



濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)

Stock Code: 8035



Third Quarterly Report

2013

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

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

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

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

FINANCIAL HIGHLIGHTS

	Unaudited Nine months ended 30 September 2013 HK\$'000	Unaudited Nine months ended 30 September 2012 HK\$'000 (Restated)	Percentage Change
Revenue	1,520,191	1,191,213	28%
Gross profit	303,099	259,725	17%
Profit for the period	110,591	104,974	5%
Basic earnings per share attributable to owners of the Company during the period	0.92 cent	0.88 cent	0.04 cent

The board of Directors (the “Board”) hereby announces the unaudited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30 September 2013, together with the unaudited comparative figures for the corresponding period in 2012.

FINANCIAL INFORMATION

Condensed Consolidated Income Statement

	Note	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2013 HK\$'000	2012 HK\$'000 (Restated)	2013 HK\$'000	2012 HK\$'000 (Restated)
Revenue	5	529,296	377,871	1,520,191	1,191,213
Costs of sales		(428,322)	(281,873)	(1,217,092)	(931,488)
Gross profit		100,974	95,998	303,099	259,725
Other income and gains		18,783	732	33,080	(17,680)
— net		(44,979)	(29,661)	(110,355)	(88,325)
Administrative expenses		74,778	67,069	225,824	153,720
Interest waived		—	—	—	11,902
Finance costs		(28,284)	(4,227)	(70,763)	(23,996)
Share of results of jointly controlled entities		321	(195)	41	(430)
Profit before taxation		46,815	62,647	155,102	141,196
Income tax expenses	6	(13,974)	(16,145)	(44,511)	(36,222)
Profit for the period		32,841	46,502	110,591	104,974
Attributable to:					
— Owners of the Company		31,828	46,291	107,686	103,142
— Non-controlling interests		1,013	211	2,905	1,832
		32,841	46,502	110,591	104,974
Earnings per ordinary share	8				
— basic (HK cent)		0.27 cent	0.39 cent	0.92 cent	0.88 cent
— diluted (HK cent)		0.27 cent	0.39 cent	0.92 cent	0.88 cent

Consolidated Statement of Comprehensive Income

	Unaudited Three months ended 30 September 2013		Unaudited Nine months ended 30 September 2013	
	HK\$'000	2012 HK\$'000 (Restated)	HK\$'000	2012 HK\$'000 (Restated)
Comprehensive income				
Profit for the period	32,841	46,502	110,591	104,974
Other comprehensive income:				
Exchange differences	6,324	14,821	19,240	(2,349)
Other comprehensive income	6,324	14,821	19,240	(2,349)
Total comprehensive income for the period	39,165	61,323	129,831	102,625
Attributable to:				
– Owners of the Company	38,052	61,272	126,552	100,815
– Non-controlling interests	1,113	51	3,279	1,810
Total comprehensive income for the period	39,165	61,323	129,831	102,625

Consolidated Statement of Changes in Equity

Changes in equity of the Group during the nine months ended 30 September 2013 and 2012 were as follows:

	Unaudited						
	Owners of the Company				Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share Capital HK\$'000	Share Premium HK\$'000	Other Reserves HK\$'000	Accumulated losses HK\$'000			
Balance at 1 January 2012	659,928	424,737	125,996	(639,032)	571,629	14,087	585,716
Common control business combination (Note 4)	–	–	65,276	444	65,720	–	65,720
Balance at 1 January 2012, as restated	659,928	424,737	191,272	(638,588)	637,349	14,087	651,436
Comprehensive income							
Profit for the period	–	–	–	103,142	103,142	1,832	104,974
Other comprehensive income							
Exchange differences	–	–	(2,327)	–	(2,327)	(22)	(2,349)
Total comprehensive income for the period	–	–	(2,327)	103,142	100,815	1,810	102,625
Balance at 30 September 2012, as restated	659,928	424,737	188,945	(535,446)	738,164	15,897	754,061
Balance at 1 January 2013	659,928	424,737	111,523	(503,470)	692,718	18,294	711,012
Comprehensive income							
Profit for the period	–	–	–	107,686	107,686	2,905	110,591
Other comprehensive income							
Exchange differences	–	–	18,866	–	18,866	374	19,240
Total comprehensive income for the period	–	–	18,866	107,686	126,552	3,279	129,831
Balance at 30 September 2013	659,928	424,737	130,389	(395,784)	819,270	21,573	840,843

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The condensed consolidated financial information for the nine months ended 30 September 2013 has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of the GEM Listing Rules.

