas Company Limited, formerly name "Funing Wah Sang Gas Company Limited", changed to its present name on 21 October 2010.

(8) Yizheng TEDA Gas Company Limited, formerly name "Yizheng Wah Sang Gas Company Limited", changed to its present name on 17 May 2010.

(9) Deqing BinHai Gas Company Limited, formerly name "Deqing Wah Sang Gas Development Company Limited", changed to its present name on 27 July 2010.

(10) Haiyan Tian Tai Gas Development Company Limited, formerly name "Haiyan Wah Sang Gas Development Company Limited", changed to its present name on 14 September 2010.

(11) Huzhou Nanxun Binhai Gas Company Limited, formerly name "Huzhou Nanxun Wah Sang Gas Company Limited", changed to its present name on 27 July 2010.

FINANCIAL HIGHLIGHTS

	2011 ***HK$'000***	2010 *HK$'000*	Increase/ (Decrease)
Revenue	**1,231,065**	795,279	55%
Gross profit	**167,444**	126,867	32%
Profit for the year	**73,127** ***(Note 1)***	231,76 *(Note 2)*	(68%)
Basic earnings per share attributable to owners of the parent of the Company during the year	**0.6 cents**	2.2 cents	(1.6) cents

	2011 ***HK$'000***	2010 *HK$'000*	Increase
Total assets	**1,454,064**	833,633	74%
Total equity	**493,491**	376,086	31%
Total liabilities	**960,573**	457,547	110%

Note 1: Including the share-based payments of HK$26,126,000 recognised in the year.

Note 2: Including the interest waived of HK$226,282,000 and income tax expenses on interest waived of HK$17,408,000.

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "**Board**"), I am pleased to present the annual report of Binhai Investment Company Limited (the "**Company**") and its subsidiaries (thereafter collectively referred to as the "**Group**") for the year ended 31 March 2011.

PERFORMANCE REVIEW

For the year ended 31 March 2011, revenue of the Group amounted to HK$1,231 million (2010: HK$795 million), representing an increase of approximately 55% from last year. The gross profit of the Group amounted to HK$167 million (2010: HK$127 million), representing an increase of approximately 32% from last year. The profit attributable to owners of the parent of the Group was approximately HK$71 million (2010: HK$230 million), representing a decrease of approximately 69% from last year. However, the HK$230 million in 2010 included one-off items, related to the restructuring and reorganization of the Group, of the interest waived of HK$226 million and income tax expenses on interest waived of HK$17 million, and excluding these one-off items, the profit attributable to owners of the parent of the Group in 2010 was HK$21 million which compared with the HK$71 million achieved in 2011. The HK$71 million profit for the current year includes the reversal of impairment charge of approximately HK$40 million, the write back of over accrued compensation for an accident of approximately HK$7 million and the reimbursement from Tianjin TEDA Investment Holdings Co., Ltd. ("**TEDA**") for payment of compensation for an accident of approximately HK$4 million and charging of share-based payments expenses of approximately HK$26 million. As at 31 March 2011, the total assets and current assets of the Group were HK$1,454 million (2010: HK$834 million) and HK$747 million (2010: HK$561 million) respectively.

During the 2011 financial year, the Group obtained long-term primary gas supply assurance on several projects. On this basis, the Group actively explored the gas market, and has signed gas sales agreements with large scale industrial users such as Tianjin Pipe (Group) Corporation ("**Tianjin Pipe**") and TangShan LanXin Glass Corporation, which have boosted or will continuously and effectively boost the results of the Group.

CORPORATE GOVERNANCE

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

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

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

— engaging external advisor to diagnose the problems about the management and adjusting the Group's organizational structure in accordance with the standards of an efficient management;

— continually optimizing the internal control management process of the Group and improving the effects on execution of systems and process; and

— engaging PricewaterhouseCoopers Consultants (Shenzhen) Limited, Beijing Branch ("**PricewaterhouseCoopers – Beijing**") as internal controls advisor to provide recommendations on the Group's internal controls for the year ended 31 March 2011.

PROSPECTS

Following Shenzhen Special Economic Zone and Shanghai Pudong New District, as the third major area of economic growth in China, Tianjin Binhai New Area has a strong demand for gas. The Group targets to leverage on its extensive experiences in the industry, its safe and reliable products and expertise, the outstanding brand value of substantial shareholders, the Group's strong connection with the government and extensive social resources to deepen the gas market in Tianjin Binhai New Area and expand its market share, with the aim to become the most important supplier of clean energy in the Tianjin Binhai New Area. The Group is bound to grow rapidly with the Tianjin Binhai New Area.

Currently, the Group's business covers six provinces and two municipalities in Mainland China. The Company will continue to actively secure, consolidate and explore these markets. It will expand the gas supply coverage based on its existing foundation, continuously enhance the profit level of the Company. We will spare no effort in becoming an influential gas supplier in Mainland China.

As the most important oversea listing platform of TEDA, the Company will seek development opportunities arising from the overall strategies of assets consolidation and continuous expansion of TEDA.

The Company will continue to uphold the "law-abiding, honest, healthy, cooperative and win-win" corporate culture, in an effort to establish itself as a company trusted by the shareholders, respected by society and esteemed by the public.

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

On behalf of the Board
Binhai Investment Company Limited

Zhang Bing Jun
Chairman of the Board

Hong Kong, 24 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Connection Services

The Group constructs gas pipelines for its clients and connects their pipelines to the Group's main gas pipeline networks, and charges connection service fees from industrial and commercial customers, property developers and property management agents. As at 31 March 2011, the Group's total gas pipeline network was approximately 930 kilometers, representing an increase of 112 kilometers of the pipeline network from 818 kilometers as at 31 March 2010. During the year ended 31 March 2011, the connection service fees amounted to approximately HK$220,516,000, representing an increase of HK$46,175,000 or 26% compared to approximately HK$174,341,000 for the last year.

Piped Gas Sales

During the year ended 31 March 2011, consumption of piped gas by residential and industrial customers amounted to approximately 1,145x10^6 and 5,850x10^6 mega-joules respectively, as compared to approximately 985x10^6 and 4,198x10^6 mega-joules respectively for the last year. For the year ended 31 March 2011, the piped gas sales income of the Group amounted to HK$574,969,000, representing an increase of HK$185,329,000 or 48% compared to HK$389,640,000 for the last year. The increase of large scale industrial users caused an appreciable escalation of gas consumption.

Property Development

According to the previous 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 Limited (a wholly-owned subsidiary of the Company) to Tianjin Binhai Xinda Estate Company Limited, which is the subsidiary established for property development business, is in progress.

FINANCIAL REVIEW

Gross Profit Margin

The gross profit margin of the Group during the year was 14% compared to 16% for the last year. Main reasons of this decrease were as follows:

(i) 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 last year, leading to the costs of bottled gas sales and piped gas sales being increased and the gross profit margin being decreased; and

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 year ended 31 March 2011 was HK$126 million, representing an increase of HK$54 million, compared to HK$72 million for the last year. The reason for the increase in administrative expenses was that management cost comprising labour cost increased as the Group further expanded its operating scale. In addition, the Company granted 90,500,000 share options to the Directors and employees, and the relevant share-based payments of HK$26 million were recognised during the year.

Profit attributable to owners of the parent

For the year ended 31 March 2011, the profit attributable to owners of the parent of the Group was approximately HK$71 million, representing a decrease of HK$159 million or 69% comparing to HK$230 million in 2010. However, the HK$230 million in 2010 included one-off items, related to the restructuring and reorganization of the Group, of the interest waived of HK$226 million and income tax expenses on interest waived of HK$17 million, and excluding these one-off items, the profit attributable to owners of the parent of the Group in 2010 was HK$21 million which compared with the HK$71 million achieved in 2011. The HK$71 million profit for the current year includes the reversal of impairment charge of approximately HK$40 million, the write back of over accrued compensation for an accident of approximately HK$7 million and the reimbursement from TEDA for payment of compensation for an accident of approximately HK$4 million and charging of share-based payments expenses of approximately HK$26 million.

Basic earnings per share for the year ended 31 March 2011 was HK0.6 cents, as compared to HK2.2 cents in 2010.

Liquidity

As at 31 March 2011, the cash and bank deposit of the Group was HK$432,654,000 (2010: HK$386,891,000). Details of the cash and bank deposit are set out in Note 23 to the financial statements. As at 31 March 2011, the Group had consolidated current assets of approximately HK$747 million and its current ratio was approximately 0.80. The Group's current ratio was below 1.00 because of increased short term bank financing for investment in long-term assets. As at 31 March 2011, the Group had a gearing ratio of approximately 21%, measured by the ratio of total consolidated borrowings of approximately HK$308 million to consolidated total assets of approximately HK$1,454 million.

Financial resources

During the year ended 31 March 2011, the Group generally financed its operations with proceeds from restructuring, borrowings, and internally generated resources. As at 31 March 2011, the Group had total borrowings of HK$307,626,000, HK$297,626,000 of which are considered current liabilities and repayable within one year, and the remaining repayable in the following two years. Interest rate of the borrowings is set out in Note 29 to the financial statements.

Directors' opinion on sufficiency of working capital

In view of the Group's current stable financial 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. Taking into account the available bank facilities and written statements supplied by institutions providing majority of the finance stating their intention to renew the facilities upon maturity in the next twelve months, the Directors believe that the Group is able to meet its liabilities as and when they fall due.

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, Hong Kong Dollars ("HK Dollars") and United State Dollars ("US Dollars").

Future plans for material investment or capital assets

On 25 June 2010, the Board approved a property project. The construction costs and land costs of the property project are estimated to be approximately RMB300 million, and approximately HK$47 million had been incurred and recorded in the consolidated balance sheet of the Group as at 31 March 2011 as "Property under development".

On 24 June 2011, Tianjin Wah Sang Gas Enterprise Company Limited ("Tianjin Wah Sang"), a wholly owned subsidiary of the Group and TEDA entered into an asset transfer agreement pursuant to which it was conditionally agreed that Tianjin Wah Sang shall acquire the Second Pipelines Network from TEDA at a consideration of about HK$335 million. Such transaction constitutes a notifiable and connected transaction of the Company subject to the approval of the independent shareholder of the Company.

Charge over the Group's assets

Save for the pledged bank deposits of HK$1,187,000, there were no charges over any of the Group's assets as at 31 March 2011.

Acquisitions, disposals and significant investments

The Group had no material acquisitions, disposals of any subsidiaries or affiliated companies nor held any significant investments during the year ended 31 March 2011.

Contingent Liabilities

As at 31 March 2011, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 31 March 2011, the Group had 1,071 employees (2010: 967). For the year ended 31 March 2011, the salaries and wages of the employees was HK$47 million (2010: HK$31 million).

REMUNERATION POLICY

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

USE OF PROCEEDS

Upon the completion of the restructuring and reorganization of the Group, the Group received an injection of net fund of approximately HK$897 million from the subscription of 8.6 million non-voting redeemable preference shares of nominal value of HK$50 each in the capital of the Company (the "**Redeemable Preference Shares**"), 130 million convertible preference shares of nominal value of HK$1.00 each in the capital of the Company (the "**Convertible Preference Shares**"), 3 billion new ordinary shares of nominal value of HK$0.01 each in the capital of the Company ("**Shares**") by Cavalier Asia Limited ("**Tsinlien BVI**") ("the **Subscription**"), the disposal of 30 subsidiaries of the Company to Tsinlien BVI ("**the Disposal**"), and the open offer of one new share for one existing share held by shareholders of the Company ("the **Open Offer**"). The net fund was arrived at after the deduction of the expenses of approximately HK$17 million in connection with the restructuring proposal which includes the issue of the Shares pursuant to the conditional subscription agreement between the Company and Tsinlien BVI dated 28 May 2008 (as amended by a supplemental agreement dated 25 February 2009) (the"**Subscription Agreement**") and the Open Offer.

By 31 March 2011, the practical applications of the proceeds were as follows:

- Approximately HK$388 million was used for settlement of bank loans (including HK$383 million in 2010) – of which approximately (1) HK$10 million, (2) HK$10 million, (3) RMB280 million (approximately HK$318 million (Note)) and (4) RMB45 million (approximately HK$50 million) were paid to (1) China Merchants Bank Company Limited Hong Kong Branch ("**China Merchants Bank**"), (2) the syndicated banks of a term loan facility under a loan agreement of 5 November 2002, (3) China Construction Bank Corporation Tianjin Branch ("**China Construction Bank**") and (4) Agricultural Bank of China Tianjin Branch ("**Agricultural Bank**") respectively.

- Approximately HK$32 million was used for repayment of bank loan interest in 2010, of which approximately HK$2 million and HK$30 million were paid to China Merchants Bank and Agricultural Bank respectively.

- Approximately HK$165 million was used for repayment of other advances/loans in 2010, of which RMB75 million (equivalent to approximately HK$85 million (Note)) and RMB70 million (equivalent to approximately HK$80 million (Note)) were paid to TEDA and Finance Bureau of the Tianjin Economic and Technological Development Area ("**TEDA Finance Bureau**") respectively.

- Approximately HK$64 million was used as injection of capital to subsidiaries for construction of pipeline (including HK$3 million in 2010).

- Approximately HK$20 million was used to meet operating needs in 2010.

- Approximately HK$40 million was used for settlement of the trade payable under the prescribed terms of their respective contracts (including HK$39 million in 2010).

USE OF PROCEEDS

- Approximately HK$14 million was invested in a jointly controlled entity in 2011 and approximately HK$2 million (including HK$1 million in 2010) was invested in a computerized financial management and control system.

As at 31 March 2011, the actual amount of proceeds used by the Company was approximately HK$725 million in aggregate, and the remaining net proceeds was approximately HK$172 million. Save for the loan repayment of RMB45 million to Agricultural Bank as disclosed in the announcement dated 29 July 2009 as a change in use of proceeds, the usage of proceeds above is in accordance with the circular of the Company to its shareholders on the restructuring proposal dated 27 February 2009 (the "**Restructuring Circular**"). Of the remaining net proceeds, approximately HK$15 million, HK$49 million and HK$108 million were deposited with commercial banks in China in HKD, US Dollar and RMB respectively. The Board believes that the remaining net proceeds will be used according to the intended usage as set out in the Restructuring Circular.

