



濱海投資有限公司 BINHAI INVESTMENT COMPANY LIMITED

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



2011/2012

Interim Report



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

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FINANCIAL HIGHLIGHTS

	Unaudited Six months ended 30 September 2011 HK\$'000	Unaudited Six months ended 30 September 2010 HK\$'000	Increase
Revenue	802,715	484,075	66%
Gross profit	102,099	71,910	42%
Profit for the period	41,284	732	5540%
Basic earnings per share attributable to the equity holders of the Company during the period	0.35 cents	0.0002 cents	0.35 cents

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000	Increase
Total assets	1,608,579	1,454,064	11%
Total equity	550,914	493,491	12%
Total liabilities	1,057,665	960,573	10%

The board of Directors (the “**Board**”) of the Company hereby announces the unaudited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2011, together with the unaudited comparative figures for the corresponding period in 2010.

FINANCIAL INFORMATION

Condensed Consolidated Income Statement

	Note	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	4	388,295	270,939	802,715	484,075
Costs of sales		(326,057)	(223,928)	(700,616)	(412,165)
Gross profit		62,238	47,011	102,099	71,910
Other income and gains					
– net	6	4,944	5,244	5,359	5,727
Administrative expenses		(27,030)	(46,909)	(49,586)	(65,708)
Finance income/(cost)	7	40,152	5,346	57,872	11,929
Share of results of a jointly controlled entity		16	821	(683)	(14)
		(415)	–	(648)	–
Profit before taxation		39,753	6,167	56,541	11,915
Income tax expenses	8	(9,671)	(8,923)	(15,257)	(11,183)
Profit/(loss) for the period		30,082	(2,756)	41,284	732
Attributable to:					
– Owners of the parent		29,494	(3,308)	40,241	26
– Non-controlling interests		588	552	1,043	706
		30,082	(2,756)	41,284	732
Earnings/(loss) per ordinary share	10				
– basic (HK cents)		0.25 cents	(0.03) cents	0.35 cents	0.0002 cents
– diluted (HK cents)		0.25 cents	(0.03) cents	0.35 cents	0.0002 cents

Condensed Consolidated Statement of Comprehensive Income

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Comprehensive income				
Profit/(loss) for the period	30,082	(2,756)	41,284	732
Other comprehensive income:				
Exchange differences	7,642	6,540	16,139	8,125
Other comprehensive income	7,642	6,540	16,139	8,125
Total comprehensive income for the period	37,724	3,784	57,423	8,857
Attributable to:				
– Owner of the parent	36,984	3,063	56,060	7,942
– Non-controlling interests	740	721	1,363	915
Total comprehensive income for the period	37,724	3,784	57,423	8,857

Condensed Consolidated Balance Sheet

	Note	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
ASSETS			
Non-current assets			
Land use rights		42,198	41,628
Property, plant and equipment	11	906,141	645,289
Interests in a jointly controlled entity		13,590	13,891
Deferred income tax assets		3,199	6,423
		965,128	707,231
Current assets			
Property under development		58,765	46,937
Inventories		46,630	38,090
Trade and other receivables	12	272,287	226,335
Pledged bank deposit		1,218	1,187
Cash and cash equivalents		264,551	431,467
		643,451	744,016
Assets held for sale		—	2,817
		643,451	746,833
Total assets		1,608,579	1,454,064
EQUITY			
Equity holders of the Company			
Share capital	13		
— Ordinary shares		59,928	59,928
— Convertible preference shares		170,000	170,000
— Redeemable preferences shares		430,000	430,000
Share premium		424,737	424,737
Others reserves		116,109	100,290
Accumulated losses		(663,235)	(703,476)
		537,539	481,479
Non-controlling interests		13,375	12,012
Total equity		550,914	493,491