3. ACCOUNTING POLICIES

The condensed consolidated financial information has been compiled on historical cost basis.

The principle accounting policies adopted are consistent with those adopted in the Group's annual financial statements for the period ended 31 December 2012.

The Group has adopted the new/revised accounting standards and interpretations effective for the accounting period beginning on or after 1 January 2013. Adoption of such new/revised accounting standards and interpretations has no material effect on the condensed consolidated financial information, and has caused no material change to the accounting policies of the Group.

4. BUSINESS COMBINATION

On 26 October 2012, the Group entered into an agreement with TEDA Hong Kong Property Company Limited ("TEDA HK"), the immediate holding company of the Group, pursuant to which the Group repurchased from TEDA HK at a consideration of RMB66,124,793, six entities which were formerly subsidiaries of the Group disposed of to TEDA HK ("Six Subsidiaries").

Such acquisition has been accounted for as a common control combination as the Company applied the principles of merger accounting prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA in preparing the consolidated financial statements. The condensed consolidated financial statements for the nine months ended 30 September 2012 have been prepared on the basis as if the current group structure had been in existence throughout the period presented.

The effects of those restatements described above on the condensed consolidated income statement during the nine months ended 30 September 2012 were as follows:

	For the nine months ended 30 September 2012 (Unaudited)			
	The Group before the acquisition	Six Subsidiaries	Adjustments	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,135,969	60,556	(5,312)	1,191,213
Costs of sales	(896,890)	(39,910)	5,312	(931,488)
Gross profit	239,079	20,646	—	259,725
Other income and losses — net	(17,720)	40	—	(17,680)
Administrative expenses	(80,176)	(8,149)	—	(88,325)
Interest waived	11,902	—	—	11,902
Finance costs — net	(23,641)	(355)	—	(23,996)
Share of results of jointly controlled entities	(430)	—	—	(430)
Profit before taxation	129,014	12,182	—	141,196
Income tax expenses	(30,708)	(5,514)	—	(36,222)
Profit for the period	98,306	6,669	—	104,975

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 by reference to internal reports on the components of the Group which 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 assessed 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.

	Unaudited				Total HK\$'000
	On-site gas sales HK\$'000	Three months Bottled gas sales HK\$'000	ended 30 September 2013 Piped gas sales HK\$'000	Connection services HK\$'000	
Revenue					
– Tianjin TEDA Tsinlien Gas Co., Ltd. (“TEDA Gas”), Tianjin Eco-city Energy Investment Construction Co., Ltd. (“Tianjin Eco-city”), Tianjin Pipe Group Corporation (“Tianjin Pipe”) and its associates	–	–	168,947	–	168,947
– Other customers	72,930	4,294	139,686	143,439	360,349
Revenue from external customers	72,930	4,294	308,633	143,439	529,296
Segment results	3,482	424	860	96,208	100,974
– Other income and gains – net					18,783
– Administrative expenses					(44,979)
– Finance costs – net					(28,284)
– Share of results of jointly controlled entities					321
Profit before income tax					46,815
Other information for reportable segments:					
Depreciation	(198)	(58)	(14,077)	(422)	(14,755)
Amortization	(82)	(6)	(176)	(156)	(420)

	Unaudited				
	Three months ended 30 September 2012 (Restated)				
	On-site gas sales <i>HK\$'000</i>	Bottled gas sales <i>HK\$'000</i>	Piped gas sales <i>HK\$'000</i>	Connection services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
– TEDA Gas, Tianjin Eco-city, Tianjin Pipe and its associates	–	–	86,572	–	86,572
– Other customers	23,483	4,675	145,192	117,949	291,299
Revenue from external customers	23,483	4,675	231,764	117,949	377,871
Segment results	342	864	19,299	75,493	95,998
– Other income and losses – net					732
– Administrative expenses					(29,661)
– Finance costs – net					(4,227)
– Share of results of jointly controlled entities					(195)
Profit before income tax					62,647
Other information for reportable segments:					
Depreciation	(94)	(37)	(10,185)	(468)	(10,784)
Amortization	(40)	(8)	(390)	(199)	(637)