Note:

Difference with the Restructuring Circular was due to difference in exchange rate.

CORPORATE GOVERNANCE REPORT

The Board presents the corporate governance report of the Company for the year ended 31 March 2011.

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibility for the leadership and control of the Group, including provision and formulation of the Group's business directions and strategies in the interests of the Group. It believes in good corporate governance practices that strengthen investors' confidence, facilitate the development of the Group, and increase transparency in the operation of the Group, ultimately striving for the long term interest of the Group and enhancement of shareholders' value. During the year ended 31 March 2011, the Group had fully complied with the code provisions set out in Appendix 15 of the GEM Listing Rules ("**Corporate Governance Code**").

SECURITIES TRANSACTIONS BY DIRECTORS

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

All Directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2011.

THE BOARD

The Board currently comprises eleven Directors which includes two executive Directors, five non-executive Directors, and four independent non-executive Directors. Mr. Zhang Bing Jun is the chairman of the Board and an executive Director, Mr. Gao Liang is the general manager of the Company and an executive Director, Mr. Shen Xiao Lin, Mr. Zhang Jun, Mr. Dai Yan, Mr. Wang Gang and Ms. Zhu Wen Fang are non-executive Directors, Mr. Ip Shing Hing, J.P., Professor Japhet Sebastian Law, Mr. Tse Tak Yin, and Mr. Lau Siu Ki, Kevin are independent non-executive Directors. Detailed information of the Directors are set out in the section titled "BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT" herein. Mr. Liu Hui Wen resigned as the chairman of the Board and an executive Director on 25 February 2011; on the same day, Mr. Zhang Bing Jun was appointed as the chairman of the Board and an executive Director and Mr. Shen Xiao Lin was newly appointed as a non-executive Director. Ms. Zhu Wen Fang was elected as a non-executive Director at the annual general meeting of the Company on 20 August 2010.

Rule 5.05 of the GEM Listing Rules requires the Company to have at least three independent non-executive directors and one of whom must have appropriate professional qualifications or accounting or related financial management expertise. Rule 5.28 of the GEM Listing Rules requires the Company to retain at all times a minimum of three independent non-executive directors in its audit committee, and at least one member of the audit committee must have appropriate professional qualifications or accounting or related financial management expertise. In addition, as a condition for resumption of trading proposed by the Company to the Securities and Futures Commission ("**SFC**"), the Company is required to appoint and retain two qualified persons as members of its audit committee from time to time for a period of three years from the date of resumption of trading. Among the four independent non-executive Directors, Mr. Lau Siu Ki, Kevin and Mr. Tse Tak Yin are qualified accountants.

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

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

The Board is responsible for the overall management of the Company, undertaking the responsibility to lead and control and to promote the success of the Company through providing direction and supervision.

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

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

CORPORATE GOVERNANCE REPORT

A total of 6 Board meetings were held during the year ended 31 March 2011 (including 4 regular meetings) to discuss and decide on the Company's major strategies, important business matters, financial issues and issues regarding the Company's bye-laws set forth in other matters. A summary of the Directors' attendance at such meetings is as follows:

Executive Directors	Number of meetings attended/Number of meetings held		Attendance percentage
Mr. Zhang Bing Jun	1/1	*(Note 1)*	100%
Mr. Gao Liang	6/6		100%

Non-Executive Directors	Number of meetings attended/Number of meetings held		Attendance percentage
Mr. Shen Xiao Lin	1/1	*(Note 1)*	100%
Mr. Zhang Jun	5/6		83%
Mr. Dai Yan	4/6		67%
Mr. Wang Gang	6/6		100%
Ms. Zhu Wen Fang	3/4	*(Note 2)*	75%

Independent Non-Executive Directors	Number of meetings attended/Number of meetings held		Attendance percentage
Mr. Lau Siu Ki, Kevin	6/6		100%
Mr. Ip Shing Hing, J.P.	6/6		100%
Professor Japhet Sebastian Law	6/6		100%
Mr. Tse Tak Yin	6/6		100%

Resigned Directors	Number of meetings attended/Number of meetings held		Attendance percentage
Mr. Liu Hui Wen	4/5	*(Note 3)*	80%

Note 1: Mr. Zhang Bing Jun and Mr. Shen Xiao Lin were both appointed on 25 February 2011.

Note 2: Ms. Zhu Wen Fang was elected on 20 August 2010.

Note 3: Mr. Liu Hui Wen resigned on 25 February 2011.

CORPORATE GOVERNANCE REPORT

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

Mr. Zhang Bing Jun is the chairman of the Board ("**Chairman**"), and the former chairman Mr. Liu Hui Wen resigned on 25 February 2011. The general manager of the Company ("**General Manager**") is Mr. Gao Liang. The Chairman is primarily responsible for the formulation of development strategy and business strategy, and the General Manager is primarily responsible for the day-to-day operations of the Company. Such distinction between the respective roles and responsibilities of the Chairman and the General Manager are set out in the Regulation on Operation of the Board and its Committees of the Company.

TERM OF OFFICE AND RE-ELECTION

Mr. Zhang Bing Jun and Mr. Shen Xiao Lin, who were appointed by the Board as Directors on 25 February 2011, will hold office only until the forthcoming annual general meeting of the Company and will be eligible for re-election at that meeting. Independent non-executive Directors have two years' term of office from 20 August 2010. Among them, Mr. Tse Tak Yin and Professor Japhet Sebastian Law shall retire by rotation at the forthcoming annual general meeting of the Company and shall be eligible for re-election. Other non-executive Directors have three years' term of office, and among them, Mr. Zhang Jun shall be subject to retirement by rotation and re-election at the forthcoming annual general meeting of the Company in accordance with the Company's bye-laws.

REMUNERATION OF DIRECTORS

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

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

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

2. to review and approve performance-based bonuses and remuneration (if any) by reference to, inter alia, corporate goals and objectives resolved by the Board from time to time, job performance, as well as the revenue and profit margin of the Group in the relevant period.

During the financial year ended 31 March 2011, the Remuneration Committee held one meeting and established incentive remunerations of senior management and the refined incentive measures.

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Professor Japhet Sebastian Law *(chairman)*	1/1	100%
Mr. Lau Siu Ki, Kevin	1/1	100%
Mr. Tse Tak Yin	1/1	100%
Mr. Ip Shing Hing, *J.P.*	1/1	100%

Upon recommendation by the Remuneration Committee and approval by the Board, Ms. Zhu Wen Fang, the non-executive Director appointed on 20 August 2010, is entitled to an annual remuneration of HK$200,000 from her date of appointment. Mr. Zhang Bing Jun, the Chairman and an executive Director, is entitled to an annual remuneration of HK$400,000 from his date of appointment on 25 February 2011, whereas the non-executive Director, Mr. Shen Xiao Lin, is entitled to an annual remuneration of HK$200,000 from his date of appointment on 25 February 2011.

NOMINATION OF DIRECTORS

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

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

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

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

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

During the year ended 31 March 2011, the Nomination Committee recommended to the Board to put a resolution for the election of Ms. Zhu Wen Fang as a non-executive Director at the annual general meeting of the Company on 20 August 2010, and the appointment of Mr. Zhang Bing Jun as an executive Director and Mr. Shen Xiao Lin as a non-executive Director on 25 February 2011. The election of Ms. Zhu was approved by shareholders of the Company and the appointment of Mr. Zhang and Mr. Shen were approved by the Board.

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

During the year ended 31 March 2011, no meetings were held by the Nomination Committee and the relevant matters were handled by way of written resolutions.

AUDITOR'S REMUNERATION

The statement of responsibility to the financial statements by PricewaterhouseCoopers, the auditor of the Group, is set out in the section of "INDEPENDENT AUDITOR'S REPORT" on page 45 of this Annual Report. The remuneration for the auditor's services for the financial year ended 31 March 2011 amounted to RMB2.5 million.

To maintain an effective and adequate internal control system of the Group, the Board engaged PricewaterhouseCoopers-Beijing as internal controls advisor to provide recommendations on the Group's internal controls. The remuneration for non-audit services for the year ended 31 March 2011 amounted to RMB1.55 million.

AUDIT COMMITTEE

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

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

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

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

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

Six meetings were held by the Audit Committee during the year ended 31 March 2011.

At the meetings, the Audit Committee reviewed and discussed the following matters:

1. the audited results, financial statements of the Group for the year ended 31 March 2010;

2. the unaudited results of the Group for the 3 months, 6 months and 9 months ended 30 June 2010, 30 September 2010 and 31 December 2010 respectively;

3. financial reporting system and internal control procedures;

4. relationship with the external auditor including approval of the audit fee and making recommendation on re-appointment of auditor.

The following table lists the details of attendance of the members of the Audit Committee at the meetings held during the year ended 31 March 2011:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. Lau Siu Ki, Kevin *(chairman)*	6/6	100%
Professor Japhet Sebastian Law	6/6	100%
Mr. Tse Tak Yin	6/6	100%
Mr. Ip Shing Hing, *J.P.*	6/6	100%

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Audit Committee has also reviewed the audited annual results of the Group for the year ended 31 March 2011. The Audit Committee opined and viewed that:

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

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

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements for the year ended 31 March 2011 in accordance with statutory requirements and applicable standards.

The Directors consider that in preparing the financial statements, the Group adopts appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed. The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy the financial position of the Group, and facilitate the preparation of the financial statements in accordance with the applicable accounting standards.

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

The reporting responsibility of the external auditor of the Company on the consolidated financial statements of the Group are set out in the independent auditor's report on page 45 herein.

INTERNAL CONTROL

The Company's internal audit department oversees the Group's internal control system. In addition, the Company appointed PricewaterhouseCoopers-Beijing as internal controls advisor to provide recommendations and reports for the year ended 31 March 2011.

The reports covered the following issues:

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

   (1) the Board and the Audit Committee;

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

   (3) authorization and segregation of duties;

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

   (5) internal audit system;

   (6) human resources policies and practices;

   (7) the monitoring program to the subsidiaries;

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

2. Business processes:

   (1) sales and receivables process;

   (2) inventory management processes;

3. project management processes; and

4. the financial reporting process.

The reports also made some recommendations on improving the corporate governance processes and business processes to the Group. The areas which required more controls and notifications were mostly the defects of implementation due to the adjustment of the Company's organization and department. The management of the Company has made a thorough analysis and provided effective remedies to these exceptions.

The Audit Committee has assessed the management systems and control procedures of the Group and has also reviewed the reports of the PricewaterhouseCoopers-Beijing and the follow-up status of the exceptions. Based on the assessment and review, the Audit Committee is of the opinion that the Group's internal control system during the financial year ended 31 March 2011 had been maintained at a generally satisfactory and acceptable standard.

During the year ended 31 March 2011, the management of the Company provided training to the internal audit, accounting team and operations teams, so as to ensure effective implementation of the internal control system and procedures. The Audit Committee paid great attention to internal controls and made efforts to improve the internal control system during the financial year ended 31 March 2011.

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

The Company was unable to identify Tianjin Dawufeng Copper Materials Company Limited, Tianjin TEDA Technology Industry Development and Construction Company Limited and Tianjin Tian Hai Pressure Containers Company Limited, in which TEDA indirectly had shareholding interest, as connected persons of the Company immediately upon TEDA becoming the ultimate controlling shareholder of the Company. Disclosure of connected transactions for the supply of gas by the Group to these entities by way of announcement as required under the GEM Listing Rules was completed on 10 September 2010.

COMPLIANCE ADVISER

WAG Worldsec Corporate Finance Limited has been appointed as the Compliance Adviser of the Company, for the period commencing on the date of resumption of trading in the Shares on GEM (12 May 2009) and ending on the date that the Company issues its financial results of the third full financial year after the date of resumption of trading i.e. the financial year ending 31 March 2013. The responsibility of the Compliance Adviser is to provide the Company with advice regarding compliance with the GEM Listing Rules and corporate governance matters. The Compliance Adviser is independent from the Company and the Group.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Bing Jun, aged 47, is the Chairman of the Company and an executive Director since 25 February 2011. Mr. Zhang graduated from Xidian University (西安電子科技大學) with a Bachelor of Engineering Science degree in 1984 and is a qualified senior engineer of the People's Republic of China (the "PRC"). Mr. Zhang studied the State-owned Enterprises course at the Beijing Motorola University (北京摩托羅拉大學) and the Executive Master of Business Administration course at the Guanghua School of Management of the Beijing University (北京大學光華管理學院). Mr. Zhang is currently the Party Secretary, Chairman and General Manager of TEDA, a wholly State-owned company established in the PRC which indirectly holds 50.13% ordinary shares of the Company pursuant to a nominee arrangement between Tsinlien Group Co., Ltd ("**Tsinlien**"). and Teda Hong Kong Property Company Limited) ("**TEDA HK**"). Mr. Zhang has over twenty years' experience in electronic engineering, corporate strategy and planning, management, operation and investment. Mr. Zhang was the General Manager and Deputy Party Secretary of TEDA from June 2006 to January 2011, the Deputy General Manager of Tianjin Zhonghuan Electronic Information Group Co., Ltd. (天津中環電子信息集團有限公司) from December 2005 to June 2006, the Chairman, General Manager and Deputy Party Secretary of Tianjin Optical Electrical Group Co., Ltd. (天津光電集團有限公司) from April 2003 to June 2006 and the Chairman, General Manager and Deputy Party Secretary of Tianjin Optical Electrical Communications Company (天津光電通信公司) from April 1997 to April 2003. Since 19 April 2011,he has been chairman of Sihuan Pharmaceutical Co.,Ltd (四環藥業股份有限公司, a company listed on Shenzhen Stock Exchange).