Condensed Consolidated Balance Sheet

		Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Long-term payables	14	—	17,810
Borrowings	15	5,000	10,000
		5,000	27,810
Current liabilities			
Trade and other payables	14	694,164	594,132
Current income taxation liabilities		40,411	41,005
Borrowings	15	318,090	297,626
		1,052,665	932,763
Total liabilities		1,057,665	960,573
Total equity and liabilities		1,608,579	1,454,064
Net current liabilities		(409,214)	(185,930)
Total assets less current liabilities		555,914	521,301

Condensed Consolidated Statement of Changes in Equity

Changes in equity of the Group during the six months ended 30 September 2011 and 2010 are as follows:

	Unaudited						
	Owner of the parent					Non-controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
Balance at 1 April 2010	659,928	424,737	61,207	(779,619)	366,253	9,833	376,086
Comprehensive income							
Profit for the period	-	-	-	26	26	706	732
Other comprehensive income							
Exchange differences	-	-	7,916	-	7,916	209	8,125
Total comprehensive income for the period	-	-	7,916	26	7,942	915	8,857
Transactions with owners							
Recognition of equity settled share-based payment	-	-	26,126	-	26,126	-	26,126
Total transactions with owners	-	-	26,126	-	26,126	-	26,126
Balance at 30 September 2010	659,928	424,737	95,249	(779,593)	400,321	10,748	411,069
Balance at 1 April 2011	659,928	424,737	100,290	(703,476)	481,479	12,012	493,491
Comprehensive income							
Profit for the period	-	-	-	40,241	40,241	1,043	41,284
Other comprehensive income							
Exchange differences	-	-	15,819	-	15,819	320	16,139
Total comprehensive income for the period	-	-	15,819	40,241	56,060	1,363	57,423
Balance at 30 September 2011	659,928	424,737	116,109	(663,235)	537,539	13,375	550,914

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
Net cash generated from operating activities	42,893	7,092
Net cash generated used in investing activities	(200,131)	(157,091)
Net cash generated from/(used in) financing activities	4,080	(5,400)
Net decrease in cash and cash equivalents	(153,158)	(155,399)
Cash and cash equivalents at beginning of the period	431,467	386,891
Exchange differences	(13,758)	2,321
Cash and cash equivalents at end of the period	264,551	233,813



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2011 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on GEM.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2011.

3. ACCOUNTING POLICIES

The financial information has been on historical cost basis.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2011, as described in those annual financial statements.



4. 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).

For the three months ended 30 September 2011	Unaudited				
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Revenue					
– Tianjin TEDA Tsinlien Gas Company Limited (“ TEDA Gas ”), Tianjin Pipe (Group) Corporation (“ Tianjin Pipe ”) and its associates	–	–	115,191	–	115,191
– Other customers	105,616	5,527	87,723	74,238	273,104
Revenue from external customers	105,616	5,527	202,914	74,238	388,295
Segment results	226	(539)	20,085	42,466	62,238
Unallocated income/ (expenses):					
– Other income					4,944
– Administrative expenses					(27,030)
– Share of results of a jointly controlled entity					(415)
– Finance income, net					16
Profit before income tax					39,753
Other information for reportable segments:					
Depreciation	–	(46)	(4,522)	–	(4,568)

For the three months ended 30 September 2010	Unaudited				
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Revenue					
– TEDA Gas	–	–	13,674	–	13,674
– Other customers	107,651	4,355	77,352	67,907	257,265
Revenue from external customers	107,651	4,355	91,026	67,907	270,939
Segment results	79	(240)	3,130	44,042	47,011
Unallocated income/ (expenses):					
– Other income					5,244
– Administrative expenses					(46,909)
– Finance income, net					821
Profit before income tax					6,167
<i>Other information for reportable segments:</i>					
Depreciation	–	–	(2,582)	–	(2,582)

For the six months ended 30 September 2011	Unaudited				
	On-site gas sales HK\$'000	Bottled gas sales HK\$'000	Piped gas sales HK\$'000	Connection services HK\$'000	Total HK\$'000
Revenue					
– TEDA Gas, Tianjin Pipe and its associates	–	–	230,330	–	230,330
– Other customers	278,032	10,582	171,394	112,377	572,385
Revenue from external customers	278,032	10,582	401,724	112,377	802,715
Segment results	635	(957)	35,347	67,074	102,099
Unallocated income/ (expenses):					
– Other income					5,359
– Administrative expenses					(49,586)
– Share of results of a jointly controlled entity					(683)
– Finance costs					(648)
Profit before income tax					56,541
Other information for reportable segments:					
Depreciation	–	(93)	(9,166)	–	(9,259)