	Unaudited				Total HK\$'000
	On-site gas sales HK\$'000	Nine months Bottled gas sales HK\$'000	ended 30 Piped gas sales HK\$'000	September 2013 Connection services HK\$'000	
Revenue					
– TEDA Gas, Tianjin Eco-city, Tianjin Pipe and its associate	–	–	396,755	–	396,755
– Other customers	200,360	13,297	574,159	335,620	1,123,436
Revenue from external customers	200,360	13,297	970,914	335,620	1,520,191
Segment results	6,817	1,229	80,196	214,857	303,099
– Other income and gains – net					33,080
– Administrative expenses					(110,355)
– Finance costs – net					(70,763)
– Share of results of jointly controlled entities					41
Profit before income tax					155,102
Other information for reportable segments:					
Depreciation	(574)	(177)	(42,295)	(971)	(44,017)
Amortization	(156)	(12)	(769)	(263)	(1,200)

	Unaudited				
	Nine months ended 30 September 2012 (Restated)				
	On-site gas sales <i>HK\$'000</i>	Bottled gas sales <i>HK\$'000</i>	Piped gas sales <i>HK\$'000</i>	Connection services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue					
– TEDA Gas, Tianjin Eco-city, Tianjin Pipe and its associates	–	–	323,909	–	323,909
– Other customers	151,163	14,283	411,150	290,708	867,304
Revenue from external customers	151,163	14,283	735,059	290,708	1,191,213
Segment results	1,605	138	48,167	209,815	259,725
– Other income and losses – net					(17,680)
– Administrative expenses					(88,325)
– Interest waived					11,902
– Finance costs – net					(23,996)
– Share of results of jointly controlled entities					(430)
Profit before income tax					141,196
Other information for reportable segments:					
Depreciation	(1,013)	(80)	(24,819)	(1,307)	(27,219)
Amortization	(103)	(18)	(570)	(309)	(1,000)

6. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax has been made as there was no assessable profit arising in or derived from Hong Kong (2012: Nil).

Subsidiaries established in the People's Republic of China (the "PRC") are subject to the PRC enterprise income tax ("EIT") at the rate of 25% (2012: 25%).

	Unaudited Three months ended 30 September 2013		Unaudited Nine months ended 30 September 2013	
	HK\$'000	2012 HK\$'000 (Restated)	HK\$'000	2012 HK\$'000 (Restated)
Current taxation:				
– Current tax on profits for the period	14,872	16,173	44,808	40,670
Total current taxation	14,872	16,173	44,808	40,670
Deferred taxation:				
Tax losses	(898)	(28)	(297)	(4,448)
Total deferred taxation	(898)	(28)	(297)	(4,448)
Income tax expense	13,974	16,145	44,511	36,222

7. DIVIDEND

No dividend was declared in respect of the nine months ended 30 September 2013 (for the nine months ended 30 September 2012: Nil).

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Unaudited Three months ended 30 September 2013		Unaudited Nine months ended 30 September 2013	
	HK\$'000	2012 HK\$'000 (Restated)	HK\$'000	2012 HK\$'000 (Restated)
Earnings				
Profit attributable to the owners of the Company	31,828	46,291	107,686	103,142
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	-	-	-	-
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	11,659,478,667	11,659,478,667	11,659,478,667	11,659,478,667

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 on the tenth anniversary of issue.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on the assumption all dilutive potential ordinary shares have been issued. The Company has one category of dilutive potential ordinary shares: convertible bond. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2013 HK\$'000	2012 HK\$'000 (Restated)	2013 HK\$'000	2012 HK\$'000 (Restated)
Earnings				
Profit attributable to the owners of the Company	31,828	46,291	107,686	103,142
Interest expense on convertible bond (net of tax)	1,014	–	1,014	–
Profit used to determine diluted earnings per share	32,842	46,291	108,700	103,142
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	11,659,478,667	11,659,478,667	11,659,478,667	11,659,478,667
Adjustments for assumed conversion of convertible bond	532,068,654	–	177,356,218	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	12,191,547,321	11,659,478,667	11,836,834,885	11,659,478,667

