濱 海 投 資 有 限 公 司

BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)

Stock Code: 2886

2013 Annual Report

Content

Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Bing Jun *(Chairman)*
Mr. Gao Liang

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Yin Fu Gang
Mr. Yip Wai Yin

AUTHORISED REPRESENTATIVES

Mr. Gao Liang
Mr. Yin Fu Gang

AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton
HM11 Bermuda

HEAD OFFICE

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER ON HONG KONG LAW

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

PRINCIPAL BANKERS

CITIC Bank International Limited
Standard Chartered Bank (Hong Kong) Limited
China Merchants Bank Hong Kong Branch
China Construction Bank
Standard Chartered Bank (China) Limited
  Tianjin Branch
Bank of Tianjin Company Limited

STOCK CODE

2886

WEBSITE

www.binhaiinv.com

Corporate Profile

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

↓ 100%

Winstar Venture Limited — **Incorporated: BVI**

↓ 100%

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

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Share-holding		Incorporated
100%	**Tianjin Binhai Xinda Real Estate Company Limited**	**Tianjin**
100%	**Binhai Investment (Tianjin) Company Limited**	**Tianjin**

Share-holding		Incorporated
100%	Tianjin Binda Gas Enterprise Company Limited	Tianjin
100%	Tianjin Bintai Energy Development Company Limited	Tianjin
100%	Tianjin HuaTai Xinda Company Limited	Tianjin
85%	Beijing Airport Wah Sang Gas Company Limited	Beijing
90%	Sanhe TEDA Gas Company Limited	Hebei Province
85%	Zhuozhou Binhai Gas Company Limited	Hebei Province
100%	Qinhuangdao TEDA Gas Company Limited	Hebei Province
100%	Zibo Jin Bin Gas Company Limited	Shandong Province
100%	Binzhou TEDA Gas Company Limited	Shandong Province
100%	Changle Wah Sang Gas Company Limited	Shandong Province
100%	Dezhou Binhai Gas Company Limited	Shandong Province
80%	Qingdao Jiaonan Wah Sang Gas Company Limited	Shandong Province
100%	Qingdao Jiaozhou Binhai Gas Company Limited	Shandong Province
100%	Haiyang Wah Sang Gas Company Limited	Shandong Province
100%	Zhaoyuan Binhai Gas Company Limited	Shandong Province
100%	Yishui Binhai Gas Company Limited	Shandong Province
100%	Qingdao Laixi Wah Sang Gas Company Limited	Shandong Province
100%	Rizhao Binhai Gas Company Limited	Shandong Province
100%	Qixia Wah Sang Gas Company Limited	Shandong Province
100%	Funing TEDA Gas Company Limited	Jiangsu Province
100%	Jinhu Wah Sang Gas Company Limited	Jiangsu Province
100%	Yizheng TEDA Gas Company Limited	Jiangsu Province
100%	Nanjing Wah Sang Gas Company Limited	Jiangsu Province

Corporate Profile

99%	Jurong Wah Sang Gas Company Limited	Jiangsu Province
98%	Zhangjiagang Wah Sang Gas Company Limited	Jiangsu Province
99%	Jingjiang Wah Sang Gas Co., Ltd	Jiangsu Province
90%	Deqing Binhai Gas Company Limited	Zhejiang Province
100%	Haiyan Tian Tai Gas Development Company Limited	Zhejiang Province
100%	Huzhou Nanxun Binhai Gas Company Limited	Zhejiang Province
98%	Tonglu Wah Sang Gas Company Limited	Zhejiang Province
100%	Tangshan Binhai Gas Company Limited	Hebei Province
100%	Yizheng Jin Bin Gas Company Limited	Jiangsu Provice
100%	Tangshan TEDA Gas Company Limited	Hebei Province
98%	Jizhou Binhai Gas Company Limited	Hebei Province
99%	Anxin TEDA Gas Company Limited	Hebei Province
99.82%	Qingyuan Binhai Gas Company Limited	Hebei Province
100%	Fengxian Binhai Gas Company Limited	Jiangsu Province
100%	Liuyang Binhai Gas Company Limited	Hunan Province
100%	Gaoan TEDA Gas Company Limited	Jiangxi Province

Financial Highlights

	Audited Year ended 31 December 2013 *HK$'000*	Audited Nine Months ended 31 December 2012 *HK$'000*	**Percentage Change**	Unaudited Year ended 31 December 2012 (Annualized) *HK$'000*	**Percentage Change**
Revenue	**2,229,133**	1,206,285	85%	1,608,380	39%
Gross profit	**459,299**	232,330	98%	309,773	48%
Profit for the period	**141,262** *(Note)*	92,471	53%	123,295	15%
Basic earnings per share attributable to owners of the Company during the period	**1.2 cents**	0.8 cent	0.4 cent	1.0 cent	0.2 cent

	31 December 2013 *HK$'000*	31 December 2012 *HK$'000*	**Percentage Change**
Total assets	**3,847,329**	3,220,300	19%
Total equity	**872,095**	711,012	23%
Total liabilities	**2,975,234**	2,509,288	19%

Note:

On 5 August 2013, the Company issued convertible bonds due in 2016 in an aggregate principal amount of HK$310,000,000.