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

5. EXPENSES BY NATURE

	Unaudited Three months ended 30 September 2011		Unaudited Six months ended 30 September 2011	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Costs of sales	321,471	223,928	691,321	412,165
Depreciation	5,351	2,818	10,472	5,838
Amortisation	276	265	547	504
Share-based payment expenses	—	26,126	—	26,126
Other expenses	25,989	17,700	47,862	33,240
Total cost of sales and administrative expenses	353,087	270,837	750,202	477,873

6. OTHER INCOME AND GAINS – NET

	Unaudited Three months ended 30 September 2011		Unaudited Six months ended 30 September 2011	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Interest income	365	178	583	351
Income from management of disposed subsidiaries	220	246	437	487
Income from management of TEDA Gas	260	365	518	724
Gain on disposal of assets	3,064	3,958	2,010	3,577
Others	1,035	497	1,811	588
	4,944	5,244	5,359	5,727

7. FINANCE INCOME/(COST)

	Unaudited Three months ended 30 September 2011		Unaudited Six months ended 30 September 2011	
	2010 HK\$'000	2010 HK\$'000	2010 HK\$'000	2010 HK\$'000
Interest on bank loans	(2,850)	(135)	(6,069)	(328)
Interest on amounts due to Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA")	(723)	(689)	(1,437)	(1,378)
Interest on amounts due to Tsinlien Group (Tianjin) Assets Management Co., Ltd. ("Tsinlien Assets Management")	(385)	(376)	(766)	(735)
Guarantee fee paid to TEDA Group Co., Ltd. ("TEDA Group")	—	—	(541)	—
Exchange gain	1,124	2,021	2,596	2,427
	(2,834)	821	(6,217)	(14)
Less: amounts capitalised as part of the cost of property, plant and equipment	2,850	—	5,534	—
	16	821	(683)	(14)

8. INCOME TAX EXPENSES

No Hong Kong profit tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (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 24% to 25% (2010: 22% to 25%). All of the following taxation arose in the PRC.

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Current taxation: — taxation	9,671	8,923	15,257	11,183
	9,671	8,923	15,257	11,183

9. INTERIM DIVIDEND

No interim dividend was declared in respect of the six months ended 30 September 2011 (2010: Nil).

10. EARNINGS PER SHARE

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

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Earnings				
Profit/(loss) attributable to the owner of the parent	29,494	(3,308)	40,241	26
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	11,659,478,667	11,659,478,667	11,659,478,667	11,659,478,667
Effect of dilutive potential ordinary shares arising from share options	-	-	-	3,098
Weighted average number of ordinary shares for the purpose of diluted earnings per share	11,659,478,667	11,659,478,667	11,659,478,667	11,659,481,765

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.

11. PROPERTY, PLANT AND EQUIPMENT

	Unaudited As at 30 September 2011 HK\$'000	Unaudited As at 30 September 2010 HK\$'000
Opening net book amount	645,289	238,353
Additions	259,337	169,519
Disposal	(8,956)	(783)
Depreciation	(10,472)	(5,838)
Exchange differences	20,943	7,930
Closing net book amount	906,141	409,181

12. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
Trade receivables	155,263	115,116
less: Provision for impairment	(33,098)	(32,197)
	122,165	82,919
Notes receivables	44,213	28,574
	166,378	111,493
Advances to suppliers	131,366	152,181
less: Provision for impairment	(87,887)	(85,813)
	43,479	66,368
Prepayments and other receivables	68,316	54,424
less: Provision for impairment	(5,886)	(5,950)
	62,430	48,474
	272,287	226,335