BUSINESS REVIEW

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

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 2013, the Group's total gas pipeline network was approximately 1,549 kilometers, representing an increase of 60 kilometers in the pipeline network from 1,489 kilometers as at 31 December 2012. During the nine months ended 30 September 2013, the connection service fees amounted to HK\$335,620,000, representing an increase of HK\$44,912,000 or 15% as compared with HK\$290,708,000 for the corresponding period last year.

Piped Gas Sales

During the nine months ended 30 September 2013, consumption of piped gas by residential and industrial customers amounted to approximately $1,561 \times 10^6$ and $9,167 \times 10^6$ mega-joules respectively, as compared with $1,269 \times 10^6$ and $7,212 \times 10^6$ mega-joules respectively for the same period last year. For the nine months ended 30 September 2013, the piped gas sales income of the Group amounted to HK\$970,914,000, representing an increase of HK\$235,855,000 or 32% as compared with HK\$735,059,000 for the corresponding period last year. The increase of large scale industrial users boosted the gas consumption of the Group.

Property Development

As approved by the Board on 25 June 2012, the Group intends to sell the property under development. The Directors believe that such proposed sale will not have any significant financial impact to the Group.

PROSPECTS

Recently, major changes have occurred to the PRC natural gas industry.

Firstly, there is a reform in the price of natural gas. In the short run, the reform has squeezed the profit margins for the downstream distributors and this has brought great pressure to the Group. During the period under review, the Group reduced the short-term impact of the natural gas prices reform through increasing natural gas sales, broadening profit channels and saving cost etc. In the long term, the reform of natural gas prices will increase competition in natural gas supply, which will greatly improve the alignment of natural gas prices to its supply and demand. This is great news for competitive downstream distributors, and will provide a good opportunity for the integration of downstream industry.

Secondly, the haze pollution has become a serious social, economic and political issue in the PRC. The Group's business is based in Beijing, Tianjin, Hebei Province and the surrounding areas, which are suffering from the most serious pollution. Natural gas, as the most realistic form of clean energy for haze pollution control, has huge development potential. The Group will surely benefit a great deal from the numerous national policies on the air pollution control which are favourable to the development of the PRC natural gas industry.

In addition, the Group has introduced several strategic investors recently. These strategic investors together with the Company will seek good business development opportunities in process of the integration and reform of the PRC natural gas industry. The Group has full confidence in its development prospects.

On 22 October 2013, Zong Guoying, vice-mayor of Tianjin, mayor of Tianjin Binhai New Area ("Zong Guoying"), said through the China Securities Journal that the Binhai New Area has completed all the filings for declaration as a free trade area, and it has a great chance of obtaining approval. Zong Guoying said, the Binhai New Area will invest at least RMB570 billion in fixed assets next year to promote the four categories of capital construction, including sea energy protection, and the launch of clean energy and other key

projects. As an important supplier of clean energy in Binhai New Area, the Group will benefit from the new historical development opportunities of Binhai New Area.

FINANCIAL REVIEW

Gross Profit Margin

For the nine months ended 30 September 2013, the gross profit of the Group was HK\$303,099,000 (for the nine months ended 30 September 2012: HK\$259,725,000) and the gross profit margin for the Group was 19.9% (for the nine months ended 30 September 2012: 21.8%). The decline was mainly due to the change in revenue structure and the decline of the gross profit margin of connection services.

For the nine months ended 30 September 2013, the gross profit margin of the Group's connection services was 64.0%, representing a decline of 11% as compared with the gross profit margin of its connection services of 72.2% for the corresponding period last year. The decline of gross profit margin of the connection services was due to increase in labor costs, etc. For the nine months ended 30 September 2013, the gross profit margin of the Group's piped gas sales was 8.3%, representing an increase of 26% as compared with the gross profit margin of its piped gas sales of 6.6% for the corresponding period last year. In November 2012, the Group commenced sourcing piped gas from Yong Tang Qin for some of its projects which lowered the cost of sourcing gas, and at the same time the gross profit margin of the Group's piped gas sales supply was raised due to an increase in the consumption of gas by industrial customers with higher gross profit margin.