The change in the fair value of the conversion option from 5 August 2013 to 31 December 2013 resulted in a fair value loss of HK$53 million, which has been recorded in the consolidated income statement of the Company for the year ended 31 December 2013.

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors", individually a "Director") of Binhai Investment Company Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2013.

PERFORMANCE REVIEW

2013 is the third year of the implementation of China's "Twelfth Five-year Plan". The continuous economic growth, the urbanization and industrialization of China have further increased the demand for energy. The continuing smog weather in mainland China has alarmed the PRC government and the whole society to place air pollution control as the most important issue to people's livelihood and the society. As such, the fire coal control measures taken by the PRC government have largely increased the need for natural gas on the basis of the original gas plan. This has promised a very grand prospect for the development of natural gas industry. The Group maintained its dedication to the sustainable and continuous development of its gas business through focusing on market expansion in Tianjin Binhai New Area, accelerating the integration and optimization of other cities' resources and further improving its management system. Through the joint effort of its management and staff, the Group has achieved rapid sustainable growth of business for the fifth consecutive year.

The year 2013 also witnessed profound growth of the Group. Through strenuous efforts, the Group has laid a more solid foundation for the realization of faster development, including:

- On the basis of the general layout of main pipeline network in our key business region, Tianjin Binhai New Area, in the fiscal year the Group endeavored to expand the potential gas consumption operation region, including Lingang Economic Zone in Tianjin Binhai New Area, and Tianjin Huaming Industry Park, etc.. Gas supply contracts have also been concluded with Tianjin Bohua Petrochemical Company Limited, Tianjin LG Bohai Chemical Company Limited and other major industrial clients, which will motivate the increase in the Group's revenue and profit.

- As an inter-districts enterprise, the Group has supported the operation areas outside Tianjin Binhai New Area by connecting energy sources, establishing new construction of gas pipeline network, and expanding new areas actively. The developments of several subsidiaries in other cities including Yizheng and Zhuozhou have been very encouraging.

- In August 2013, the Company issued HK$310,000,000 1.0% convertible bonds due 2016 (the "Convertible Bonds"). In addition to raising funds, the Company attracted independent and significant investors who share our business vision and at the same time add considerable value to the Company by bringing international best practices in business strategy and corporate governance. The issuance of the Convertible Bonds also represented an opportunity to enlarge and diversify the shareholder base of the Company, improve the liquidity position of the Company and reduce the financing costs of the Company.

Chairman's Statement

- In October 2013, the Company enabled the offset of all relevant accumulated losses by reducing amounts standing to the credit of its share premium account, contributed surplus account and other reserves account. Accordingly, the Company is in a better position to declare dividends to its shareholders at an earlier opportunity.

- Towards the end of the fiscal year, the Company submitted a formal application to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the transfer of listing of the ordinary shares of HK$0.01 each in the capital of the Company ("Ordinary Shares") from the Growth Enterprise Market ("GEM") to the Main Board ("Main Board") of the Stock Exchange, and was successfully listed on the Main Board on 11 February 2014 (the "Transfer of Listing"). We believe that the Transfer of Listing will contribute to enhance the Company's profile and increase the trading liquidity of the Ordinary Shares. Besides, the listing on Main Board will benefit the future development, financial flexibility and business development of the Group.

- The Group further strengthened the cooperation with China National Petroleum Corporation and Sinopec Corp. and achieved considerable development in gas supplies coordination, purchasing procedures and gas allocation and delivery.

CORPORATE GOVERNANCE

The Group has spared no effort in strengthening corporate governance practices, which has laid a solid foundation for the Group's healthy development. The chairman of the Board encourages all Directors' engagement in Board affairs, and has maintained efficient and adequate communication with all Directors (including independent non-executive Directors) to ensure an efficient and effective operation of the Board. In the fiscal year, the Group further promoted performance evaluation of its management and staff and the construction of information system to enhance the level of corporate management. The Group also actively discusses and improves the diversity of the Board, and fully supports the leading role of the Board.

PROSPECTS

The Company is confident about better development opportunities for the Group in the 2014 fiscal year.

The major work of 2014 includes the followings:

1. continuing to expand the gas markets in Tianjin Binhai New Area and nearby areas, focusing on attracting new large scale industrial clients, with an attempt to realize substantial development in Tianjin Binhai New Area;

2. carefully evaluating the conditions and opportunities of companies in other cities, focusing on supporting the areas and subsidiaries with market potential to become new profit centres of the Group;

Chairman's Statement

3. discussing and evaluating the development opportunities of gas industry, actively discovering valuable business opportunities in the gas industry chain;

4. further enhancing the corporate informatization level, improving the efficiency and effectiveness of business operation through optimizing corporate management; and

5. further enhancing cooperation with the shareholders, investors, government departments, creditors and other stakeholders to realize a win-win situation for all parties.