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

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

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
0 – 90 days	40,289	58,705
91 – 180 days	49,586	7,858
181 – 360 days	17,988	10,108
Over 360 days	47,400	38,445
	155,263	115,116
Less: Provision for impairment of trade receivable	(33,098)	(32,197)
	122,165	82,919

13. SHARE CAPITAL

	Unaudited As at 30 September 2011		Audited As at 31 March 2011	
	Number of shares Million	Amounts HK\$'000	Number of shares Million	Amounts HK\$'000
Ordinary shares of HK\$0.01 each				
Authorised:	15,000	150,000	15,000	150,000
Issued and fully paid:	5,993	59,928	5,993	59,928
Convertible Preference Shares of HK\$1.00 each				
Authorised:	170	170,000	170	170,000
Issued and fully paid:	170	170,000	170	170,000
Redeemable Preference Shares of HK\$50.00 each				
Authorised:	9	430,000	9	430,000
Issued and fully paid:	9	430,000	9	430,000
Total Authorised:		750,000		750,000
Issued and fully paid:		659,928		659,928

14. TRADE AND OTHER PAYABLES

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
Trade payables	208,275	208,350
Amounts due to TEDA	90,551	54,955
Accrued expenses	16,606	22,364
Advance from customers	129,713	104,089
Interest payable	18,534	17,284
Other payables	230,485	187,090
Trade and other payables	694,164	594,132
Long-term portion of amount due to TEDA	—	17,810
	694,164	611,942

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

The ageing analysis of the trade payables was as follows:

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
0 – 90 days	37,368	101,951
91 – 180 days	46,729	11,956
181 – 360 days	46,227	23,945
Over 360 days	77,951	70,498
	208,275	208,350

15. BORROWINGS

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
Current		
<i>Unsecured:</i>		
Short-term		
— PRC banks	113,090	92,626
— Hong Kong bank	5,000	5,000
Current portion of long-term borrowings within one year		
— Hong Kong bank	200,000	200,000
	318,090	297,626
Non-current		
<i>Unsecured:</i>		
— Over one year, less than two years	5,000	5,000
— Over two year, less than five years	—	5,000
	5,000	10,000
	323,090	307,626

The effective annual interest rates at the balance sheet date were as follows:

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
— PRC banks	5.56%-6.67%	5.56%-6.67%
— Hong Kong bank	2.19%-4%	2.18%-4%

16. COMMITMENTS

- (a) Capital expenditures of the Group at the balance sheet date were as follows:

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
Authorised but not contracted for:		
Property under development	311,340	305,831
Contracted but not provided for:		
Property, plant and equipment	192,235	186,705
Property under development	5,267	3,834
	197,502	190,539

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

	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
Not later than one year	6,126	3,014
Later than one year and not later than five years	9,509	4,354
Later than five years	4,428	4,459
	20,063	11,827

Note: The above amounts included a lease commitment with a subsidiary of TEDA (Note 17).

- (c) On 28 May 2008, the Group entered into an agreement with TEDA to lease its pipeline network. The maximum leasing charges under the leasing agreement (as amended by supplemental agreements dated 16 June 2008, 25 February 2009 and 10 November 2010) will not exceed approximately RMB27.5 million for the financial year ending 31 March 2012.

17. RELATED PARTY TRANSACTIONS

In addition to those mentioned elsewhere in the condensed consolidated interim financial information, the followings were significant related party transactions entered between the Group and its related parties during the six months ended 30 September 2011:

	Unaudited	
	Six months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
(a) Transactions with holding company:		
Income from management of disposed subsidiaries	437	487
Leasing charges of Second Pipelines Network	(9,086)	(1,766)
(b) Transactions with fellow subsidiaries:		
Sale of gas to TEDA Gas	41,357	30,483
Sale of gas to Tianjin Pipe and its associates	188,973	14,679
Sale of gas to former subsidiaries	2,710	2,492
Income from management of TEDA Gas	518	724
Rental charges of office premises to TEDA Real		
Property Development Co., Ltd.	(2,012)	(1,381)
Guarantee fee paid	(541)	—
(c) Key management compensation:		
Fees	(1,280)	(1,013)
Salaries, share options and other allowances	(3,002)	(1,957)
Pension costs	(54)	(115)