Mr. Gao Liang, aged 44, is an executive Director, Compliance Officer and a member of the remuneration committee and nomination committee since August 2009 and he is also the general manager of Binhai Investment (Tianjin) Company Limited, a wholly-owned subsidiary of the Company incorporated in the PRC since April 2009. Mr. Gao is Secretary of the Branch of Communist Party of China and a senior engineer. Mr. Gao graduated from 武漢城市建設學院 (Wuhan Urban Construction Institute) with a major in environment hygiene engineering in 1988, and obtained a master of business administration from 南開大學 (Nankai University) in 2005. He was the deputy director of 天津市城鄉建設管理委員會科技推廣中心 (the Science Promotion Center of Urban and Rural Development Administrative Committee of Tianjin Municipal) for the period from 1993 to 1995 and the deputy director of the 天津市環衛工程設計院 (Tianjin Municipal Environmental and Hygienic Engineering Design Council) for the period from 1995 to 2001. He is currently the Executive Deputy Managing Manager of 天津泰達環保有限公司 (Tianjin TEDA Environmental Protection Co., Ltd.), a subsidiary of TEDA.

Non-Executive Directors

Mr. Shen Xiao Lin, aged 43, is a Non-Executive Director since 25 February 2011. Mr. Shen is a Doctor of Management Studies who graduated from the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) with a Doctorate degree in Technical Economics and Management in December 2001. Mr. Shen obtained a master's degree in Economics and Management at the School of Management of Huazhong University of Science and Technology (華中科技大學管理學院) in July 1992 and a Bachelor of Industrial Electrical Automation degree at the Wuhan University of Science and Technology (武漢科技大學) in July 1989, and is a qualified senior economist and accountant of the PRC. Mr. Shen is currently the Deputy General Manager of TEDA. Mr. Shen was appointed as a full-time supervisor of the Supervisory Board for Key Large State-Owned Enterprises of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國資委國有重點大型企業監事會) from March 2003 to August 2008, a full-time supervisor of the Supervisory Board for Key Large State-Owned Enterprises of the Central Enterprises Work Committee (中央企業工作委員會國有重點大型企業監事會) from September 2002 to March 2003 and Deputy Head of Project Finance of Shougang Company (首鋼總公司) from January 1999 to September 2002. He worked in the Economic Development Research

Centre of the State Metallurgical Industry Bureau (國家冶金部經濟發展研究中心) from July 1992 to December 1998. Since 19 April 2011, he has been a director of 四環藥業股份有限公司 (Sihuan Pharmaceutical Co., Ltd, a company listed on Shenzhen Stock Exchange).

Mr. Zhang Jun, aged 44, is a Non-Executive Director since February 2010. Mr. Zhang worked as an Executive Director since June 2009, and was re-designated as a non-executive Director in February 2010. Mr. Zhang graduated from 北京師範大學 (Beijing Normal University) with a degree in philosophy in 1990 and completed a course in economics from 南開大學 (NanKai University) in 1998. He is currently general manager of Tianjin TEDA Group Co., Ltd., a wholly owned subsidiary of TEDA. Prior to that, Mr. Zhang was administrative officer of TEDA and deputy administrative officer of 天津經濟技術開發區管理委員會 (TEDA Administrative Commission) and administrative officer of 天津經濟技術開發區總公司園林綠化公司 (Tianjin TEDA Eco-Landscape Development Co., Ltd). Mr. Zhang is a director of TEDA. He has been a director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (listed on the Stock Exchange) since April 2008. Since May 2011, he has been chairman of Tianjin TEDA Co., Ltd (listed on Shenzhen Stock Exchange).

Mr. Dai Yan, aged 58, is a Non-Executive Director since February 2010. Mr. Dai worked as an Executive Director since 2007, and was re-designated as a non-executive Director in February 2010. Mr. Dai is a senior economist. Mr. Dai graduated from Beijing Foreign Economic Trade University in 1980. In 1998, he completed the postgraduate professional course in law in the Party School of the Central Committee of the Communist Party of China and the postgraduate course of international trade in the Tianjin Economics and Finance Institute respectively. From 1988 to 2002 he worked as the deputy general manager of Tianjin Garment Import & Export Corporation; deputy general manager of Tianjin Garment Associate Corporation; director, deputy general manager and general manager of Tianjin Zhong Fu International Group Company Limited and deputy general manager and director of Tianjin Textile (Holdings) Limited. He is currently a director and deputy general manager of Tianjin Development Holdings Limited and is also a director and deputy general manager of Tsinlien, the controlling shareholder of Tianjin Development Holdings Limited since September 2009.Mr Dai has been an executive director of Tianjin Port Development Holdings Limited (listed on the Main Board of the Stock Exchange). Mr. Dai has solid experience in management for over twenty years.

Mr. Wang Gang, aged 45, is a Non-Executive Director since February 2010. Mr. Wang worked as an Executive Director since 2004, and was re-designated as a non-executive Director in February 2010. He is the former chief executive officer of the Company and the former general manager of Tianjin district operations. He has ample professional experience in thermal engineering. From August 2003 to May 2004, he has been the chairman and general manager of TEDA Gas, a subsidiary of Tsinlien and a fellow subsidiary of Tianjin Development (a substantial shareholder of the Company) operating gas supply business in Tianjin. Mr. Wang was the vice manager of 泰達熱電公司 (TEDA Heat and Power Company), a wholly owned subsidiary of TEDA, the vice general manager of 泰達津聯熱電公司 (Tianjin TEDA Tsinlien Heat & Power Co., Ltd.), a subsidiary of Tianjin Development, and the general manager of 國華能源發展（天津）有限公司 (Guohua Energy Development (Tianjin) Co., Ltd.) from August 1997 to August 2003. Mr. Wang was responsible for the day-to-day operation of the Group including the implementation of the business plan of the Group from May 2004 to July 2007.

Ms. Zhu Wen Fang, aged 44, is a Non-Executive Director since 20 August 2010. Ms. Zhu graduated from Lanzhou University (蘭州大學) with a bachelor's degree in 1990 and a master's degree in business management in 1995. She is currently the manager of the Securities Department of TEDA. Prior to that, Ms. Zhu was project manager of 天津開發區工業投資公司 (TEDA Industrial Investment Co. Ltd.), and project manager and deputy administrative officer of 天津泰達集團有限公司 (Tianjin TEDA Group Co. Ltd.), a wholly-owned subsidiary of TEDA. She has been the deputy chairperson of the board of directors of 四環藥業股份有限公司 (Sihuan Pharmaceutical Co.,Ltd, a company listed on Shenzhen Stock Exchange) since 2009. She has been a director of 長江證券股份有限公司 (Changjiang Securities Co. Ltd., a company listed on the Shenzhen Stock Exchange) since 2007; a director of 天津津濱發展股份有限公司 (Tianjin Jinbin Development Co., Ltd, a company listed on the Shenzhen

Stock Exchange) since 2008; and a director of 天津濱海能源發展股份有限公司 (Tianjin Binhai Energy and Development Co. Ltd) since 2007.

Independent Non-Executive Directors

Mr. Ip Shing Hing, J.P., aged 55, is an Independent Non-Executive Director since March 2009. He holds a Bachelor of Laws (Hons.) Degree from the University of Hong Kong and a Master of Arts: Arbitration and Alternative Dispute Resolution from the City University of Hong Kong. He is a solicitor and Notary Public, Hong Kong SAR and China-Appointed Attesting Officer, and Justice of Peace, and has been a practising solicitor in Hong Kong for more than 20 years. He also serves as an independent non-executive director on the board of Far East Hotels and Entertainment Limited (listed on the Stock Exchange). He was an independent non-executive director of Quam Limited (listed on the Stock Exchange) during the period from 1 October 2006 to 30 September 2008. He is enthusiastic in community activities which include serving as the President of The Law Society of Hong Kong (2002-2004), Vice-President of The Law Society of Hong Kong (1999-2002), Council Member of the Association of China-Appointed Attesting Officers Limited (since 2002), Director of Hong Kong Chinese General Chamber of Commerce (since 1997) and part-time Member of Central Policy Unit (2004-2005), Member of Basic Law Promotion Steering Committee, Member of The Greater Pearl River Delta Business Council.

Mr. Ip is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company.

Professor Japhet Sebastian Law, aged 59, is an Independent Non-Executive Director since March 2009. He obtained his Ph.D. in Mechanical/Industrial Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Professor Law has acted as a consultant with various corporations in Hong Kong and overseas and is currently an independent non-executive director of Tianjin Port Development Holdings Limited, Beijing Capital International Airport Co., Ltd. and Global Digital Creations Holdings Limited (listed on the Stock Exchange). He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government, and various Government and charitable boards and committees. Professor Law is a Professor in the Department of Decision Sciences and Managerial Economics at the Chinese University of Hong Kong.

Professor Law is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company.

Mr. Tse Tak Yin, aged 63, is an Independent Non-Executive Director since March 2009. He has 17 years of experience in finance and operation of the gas industry. He was the Chief Accountant of a local piped gas company in 1980 and was appointed as General Manager of Customer Services Division in 1993 and General Manager of Corporate Development Division until 1997. He is currently Director — Corporate Finance and Affairs of ITApps Limited. Mr. Tse is a Fellow Member of Association of Chartered Certified Accountants ("ACCA") and an Associate Member of Hong Kong Institute of Certified Public Accountants.

Mr. Tse is a member of the Audit Committee, the Remuneration Committee, and the Nomination Committee of the Company.

Mr. Lau Siu Ki, Kevin, aged 52, is an Independent Non-Executive Director since March 2009. He is currently running his own management consultancy firm, Hin Yan Consultants Limited. Mr. Lau has previously worked at Ernst & Young for over 15 years. He graduated from the Hong Kong Polytechnic in 1981. Mr. Lau is a fellow member of both the ACCA and the Hong Kong Institute of Certified Public Accountants. Mr. Lau is also a member of the world council of ACCA and was the President of ACCA Hong Kong Branch in 2000/2001. Mr. Lau is currently the company secretary of Yeebo (International Holdings) Limited, and an independent non-executive director of Carry Wealth Holdings Limited, COL Capital Limited, Comba Telecom Systems Holdings Limited, Embry Holdings Limited, Foxconn International Holdings Limited, Samson Holdings Ltd and TCL Communication Technology Holdings Limited respectively and the shares of these companies are listed on the the Stock Exchange. In the past two years Mr. Lau also acted as an independent non-executive director of Greenfield Chemical Holdings Limited, and Provien International Holdings Limited, both companies listed on the the Stock Exchange, from April 2002 to June 2010 and September 2005 to August 2010, respectively.

Mr. Lau is the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company.

SENIOR MANAGEMENT

Mr. Ji Li Guo, aged 47, senior engineer, joined the Group in May 2009, is currently Executive Deputy General Manager of the Group. Mr. Ji graduated from Harbin Institute of Technology (哈爾濱工業大學) in 1986. During the period from 1999 to 2005, he served as Chief Engineer of Tianjin TEDA Group Real Estate Department (天津泰達集團房產部). During the period from 2005 to 2009, he served as Deputy General Manager of Tianjin TEDA Venture Project Management Co., Ltd (天津泰達創業項目管理有限公司).

Mr. Xing Dong, aged 43, joined the Group in June 2007. He is currently Deputy General Manager of the Group. Mr. Xing graduated from Tianjin University (天津大學) in 1989. During the period from 1990 to 2007, he was Minister of the Engineering Department, Diversion Operation Department and Investment Management Department of Tianjin Economic-Technological Development Area Water Corporation (天津經濟開發區總公司自來水公司).

Mr. Hu Mao Jie, aged 58, senior engineer, joined the Group in July 2009. He is currently Chief Engineer of the Group. Mr. Hu graduated from East China University of Science and Technology (華東理工大學) with a bachelor degree, and obtained a master degree from Tianjin University of Finance and Economics (天津財經大學). During the period from 1998 to 2001, he was Deputy Party Secretary and General Manager of Tianjin Gas Group Company (天津燃氣集團公司). During the period from 2001 to 2003, he was Vice Chairman and Executive Deputy General Manager of Tianjin Gas Group Company (天津燃氣集團公司). During the period from 2004 to 2006, he was Director, General Manager of Beijing New Hualian Gas Investment Company (北京新華聯燃氣投資公司). During the period from 2007 to2008, he was Vice President of China Leason Investment Group (Hong Kong) Co. Ltd (香港中國聯盛投資公司). Mr. Hu has nearly thirty years' experience in the gas industry, and he is also a director of the China Civil Engineering Association (中國土木工程協會), China Gas Association (中國煤氣協會), and an executive director of China City Gas Society (中國煤氣學會).

Mr. Zhang Zhong Hai, aged 36, accountant, joined the Group in May 2009. He is currently the Chief Finance Officer of the Company. Mr. Zhang holds a master's degree in accounting in Nankai University (南開大學) and has worked as an accounting manager, finance vice-president and finance minister in other PRC corporations prior to joining the Group.

Mr. Yin Fu Gang, aged 37, joined the Group in September 2009. He is currently the Company Secretary of the Company. Mr. Yin holds a master's degree of Laws in Nankai University (南開大學). Mr. Yin is a qualified lawyer in the PRC and also has the qualifications as a judge and a corporate legal adviser in the PRC. He works together with Mr. Yip Wai Yin, a practising solicitor of the Hong Kong Special Administrative Region and a partner of Messrs Woo Kwan Lee & Lo, as joint company secretaries of the Company in handling the corporate and secretarial matters of the Company. He has been a director and the company secretary of TEDA HK since 2011. During the period from 1997 to 2002, he was a former court judge of the People's Court of Jinnan District, Tianjin. During the period from 2005 to 2009, he was a Section Chief in TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司).

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

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

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2011 are set out in the consolidated income statement on page 47.

The Board does not recommend the payment of a dividend in respect of the year (2010: Nil).

FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Group for the last five financial years ended 31 March 2011 is set out on page 118.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

As at 31 March 2011, the Company had 5,992,812,000 Shares, 170,000,000 Convertible Preference Shares and 8,600,000 Redeemable Preference Shares in issue. 130,000,000 Convertible Preference Shares and 8,600,000 Redeemable Preference Shares were issued to Tsinlien BVI for the consideration of HK$130 million and HK$430 million respectively on 4 May 2009. 40,000,000 Convertible Preference Shares were issued to the Hong Kong syndicated banks with the repayment of HK$10 million to discharge the syndicated bank loan of HK$210 million on 7 May 2009.

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

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

Details of the movements in the share capital of the Company during the year are set out in Note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which impose an obligation on the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 26 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had no reserves available for cash distribution and/or distribution in specie as calculated under the Companies Act of Bermuda as at 31 March 2011 (2010: Nil).