The Group shall continue to operate in strict compliance with relevant rules and regulations, strive to achieve rapid sustainable growth of business, and endeavor to assume social responsibilities. The members of the Board trust that, by virtue of proper decisions of the Board, hard work of the senior management team along with the staff, as well as the support from the shareholders and business partners, the Group will surely continue to achieve new outstanding developments.

On behalf of the Board, I hereby extend my sincere gratitude to the shareholders, clients, staff members, business partners and other stakeholders for their strong support towards the Group.

On behalf of the Board
Binhai Investment Company Limited

Zhang Bing Jun
Chairman of the Board

Hong Kong, 19 March 2014

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the construction of gas pipeline networks, provision of connection services and the sale of liquefied petroleum gas ("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 31 December 2013, the length of the Group's total gas pipeline networks was approximately 1,663 kilometers, representing an increase of 174 kilometers from 1,489 kilometers as at 31 December 2012. For the year ended 31 December 2013, the connection service fees received by the Group amounted to approximately HK$535,047,000, representing an increase of HK$259,919,000 or 94% compared to HK$275,128,000 for the nine months ended 31 December 2012, and an increase of HK$168,210,000 or 46% compared to the annualized amount of HK$366,837,000 for the year ended 31 December 2012.

Piped Gas Sales

For the year ended 31 December 2013, consumption of piped gas by residential and industrial customers amounted to approximately 2,144x10^6 and 12,712x10^6 mega-joules respectively, as compared to 1,234x10^6 and 7,461x10^6 mega-joules respectively for the nine months ended 31 December 2012. During the year, the piped gas sales income of the Group amounted to HK$1,399,582,000, representing an increase of HK$654,315,000 or 88% compared to HK$745,267,000 for the nine months ended 31 December 2012, and an increase of HK$405,893,000 or 41% compared to the annualized amount of HK$993,689,000 for the year ended 31 December 2012 respectively. The increase in large scale industrial users led to a considerable escalation in gas consumption.

Property Development

As the real estate business does not match the Group's strategic direction which has been focusing on the development of the gas business, and taking into account the impact of the control policy of Mainland China on real estate business, the Group plans to dispose of the property under development.

Management Discussion and Analysis

FINANCIAL REVIEW

Gross Profit Margin

For the year ended 31 December 2013, the gross profit of the Group was HK$459 million (for the nine months ended 31 December 2012: HK$232 million, the annualized amount for the year ended 31 December 2012: HK$310 million) and the gross profit margin for the Group was 21% (for the nine months ended 31 December 2012: 19%, annualized for the year ended 31 December 2012: 19%). The increase in gross profit margin was mainly due to the change in revenue structure of the Group. For the year ended 31 December 2013, the connection service fees, which contributed more gross profit, increased by 94% compared with the nine months ended 31 December 2012 and by 46% compared with the annualized amount for the year ended 31 December 2012.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2013 was HK$168 million, representing an increase of HK$64 million or 62% compared to HK$104 million for the nine months ended 31 December 2012, and an increase of HK$29 million or 21% compared to the annualized amount of HK$139 million for the year ended 31 December 2012. Management cost comprising labor cost increased as the Group further expanded its business scope.

Profit Attributable to Owners of the Company

For the year ended 31 December 2013, the profit attributable to owners of the Company was approximately HK$136 million, comparing to HK$90 million for the nine months ended 31 December 2012, and HK$120 million being the annualized amount for the year ended 31 December 2012 respectively.

Basic earnings per share for the year ended 31 December 2013 was HK1.2 cents, as compared to HK0.8 cent and HK1.0 cent for the nine months ended 31 December 2012 and for the year ended 31 December 2012 (annualized) respectively.

Liquidity and Financial Resources

As at 31 December 2013, the total borrowings of the Group amounted to HK$1,761,835,000 (as at 31 December 2012: HK$1,656,394,000) and the cash and bank deposits of the Group amounted to HK$691,454,000 (as at 31 December 2012: HK$849,305,000), which included cash and cash equivalents of HK$685,086,000 and pledged bank deposits of HK$6,368,000. As at 31 December 2013, the Group had consolidated current assets of HK$1,493,978,000 and its current ratio was approximately 1.12. As at 31 December 2013, the Group had a gearing ratio of approximately 208%, measured by the ratio of total consolidated borrowings of HK$1,761,835,000 to consolidated total equity (includes all capital and reserves of the Group excluding non-controlling interests) of HK$847,663,000.