Administrative Expenses

Administrative expenses of the Group for the nine months ended 30 September 2013 was HK\$110,355,000, representing an increase of HK\$22,030,000 or 25% as compared to HK\$88,325,000 for the corresponding period last year. Management cost comprising labor cost increased as the Group further expanded its operating scale. Increase in administrative expenses was mainly due to an increase of management personnel and salary increases.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company was approximately HK\$107,686,000 for the nine months ended 30 September 2013, representing an increase of HK\$4,544,000 or 4.4% as compared to HK\$103,142,000 for the corresponding period last year.

Basic earnings per share of the Company for the nine months ended 30 September 2013 was HK0.92 cent, as compared to HK0.88 cent for the corresponding period last year.

Interest Rate Swap Contract

For the nine months ended 30 September 2013, the Group recognized a profit on the change in fair value of derivative financial instruments in the amount of HK\$9,279,000 (loss for the nine months ended 30 September 2012: HK\$22,974,000). In order to minimize the risk of rising interest rates and to control its borrowing costs, the Group entered into an interest rate swap contract with Standard Chartered Bank London with an aggregate notional amount of HK\$571,635,500 to control the future interest charges ("Swap Contract"). The deferred payment interest rate swap contract became effective on 30 September 2013 and will be terminated on 30 September 2018 ("Termination Day"). Pursuant to the Swap Contract, the Group will pay interest at a fixed rate at 2.25%, and will receive interest at floating rate with reference to the HIBOR as published by the Hong Kong Associate of Bank. Prior to the Termination Day, any changes in the fair value of the Swap Contract will not have a significant impact on the Group's cash flow. In view of the market interest rates being at historically lows, the fair value of the Swap Contract will be adjusted to economic situation and interest rates. The Group believes that such arrangements are advantageous to the Group in the long run.

Completion of the issue of Convertible Bonds

On 25 July 2013, the Company announced the issue of HK\$310,000,000 1.0% convertible bonds due 2016 (the "Convertible Bonds"). The Convertible Bonds will be convertible in the circumstances set out in their terms and conditions into ordinary shares of HK\$0.01 each in the issued and paid up share capital of the Company ("Ordinary Shares") at an initial conversion price of HK\$0.3690 per Ordinary Share (subject to adjustments). Assuming full conversion of the Convertible Bonds at the initial conversion price, the Convertible Bonds will be convertible into 840,108,401 Ordinary Shares (the "Conversion Shares"), representing approximately 14.02% of the issued ordinary share capital of the Company as at the date of such announcement. The Conversion Shares will be fully-paid and rank pari passu in all respects with the Ordinary Shares then in issue on the relevant conversion date. None of the Convertible Bonds were placed with any connected persons of the Company. The net proceeds from the issue of the Convertible Bonds are intended to be used by the Group for the payment of pipeline construction payables and the repayment of current borrowings, and for working capital purposes.

The issue of the Convertible Bonds by the Company to the subscribers at an aggregate principal amount of HK\$310,000,000 was completed on 5 August 2013.

Asset Disposal Entrustment in Respect of Certain Former Subsidiaries

TEDA HK through its wholly-owned subsidiaries is interested in certain former subsidiaries of the Group, which were acquired pursuant to the restructuring proposal for resumption of trading in the Ordinary Shares on GEM in 2009. On 27 September 2013, TEDA HK entered into an asset disposal entrustment agreement with Binhai Investment (Tianjin) Company Limited ("BITCL"), pursuant to which TEDA HK engaged BITCL to dispose of assets comprising interest in 15 of such former subsidiaries of the Group.

Under the asset disposal entrustment agreement, TEDA HK agreed to pay 25.75% of the total consideration for such disposal to BITCL as commission. Based on the confirmed aggregate consideration for disposal of such interest of RMB58,241,000, the total commission payable to BITCL is RMB14,997,057.50.