CHARITABLE DONATIONS

During the year ended 31 March 2011, the Group made no charitable and other donations (2010: Nil).

SHARE OPTION SCHEME

On 20 August 2010, the shareholders of the Company approved a new share option scheme (the "**2010 Scheme**") at the annual general meeting. The Company operates the 2010 Scheme for the purpose of providing the Company with a flexible means of giving incentives to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants of the 2010 Scheme (the "**Participants**"). Participants include the Directors (including independent non-executive Directors) and employees of the Group. The 2010 Scheme became effective on 20 August 2010 and, unless otherwise cancelled or amended, will remain in force until 19 August 2020.

The maximum number of unexercised share options permitted to be granted under the 2010 Scheme was an amount equivalent, upon their exercise, to 10% of the Shares in issue at the date of approval by the shareholders of the Company of the 2010 Scheme. The total number of shares issued under the 2010 Scheme and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) under the 2010 Scheme in any 12-month period shall not exceed 1% of the total number of Shares in issue unless approved by the shareholders of the Company in accordance with the GEM Listing Rules.

There is no minimum period for which an option under the 2010 Scheme must be held before such option can be exercised. HK$1 is payable by the Participant to the Company upon acceptance of an offer under the 2010 Scheme.

The exercise price of the share options under the 2010 Scheme is determinable by the Board and will be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer under the 2010 Scheme; (b) the average closing prices of the Shares as stated in the Stock Exchange's quotations sheets for the 5 business days immediately preceding the date of the offer under the 2010 Scheme; and (c) the nominal value of a Share.

Pursuant to the 2010 Scheme, the Company granted 90,500,000 share options to the Directors and certain continuous contract employees of the Group on 27 September 2010. 16,500,000 of these share options had lapsed.

As at 31 March 2011, a total of 525,281,200 Shares (representing approximately 8.76% of the existing issued share capital of the Company) could be issued upon exercise of all options which may be granted under the 2010 Scheme and a total of 74,000,000 Shares (representing approximately 1.24% of the existing issued share capital of the Company) could be issued upon exercise of all options which had been granted and yet to be exercised under the 2010 Scheme.

Details of movement of share options granted under the 2010 Scheme during the year ended 31 March 2011 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 year	Number of options lapsed during the year	Number of shares subject to outstanding options as at 31 March 2011	Approximately percentage of the Company's total issued share capital as at 31 March 2011
Directors	27.9.2010	27.9.2010-26.9.2020	0.56	–	61,000,000	15,000,000	46,000,000	0.77%
Employees	27.9.2010	27.9.2010-26.9.2020	0.56	–	29,500,000	1,500,000	28,000,000	0.47%
Total					90,500,000	16,500,000	74,000,000	1.24%

Note:

1. The exercisable 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.

Details of interests in share option of each Director are set out in the section "INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF EXECUTIVE, SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY" below.

No share option was exercised or cancelled during the year ended 31 March 2011.

DIRECTORS

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

Executive Directors:

Mr. Zhang Bing Jun *(Chairman)* *(appointed on 25 February 2011)*
Mr. Liu Hui Wen *(Chairman)* *(resigned on 25 February 2011)*
Mr. Gao Liang

Non-executive Directors:

Mr. Shen Xiao Lin *(appointed on 25 February 2011)*
Mr. Zhang Jun
Mr. Wang Gang
Mr. Dai Yan
Ms. Zhu Wen Fang *(elected on 20 August 2010)*

Independent Non-executive Directors:

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

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

DIRECTORS' REPORT

In accordance with the Company's Bye-law 86(2), Mr. Zhang Bing Jun and Mr. Shen Xiao Lin, who were appointed by the Board as Directors on 25 February 2011, will hold office only until the forthcoming annual general meeting of the Company and will be eligible for re-election at that meeting.

In accordance with the Company's Bye-law 87(2), Mr. Zhang Jun, Professor Japhet Sebastian Law and Mr. Tse Tak Yin will retire by rotation and will be eligible for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

Independent non-executive Directors have two years' term of office since 20 August 2010. Other non-executive Directors have three years' term of office, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the contracts with TEDA, Tsinlien BVI, and their associates which are set out in the section "CONTINUING CONNECTED TRANSACTIONS", there were no material contracts between the Group and the controlling shareholders of the Company or their associates during the year ended 31 March 2011.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2011.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party which subsisted at the end of the year on 31 March 2011 or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from the share options granted under the 2010 Scheme, at no time during the year were rights to acquire benefit by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such right in any other body corporate.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

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

INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF EXECUTIVE, SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

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

As at 31 March 2011, the interests or short positions of the Directors and the chief executive 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:

		Interest in ordinary shares of the Company						
Name of Director	Capacity	Personal interests	Corporate interests	Family interests	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 31 March 2011
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%

Name of Director	Capacity	Interest in ordinary shares of the Company: Personal interests	Corporate interests	Family interests	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 31 March 2011
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 2010 Scheme, the Company granted options on the Company's ordinary shares to the Directors, 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 year	Number of options lapsed during the year	Number of shares subject to out-standing options as at 31 March 2011	Approximately percentage of the Company's total issued share capital as at 31 March 2011
Mr. Liu Hui Wen *(Note 3)*	27.9.2010	27.9.2010-26.9.2020	0.56	–	15,000,000	15,000,000	–	0.00%
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%

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 year	Number of options lapsed during the year	Number of shares subject to out-standing options as at 31 March 2011	Approxi-mately percentage of the Company's total issued share capital as at 31 March 2011
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:

1. The exercisable 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.

3. Mr. Liu Hui Wen resigned from the position of Director on 25 February 2011 and the share options granted to him lapsed on that day.

Save as disclosed above, as at 31 March 2011, there were no other interests or short positions of the Directors and the chief executive 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 the substantial shareholders and other persons in the share capital of the Company

As at 31 March 2011, 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 of the Company as at 31 March 2011
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%
Tianijin 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%

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 of the Company as at 31 March 2011
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%

Note:

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.

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, 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 and TEDA HK. TEDA HK, a wholly-owned subsidiary of TEDA, has conditionally agreed to acquire Tsinlien BVI from Tsinlien under the agreement dated 28 May 2008 (as amended by a supplemental agreement dated 25 February 2009 ("TEDA Investment Agreement").

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 March 2011, the Company had not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital.

INTERESTS IN COMPETING BUSINESS

During the year, save for the interests of TEDA and Tsinlien (through Tsinlien BVI) in 30 former subsidiaries of the Group, 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 businesses carried out by the former subsidiaries of the Group are similar to the business of the Group, they are in different locations. Therefore, the Directors are of the view that the businesses of the former subsidiaries do not compete directly with the business of the Group.

As at 31 March 2011, the names, nature of business and details of ownership of Tsinlien BVI in the 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	Jinan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
7	Jiangshan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
8	Xuzhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
9	Ningguo Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
10	Huaining Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
11	Jiangxi Nanchang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100

	Name of former subsidiary	Nature of Business	% of interests
12	Suqian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
13	Huangshan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
14	Guixi Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
15	Gaoan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
16	Pizhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
17	Xinyi Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
18	Youxian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
19	Fengxian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
20	Liuyang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
21	Ningyang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
22	Qingyuan Yimin Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
23	Peixian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
24	Anxin Lihua Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
25	Weishan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100

INTERESTS OF COMPLIANCE ADVISER

Pursuant to the Compliance Adviser Agreement dated 7 May 2009 between the Company and WAG Worldsec Corporate Finance Limited ("**WAG Worldsec**"), WAG Worldsec has been appointed as the compliance adviser of the Company for the period from 12 May 2009 to the date the Company issues its financial results for the year ending 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.

CONTINUING CONNECTED TRANSACTIONS

TEDA and TEDA HK became the ultimate controlling shareholders of the Company upon completion of the subscription for 3 billion new Shares by Tsinlien BVI on 12 June 2009 under the Subscription Agreement and by virtue of the nominee arrangement under the TEDA Investment Agreement and accordingly, became connected persons of the Company under the GEM Listing Rules.

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

Tianjin TEDA Tsinlien Gas Company Limited ("**TEDA Gas**") is a non-wholly owned subsidiary of Tsinlien, is an associate of Tsinlien BVI and a connected person of the Company.

TEDA Real Property Development Company, an indirect wholly-owned subsidiary of TEDA, is a connected person of the Company under the GEM Listing Rules.

Jizhou Wah Sang Gas Company Limited, Boxing Wah Sang Gas Company Limited, Qingyuan Yimin Wah Sang Gas Company Limited, Anxin Lihua Wah Sang Gas Company Limited, Pizhou Wah Sang Gas Company Limited and Fengxian Wah Sang Gas Company Limited (the "6 **Former Subsidiaries**"), the directors of each of which are in effect controlled by TEDA since the completion of the Disposal through Tsinlien BVI's nomination of persons designated by TEDA as directors, are associates of TEDA and became connected persons of the Company.

Tianjin Pipe Group Corporation ("**Tianjin Pipe**"), a limited liability company established under the laws of PRC, directly owned as to 57% by TEDA, is a connected person of the Company. Tianjin Dawufeng Copper Materials Company Limited, Tianjin TEDA Technology Industry Development and Construction Company Limited, and Tianjin Tian Hai High Pressure Containers Company Limited ("**Tianjin Pipe Associated Companies**"), which are associates of Tianjin Pipe, are also connected persons of the Company.

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

(a) Lease of premises from an associate of TEDA

Date of the agreement:	20 May 2008
Parties:	Binhai Investment (Tianjin) Company Limited ("**BITCL**") (a wholly-owned subsidiary of the Group) (as the lessee) TEDA Real Property Development Company (天津開發區泰達大廈房地產開發公司), an indirect wholly-owned subsidiary of TEDA (as the lessor)
Transaction involved:	lease of the office premises on 25/F, Teda Building, 256 South of Jiefang Road, Hexi District, Tianjin with a total floor area of 2117.25 square metres for a term from 1 July 2008 to 30 June 2011
Annual cap for the year ended 31 March 2011	RMB2,395,668
Actual amount for the year ended 31 March 2011	RMB2,395,668

(b) Leasing agreement of Second Pipelines Network between Tianjin Wah Sang Gas Enterprise Company Limited and TEDA

Date of the agreement:	28 May 2008 (as amended by supplemental agreements dated 16 June 2008, 25 February 2009 and 10 November 2010)
Parties:	TEDA (as the lessor)
	Tianjin Wah Sang Gas Enterprise Company Limited ("**Tianjin Wah Sang**") (as the lessee)
Transaction involved:	lease of the Second Pipelines Network for the exclusive use by Tianjin Wah Sang for distribution of piped gas at a leasing charge of RMB0.1 per cubic meter of gas supplied by the network
Annual cap for the year ended 31 March 2011	RMB9,207,000
Actual amount for the year ended 31 March 2011	RMB6,632,374

(c) Management agreement between TEDA and BITCL for the 30 subsidiaries disposed of under the Disposal Agreement

Date of the agreement:	28 May 2008 (as amended by supplemental agreements dated 3 July 2008 and 25 February 2009)
Parties:	TEDA
	BITCL
Transaction involved:	Appointment by TEDA of the Group to continue to manage and operate the 30 subsidiaries disposed of to Tsinlien BVI under the Disposal Agreement, following completion of the Disposal which took place on 4 May 2009
	An annual management fee equal to 3% of the net asset value (as at the preceding financial year end) of the subsidiaries disposed of under the Disposal Agreement plus 20% of the audited net profit for the preceding financial year of these subsidiaries are payable to the Group for its services
Annual cap for the year ended 31 March 2011	RMB2,400,000
Actual amount for the year ended 31 March 2011	RMB843,872

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

Date of the agreement:	28 May 2008
Parties:	TEDA and Tsinlien (as the shareholders of TEDA Gas) BITCL TEDA Gas
Transaction involved:	Appointment by TEDA and Tsinlien of BITCL to manage the business and administration and operations of TEDA Gas An annual management fee equal to 3% of the net asset value (as at the preceding financial year end) of TEDA Gas plus 20% of the audited net profit for the preceding financial year of TEDA Gas are payable to BITCL for its services
Annual cap for the year ended 31 March 2011	RMB2,100,000
Actual amount for the year ended 31 March 2011	RMB1,099,494

(e) Sales of gas to TEDA Gas

Date of the agreement:	28 May 2008
Parties:	TEDA Gas Tianjin Wah Sang
Transaction involved:	Supply of gas by the Group to TEDA Gas in priority over other suppliers given equal terms, at prices determined in accordance with prevailing market rates and no less favourable than those charged to independent third parties
Annual cap for the year ended 31 March 2011	RMB160,000,000
Actual amount for the year ended 31 March 2011	RMB55,928,891

(f) Sales of gas to the 6 Former Subsidiaries

Date of the agreement:	25 June 2010
Parties:	Tianjin Wah Sang The 6 Former Subsidiaries
Transaction involved:	Supply of gas by the Tianjin Wah Sang to the 6 Former Subsidiaries
Annual cap for the year ended 31 March 2011	RMB5,145,000
Actual amount for the year ended 31 March 2011	RMB3,612,440

(g) Sales of gas to Tianjin Pipe and Tianjin Pipe associated companies

Date of the agreement:	10 September 2010
Parties:	Tianjin Wah Sang and Tianjin Wah Sang Energy Development Company Limited ("**Wah Sang Energy**") Tianjin Pipe and Tianjin Pipe Associated Companies
Transaction involved:	Supply of gas by the Tianjin Wah Sang and/or Wah Sang Energy to Tianjin Pipe and the Tianjin Pipe Associated Companies
Annual cap for the year ended 31 March 2011	RMB151,600,000
Actual amount for the year ended 31 March 2011	RMB123,494,887

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions of the Group reference to on pages 39 to 42 of this report in accordance with Rule 20.38 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The independent non-executive Directors have reviewed the continuing connected transactions of the Group referred to above for the year ended 31 March 2011 and confirm that these transactions have been entered into:

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

(b) on normal commercial terms; and

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 March 2011, sales to the Group's five largest customers accounted for 19% (2010: 16%) of the total sales for the year and sales to the largest customer included therein accounted for 8% (2010: 9%).