Management Discussion and Analysis

Borrowings Structure

As at 31 December 2013, the total borrowings of the Group amounted to HK$1,761,835,000 (as at 31 December 2012: HK$1,656,394,000). Borrowings from Hong Kong syndicated banks of HK$464,661,000 were denominated in HKD, secured by the Company's guarantee and interests in certain of the Group's subsidiaries, bearing interests at a floating rate. Borrowings from Standard Chartered Bank of US$34,256,000 were denominated in USD, secured by the Company's guarantee, bearing interests at a floating rate. Borrowings from PRC banks were denominated in RMB, unsecured, bearing interest at prevailing market rates. The bonds of RMB500,000,000 were issued at an issue price of 100 per cent. and unsecured, bearing interest at a rate of 6.50 per cent. The outstanding Convertible Bonds of HK$309,000,000 were issued at an issue price of 100 per cent. and unsecured, bearing interest at a rate of 1.00 per cent. As at 31 December 2013, short-term borrowings and current portion of long-term borrowings amounted to HK$265,006,000, while the remainder were long-term borrowings falling due after one year or above.

Directors' Opinion on Sufficiency of Working Capital

In view of the Group's current stable financial positions and in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present needs. Taking into account the expected financial performance and net cash to be generated from operation of the Group and the available banking facilities, the Directors believe that the Group is able to meet its liabilities as and when they fall due.

Exposure to Exchange Rate Fluctuations

The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities. Certain bank balances and bank borrowings are denominated in HK Dollars and US Dollars which expose the Group to foreign currency risks. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange risks and will consider hedging significant foreign currency exposure should the need arises.

Management Discussion and Analysis

Interest Rate Swap Contract

For the year ended 31 December 2013, the Group recognized a fair value profit on derivative financial instrument of HK$9,381,000 (for the nine months ended 31 December 2012: loss of HK$12,732,000), primarily attributable to the rise in the fair value of an interest rate swap contract entered into by the Group ("Swap Contract"), which was impacted by the global economic instability during the year. In order to minimize the risk of rising interest rates and to control borrowing costs, the Group entered into the Swap Contract with Standard Chartered Bank London with an aggregate notional amount of HK$571,635,500 to control the future interest charges. The deferred payment Swap Contract became effective on 30 September 2013 and will be terminated on 30 September 2018 ("Termination Day"). According to the Swap Contract, the Group is subjected to a fixed interest rate of 2.25% and receives interests at floating rate with reference to the Hong Kong Interbank Offered Rate as published by the Hong Kong Association of Banks. 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 at historical lows, the fair value of the Swap Contract will be adjusted according to economic situation and interest rates. The Group believes that such arrangements are advantageous to the Group in the long run.

Loss on fair value change in conversion option of the Convertible Bonds

On 5 August 2013, the Company issued the Convertible Bonds of HK$310,000,000. The change in the fair value of the conversion option from 5 August 2013 to 31 December 2013 resulted in a fair value loss of HK$53 million, which has been recorded in the consolidated income statement for the year ended 31 December 2013.

Charge on the Group's Assets

As at 31 December 2013, the Group had pledged bank deposits of HK$6,368,000 (as at 31 December 2012: HK$31,074,000).

In November 2011, the Group entered into bank borrowings facilities of HK$622,400,000 with Hong Kong syndicated banks. The borrowings were secured by interests in certain of the Group's subsidiaries and guarantee by the Company.

Save as disclosed above, there were no charges on any of the Group's assets as at 31 December 2013.

Completion of the Issue of Convertible Bonds

On 25 July 2013, the Company announced the issue of Convertible Bonds of HK$310,000,000. The Convertible Bonds are convertible under the circumstances set out in their terms and conditions into 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

Management Discussion and Analysis

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 issue of the Convertible Bonds. 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 connected persons of the Company. The net proceeds from the issue of the Convertible Bonds had been used by the Group for the payment of pipeline construction payables, 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.

As at 31 December 2013, Convertible Bonds in the principal amount of HK$1,000,000 had been converted into 2,710,027 Ordinary Shares at a conversion price of HK$0.3690 per Ordinary Share.

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 Tianjin TEDA Investment Holding Co., Ltd ("TEDA") ceases to be the single largest Shareholder (whether directly or indirectly), the facility commitments of the lender 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 Hong Kong Property Company Limited ("TEDA HK") holds approximately 57.6% of the total issued ordinary share capital of the Company.

Asset Disposal Entrustment in Respect of Certain Former Subsidiaries

TEDA HK through its wholly-owned subsidiaries was interested in certain former subsidiaries of the Group, which TEDA HK acquired from the Group 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") (a wholly-owned subsidiary of the Company), pursuant to which TEDA HK engaged BITCL to dispose of assets comprising interests 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 of RMB58,241,000 for the disposal of such interest, the total commission payable to BITCL is RMB14,997,057.50.

Management Discussion and Analysis

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 of the Company was held on 8 November 2013 to consider the Reduction and the Application and a special resolution was passed to approve such matters.

The Company had been unable to declare and pay dividends while there were accumulated losses. The Reductions and the Application allowed the Company to eliminate all such accumulated losses, and as a result put the Company in a better position to declare dividends to the shareholders at an earlier opportunity.

Contingent Liabilities

As at 31 December 2013, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 31 December 2013, the Group had 1,463 employees (as at 31 December 2012: 1,375). For the year ended 31 December 2013, the salaries and wages of the employees was HK$108 million (nine months ended 31 December 2012: HK$60 million).