	Unaudited As at 30 September 2011 HK\$'000	Audited As at 31 March 2011 HK\$'000
(d) Balances with fellow subsidiaries:		
Trade receivables	40,444	6,248
Advance from a fellow subsidiary	(4,872)	—
Management fee receivable from TEDA Gas	3,393	2,797

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

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

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





MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the construction of gas pipeline networks, provision of connection services, sale of LPG and piped gas and property development.

Connection Services

The Group constructs gas pipelines for its clients and connects their pipelines to the Group's main gas pipeline networks, and charges connection service fees from industrial and commercial customers, property developers and property management agents. As at 30 September 2011, the Group's total gas pipeline network was approximately 985 kilometers, representing an increase of 55 kilometers of the pipeline network from 930 kilometers as at 31 March 2011. During the six months ended 30 September 2011, the connection service fees amounted to approximately HK\$112,377,000, representing an increase of HK\$8,858,000 or 9% compared to HK\$103,519,000 for the same period last year.

Piped Gas Sales

During the six months ended 30 September 2011, consumption of piped gas by residential and industrial customers amounted to approximately 507×10^6 and $4,286 \times 10^6$ mega-joules respectively, as compared to 456×10^6 and $1,900 \times 10^6$ mega-joules respectively for the same period last year. For the six months ended 30 September 2011, the piped gas sales income of the Group amounted to HK\$401,724,000, representing an increase of HK\$221,557,000 or 123% compared to HK\$180,167,000 for the same period last year. The increase of large scale industrial users caused an appreciable escalation of gas consumption.

Property Development

Based on the latest plan of the Company, the Group proposed to construct a commercial building partly for sale and rental and partly for self-use. As at 30 September 2011, a total cost of approximately HK\$59 million had been incurred and recorded in the condensed consolidated balance sheet of the Group as at 30 September 2011 as "Property under development". In addition, the contribution of equity capital by Binhai Investment Hong Kong Limited (a wholly-owned subsidiary of the Company) to Tianjin Binhai Xinda Real Estate Company Limited (天津濱海信達地產有限公司, which is the subsidiary established for property development business) is in progress.



Prospects

Development of low-carbon economy has become the consensus of the international community. Natural gas is one of the most important guarantees to promote and realize low-carbon economy. During the next National Twelfth Five-Year Plan period, the Chinese Government highlights the ability to increase natural gas supply as a priority. As a natural gas distributor operating in six provinces and two municipalities of the Chinese mainland, the Group will follow the development of the natural gas industry closely, and make a positive contribution to it. The Group is committed to being an outstanding promoter and operator of clean energy. As China's new economic growth pole, Tianjin Binhai New Area has an extremely strong demand for natural gas. During the past 6 months, the Group entered into gas supply agreements with important customers in Tianjin Binhai New Area, such as Tianjin Sai Rui Machinery Equipment Company Limited, Tianjin Hua dian Southern Power Plant. In virtue of a good cooperation with the local governments, the Group will seize this historic opportunity for development. The Group will continue to intensify efforts of natural gas pipeline construction in Tianjin Binhai New Area this year and continue to cultivate gas market of it, develop the industrial users, increase the pipeline gas sales, and increase income of the connection services at the same time. The Group will make consistent endeavours to become the Tianjin Binhai New Area's most important energy supplier.

Financial Review

Gross Profit Margin

The gross profit margin of the Group during the six months ended 30 September 2011 was 13%, compared to 15% for the corresponding period last year. The decrease was mainly due to the revenue structure of the Group. For the six months ended 30 September 2011, piped gas sales and connection services accounted for 50% and 14% of the total revenue respectively, comparing to 37% and 21% respectively for the corresponding period last year. Through connection services contributed higher gross profit margin, the increase of piped gas sales proportion will be beneficial to keep the stability of the Group's income in the long term.