Purchases from the Group's five largest suppliers accounted for 74% (2010: 66%) of the total purchases for the year ended 31 March 2011 and purchases from the largest supplier included therein accounted for 42% (2010: 30%).

Of the Group's five largest customers, TEDA Gas, Tianjin Pipe, Tianjin Dawufeng Copper Materials Company Limited, and Tianjin Tian Hai High Pressure Containers Company Limited are connected persons of the Company.

Save for disclosed above, none of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers and suppliers.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2011.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the GEM Listing Rules.

DIRECTORS' REPORT

SUBSEQUENT EVENT

On 24 June 2011, Tianjin Wah Sang Gas Enterprise Company Limited ("Tianjin Wah Sang"), a wholly owned subsidiary of the Group and TEDA entered into an asset transfer agreement pursuant to which it was conditionally agreed that Tianjin Wah Sang shall acquire the Second Pipelines Network from TEDA at a consideration of about HK$335 million. Such transaction constitutes a notifiable and connected transaction of the Company subject to the approval of the independent shareholders of the Company.

AUDITORS

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

By order of the Board
Binhai Investment Company Limited

Gao Liang
Executive Director

Hong Kong, 24 June 2011

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Binhai Investment Company Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Binhai Investment Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 117, which comprise the consolidated and company balance sheets as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 June 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	5	**1,231,065**	795,279
Costs of sales	7	**(1,063,621)**	(668,412)
Gross profit		**167,444**	126,867
Reversal of impairment charge — net	16	**40,489**	1,133
Other income and gains — net	6	**24,534**	12,249
Administrative expenses	7	**(126,096)**	(71,891)
		106,371	68,358
Interest waived	9	**–**	226,282
Finance costs	10	**(12,372)**	(13,938)
Share of results of a jointly controlled entity	19	**(351)**	–
Profit before taxation		**93,648**	280,702
Income tax expenses	11		
— related to interest waiver		**–**	(17,408)
— others		**(20,521)**	(31,527)
		(20,521)	(48,935)
Profit for the year		**73,127**	231,767
Attributable to:			
— Owners of the parent		**71,380**	230,114
— Non-controlling interests		**1,747**	1,653
		73,127	231,767
Earnings per ordinary share			
— basic (HK cents)	13	**0.6 cents**	2.2 cents
— diluted (HK cents)		**0.6 cents**	2.2 cents

The notes on page 54 to 117 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011 **HK$'000**	2010 *HK$'000*
Comprehensive income		
Profit for the year	**73,127**	231,767
Other comprehensive income:		
Exchange differences	**18,152**	(794)
Other comprehensive income	**18,152**	(794)
Total comprehensive income for the year	**91,279**	230,973
Attributable to:		
— Owners of the parent	**89,100**	229,248
— Non-controlling interests	**2,179**	1,725
Total comprehensive income for the year	**91,279**	230,973

The notes on page 54 to 117 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2011

	Note	**2011** **HK$'000**	2010 HK$'000
ASSETS			
Non-current assets			
Land use rights	15	**41,628**	34,612
Property, plant and equipment	16	**645,289**	238,353
Interest in a jointly controlled entity	19	**13,891**	—
Deferred income tax assets	30	**6,423**	—
		707,231	272,965
Current assets			
Property under development	20	**46,937**	30,887
Inventories	21	**38,090**	29,991
Trade and other receivables	22	**226,335**	112,899
Pledged bank deposits	23	**1,187**	—
Cash and cash equivalents	23	**431,467**	386,891
		744,016	560,668
Assets held for sale	24	**2,817**	—
		746,833	560,668
Total assets		**1,454,064**	833,633
EQUITY			
Owners of the parent			
Share capital			
— Ordinary shares	25	**59,928**	59,928
— Convertible preference shares	25	**170,000**	170,000
— Redeemable preferences shares	25	**430,000**	430,000
Share premium		**424,737**	424,737
Other reserves	26	**100,290**	61,207
Accumulated losses		**(703,476)**	(779,619)
		481,479	366,253
Non-controlling interests		**12,012**	9,833
Total equity		**493,491**	376,086

CONSOLIDATED BALANCE SHEET

As at 31 March 2011

	Note	**2011** **HK$'000**	2010 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term payables	28	**17,810**	34,250
Borrowings	29	**10,000**	15,000
		27,810	49,250
Current liabilities			
Trade and other payables	27	**594,132**	357,457
Current income tax liabilities		**41,005**	45,840
Borrowings	29	**297,626**	5,000
		932,763	408,297
Total liabilities		**960,573**	457,547
Total equity and liabilities		**1,454,064**	833,633
Net current (liabilities)/assets		**(185,930)**	152,371
Total assets less current liabilities		**521,301**	425,336

On behalf of the Board

Director
Zhang Bing Jun

Director
Gao Liang

The notes on page 54 to 117 are an integral part of these financial statements.

BALANCE SHEET

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	18	**444,841**	318,186
Current assets			
Amount due from a subsidiary	18	**26,873**	—
Trade and other receivables		**—**	249
Cash and cash equivalents	23	**193**	39,817
		27,066	40,066
Total assets		**471,907**	358,252
EQUITY			
Owners of the parent			
Share capital			
— Ordinary shares	25	**59,928**	59,928
— Convertible preference shares	25	**170,000**	170,000
— Redeemable preferences shares	25	**430,000**	430,000
Share premium		**424,737**	424,737
Other reserves	26	**193,130**	156,301
Accumulated losses		**(825,929)**	(904,375)
Total equity		**451,866**	336,591
LIABILITIES			
Non-current liabilities			
Borrowings	29	**10,000**	15,000
Current liabilities			
Trade and other payables	27	**5,041**	1,661
Borrowings	29	**5,000**	5,000
		10,041	6,661
Total liabilities		**20,041**	21,661
Total equity and liabilities		**471,907**	358,252
Net current assets		**17,025**	33,405
Total assets less current liabilities		**461,866**	351,591

On behalf of the Board

Director
Zhang Bing Jun

Director
Gao Liang

The notes on page 54 to 117 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Owners of the parent						
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves (Note 26) *HK$'000*	Accu-mulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'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 year	–	–	–	230,114	230,114	1,653	231,767
Other comprehensive income							
Exchange differences	–	–	(866)	–	(866)	72	(794)
Total comprehensive income for the year	–	–	(866)	230,114	229,248	1,725	230,973
Transactions with owners							
Issue of shares	638,158	233,658	–	–	871,816	–	871,816
Assumption of debt by ultimate holding company	–	–	160,000	–	160,000	–	160,000
Disposal of subsidiaries	–	–	–	–	–	(181)	(181)
Total transactions with owners	638,158	233,658	160,000	–	1,031,816	(181)	1,031,635
Balance at 31 March 2010	659,928	424,737	61,207	(779,619)	366,253	9,833	376,086
Comprehensive income							
Profit for the year	–	–	–	71,380	71,380	1,747	73,127
Other comprehensive income							
Exchange differences	–	–	17,720	–	17,720	432	18,152
Total comprehensive income for the year	–	–	17,720	71,380	89,100	2,179	91,279
Transactions with owners							
Recognition of equity settled share-based payments	–	–	26,126	–	26,126	–	26,126
Transfer to accumulated losses	–	–	(4,763)	4,763	–	–	–
Total transaction with owners	–	–	21,363	4,763	26,126	–	26,126
Balance at 31 March 2011	659,928	424,737	100,290	(703,476)	481,479	12,012	493,491

The notes on page 54 to 117 are an integral part of these financial statement.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Net cash generated from operations	31(a)	**71,065**	82,044
Income tax paid		**(31,779)**	(11,671)
Net cash generated from operating activities		**39,286**	70,373
Cash flow from investing activities			
Capitalised interest paid		**(1,566)**	–
Purchase of property, plant and equipment		**(276,293)**	(56,930)
Increase in property under development		**(7,317)**	(20,903)
Purchase of land use rights		**(6,785)**	(510)
Investment in a jointly-controlled company		**(14,242)**	–
Proceeds from disposal of subsidiaries	31(b)	**–**	82,000
Proceeds from sale of property, plant and equipment		**6,505**	3,570
Proceeds from disposal of assets		**8,131**	13,454
Proceeds from assets held for sale		**2,375**	–
Interest received		**799**	614
Net cash (used in)/generated from investing activities		**(288,393)**	21,295
Cash flow from financing activities			
Proceeds from issuance of shares		**–**	831,816
Proceeds from borrowings		**292,626**	–
Repayments of borrowings		**(5,000)**	(486,793)
Repayments to TEDA		**–**	(85,285)
Increase in pledged cash		**(1,187)**	–
Interest paid		**(1,140)**	(32,228)
Net cash generated from financing activities		**285,299**	227,510
Net increase in cash and cash equivalents		**36,192**	319,178
Cash and cash equivalents at beginning of the year		**386,891**	63,095
Effect of exchange differences		**8,384**	4,618
Cash and cash equivalents at end of the year		**431,467**	386,891

The notes on page 54 to 117 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Binhai Investment Company Limited (the "Company"), was incorporated in Bermuda on 8 October 1999, with its principal place of business at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

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

For purpose of these financial statements, the directors regard Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA") as being the ultimate holding company (Note 35).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared on the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where estimates and judgements are significant to the consolidated financial statements are disclosed in Note 4.

As at 31 March 2011, current liabilities of the Group exceeded current assets by HK$186 million. The Group's ability to continue as a going concern depends on the financial resources presently available to the Group. Taking into account the available banking facilities and written statements supplied by institutions providing majority of the finance stating their intention to renew the facilities upon maturity in the next twelve months, the directors of the Company believe that the Group is able to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future. Accordingly, the financial statements of the Group for the year ended 31 March 2011 have been prepared under the going concern basis.

Changes in accounting policies and disclosures

(a) Following are amendments and interpretations which are effective in the current year but not currently relevant to the Group (although they may affect the accounting for future transactions and events:

HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 36 (Amendment)	Impairment of assets
HKAS 39 (Amendment)	Eligible hedges items
HKFRS 1 (Amendment)	Additional exemption for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners
HK — Int 5	Presentation of financial statements-Classification by the borrower of a term loan that contains a repayment on demand clause
HKFRSs	Improvements to HKFRSs 2009
HKFRSs	Amendments to HKFRS 5 as part of improvements to HKFRSs 2008

(b) The following amendment that is not yet effective and has been early adopted by the Group:

The Group has early adopted HKAS24 (Revised) "Related party disclosures" which is effective for annual periods beginning on or after 1 January 2011.

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

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

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

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

(c) Amendments to accounting standards published and relevant to the Group's but are not effective for the financial year ended 31 March 2011 and have not been early adopted by the Group:

HKFRS 1 (Amendments)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopter
HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (Amendments)	Disclosures-Transfers of financial assets
HKFRS 9	Financial instruments
HKFRS 12 (Amendments)	Deferred tax-Recovery of underlying assets
HKFRSs (Amendments)	Improvements to HKFRSs 2010
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC) — Int 19	Extinguishing of financial liabilities with equity instruments

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

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2011.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary, to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 18). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 April 2010 when revised HKAS 27, 'Consolidated and separate financial statements', became effective. The revision to HKAS 27 contained consequential amendments to HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures'.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 April 2010. The Group has no transactions with non-controlling interests during the year.

(c) 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.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and each of its subsidiaries is determined to be Renminbi ("RMB").

The financial statements of the Company and the Group are presented in Hong Kong dollars as the Directors are of the view that presenting the consolidated financial statements in Hong Kong dollars will provide a better reference to its readers.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Construction-in-progress represents gas station properties, machinery and pipelines and related assets under construction/installation and is stated at cost less any provision for impairment losses. Cost comprises direct costs of construction, installation and testing. No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed. On completion, construction-in-progress is transferred to appropriate categories of property, plant and equipment.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold properties	30 years
Machinery and equipment	20 years
Gas pipelines	30 years
Office equipment and motor vehicles	5 years

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount (Note 2.7).

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

2.6 Intangible assets

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

2.7 Impairment of investment in subsidiaries and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.8 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.9 Financial assets and liabilities

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

(a) Financial assets

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

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

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

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

(b) Impairment of financial assets

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

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

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

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

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

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

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

(c) Financial liabilities and equity

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

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

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

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

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

(d) Derecognition

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

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

2.10 Properties under development

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

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

2.11 Inventories

Inventories principally comprise materials for gas pipelines and gases, and are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits with banks that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade payable

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

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

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluated positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Employee benefits

(a) Employee leave entitlements

All of the Group's eligible employees are entitled to annual leave which are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(c) Pension obligations

All eligible employees of the Group's subsidiaries which operate in the PRC participate in a central pension scheme operated by the local municipal government.

All eligible employees in Hong Kong participate in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance.

The assets of both the above schemes are held separately from those of the Group in an independently administered fund. Contributions made are based on a percentage of the participating employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the respective scheme.

(d) ***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.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and business tax.

(a) Connection services

Connection service connects customers to the Group's pipeline network. When the outcome of a connection service contract can be ascertained with reasonable certainty and the stage of completion at the balance sheet date can be measured reliably, revenue and costs are recognised over the period of the contract. The percentage of completion method is used to determine the appropriate amount of revenue and costs to be recognised in a given period. The stage of completion is measured for each specific contracted work by reference to the proportion of the services performed to date as a percentage of total services to be performed. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When it is probable that total costs will exceed total revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated with reasonable certainty, revenue is recognised only to the extent of costs incurred that it is probably recoverable. Costs are recognised when incurred.

(b) Sale of gases

Revenue from the sale of gases is recognised on the transfer of risks and rewards of ownership (which generally coincides with the time when the gas is delivered to customers and title has passed) and when it is probable that future economic benefits will flow to the Group.

(c) Interest income

Interest income from a financial asset is accrued on a time-proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.21 Borrowing costs

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

2.22 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the period of the lease.

2.23 Financial guarantee contract

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary holder of the guarantee (i.e. the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

2.24 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group monitors its capital structure using the gearing ratio (consolidated debt to total equity). Debt refers to the consolidated borrowings of the Group and total equity comprise of issued capital and reserves.

The Group's gearing ratio increased significantly during the year because of increased short term bank financing for investment in long term assets. Going forward, the Group targets to refinance short term financing with long term borrowing and achieve a gearing ratio in the range of 50% to 60%.