REMUNERATION POLICY

The remuneration of the employees of the Group is determined by reference to the market rates, and the performance, qualification and experience of the relevant staff. Also, a discretionary bonus based on individual performance during the year is distributed to reward the contributions of employees to the Group. The Group also provides training opportunity and other benefits to its employees, including pension insurance, unemployment insurance, injury insurance, medical insurance, maternity insurance and housing fund, etc.. Details of pension scheme are set out in Note 2.23 and Note 9 to the consolidated financial statements.

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD

The Company applied for the Transfer of Listing on 28 November 2013. The approval-in-principle was granted by the Stock Exchange on 30 January 2014 for the Ordinary Shares to be listed on the Main Board and de-listed from GEM. Dealings in the Ordinary Shares on the Main Board commenced on 11 February 2014.

Corporate Governance Report

The Board presents the corporate governance report of the Company for the year ended 31 December 2013.

CORPORATE GOVERNANCE

The Board assumes overall responsibility for the leadership and control of the Group, including provision and formulation of the Group's business directions and strategies in the interests of the Group. The Board believes that good corporate governance practices would strengthen investors' confidence, facilitate the development of the Group, and increase transparency in the operation of the Group, which is in the long term interest of the Group and the Shareholders. During the year ended 31 December 2013, the Company had fully complied with the code provisions set out in Appendix 15 ("Corporate Governance Code") of the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") except for the following:

Due to their other business activities, one executive Director, five non-executive Directors and two independent non-executive Directors were unable to attend the annual general meeting held on 8 May 2013 and/or the special general meetings held on 2 April 2013 and 8 November 2013 which did not comply with the code provision A.6.7 of the Corporate Governance Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company 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. Trading of securities by Directors shall be approved by the chairman of the Board and shall be entered into in accordance with the time frame and the number for securities approved.

All Directors have confirmed, following specific enquiries by the Company, that they complied with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and the code of conduct regarding securities transactions by Directors throughout the year ended 31 December 2013.

Corporate Governance Report

THE BOARD

The Board currently comprises eleven Directors including two executive Directors, five non-executive Directors and four independent non-executive Directors. Mr. Zhang Bing Jun is the chairman of the Board and an executive Director, Mr. Gao Liang is the general manager of the Company and an executive Director. Mr. Shen Xiao Lin, Mr. Zhang Jun, Mr. Dai Yan, Mr. Wang Gang and Ms. Zhu Wen Fang are non-executive Directors. Mr. Ip Shing Hing, *J.P.*, Professor Japhet Sebastian Law, Mr. Tse Tak Yin and Mr. Lau Siu Ki, Kevin are independent non-executive Directors. Detailed information of the Directors are set out in the section titled "BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT" herein.

Prior to the Transfer of Listing, Rule 5.05 of the GEM Listing Rules required the Company to have at least three independent non-executive directors and one of whom must have appropriate professional qualifications or accounting or related financial management expertise. Rule 5.05A of the GEM Listing Rules required the Company to have independent non-executive directors representing at least one-third of the board. Rule 5.28 of the GEM Listing Rules required the Company to retain at all times a minimum of three independent non-executive directors in its audit committee, and at least one member of the audit committee must have appropriate professional qualifications or accounting or related financial management expertise. The Company has four independent non-executive Directors representing not less than one-third of the Board. Among the four independent non-executive Directors, Mr. Lau Siu Ki, Kevin and Mr. Tse Tak Yin are qualified accountants.

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

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

The Board is responsible for the overall management of the Company, undertaking the responsibility to lead and control and to promote the success of the Company through providing direction and supervision. All the Directors are bound by their duties to act in the interests of the Company to make an objective decision. The Board is responsible for the major affairs of the Company, including the approval and supervision of all major policies, overall strategies, internal control and risk management systems, material transactions (in particular transactions which may involve a conflict of interest), financial information, appointment of Directors and other material financial and operating matters. The management is responsible for the Group's daily administration and operations. Material transactions to be entered into by the management are subject to approval of the Board.

Corporate Governance Report

A total of 5 Board meetings were held during the year ended 31 December 2013 (including 4 regular meetings) to discuss and decide on the Company's major strategies, important business matters, financial issues and other matters set forth in the Company's bye-laws. A summary of the Directors' attendance at such meetings is as follows:

Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. ZHANG Bing Jun *(Chairman)*	5/5	100%
Mr. GAO Liang	5/5	100%

Non-Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. SHEN Xiao Lin	2/5	40%
Mr. ZHANG Jun	4/5	80%
Mr. DAI Yan	2/5	40%
Mr. WANG Gang	3/5	60%
Ms. ZHU Wen Fang	3/5	60%

Independent Non-Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. LAU Siu Ki, Kevin	4/5	80%
Mr. IP Shing Hing, *J.P.*	3/5	60%
Professor Japhet Sebastian LAW	4/5	80%
Mr. TSE Tak Yin	4/5	80%

DIRECTORS' AND OFFICERS' INSURANCE

Appropriate insurance covering directors' and officers' liabilities has been in force in order to protect the directors and officers of the Group from any risks arising from the business of the Group.