Proposed Reduction of the Share Premium Account, the Contributed Surplus Account and the Other Reserves Account

On 9 October 2013, the Board announced that the Company proposed to (a) reduce an amount of HK\$424,737,296 standing to the credit of its share premium account as at 31 December 2012 to nil; (b) reduce an amount of HK\$43,456,235 standing to the credit of its contributed surplus account as at 31 December 2012 from HK\$47,547,866 to HK\$4,091,631; and (c) reduce an amount of HK\$160,000,000 from the item "Others" standing to the credit of its other reserves account as at 31 December 2012 to nil (the "Reductions") and to apply the credit arising from the Reductions to set-off and eliminate the accumulated losses of the Company in the amount of HK\$628,193,531 as at 31 December 2012 (the "Application"). A special general meeting has been held to consider and pass a special resolution to approve such matters.

The Company has been unable to declare and pay dividends while there are accumulated losses. The Reductions and the Application will allow the Company to eliminate all such accumulated losses, and as a result will put the Company in a better position to declare dividends to holders of Ordinary Shares at an earlier opportunity.

As this stage, however, there can be no assurance that a dividend will be declared or paid in the future even in circumstances where the Reductions and the Application become effective.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF EXECUTIVES, 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 executives in the share capital of the Company and its associated corporations

As at 30 September 2013, 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				Interests in underlying Ordinary Shares pursuant to share options	Total interest in Ordinary Shares and underlying Ordinary Shares	Approximate percentage of the Company's total issued ordinary share capital as at 30 September 2013
		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.	Beneficial owner	-	-	-	-	2,000,000	2,000,000	0.03%
Professor Jaaphet 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 are set out below under the heading “Director's rights to acquire shares”.

Director's rights to acquire shares

Pursuant to the share option scheme adopted by the Company on 20 August 2010, the Company granted options on its ordinary shares to the Directors, the details of such options outstanding as at 1 January 2013 and as at 30 September 2013 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 January 2013	Number of Ordinary Shares subject to outstanding options as at 30 September 2013	Approximate percentage of the Company's total issued ordinary share capital as at 30 September 2013
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 2013, there were no other interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations entered in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors referred to in Rules 5.46 of the GEM Listing Rules.

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

As at 30 September 2013, 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	Interest in Ordinary Shares/underlying Ordinary Shares						Approximate percentage of the total issued ordinary share capital of the Company as at 30 September 2013	
			Number of Ordinary Shares			Number of underlying Ordinary Shares				
			Beneficial interest	Family interest	Corporate interest	Other interest	Corporate interest	Other interest		Total interest
Tianjin Pharmaceutical Group Co., Ltd	Long	Interest of controlled corporation	-	-	496,188,000 (Note 1)	-	1,333,333,333 (Note 2)	-	1,829,521,333	30.53%
	Short	Interest of controlled corporation	-	-	-	-	1,333,333,333 (Note 2)	-	1,333,333,333	22.25%
Tsimien Group Company Limited ("Tsimien")	Long	Interest of controlled corporation/ Nominee for another person	-	-	496,188,000 (Note 1)	-	-	1,333,333,333 (Note 2)	1,829,521,333	30.53%
	Short	Interest of controlled corporation	-	-	-	-	1,333,333,333 (Note 2)	-	1,333,333,333	22.25%

Name of shareholder	Position	Capacity	Interest in Ordinary Shares/underlying Ordinary Shares						Approximate percentage of the total issued ordinary share capital of the Company as at 30 September 2013	
			Number of Ordinary Shares				Number of underlying Ordinary Shares			Total interest
			Beneficial interest	Family interest	Corporate interest	Other interest	Corporate interest	Other interest		
Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA")	Long	Interest of controlled corporation	–	–	3,500,175,207 (Note 3)	–	4,406,504,066 (Note 3)	–	7,906,679,273	131.94%
	Short	Interest of controlled corporation	–	–	496,188,000 (Note 3)	–	–	–	496,188,000	8.28%
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%
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%
China Everbright Holdings Company Limited	Long	Interest of controlled corporation/ Interest of any parties to an agreement	–	–	–	–	605,013,551 (Note 6)	441,734,432 (Note 6)	1,046,747,983	17.47%
China Everbright Limited	Long	Interest of controlled corporation/ Interest of any parties to an agreement	–	–	–	–	605,013,551 (Note 6)	441,734,432 (Note 6)	1,046,747,983	17.47%