	2011 **HK$'000**	2010 *HK$'000*
Debt *(Note (i))*	**307,626**	20,000
Equity *(Note (ii))*	**481,479**	366,253
Debt to equity ratio	**64%**	5%

(i) Debt is defined as long and short-term borrowings, as detailed in Note 29.

(ii) Equity includes all capital and reserves of the Group and excludes non-controlling interests.

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Cash flow interest rate risks and fair value interest rate risks

The Group does not have any specific interest rate policy except that the Group would regularly review the market interest rates to capture potential opportunities to reduce the borrowing costs.

The Group's interest rate risk arises primarily from deposits and borrowings which are issued at variable rates and fixed rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at fixed rates expose the Group to fair value interest rate risk.

Management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

At 31 March 2011, if interest rate has been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately HK$1 million lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. (2010: Nil).

Foreign currency risk

The Group collects most of its revenue in RMB and incurs most of its expenditure including capital expenditure in RMB. The Directors considered that the Group's exposure to foreign currency exchange risk from daily operation is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities.

Certain bank balances and bank borrowings are denominated in HK Dollars and US Dollars which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The following table details the Group's sensitivity to a 10% (2010: 10%) appreciation in RMB against Hong Kong Dollars and US Dollars.

	2011 ***HK$'000***	2010 *HK$'000*
Increase/(decrease) in post-tax profit and equity	**3,040**	(8,144)

For a 10% (2010: 10%) depreciation of RMB against HK Dollars and US Dollars, there would be an equal and opposite impact on the profit and equity.

Credit risk

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

In order to minimize the credit risk over trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each half-year end date and balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Concentration of credit risk with respect to trade receivables is limited as the Group has a large number of customers none of whom singly exceeds 5% of gross receivables. Therefore, management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade receivables.

The credit risk on bank deposits is limited because the counterparties are reputational PRC banks. The Group has no significant concentration of credit risk as the exposure is spreaded over a number of counterparties.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to repay, including both interest and principal cash flows.

Group	Weighted average effective interest rate %	Less than 1 year HK$ million	1 to 5 years HK$ million	Total undiscounted cash flow HK$ million	Carrying amount at 31 March HK$ million
2011					
Trade payables	**N/A**	**208**	**–**	**208**	**208**
Borrowings	**2.18%-6.67%**	**305**	**11**	**316**	**308**
Amount due to TEDA and Tsinlien Group (Tianjin) Assets Management Co., Ltd. ("Tsinlien Assets Management")	**0%-6.1%**	**87**	**19**	**106**	**101**
2010					
Trade payables	N/A	112	–	112	112
Borrowings	4.0%	6	16	22	20
Amount due to TEDA and Tsinlien Assets Management	0%-5.4%	56	37	93	86

Company	Weighted average effective interest rate %	Less than 1 year HK$ million	1 to 5 years HK$ million	Total undiscounted cash flow HK$ million	Carrying amount at 31 March HK$ million
2011					
Trade payables	**N/A**	**5**	**–**	**5**	**5**
Borrowings (HK)	**4.0%**	**6**	**11**	**17**	**15**
2010					
Trade payables	N/A	2	–	2	2
Borrowings (HK)	4.0%	6	16	22	20

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of property, plant and equipment

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

The recoverable amounts of the gas pipelines and gas supply machinery and equipment are determined based on value-in-use calculations. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. At 31 March 2011, the carrying amount of property, plant and equipment is HK$645 million (2010: HK$238 million). Details of the recoverable amount calculation are disclosed in Note 16.

(b) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to these receivables where events or changes in circumstance indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the year in which such estimate has been made.

(c) Income taxes

As at 31 March 2011, no deferred tax asset is recognised in the Group's balance sheet in relation to the estimated unused tax losses of HK$52 million due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, a recognition of deferred tax asset may arise, which would be recognised in the consolidated income statement for the period in which such recognition takes place.

(d) Revenue recognition of on-site gas sales

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

5. SEGMENT INFORMATION

The Group 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

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The chief operating decision makers of the Group have been identified as the executive directors of the Company (the "Executive Directors").

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

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

All of the Group's revenue are generated in the PRC (place of domicile of the group entities that derive revenue). No individual customer of the Group has contributed sales of over 10% of the total revenue of the Group for each of the year ended 31 March 2011 and 2010.

	For the year ended 31 March 2011				
	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, Tianjin Pipe and its associates *(Note 34)*	–	–	208,864	–	208,864
– Other customers	415,698	19,882	366,105	220,516	1,022,201
Revenue from external customers	415,698	19,882	574,969	220,516	1,231,065
Segment results	1,531	(1,141)	31,976	135,078	167,444
– Reversal of impairment charge, net					40,489
– Other income					24,534
– Administrative expenses					(126,096)
– Share of results of a jointly controlled entity					(351)
– Finance costs					(12,372)
Profit before income tax					93,648
Other information for reportable segments:					
Depreciation	–	(245)	(11,875)	–	(12,120)

	For the year ended 31 March 2010				
	On-site gas sales *HK$'000*	**Bottled gas sales** *HK$'000*	**Piped gas sales** *HK$'000*	**Connection services** *HK$'000*	**Total** *HK$'000*
Revenue					
– TEDA Gas *(Note 34)*	–	–	70,478	–	70,478
– Other customers	215,571	15,727	319,162	174,341	724,801
Revenue from external customers	215,571	15,727	389,640	174,341	795,279
Segment results	1,617	184	23,994	101,072	126,867
– Reversal of impairment charge, net					1,133
– Other income					12,249
– Administrative expenses					(71,891)
– Finance income, net					212,344
Profit before income tax					280,702
Other information for reportable segments:					
Depreciation	–	(120)	(7,666)	–	(7,786)

6. OTHER INCOME AND GAINS — NET

	2011 **HK$'000**	2010 HK$'000
Other income:		
Income from management of Disposed Subsidiaries *(Note)*	**982**	2,339
Income from management of TEDA Gas *(Note 34)*	**1,280**	1,428
Others	**1,943**	1,513
	4,205	5,280
Other gains — net:		
Gain on disposal of property, plant and equipment	**1,116**	483
Write back of over accrued compensation for an accident	**6,984**	—
Reimbursement from TEDA for payment of compensation for an accident *(Note 34)*	**4,098**	—
Reimbursement for accidents	**—**	1,137
Compensation received for demolition of assets of a subsidiary	**—**	1,558
Gain on disposal of assets	**8,131**	3,791
	20,329	6,969
	24,534	12,249

Note:

The Group disposed 30 of its subsidiaries ("Disposed Subsidiaries") to Cavalier Asia Limited ("Tsinlien BVI"), the nominee major shareholder of the Group, on 4 May 2009. Following the completion of the disposal and pursuant to a management agreement, the Group will continue to manage these Disposed Subsidiaries for a period of three years or until the repurchase of these Disposed Subsidiaries (whichever is earlier) (Note 34).

7. EXPENSES BY NATURE

	2011 HK$'000	2010 HK$'000
Cost of gas purchased	**909,020**	546,411
Changes in inventories	**29**	(1,276)
Cost of pipeline materials	**14,064**	19,448
Subcontractor and other costs	**71,375**	53,821
Employee benefit expense *(Note 8(a))*	**85,159**	37,008
Depreciation		
— Cost of sales	**12,120**	7,786
— Administrative expenses	**3,440**	1,278
Operating lease rental		
— TEDA *(Note 34(a),(b))*	**10,510**	6,787
— Others	**5,893**	3,773
Provision for/(write back of) impairment of trade and other receivable — net	**4,515**	(2,327)
Inventory write-off	**110**	(186)
Amortisation	**845**	761
Auditor's remuneration	**2,910**	4,549
Other professional fees	**15,099**	10,447
Others	**54,628**	52,023
Total cost of sales and administrative expenses	**1,189,717**	740,303

8. EMPLOYEE BENEFIT EXPENSE

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

	Group	
	2011 HK$'000	2010 HK$'000
Wages and salaries	**47,447**	30,551
Share-based payments	**26,126**	—
Pension costs	**5,957**	3,503
Other welfares	**5,629**	2,954
	85,159	37,008

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

	Directors' fee HK$'000	Salaries and allowances HK$'000	Pension cost HK$'000	Share-based payments HK$'000	Others HK$'000	Total HK$'000
For the year ended 31 March 2011						
Executive Directors:						
Zhang Bing Jun *(Note i)*	38	–	–	–	–	38
Liu Hui Wen *(Note ii)*	363	–	–	4,330	–	4,693
Gao Liang	200	908	24	2,887	216	4,235
Non-Executive Directors:						
Dai Yan *(Note vi)*	200	–	–	2,021	–	2,221
Zhang Jun *(Note vi)*	200	–	–	2,021	–	2,221
Wang Gang *(Note vi)*	200	–	–	2,021	–	2,221
Zhu Wen Fang *(Note iii)*	123	–	–	2,021	–	2,144
Shen Xiao Lin *(Note i)*	19	–	–	–	–	19
Independent Non-Executive Directors:						
Lau Siu Ki, Kevin	240	–	–	577	–	817
Ip Shing Hing	240	–	–	577	–	817
Japhet Sebastian Law	240	–	–	577	–	817
Tse Tak Yin	240	–	–	577	–	817
	2,303	908	24	17,609	216	21,060

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

Note:

(i) Appointed on 25 February 2011;

(ii) Resigned on 25 February 2011, his options lapsed following his resignation.

(iii) Appointed on 20 August 2010;

(iv) Resigned on 9 February 2010;

(v) Resigned on 4 August 2009;

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 5 directors (2010: 3 Directors) whose emoluments are reflected in the analysis presented above. In 2010, the emoluments of the remaining 2 individuals are as follows:

	2011 **HK$'000**	2010 *HK$'000*
Wages and salaries	–	547
Pension costs	–	20
	–	567

No emoluments were paid by the Group to the directors or the five highest individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of directors has waived any emoluments in the year ended 31 March 2011.

9. INTEREST WAIVED

	2011 **HK$'000**	2010 *HK$'000*
China Construction Bank Corporation Tianjin Branch	**–**	139,242
Syndicated banks	**–**	48,264
China Merchants Bank Company Limited Hong Kong Branch	**–**	5,969
Agricultural Bank of China Tianjin Branch	**–**	3,355
Finance Bureau of the Tianjin Economic and Technological Development Area	**–**	17,715
TEDA	**–**	11,737
	–	226,282

10. FINANCE COSTS

	2011 **HK$'000**	2010 *HK$'000*
Interest on bank loans	**4,322**	10,840
Interest on amounts due to TEDA and Tsinlien Assets Management *(Note 34)*	**4,141**	3,675
Guarantee fee paid to TEDA *(Note 34)*	**1,467**	–
Exchange loss/(gain)	**4,640**	(577)
	14,570	13,938
Less: amounts capitalised as part of the cost of property, plant and equipment *(Note)*	**(2,198)**	–
	12,372	13,938

Note:

Amount included finance costs from general borrowings capitalised at a rate of 5.43%.

11. INCOME TAX EXPENSES

No Hong Kong profit tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (2010: 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% (2010: 20% to 25%). All of the following taxation arose in the PRC.

	2011 ***HK$'000***	2010 *HK$'000*
Current taxation:		
— Taxation on interest waived *(Note)*	**–**	17,408
— Others	**26,944**	31,527
Total current taxation	**26,944**	48,935
Deferred taxation *(Note 30)*:		
— Tax losses	**(6,423)**	–
Total deferred taxation	**(6,423)**	–
Income tax expense	**20,521**	48,935

Note:

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

The taxation on the profit before taxation of the Group differs from the theoretical amount that would arise using the applicable statutory enterprise income tax rate. Below is the reconciliation between taxation in the consolidated income statement and aggregate tax at the rates applicable to profits in the respective entities concerned.

	2011 HK$'000	2010 HK$'000
Profit before taxation	**93,648**	280,702
Tax calculated at the respective applicable tax rates	**25,567**	59,821
Expenses not deductible for taxation purposes	**9,410**	10,079
Unutilised tax losses of subsidiaries	**5,743**	4,280
Income not subject to tax	**(12,499)**	(8,948)
Tax loss previously not recognised	**(6,423)**	—
Utilisation of tax losses previously not recognised	**(1,277)**	(16,297)
	20,521	48,935

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$78 million (2010: loss of HK$396 million).

13. EARNINGS PER SHARE

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

	2011 HK$'000	2010 HK$'000
Earnings		
Profit attributable to equity holders of the Company	**71,380**	230,114
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**11,659,478,667**	10,379,854,495
Effect of dilutive potential ordinary shares arising from share options	**41,151**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**11,659,519,818**	10,379,854,495

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.

	2011 **HK$'000**	2010 *HK$'000*
Profit attributable to equity holders	**71,380**	230,114
Adjustments for:		
— Interest waived	**–**	(226,282)
— Income tax expense on interest waived	**–**	17,408
Profit attributable to equity holder (excluding interest waived and income tax expense on interest waived)	**71,380**	21,240
Adjusted basic earnings per share (excluding interest waived and income tax expense on interest waived)	**0.6 cents**	0.2 cents
Adjusted diluted earnings per share (excluding interest waived and income tax expense on interest waived)	**0.6 cents**	0.2 cents

14. DIVIDENDS

No dividend was proposed in respect of the year ended 31 March 2011 (2010: Nil).

15. LAND USE RIGHTS

Movements of the Group's interests in land use rights held under leases of between 10 to 50 years in the PRC are as follows:

	HK$'000
As as 1 April 2009	36,868
Exchange differences	298
Additions	510
Amortisation charge	(761)
Disposal and write-off	(2,303)
As at 31 March 2010	34,612
Exchange differences	1,481
Additions	6,785
Amortisation charge	(845)
Reclassify to assets held for sale	(405)
As at 31 March 2011	41,628

The Group is in the process of applying for the title to certain land use rights with cost of approximately RMB1.2 million (approximately HK$1.4 million) as at 31 March 2011 (2010: RMB1.2 million (approximately HK$1.4 million)). The directors of the Company believe that the title documents will be obtained in due course without significant cost.

16. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Leasehold properties	Machinery and equipment	Gas pipelines	Office equipment and motor vehicles	Construction in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:						
At 1 April 2009	89,268	91,357	296,956	38,662	20,269	536,512
Exchange differences	721	806	2,410	298	143	4,378
Additions	683	1,379	4,747	16,699	33,422	56,930
Transfer upon completion	358	408	18,728	14	(19,508)	–
Disposals	(6,209)	(5,188)	(13,294)	(5,100)	(7,331)	(37,122)
At 31 March 2010	84,821	88,762	309,547	50,573	26,995	560,698
Exchange differences	3,384	4,061	15,501	2,121	4,964	30,031
Additions	667	809	2,828	18,899	349,589	372,792
Transfer upon completion	1,572	5,367	142,778	19	(149,736)	–
Reclassify to assets held for sale	(1,763)	(919)	(491)	–	(25)	(3,198)
Disposals	(5,978)	(1,790)	(1,087)	(2,334)	(471)	(11,660)
At 31 March 2011	**82,703**	**96,290**	**469,076**	**69,278**	**231,316**	**948,663**
Accumulated depreciation and impairment:						
At 1 April 2009	52,276	78,182	155,275	33,416	12,051	331,200
Exchange differences	428	633	2,489	257	65	3,872
Reclassification	–	–	9,484	–	(9,484)	–
Charge for the year	3,869	746	1,420	3,029	–	9,064
Write back of impairment charge	–	–	(1,133)	–	–	(1,133)
Disposals	(3,084)	(4,172)	(6,630)	(4,140)	(2,632)	(20,658)
At 31 March 2010	53,489	75,389	160,905	32,562	–	322,345
Exchange differences	1,950	3,707	6,525	833	–	13,015
Charge for the year	2,535	3,314	4,638	5,073	–	15,560
Write back of impairment charge	–	–	(40,489)	–	–	(40,489)
Reclassify to assets held for sale	(372)	(317)	(97)	–	–	(786)
Disposals	(591)	(202)	(3,480)	(1,998)	–	(6,271)
At 31 March 2011	**57,011**	**81,891**	**128,002**	**36,470**	**–**	**303,374**
Net book value:						
At 31 March 2011	**25,692**	**14,399**	**341,074**	**32,808**	**231,316**	**645,289**
At 31 March 2010	31,332	13,373	148,642	18,011	26,995	238,353

Notes:

(a) The Group is in the process of applying for the title to certain buildings with cost of approximately RMB2 million (approximately HK$2.3 million) as at 31 March 2011 (2010: HK$4 million). The directors of the Company believe that the title documents will be obtained in due course without significant additional cost.

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

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates of 15.9% using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Growth rates are based on forecasted number of connection customers and unit price is assumed to grow with general inflation of 5% in the first five years of the model. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The value in use calculations is derived from cash flow projections based on the actual results of the year 2011. Cash flows from 2012 to 2016 have been extrapolated using an average growth rate of 2009 to 2011 of approximately 7% and assumed such growth rate will remain constant in the first five years of the forecast period.

Movement of the provision for impairment charges is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 April	**255,933**	267,919
Exchange differences	**10,629**	3,377
Impairment charge for the year *(Note (i))*	**1,970**	33,237
Reversal of impairment charge *(Note (ii))*	**(42,459)**	(34,370)
Reversal of impairment charge of assets disposed	**(2,173)**	(14,230)
At 31 March	**223,900**	255,933

Notes:

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

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

17. INTANGIBLE ASSETS

The cost of license held by the Group approximately RMB7 million (approximately HK$8 million) has been fully provided for since 31 March 2004.

18. SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	*HK$'000*
Non-current assets		
Unlisted shares, at cost	**47,748**	47,748
Less: Provision for interest in a subsidiary *(Note (i))*	**(47,748)**	(47,748)
	–	–
Amount due from a subsidiary	**1,137,741**	1,137,741
Less: Provision for amount due from a subsidiary *(Note (i))*	**(692,900)**	(819,555)
	444,841	318,186
Current assets		
Amount due from a subsidiary *(Note (ii))*	**26,873**	–

Notes:

i. Provision for interest in a subsidiary represents the estimated impairment of the Group's interest in this subsidiary. The amount due from a subsidiary which basically represents the Company's indirect investment cost in all of its other subsidiaries is unsecured and interest free.

ii. The amount due from a subsidiary is unsecured, interest free and repayable on demand.

Details of all the subsidiaries at 31 March 2011 are set out below:

(a) Investment holding companies:

	Place of incorporation	Particulars of issued and fully paid capital	Effective interest held
Winstar Venture Ltd	British Virgin Islands ("BVI")	US$200 ordinary shares	100%
Binhai Investment Hong Kong Ltd	Hong Kong	HK$2 ordinary shares, HK$29 million non-voting deferred shares *(Note (ii))*	100%
Wah Sang Gas Equipment and Engineering Co., Ltd	BVI	US$0.05 million ordinary shares	100%
Binhai Investment (Tianjin) Co. Ltd	PRC	US$155 million	100%

Notes:

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

(ii) The principal rights and restrictions of non-voting deferred shares held by Binhai Investment Hong Kong Limited are set out below:

- No part of the profits shall be distributed among the holders of the non-voting deferred shares.
- On return of assets on winding up or otherwise, one half of balance of the Company's assets, after the first HK$100,000,000 million, shall belong to the holders of non-voting deferred shares.
- Non-voting deferred shareholders are not entitled to receive notice of or to attend to vote at any general meeting of the Company.

(b) Other subsidiaries

		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital (Note (i)) HK$ Million	Potential capital contributions (Note (ii)) HK$ Million	Effective indirect interest (Note (iii)) (%)
1	Zibo Jin Bin Gas Company Limited (formerly Zi Bo Wah Sang Gas Company Limited)	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	25	–	100
2	Tianjin Wah Sang Gas Enterprise Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	149	–	100
3	Binzhou Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	27	–	100
4	Zhaoyuan Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	20	–	100
5	Deqing Binhai Gas Company Limited (formerly Deqing Wah Sang Gas Company Limited)	Sino-foreign equity joint ventures@, PRC	Connection services and sale of gases, PRC	18	–	90
6	Qingdao Laixi Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	16	–	100
7	Zhuozhou Binhai Gas Development Company Limited (formerly Zhuozhou Wah Sang Gas Development Company Limited)	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	11	–	100
8	Nanjing Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	12	–	100

		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
9	Yizheng TEDA Gas Company Limited (formerly Yizheng Wah Sang Gas Company Limited)	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	13	–	100
10	Qinhuangdao TEDA Gas Company Limited (formerly Qinhuangdao Wah Sang Gas Company Limited)	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	12	–	100
11	Tianjin Wah Sang Energy Development Co., Ltd	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	114	–	100
12	Qingdao Jiaonan Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	11	–	100
13	Sanhe TEDA Gas Company Limited (formerly Sanhe Yan Shen Gas Development Company Limited)	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	7	–	90
14	Changle Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	8	–	100
15	Dezhou Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	6	–	90

		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
16	Jurong Wah Sang Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	3	–	100
17	Yingtan Wah Sang Gas Company Limited	Wholly foreign owned enterprises* , PRC	Connection services and sale of gases, PRC	4	21	100
18	Yiyang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures# , PRC	Connection services and sale of gases, PRC	4	20	100
19	Zhangjiagang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	4	18	100
20	Qingdao Jiaozhou Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	17	–	100
21	Jingjiang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	3	13	100
22	Leiyang Wah Sang Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	2	13	100
23	Funing TEDA Gas Company Limited (formerly Funing Wah Sang Gas Company Limited)	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	7	–	100

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

		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
31	Suining Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	2	8	100
32	Jinhu Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	7	–	100
33	Qixia Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	6	5	100
34	Tianjin Binhai Xinda Real Estate Company Limited	Wholly foreign owned enterprises*, PRC	Property development, PRC	–	156	100
35	Yizheng Jin Bin Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	12	–	100
36	Tangshan Binhai Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	24	62	100
37	Tianjin Hua Tai Xinda Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	6	–	100
					334	

Notes:

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

(ii) The Company's potential capital contributions, through Binhai Investment (Tianjin) Co. Ltd, into the subsidiaries amounts to approximately HK$334 million. Although the deadlines for injecting the capital for all these subsidiaries have expired, they are all still operating as at date of these consolidated financial statements.

(iii) Effective interests held are determined by assets appropriation upon the dissolution of the subsidiaries, instead of by proportion of the capital injection. The 2011 position is unchanged from 2010.

(iv) Legal forms of PRC subsidiaries are indicated as follows:

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

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

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2011	2010
	HK$'000	*HK$'000*
Share of net assets	**13,891**	–

As at 31 March 2011, the Group had a 40% equity interest in an unlisted jointly controlled entity, incorporated and operating in Tianjin, the PRC. None of the investors in this entity has unilateral control over its economic activities, resulting in joint control over the entity by the respective investors.

There are no contingent liabilities relating to the Group's interests in the jointly controlled entity and the jointly controlled entity itself does not have any contingent liabilities.

Details of the jointly controlled entity as at 31 March 2011 are as follows:

Name	Date of incorporation	Issued share capital	Principal activities
Tianjin Airport Economic Area Gas Co., Ltd	2 June 2010	RMB30 million	Connection services and sale of gas

20. PROPERTY UNDER DEVELOPMENT

	Group	
	2011	2010
	HK$'000	*HK$'000*
Land use rights	**12,154**	11,686
Construction costs and capitalised expenditure	**34,783**	19,201
	46,937	30,887

Property under development is located in Tianjin Airport Economic Area in Binhai New Area, the PRC and are located on land held under land use rights for commercial use for a term of 40 years from 31 December 2009.

The Group is in the process of applying for the title document of the land use rights. The directors of the Company believe that the title documents will be obtained in due course without significant cost.

21. INVENTORIES

	Group 2011 HK$'000	2010 HK$'000
Materials for gas pipelines	**34,245**	26,117
Gases (including cushion gas)	**3,845**	3,874
	38,090	29,991

The cost of inventories recognised as expense and included in the cost of sales amounted to HK$987 million (2010: HK$612 million).

22. TRADE AND OTHER RECEIVABLES

	Note	Group 2011 HK$'000	2010 HK$'000
Trade receivables		**115,116**	80,909
less: Provision for impairment		**(32,197)**	(26,568)
	(a)	**82,919**	54,341
Notes receivables	*(a)*	**28,574**	–
		111,493	54,341
Advances to suppliers		**152,181**	105,608
less: Provision for impairment	*(d)*	**(85,813)**	(82,561)
		66,368	23,047
Prepayments and other receivables	*(e)*	**54,424**	41,517
less: Provision for impairment		**(5,950)**	(6,006)
		48,474	35,511
		226,335	112,899

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

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

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

		Group	
		2011	2010
	Note	***HK$'000***	*HK$'000*
0 — 90 days		**58,705**	37,601
91 — 180 days		**7,858**	7,827
181 — 360 days		**10,108**	5,342
Over 360 days		**38,445**	30,139
		115,116	80,909
Less: Provision for impairment of trade receivables	*(c)*	**(32,197)**	(26,568)
		82,919	54,341

Trade and notes receivables of HK$111 million are fully collectible as they are due from active trading customers with low default rate.

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
91 — 180 days	**418**	280
181 — 360 days	**200**	—
Over 360 days	**6,248**	3,790
	6,866	4,070

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

	Group 2011 HK$'000	Group 2010 HK$'000
At 1 April	**(26,568)**	(30,959)
Exchange differences	**(1,063)**	(229)
Impairment of trade receivables	**(6,356)**	–
Write back for the year – net	**1,790**	4,620
At 31 March	**(32,197)**	(26,568)

(d) Provision for impairment of approximately HK$86 million (2010: HK$83 million) principally relates to advances to suppliers which arose as a result of termination of trading relationships. Movement for 2011 is mainly because of the completion of projects and recognition of cost.

(e) Prepayments and other receivables mainly represent deposits for gas purchase. Balance also includes management fee receivable from TEDA Gas of about HK$2.8 million (2010: HK$1.4 million) and account receivable from associates of Tianjin Pipe of about HK$6.2 million (Note 34(c)).

23. CASH AND CASH EQUIVALENTS

	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Cash at bank and in hand	**431,467**	286,830	**193**	194
Short term deposits	**–**	100,061	**–**	39,623
	431,467	386,891	**193**	39,817
Pledged cash deposits	**1,187**	–	**–**	–

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi	**220,909**	284,377	**–**	–
Hong Kong dollars	**70,587**	102,514	**193**	39,817
US dollars	**141,158**	–	**–**	–
	432,654	386,891	**193**	39,817

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

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

24. ASSETS HELD FOR SALE

Pursuant to an agreement dated 12 January 2011, one of the subsidiaries of the Group entered into an asset transfer agreement with a third party to transfer its land use rights and property, plant and equipment at a consideration of HK$3.3 million. The carrying value of the land use rights and property, plant and equipment amounted to about HK$2.8 million as at year end.

HK$2.4 million was received before year end with the remaining consideration expected to be received in July 2011. The sale of the relevant assets is expected to complete by end of March 2012 with no material gain or loss expected.

25. SHARE CAPITAL

At 1 April 2010 and 31 March 2011	Number of shares *Million*	Amounts *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:	15,000	150,000
Issued and fully paid:	5,993	59,928
Convertible Preference Shares of HK$1.00 each *(Note(i))*		
Authorised:	170	170,000
Issued and fully paid:	170	170,000
Redeemable Preference Shares of HK$50.00 each *(Note(ii))*		
Authorised:	9	430,000
Issued and fully paid:	9	430,000
Total		
Authorised:		750,000
Issued and fully paid:		659,928

Notes:

(i) The Company issued 130 million and 40 million Convertible Preference Shares to Cavalier Asia Limited and syndicate banks, respectively. These Convertible Preference Shares are:

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

(ii) The Company issued 8.6 million Redeemable Preference Shares to Tsinlien BVI, these Redeemable Preference Shares are:

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

Share Options

On 27 September 2010, the Company granted share options (the "Share Option") 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.