Corporate Governance Report

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

Mr. Zhang Bing Jun is the chairman of the Board ("Chairman"). Mr. Gao Liang is the general manager of the Company ("General Manager"). The Chairman is primarily responsible for leading the Board and ensuring the effective operation of the Board, and the General Manager is primarily responsible for the day-to-day operations of the Company. Such distinction between the respective roles and responsibilities of the Chairman and the General Manager is set out in the Company's bye-law and the "Regulation on Operation of the Board and its Committees" of the Company.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "Board Diversity Policy") on 29 August 2013 which sets out the approach to achieve and maintain diversity on the Board in order to maintain a competitive advantage of the Board. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industry experience, background, race, age, gender and other qualities. The Nomination Committee will consider and, if appropriate, set measurable objectives to implement the Board Diversity Policy and review such objectives to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy, from time to time, to ensure its continued effectiveness.

DIRECTORS' TRAINING

Record of training received by each Director during the year ended 31 December 2013 is summarized below:

Directors	Contents of the training
Mr. ZHANG Bing Jun	A
Mr. GAO Liang	B
Mr. SHEN Xiao Lin	C
Mr. ZHANG Jun	D
Mr. DAI Yan	E
Mr. WANG Gang	F
Ms. ZHU Wen Fang	G
Professor Japhet Sebastian LAW	H
Mr. LAU Siu Ki, Kevin	I
Mr. TSE Tak Yin	I
Mr. IP Shing Hing, *J.P.*	J

Corporate Governance Report

A. The World Economic Forum, Annual Meeting of the New Champions 2013 (Summer Davos 2013)

B. Peking University MBA Training

C. Attending seminar on Financial Investment and Real Estate Sectors of Society by Tsinghua Alumni Association in Tianjin and the 6th Entrepreneurs Forum by Wuhan Alumni Entrepreneurs

D. Attending seminar of TEDA on Economic Operation Analysis of the first half of 2013 to analyse and appraise the performance

E. Briefing by legal advisor on Case Studies from the market to improve governance

F. Briefing by TEDA on Workshop on Regional Development and Real Estate

G. Directors, Supervisors and Senior Management training in Beijing China Securities Regulatory Commission

H. Attending seminars on "Disclosure on Environmental & Social Matters", by Sidney Austin LLP, at Global Digital Creations, "Director's Undertaking and Responsibilities", and "New Companies Ordinance"

I. Attending CPD required by HKICPA

J. Seminar and Briefing on the New Companies Ordinance organised by Association of China-Appointed Attesting Officers Limited

GENERAL MEETINGS

The following table sets out details of Directors' attendance of the annual general meeting and special general meetings of the Company held during the year ended 31 December 2013:

Directors	Number of general meetings attended/ Number of meetings held	Attendance percentage
Mr. ZHANG Bing Jun	2/3	67%
Mr. GAO Liang	3/3	100%
Mr. SHEN Xiao Lin	1/3	33%
Mr. ZHANG Jun	2/3	67%
Mr. DAI Yan	2/3	67%
Mr. WANG Gang	2/3	67%
Ms. ZHU Wen Fang	1/3	33%
Mr. LAU Siu Ki, Kevin	3/3	100%
Mr. IP Shing Hing, *J.P.*	2/3	67%
Professor Japhet Sebastian LAW	2/3	67%
Mr. TSE Tak Yin	3/3	100%

Corporate Governance Report

TERM OF OFFICE AND RE-ELECTION

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

In accordance with the Company's bye-law 87(1) and (2), Mr. Zhang Bing Jun (an executive Director), Mr. Shen Xiao Lin and Mr. Zhang Jun (both non-executive Directors), Professor Japhet Sebastian Law and Mr. Tse Tak Yin (both independent non-executive Directors) will retire by rotation and will be eligible for re-election at the forthcoming annual general meeting of the Company.

REMUNERATION COMMITTEE

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

The Terms of Reference of the Remuneration Committee (as amended) approved by the Board are available on the websites of the Stock Exchange and the Company.

The main responsibilities of the Remuneration Committee include, but not limited to, the following:

1. making recommendations to the Board on the Company's policy and structure for all Director's and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; and

2. reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

During the year ended 31 December 2013, 1 meeting was held by the Remuneration Committee. The Remuneration Committee reviewed the remuneration of individual executive Directors and senior management and made recommendation to the Board.

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Professor Japhet Sebastian LAW *(Chairman)*	1/1	100%
Mr. IP Shing Hing, *J.P.*	1/1	100%
Mr. LAU Siu Ki, Kevin	1/1	100%
Mr. TSE Tak Yin	1/1	100%
Mr. GAO Liang	1/1	100%

Corporate Governance Report

The remuneration of members of the senior management by band for the year ended 31 December 2013 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	15
HK$1,000,001 to HK$1,500,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to the GEM Listing Rules are set out in Note 9 to the financial statements.