Name of shareholder	Position	Capacity	Interest in Ordinary Shares/underlying Ordinary Shares						Approximate percentage of the total issued ordinary share capital of the Company as at 30 September 2013	
			Number of Ordinary Shares				Number of underlying Ordinary Shares			Total interest
			Beneficial interest	Family interest	Corporate interest	Other interest	Corporate interest	Other interest		
Forebright Partners Limited	Long	Interest of controlled corporation/ Interest of any parties to an agreement	-	-	-	-	441,734,432 (Note 7)	212,059,614 (Note 7)	653,794,046	10.91%
CSOF III GP Limited	Long	Interest of controlled corporation/ Interest of any parties to an agreement	-	-	-	-	441,734,432 (Note 7)	212,059,614 (Note 7)	653,794,046	10.91%
China Special Opportunities Fund III, L.P.	Long	Interest of controlled corporation/ Interest of any parties to an agreement	-	-	-	-	441,734,432 (Note 7)	212,059,614 (Note 7)	653,794,046	10.91%
Central Huijin Investment Ltd.	Long	Interest of controlled corporation	-	-	255,206,433 (Note 8)	-	162,601,626 (Note 8)	-	417,808,059	6.97%
China Construction Bank Corporation	Long	Interest of controlled corporation	-	-	255,206,433 (Note 8)	-	162,601,626 (Note 8)	-	417,808,059	6.97%
Shanghai International Group Co., Ltd.	Long	Interest of controlled corporation	-	-	-	-	409,891,599 (Note 9)	-	409,891,599	6.84%

Notes:

1. The interest disclosed represents the interest in the Company held by Santa Resources Limited, a company which is directly wholly-owned by Tianjin Development Holdings Limited, a company incorporated in Hong Kong with its shares listed on the Main Board of the Stock Exchange. Tianjin Pharmaceutical Group Co., Ltd. wholly-owns Tsinlien. Tsinlien, through Tianjin Investment Holdings Limited which it wholly-owns, is a controlling shareholder of Tianjin Development Holdings Limited. TEDA HK has borrowed from Santa Resources Limited 496,188,000 Ordinary Shares.
2. These 1,333,333,333 underlying Ordinary Shares represent the 1,333,333,333 potential Ordinary Shares which are issuable assuming full conversion of the 40,000,000 Convertible Preference Shares issued to the syndicated banks under a settlement agreement, pursuant to which Cavalier Asia Limited (a wholly-owned subsidiary of Tsinlien) ("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. Tsinlien BVI has agreed to transfer such Convertible Preference Shares to TEDA HK, a wholly-owned subsidiary of TEDA, after completion of such acquisition from the syndicated banks.
3. These Ordinary Shares represent (i) 3,003,987,207 Ordinary Shares held by TEDA HK, a wholly-owned subsidiary of TEDA; (ii) 496,188,000 Ordinary Shares that TEDA HK borrowed from Santa Resources Limited as referred to Note 1 above; (iii) 3,073,170,733 potential Ordinary Shares which are issuable to TEDA HK assuming full conversion of 92,195,122 Convertible Preference Shares held by TEDA HK; and (iv) 1,333,333,333 Ordinary Shares to be issued upon conversion of the 40,000,000 Convertible Preference 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 Ordinary 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 Ordinary Shares by virtue of the interests in such Ordinary Shares owned by her spouse, Mr. Shum.
6. The corporate interest of China Everbright Limited in 605,013,551 Ordinary Shares was attributable to interests held through a number of its wholly-owned subsidiaries. Windsor Venture Limited (a wholly-owned subsidiary of China Everbright Limited) is a party to an agreement under section 317 of the SFO with Forebright Partners Limited and CSOF III GP Limited which in aggregate were interested in 441,734,432 underlying Ordinary Shares.