The gross profit margin of the Group's piped gas sales during the six months ended 30 September 2011 was 8.80%, representing an increase of 149% compared to 3.54% for the corresponding period last year. The increase of industrial users' gas consumption, which contributed higher gross profit margin, caused an appreciable escalation of the gross profit margin of the Group's piped gas sales.



Administrative Expenses

Administrative expenses of the Group for the six months ended 30 September 2011 was HK\$49,586,000, representing a decrease of HK\$16,122,000 compared to HK\$65,708,000 for the same period last year. However, the HK\$65,708,000 for the six months ended 30 September 2010 included the share-based payments expenses of HK\$26,126,000. Excluding this item, the administrative expenses for the period had an increase of HK\$10,004,000 compared for the same period last year. Management cost increased as the Group further expanded its operating scale.

Profit attributable to owners of the parent

As per the above results, the profit attributable to owners of the parent was approximately HK\$40,241,000 for the six months ended 30 September 2011, comparing to HK\$26,000 in the corresponding period in 2010. Besides the share-based payments expenses recognized during the six months ended 30 September 2010, the increase of sales lead to the higher profits.


Basic earnings per share for the six months ended 30 September 2011 was HK 0.35 cents, as compared to HK 0.0002 cents for the corresponding period last year.

Property, plant and equipment

As at 30 September 2011, the property, plant and equipment of the Group was HK\$906,141,000, representing an increase of HK\$260,852,000 from HK\$645,289,000 as at 31 March 2011. The increase was mainly due to the pipeline network construction of the Group during the period.

Liquidity

As at 30 September 2011, the cash and bank deposit of the Group was HK\$265,769,000 (As at 31 March 2011: HK\$432,654,000). As at 30 September 2011, the Group had consolidated current assets of approximately HK\$643,451,000 and its current ratio was approximately 0.61. As at 30 September 2011, the Group had a gearing ratio of approximately 20%, measured by the ratio of total consolidated borrowings of approximately HK\$323,090,000 to consolidated total assets of approximately HK\$1,608,579,000.



As at 30 September 2011, the net current liabilities of the Group were HK\$409,214,000 (The net liabilities as at 31 March 2011: HK\$185,930,000). Net current liabilities as at 30 September 2011 arose because of the construction of pipeline network leading to the current assets decreased and the current liabilities increased.

Financial resources

During the six months ended 30 September 2011, the Group generally financed its operations from internally generated resources. As at 30 September 2011, the Group had total borrowings of HK\$323,090,000, HK\$318,090,000 of which is considered current liabilities and repayable within one year, and the remaining repayable in the next following year. Interest rate of the borrowings is set out in Note 15 to the financial statements. The borrowings were unsecured.

Directors' opinion on sufficiency of working capital

In view of the Group's current stable financial and liquidity positions and in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present needs. Taking into account long term syndicated loans the Group is negotiating, the Directors believe that the Group is able to meet its liabilities as and when they fall due.

Exposure to exchange rate fluctuations

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

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



Future plans for material investment or capital assets

The Company intends to construct commercial building, and estimated construction costs and land cost are approximately RMB300 million. By 30 September 2011, total cost of approximately HK\$59 million had been recorded in the account of "Property under development" in the condensed consolidated balance sheet of the Group as at 30 September 2011.

Charge over the Group's assets

As at 30 September 2011, there were no charges over any of the Group's assets.

Significant acquisitions and disposals

The Group had no significant acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 30 September 2011.

Contingent Liabilities

As at 30 September 2011, the Group did not have any significant contingent liabilities.

Employees

As at 30 September 2011, the Group had 1,123 employees (2010: 1,251). For the six months ended 30 September 2011 the salaries and wages of the employees was HK\$28,053,000 (2010: HK\$26,698,000).