NOMINATION COMMITTEE

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

The Terms of Reference of the Nomination Committee (as amended) approved by the Board are available on the websites of the Stock Exchange and the Company.

The main responsibilities of the Nomination Committee include, but not limited to, the following:

1. reviewing the structure, size, and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the corporate strategy;

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

3. identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships.

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

Corporate Governance Report

During the year ended 31 December 2013, 1 meeting was held by the Nomination Committee. The Nomination Committee mainly discussed the direction of board optimization in the future.

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. IP Shing Hing, *J.P.* *(Chairman)*	1/1	100%
Professor Japhet Sebastian LAW	1/1	100%
Mr. LAU Siu Ki, Kevin	1/1	100%
Mr. TSE Tak Yin	1/1	100%
Mr. GAO Liang	1/1	100%

AUDITOR'S REMUNERATION

The statement of responsibility to the financial statements by PricewaterhouseCoopers, the external auditor of the Group, is set out in the section of "INDEPENDENT AUDITOR'S REPORT" on pages 54 to 55 of this Annual Report. The remuneration for the auditor's services for the year ended 31 December 2013 amounted to RMB2.85 million.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in accordance with Rule 5.28 of the GEM Listing Rules. The Terms of Reference of the Audit Committee (as amended) approved by the Board are available on the websites of the Stock Exchange and the Company. The main responsibilities of the Audit Committee include, but not limited to, the followings:

1. primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor;

2. monitoring the integrity of the Company's financial statements, the annual report and accounts, half-year report and quarterly report; and

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

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

4 meetings were held by the Audit Committee during the year ended 31 December 2013.

Corporate Governance Report

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

1. the audited results and financial statements of the Group for the nine months ended 31 December 2012;

2. the unaudited results of the Group for the 3 months ended 31 March 2013, the 6 months ended 30 June 2013 and the nine months ended 30 September 2013 respectively;

3. financial reporting system and internal control procedures;

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

5. function of corporate governance, and disclosure policy.

The following table sets out the details of attendance of the members of the Audit Committee at the meetings held during the year ended 31 December 2013:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. LAU Siu Ki, Kevin *(Chairman)*	3/4	75%
Professor Japhet Sebastian LAW	4/4	100%
Mr. TSE Tak Yin	4/4	100%
Mr. IP Shing Hing, *J.P.*	4/4	100%

The Audit Committee has also reviewed the audited annual results of the Group for the year ended 31 December 2013, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Audit Committee opined and viewed that:

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

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

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

The Company has not established a corporate governance committee and the corporate governance functions are performed by the Audit Committee as set out in its terms of reference. The Audit Committee had considered the policies and practices for corporate governance as set out in the Corporate Governance Code.

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements for the year ended 31 December 2013 in accordance with statutory requirements and applicable standards.

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

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

The reporting responsibility of the external auditor of the Company on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 54 to 55 herein.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is to safeguard the assets of the Group and the Shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirements of the applicable rules of the Stock Exchange.

During the year ended 31 December 2013, the management of the Company provided training to the internal audit team, accounting team and operation team, so as to ensure effective implementation of the internal control system and procedures. The Audit Committee paid great attention to internal controls and made efforts to improve the internal control system during the year ended 31 December 2013.

The Company established the internal control department, which is responsible for the implementation of the specific responsibilities of internal control. The internal control department carried out 14 internal control reviews and audit projects during the year ended 31 December 2013. Based on the Company's internal control system, the internal control department carried out tasks relating to risks identification, control and authorization system and anti-corruption.

Corporate Governance Report

The Directors conducted periodic reviews on the Company's internal control system to ensure the effectiveness and adequacy of the system. The Company convened meetings regularly to review the financial, operational and compliance controls and to consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Directors are of the view that the existing system of internal control is effective and adequate for the Group.

JOINT COMPANY SECRETARIES

Mr. Yin Fu Gang ("Mr. Yin"), an employee of the Company, has been appointed as a company secretary of the Company. The Company also engaged and appointed Mr. Yip Wai Yin ("Mr. Yip"), a Hong Kong practicing solicitor, as a company secretary of the Company. They work together as joint company secretaries of the Company in handling the corporate secretarial matters of the Company. Mr. Yin has day-to-day involvement in the affairs of the Company. The primary corporate contact person at the Company with Mr. Yip is Mr. Yin.

The joint company secretaries of the Company duly complied with the relevant training requirement under Rule 5.15 of the GEM Listing Rules.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning a special general meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company signed and deposited in accordance with the bye-laws of the Company, Bermuda Companies Act 1981, require the Directors to call a special general meeting for the transaction of business specified in the requisition.

(b) Procedures for putting forward proposals at general meetings

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 Shareholders may, at their expense, provide a written request to the attention of the company secretary of the Company signed and deposited in accordance with the Bermuda Companies Act 1981.