Accordingly, China Everbright Limited was deemed to be interested in a total of 1,046,747,983 underlying Ordinary Shares representing potential Ordinary Shares issuable upon conversion of the Convertible Bonds. China Everbright Holdings Company Limited, through a number of direct and indirect wholly-owned subsidiaries, holds 50.75% interests in China Everbright Limited, and accordingly, China Everbright Holdings Company Limited was also deemed interested in 1,046,747,983 underlying Ordinary Shares.

7. Forebright Partners Limited, through its non-wholly owned subsidiaries (CSOF Inno Investments Limited being 100% controlled by China Special Opportunities Fund III, L.P., which in turn is 1.45% controlled by CSOF III GP Limited and which in turn is 90% controlled by Forebright Partners Limited), was interested in 441,734,432 underlying Ordinary Shares. Forebright Partners Limited and CSOF III GP Limited are parties to an agreement under section 317 of the SFO with Windsor Venture Limited (a wholly-owned subsidiary of China Everbright Limited which was interested in 212,059,614 underlying Ordinary Shares. Accordingly, Forebright Partners Limited was deemed to be interested in a total of 653,794,046 underlying Ordinary Shares representing potential Ordinary Shares issuable upon conversion of the Convertible Bonds.
8. China Construction Bank Corporation, through its wholly-owned subsidiaries, held (i) 255,206,433 Ordinary Shares and (ii) 162,601,626 underlying Ordinary Shares issuable upon conversion of the Convertible Bonds. Central Huijin Investment Ltd., through a number of its wholly-owned subsidiaries, holds a 57.23% shareholding in China Construction Bank Corporation, and accordingly, Central Huijin Investment Ltd. was deemed to have the interest in the aforementioned Ordinary Shares and underlying Ordinary Shares.
9. The corporate interest of Shanghai International Group Co., Ltd. in 409,891,599 underlying Ordinary Shares was held through a number of its wholly-owned and non-wholly owned subsidiaries (Guotai Junan International Holdings Limited (71.24% control) and Guotai Junan Securities Co., Ltd. (46.13% control)). Such interest represented underlying Ordinary Shares issuable upon conversion of the Convertible Bonds.

Other than as disclosed above, as at 30 September 2013, 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 of the Company 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 had lapsed.

No share option was granted, exercised, cancelled or lapsed under the 2010 Scheme during the nine months ended 30 September 2013.

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 was 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 third full financial year after the date of resumption of trading. The appointment of WAG Worldsec had terminated.

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

No Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party which subsisted at any time during the nine months ended 30 September 2013.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE BY THE CONTROLLING SHAREHOLDER

On 29 November 2011, Binhai Investment Hong Kong Limited, a wholly-owned subsidiary of the Company, as borrower and the Company as guarantor entered into a credit facility agreement (the "Facility Agreement") with Standard Chartered Bank (Hong Kong) Limited and China Development Bank Corporation Hong Kong Branch for a loan facility in the aggregate amount of HK\$622,400,000 for a term of seven years. Loan funds are used for company operations and business development. Pursuant to the terms of the Facility Agreement, if TEDA ceases to be the single largest shareholder (whether directly or indirectly) of the Company, the facility commitments of the lenders under the Facility Agreement may be cancelled and all outstanding loans and accrued interests may be declared to be immediately due and payable. TEDA currently through TEDA HK holds approximately 50.13% of the total issued ordinary share capital of the Company.

INTERESTS IN COMPETING BUSINESS

During the period, save for the interests acquired by TEDA (through TEDA HK) in certain former subsidiaries of the Group, the disposal of which to Tsinlien BVI pursuant to an agreement dated 28 May 2008 between Tsinlien BVI and a subsidiary of the Group (as amended) 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 2013, 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 Jinan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
2 Xuzhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
3 Huaining Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
4 Suqian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
5 Weishan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in accordance with the GEM Listing Rules. 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. The Audit Committee has reviewed the unaudited consolidated results of the Group for the nine months ended 30 September 2013 and has provided advice and comments on this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Dealings in securities of the Company by Directors shall be notified to and acknowledged by the Chairman of the Board in accordance with required standard of time.

All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the nine months ended 30 September 2013.

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 nine months ended 30 September 2013.

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

Hong Kong, 8 November 2013

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.