(a) Movements in the number of share option outstanding and their related weighted average exercise prices are as follows:

	2011		2010	
	Average exercise prices	**Share options**	Average exercise prices	Share options
	HK$	***'000***	*HK$*	*'000*
At 1 April	**–**	**–**	–	–
Granted	**0.56**	**90,500**	–	–
Lapsed	**–**	**(16,500)**	–	–
At 31 March		**74,000**		–

(b) Share options at the balance sheet date and their remaining contractual lives are as follows:

	2011		**2010**	
	Remaining contractual life number of years	**Share options**	Remaining contractual life number of years	Share options
		'000		*'000*
Exercise price HK$0.56	**9.5**	**74,000**	–	–

The fair value of the share option 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.

26. OTHER RESERVES

	Contributed surplus *(Note (i))* *HK$'000*	Exchange reserve *(Note(ii))* *HK$'000*	Statutory reserves *(Note (iii))* *HK$'000*	Employee share option reserve *HK$'000*	Other reserves *HK$'000*	Total *HK$'000*
(a) Group						
Balance at 1 April 2009	28,800	(129,288)	2,561	–	–	(97,927)
Translation differences	–	(866)	–	–	–	(866)
Assumption of debt by ultimate holding company	–	–	–	–	160,000	160,000
Balance at 31 March 2010	28,800	(130,154)	2,561	–	160,000	61,207
Translation differences	–	17,720	–	–	–	17,720
Recognition of equity settled share-based payment	–	–	–	26,126	–	26,126
Transfer to accumulated loss	–	–	–	(4,763)	–	(4,763)
Balance at 31 March 2011	28,800	(112,434)	2,561	21,363	160,000	100,290

	Contributed surplus (Note (i)) HK$'000	Exchange reserve (Note(ii)) HK$'000	Statutory reserves (Note (iii)) HK$'000	Employee share option reserve HK$'000	Other reserves HK$'000	Total HK$'000
(b) Company						
Balance at 1 April 2009	47,547	(51,394)	–	–	–	(3,847)
Translation differences	–	148	–	–	–	148
Assumption of debt by ultimate holding company	–	–	–	–	160,000	160,000
Balance at 31 March 2010	47,547	(51,246)	–	–	160,000	156,301
Translation differences	–	15,466	–	–	–	15,466
Recognition of equity settled share-based payment	–	–	–	26,126	–	26,126
Transfer to accumulated loss	–	–	–	(4,763)	–	(4,763)
Balance at 31 March 2011	47,547	(35,780)	–	21,363	160,000	193,130

Notes:

(i) Contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganization on 26 February 2000 in preparation for the listing of the Company's shares on SEHK and the nominal value of the Company's shares issued in exchange therefore.

Contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganization on 26 February 2000, over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Act 1981 of Bermuda, a company may make distributions to its members out of its contributed surplus under certain circumstances.

(ii) The exchange reserve arose upon translation of the consolidated financial statements from the functional to the presentation currency.

(iii) In accordance with the relevant PRC regulations, the subsidiaries of the Company established in the PRC are required to transfer a certain percentage (as determined by the board of Directors of each of the subsidiaries) of their profits after tax (as determined in accordance with PRC generally accepted accounting principles), if any, to the statutory reserves. The statutory reserves can be used to offset accumulated losses or to increase capital upon approval by their respective board of Directors. The statutory reserves are not distributable unless the respective subsidiaries in the PRC are dissolved.

27. TRADE AND OTHER PAYABLES

	Note	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Trade payables	(a)	**208,350**	112,827	**–**	–
Amounts due to TEDA and Tsinlien Assets Management	(b)	**82,917**	52,236	**–**	–
Accrued expenses		**22,364**	20,274	**5,041**	1,661
Advance from customers		**104,089**	69,246	**–**	–
Interest payable	(c)	**17,284**	11,527	**–**	–
Other payables	(d)	**159,128**	91,347	**–**	–
Trade and other payables		**594,132**	357,457	**5,041**	1,661

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

	Group 2011 HK$'000	Group 2010 HK$'000
RMB	**590,739**	355,166
HK dollars	**3,393**	2,291
	594,132	357,457

(a) At 31 March 2011, the ageing analysis of the trade payables is as follows:

	Group 2011 HK$'000	Group 2010 HK$'000
0 — 90 days	**101,951**	37,711
91 — 180 days	**11,956**	9,780
181 — 360 days	**23,945**	7,348
Over 360 days	**70,498**	57,988
	208,350	112,827

(b) The balance comprised of:

	Group	
	2011	2010
	HK$'000	*HK$'000*
TEDA *(Note 28)*	**54,420**	24,376
Tsinlien Assets Management *(Note)*	**28,497**	27,860
	82,917	52,236

Note:

The balance represented a principal of RMB24 million (2010: RMB24 million) and the interest accrued thereon at an average annual interest of 5.52% (2010: 5.4%). The balance has no fixed repayment terms.

On 31 March 2011, the Group entered into a supplemental agreement with Tsinlien Assets Management, pursuant to which Tsinlien Assets Management shall waive all interest on the balance accruing from 5 July 2004 to 30 June 2011 if the Group agreed to repay RMB5 million by 30 April 2011 and the remaining RMB19 million on or before 30 June 2011. As of date of this report, RMB5 million has been repaid by the Group.

(c) Included in the balance are interest payable to TEDA and Tsinlien Assets Management of HK$5,351,000 (2010: HK$2,417,000) and HK$10,545,000 (2010: HK$8,805,000), respectively.

(d) Included in other payables are amounts due to non-controlling shareholders of subsidiaries calculated pursuant to the respective joint venture agreement.

28. LONG-TERM PAYABLES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Amounts due to TEDA	**72,230**	58,626
Less: current portion of amount due to TEDA *(Note 27 (b))*	**(54,420)**	(24,376)
Long-term portion of amount due to TEDA	**17,810**	34,250

The amount due to TEDA is interest bearing at 5.59% and is repayable in equal installments over three years to 12 May 2012.

29. BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Current				
Unsecured:				
Short-term				
— PRC banks	**92,626**	—	**—**	—
— Hong Kong bank *(Notes (a))*	**5,000**	5,000	**5,000**	5,000
Current portion of long-term borrowings within one year				
— Hong Kong bank *(Note 34(e) (vii))*	**200,000**	—	**—**	—
	297,626	5,000	**5,000**	5,000
Non-current				
Unsecured:				
— Over one year, less than two years *(Notes (a))*	**5,000**	5,000	**5,000**	5,000
— Over two year, less than five years *(Notes (a))*	**5,000**	10,000	**5,000**	10,000
	10,000	15,000	**10,000**	15,000
	307,626	20,000	**15,000**	20,000

Note:

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

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Borrowings from China Merchants Bank	**15,000**	20,000	**13,875**	18,875

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

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
— PRC banks	**5.56%-6.67%**	—	**–**	—
— Other Hong Kong banks	**2.18%-4%**	4%	**4%**	4%

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong Dollars	**215,000**	20,000	**15,000**	20,000
Renminbi	**92,626**	—	**–**	—
	307,626	20,000	**15,000**	20,000

(d) The Group did not have any undrawn borrowing facility as at 31 March 2011.

30. DEFERRED INCOME TAX ASSET

	2011	2010
	HK$'000	*HK$'000*
At 1 April	**–**	—
Credited to income statement *(Note 11)*	**6,423**	—
At 31 March	**6,423**	—

The Group recognises deferred tax assets for tax loss carry forward only to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group did not recognize deferred tax assets in respect of operating losses amounting to approximately HK$52 million which can be carried forward against future taxable income. These unutilised losses expire after five years from occurrence.

31. NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash generated from operations:

	2011 **HK$'000**	2010 *HK$'000*
Profit before taxation	**93,648**	280,702
Adjustments for:		
— Interest income	**(799)**	(614)
— Depreciation	**15,560**	9,064
— Amortisation	**845**	761
— Reversal of impairment charge on property, plant and equipment, net	**(40,489)**	(1,133)
— Impairment charge on trade and other receivables	**4,515**	(2,327)
— Finance costs	**12,372**	(212,344)
— Gain on disposal of property, plant and equipment *(Note(i))*	**(1,116)**	(483)
— Gain on disposal of assets *(Note(i))*	**(8,131)**	(5,349)
— Employee share-based payments	**26,126**	–
— Share of results of a jointly controlled entity	**351**	–
Changes in working capital:		
— Inventories	**(8,099)**	(3,578)
— Trade and other receivables	**(111,354)**	(12,019)
— Trade and other payables	**87,636**	29,364
Net cash generated from operations	**71,065**	82,044

Note:

(i) Movements on disposal of assets comprise:

	2011 **HK$'000**	2010 *HK$'000*
Net book amount of land use right	**–**	2,303
Net book amount of property, plant and equipment	**5,389**	16,464
Net book amount of assets disposed	**–**	3,985
Proceeds from disposal	**(14,636)**	(28,584)
Gain on disposal	**(9,247)**	(5,832)

(b) Disposal of subsidiaries

	2011 HK$'000	2010 HK$'000
Net assets/(liabilities) disposed		
Property, plant and equipment	–	97,496
Land use right	–	17,611
Trade and other receivables	–	16,056
Inventories	–	6,852
Cash and cash equivalent	–	4,219
Trade and other payables	–	(52,113)
Identifiable net assets	–	90,121
Less: non-controlling interests	–	(181)
Net assets disposed	–	89,940
Gain on disposal	–	–
Satisfied by:		
Cash consideration	–	82,000
Amount due from TEDA	–	7,940
	–	89,940
Net cash inflow in respect of disposal of subsidiaries	–	77,781

32. FINANCIAL GUARANTEE

As at 31 March 2011, the Company's guarantee to subsidiaries in respect of their bank borrowings had been released due to the repayment of all bank loans (2010: Nil).

33. COMMITMENTS

(a) Capital expenditure and property development commitment of the Group (Company: None in 2011 and 2010) at the balance sheet date is as follows:

	2011 HK$'000	2010 HK$'000
Authorised but not contracted for:		
Property under development	**305,831**	291,000
Contracted but not provided for:		
Property, plant and equipment	**186,705**	11,387
Property under development	**3,834**	20,613
	190,539	32,000

(b) The Group's future aggregate minimum lease payments under non-cancelable operating leases in respect of buildings are as follows (Company: None in 2011 and 2010):

	2011 HK$'000	2010 HK$'000
Not later than one year	**3,014**	4,604
Later than one year and not later than five years	**4,354**	1,923
Later than five years	**4,459**	4,560
	11,827	11,087

Note: The above amounts include a lease commitment with a subsidiary of TEDA (Note 34).

(c) On 28 May 2008, the Group entered into an agreement with TEDA to lease its pipeline network (Note 34). The lease is for a term of three years and the maximum annual lease payment will not exceed approximately RMB9.2 million for the financial year ending 31 March 2012.

34. RELATED PARTY TRANSACTIONS

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

	Group 2011 HK$'000	2010 HK$'000
(a) Transactions with holding company:		
Income from management of Disposed Subsidiaries *(Note (i))*	**982**	2,339
Leasing charges of Second Pipelines Network *(Note (ii))*	**(7,721)**	(4,085)
Reimbursement from TEDA for payment of compensation for an accident	**4,098**	–
Guarantee fee paid *(Note (vii))*	**(1,467)**	–
Interest expenses	**(4,141)**	(3,675)
(b) Transactions with fellow subsidiaries:		
Sale of gas to TEDA Gas *(Note (iii))*	**65,106**	70,478
Sale of gas to Tianjin Pipe and its associates *(Note (iv))*	**143,758**	–
Sale of gas to former subsidiaries	**4,205**	1,893
Income from management of TEDA Gas *(Note (v))*	**1,280**	1,428
Rental charges of office premises to TEDA Real Property Development Company Ltd *(Note (vi))*	**(2,789)**	(2,702)
(c) Balances with a fellow subsidiary:		
Account receivable from associates of Tianjin Pipe	**6,248**	–
Management fee receivable from TEDA Gas	**2,797**	1,434

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

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

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

(e) Key management compensation

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

Notes:

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

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

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

(iv) The Group supplies gas to Tianjin Pipe and its associates via the Second Pipelines Network and the Group's pipe network respectively.

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

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

(vii) The Group pays a guarantee fee to TEDA for the latter to provide guarantee for a short term bank loan of HK$200 million. The fee is calculated at 0.7% on the loan principal.

35. ULTIMATE HOLDING COMPANY

As of 31 March 2011, Tsinlien BVI, a wholly owned subsidiary of Tsinlien Group Company Limited ("Tsinlien"), is the nominee major shareholder of the Company.

Pursuant to an agreement dated 28 May 2008 and supplemental agreement dated 25 February 2009, Tsinlien has agreed to transfer the entire issued share capital of Tsinlien BVI to TEDA Hong Kong Property Company Limited ("TEDA HK"), a company incorporated in Hong Kong with limited liability and beneficially wholly owned by TEDA. Upon completion of the transfer, TEDA will formally become the ultimate holding company of the Company.

The necessary PRC regulatory approvals for TEDA to invest in the Company via TEDA HK mentioned in the preceding paragraph have remained outstanding as of date of this report.

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

36. EVENT AFTER THE BALANCE SHEET DATE

On 24 June 2011, Tianjin Wah Sang Gas Enterprise Company Limited ("Tianjin Wah Sang"), a wholly owned subsidiary of the Group and TEDA entered into an asset transfer agreement pursuant to which it was conditionally agreed that Tianjin Wah Sang shall acquire the Second Pipelines Network from TEDA at a consideration of about HK$335 million. Such transaction constitutes a notifiable and connected transaction of the Company subject to the approval of the independent shareholder of the Company.

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Directors on 24 June 2011.

FIVE-YEAR FINANCIAL SUMMARY

The following table summarized the results, assets and liabilities of the Group for the five years ended 31 March 2011.

	2011 **HK$'000**	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Revenue	**1,231,065**	795,279	621,464	587,479	425,950
Profit/(loss) attributable to owners of the parent of the Company	**71,380**	230,114	(40,451)	(49,928)	(98,138)
Total assets	**1,454,064**	833,633	571,267	478,679	418,191
Total liabilities	**960,573**	457,547	1,457,789	1,307,357	1,103,540
Equity holder' equity/(deficit)	**481,479**	366,253	(894,811)	(835,823)	(696,945)
Non-controlling interests	**12,012**	9,833	8,289	7,145	11,596