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



OTHER INFORMATION

Interests and Short Positions of Directors, Substantial Shareholders and Chief Executives in the Shares and Underlying Shares of the Company

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

As at 30 September 2011, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), Chapter 571 of the Laws of Hong Kong) which were required to be: (a) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors referred to in Rule 5.46 of the GEM Listing Rules were as follows:


Name of Director	Capacity	Interest in ordinary shares of the Company				Interests in underlying ordinary shares pursuant to share options	Total aggregate interests in ordinary shares and underlying shares	Approximate percentage of the Company's total issued ordinary share capital as at 30 September 2011
		Personal interests	Corporate interests	Family interests	Total interests in shares			
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. Professor Japhet	Beneficial owner	-	-	-	-	2,000,000	2,000,000	0.03%
Sebastian Law	Beneficial owner	1,000,000	-	-	1,000,000	2,000,000	3,000,000	0.05%
Mr. Tse Tak Yin	Beneficial owner	-	-	-	-	2,000,000	2,000,000	0.03%
Mr. Lau Siu Ki, Kevin	Beneficial owner	-	-	-	-	2,000,000	2,000,000	0.03%

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

Director's rights to acquire shares

Pursuant to the Company's share option scheme adopted on 20 August 2010, the Company granted options on its ordinary shares to its Directors, the details of such options outstanding as at 1 April 2011 and as at 30 September 2011 were as follows:

Name of Director	Date of grant	Exercise Period	Exercise Price (HK\$)	Number of ordinary shares subject to outstanding options as at 1 April 2011	Number of ordinary shares subject to out-standing options as at 30 September 2011	Approximate percentage of the Company's total issued ordinary share capital as at 30 September 2011
Mr. Gao Liang	27.9.2010	27.9.2010 – 26.9.2020	0.56	10,000,000	10,000,000	0.17%
Mr. Zhang Jun	27.9.2010	27.9.2010 – 26.9.2020	0.56	7,000,000	7,000,000	0.12%
Mr. Dai Yan	27.9.2010	27.9.2010 – 26.9.2020	0.56	7,000,000	7,000,000	0.12%
Mr. Wang Gang	27.9.2010	27.9.2010 – 26.9.2020	0.56	7,000,000	7,000,000	0.12%
Ms. Zhu Wen Fang	27.9.2010	27.9.2010 – 26.9.2020	0.56	7,000,000	7,000,000	0.12%
Mr. Ip Shing Hing, J.P.	27.9.2010	27.9.2010 – 26.9.2020	0.56	2,000,000	2,000,000	0.03%
Professor Japhet Sebastian Law	27.9.2010	27.9.2010 – 26.9.2020	0.56	2,000,000	2,000,000	0.03%
Mr. Tse Tak Yin	27.9.2010	27.9.2010 – 26.9.2020	0.56	2,000,000	2,000,000	0.03%
Mr. Lau Siu Ki, Kevin	27.9.2010	27.9.2010 – 26.9.2020	0.56	2,000,000	2,000,000	0.03%



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

Save as disclosed above, as at 30 September 2011, there were no other interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations entered in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors referred to in Rules 5.46 of the GEM Listing Rules.

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


As at 30 September 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
Tsinlien Group Company Limited ("Tsinlien")	Long	Interest of controlled corporation	–	–	496,188,000 (Note 1)	1,333,333,333 (Note 2)	1,829,521,333	30.53%
	Short	Nominee for another person	–	–	1,333,333,333 (Note 3)	–	1,333,333,333	22.25%
Tianjin TEDA Investment Holding 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 (Note 1)	–	–	–	496,188,000	8.28%

Name of shareholder	Position	Capacity and nature of interest	Beneficial interests	Family interests	Corporate interests	Others	Total	Approximate percentage of the issued ordinary share capital
Mr. Shum Ka Sang ("Mr. Shum")	Long	Beneficial owner/ Interest of controlled corporation	15,650,000	-	749,350,000 (Note 4)	-	765,000,000	12.77%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	749,350,000 (Note 4)	-	-	-	749,350,000	12.50%
Ms. Wu Man Lee	Long	Interest of spouse	-	765,000,000 (Note 5)	-	-	765,000,000	12.77%

Notes:

- 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 and the shares of which are listed on the Main Board of the Stock Exchange. Tsinlien, through Tianjin Investment Holdings Limited which it wholly-owns, is a controlling shareholder of Tianjin Development Holdings Limited.
- These 1,333,333,333 ordinary shares of HK\$0.01 each in the Company ("**Shares**") represent the 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 Cavalier Asia Limited ("**Tsinlien BVI**"), a wholly-owned subsidiary of Tsinlien, 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. Tsinlien BVI has agreed to transfer such Convertible Preference Shares to Teda Hong Kong Property Company Limited ("**TEDA HK**"), a wholly-owned subsidiary of TEDA, after completion of acquisition from the syndicated banks.

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3. These 8,670,653,873 Shares represent (i) 3,003,987,207 Shares held by TEDA HK, a wholly-owned subsidiary of TEDA; (ii) 4,333,333,333 potential Shares which are issuable to TEDA HK assuming full conversion of 130,000,000 Convertible Preference Shares held by TEDA HK; and (iii) 1,333,333,333 potential Shares that TEDA HK will acquire from Tsinlien BVI as referred to Note 2 above.
 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 30 September 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.

SHARE OPTION SCHEME

At the annual general meeting held on 20 August 2010, the shareholders of the Company approved a new share option scheme (the "**2010 Scheme**") in place of the previous scheme which has lapsed. Pursuant to the 2010 Scheme, the Company granted share options to the Directors and certain continuous contract employees of the Group on 27 September 2010.

Details of movement of share options granted under the 2010 Scheme during the six months ended 30 September 2011 were as follows:

Grantee	Date of grant	Exercise Period (Note 1)	Exercise Price (HK\$)	Number of shares subject to options outstanding as at 1 April 2011	Number of options granted during the period	Number of shares subject to options outstanding as at 30 September 2011	Approximate percentage of the Company's total issued ordinary share capital as at 30 September 2011
Directors (Note 2)	27.9.2010	27.9.2010 – 26.9.2020	0.56	46,000,000	–	46,000,000	0.77%
Employees	27.9.2010	27.9.2010 – 26.9.2020	0.56	28,000,000	–	28,000,000	0.47%
Total				74,000,000	–	74,000,000	1.24%

Notes:

1. The exercisable period of the share options is 10 years from the date of grant.
2. Details of share options held by each Director are set out in the section of "Director's rights to acquire shares".

No share option was granted, exercised, lapsed or cancelled during the six months ended 30 September 2011.



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 that 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.

DIRECTORS’ INTEREST IN CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party which subsisted at any time during the six months ended 30 September 2011.

CHANGE IN DIRECTOR’S INFORMATION

Mr. Lau Siu Ki, Kevin, an independent non-executive Director, resigned from his position as an independent non-executive director of Carry Wealth Holdings Limited (a company listed on the Main Board of the Stock Exchange) with effect from 13 July 2011.

COMPETING INTERESTS

During the six months ended 30 September 2011, save for the interests of TEDA (through TEDA HK) in 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 business carried out by the former subsidiaries of the Group is similar to the business of the Group, they are in different locations. Therefore, the Directors are of the view that the business of the former subsidiaries do not compete directly with the business of the Group.

As at 30 September 2011, the names, nature of business and details of ownership of TEDA HK 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
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

Name of former subsidiary	Nature of Business	% of interests
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


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 Audit Committee comprises the four independent non-executive Directors, namely Mr. Lau Siu Ki Kevin, Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Ip Shing Hing J.P.. Mr. Lau, who is the chairman of the Audit Committee, and Mr. Tse are qualified accountants. The Audit Committee has reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2011 and has provided advice and comments on this report.

CODE OF CONDUCT REGARDING 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 six months ended 30 September 2011.

CORPORATE GOVERNANCE CODE COMPLIANCE

During the six months ended 30 September 2011, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices under Appendix 15 of the GEM Listing Rules.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2011.

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

Hong Kong, 8 November 2011

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