(c) Communication with Shareholders and investors

General meetings of the Company provide a direct forum of communication between Shareholders and the Board. Shareholders are welcome to put forward enquiries to the chairman of the Board, or in his absence, an executive Director. The chairmen of the Nomination Committee, Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the independent board committee, will commonly be present and available to answer questions. Shareholders may also contact the company secretary of the Company to direct their written enquires.

Corporate Governance Report

The Company is committed to enhancing communications and relationships with its investors. Designated senior management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.binhaiinv.com, where updates on the Company's business developments and operations, financial information and news can always be found.

As regards the shareholders' communication policy, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.binhaiinv.com.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Hong Kong

Address:	Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Tel:	(852) 2572 9228
Fax:	(852) 2572 9283
Email:	prd@binhaiinv.com

Tianjin

Address:	Suites 501-502, Block 6, East Area, Airport Business Park, 80 Huanhe Road North, Airport Industrial Park, Tianjin, China
Tel:	86-22-5880 1800
Fax:	86-22-5880 1801
P.C.:	300308
E-mail:	wsg@binhaiinv.com

The updated memorandum of association and bye-laws of the Company have been posted on the website of the Company at www.binhaiinv.com and the designated website of the Stock Exchange at www.hkexnews.hk. There was no change to the memorandum of association and bye-laws of the Company during the year ended 31 December 2013.

Biographical Information of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. ZHANG Bing Jun, aged 50, has been the Chairman and an executive Director of the Company since 25 February 2011. Mr. Zhang graduated from Xidian University (西安電子科技大學) with a Bachelor of Engineering Science degree in July 1984 and is a qualified senior engineer of the People's Republic of China (the "PRC"). Mr. Zhang studied the State-owned Enterprises course at the Beijing Motorola University (北京摩托羅拉大學) and the Executive Master of Business Administration course at the Guanghua School of Management of the Beijing University (北京大學光華管理學院) in 1999. Mr. Zhang is currently the Party Secretary and Chairman of TEDA, a wholly State-owned company established in the PRC which indirectly holds 57.6% Ordinary Shares through TEDA HK. Mr. Zhang has nearly thirty years' experience in electronic engineering, corporate strategy and planning, management, operation and investment. Mr. Zhang was the General Manager and Deputy Party Secretary of TEDA from June 2006 to January 2011, the Deputy General Manager of Tianjin Zhonghuan Electronic Information Group Co., Ltd. (天津中環電子信息集團有限公司) from November 2005 to June 2006, the Chairman, General Manager and Deputy Party Secretary of Tianjin Optical Electrical Group Co., Ltd. (天津光電集團有限公司) from April 2003 to November 2005 and the Chairman and General Manager of Tianjin Optical Electrical Communications Company (天津光電通信公司) from July 1999 to April 2003. Since April 2011, he has been chairman of Sihuan Pharmaceutical Co., Ltd. (四環藥業股份有限公司) (a company listed on Shenzhen Stock Exchange). Since February 2013, he has been the chairman of Tianjin TEDA Co., Ltd. (天津泰達股份有限公司) (a company listed on Shenzhen Stock Exchange).

Mr. GAO Liang, aged 46, has been the General Manager and an executive Director of the Company since 4 August 2009. He has been the Compliance Officer of the Company since February 2010. He is also the general manager of Binhai Investment (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Company incorporated in the PRC since April 2009. Mr. Gao is a senior engineer. He graduated from Wuhan Urban Construction Institute (武漢城市建設學院) with a major in environment hygiene engineering in 1988, and obtained a master's degree in business administration from Nankai University (南開大學) in 2005. He was the deputy director of the Science Promotion Center of Urban and Rural Development Administrative Committee of Tianjin Municipal (天津市城鄉建設管理委員會科技推廣中心) for the period from 1993 to 1995 and the deputy director of the Tianjin Municipal Environmental and Hygienic Engineering Design Council (天津市環衛工程設計院) for the period from 1995 to 2001.

Mr. Gao is a member of the Remuneration Committee and the Nomination Committee of the Company.

Biographical Information of Directors and Senior Management

Non-Executive Directors

Mr. SHEN Xiao Lin, aged 46, has been a non-executive Director since 25 February 2011. Mr. Shen is a Doctor of Management Studies who graduated from the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) with a Doctorate degree in Technical Economics and Management in December 2001. Mr. Shen obtained a master's degree in Economics and Management at the School of Management of Huazhong University of Science and Technology (華中科技大學管理學院) in July 1992 and a Bachelor of Industrial Electrical Automation degree at the Wuhan University of Science and Technology (武漢科技大學) in July 1989, and is a qualified senior economist and accountant of the PRC. Mr. Shen is currently the Deputy General Manager of TEDA. Mr. Shen was appointed as a full-time supervisor of the Supervisory Board for Key Large State-Owned Enterprises of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國資委國有重點大型企業監事會) from March 2003 to August 2008, a full-time supervisor of the Supervisory Board for Key Large State-Owned Enterprises of the Central Enterprises Work Committee (中央企業工作委員會國有重點大型企業監事會) from September 2002 to March 2003 and the Deputy Head of Project Finance of Shougang Company (首鋼總公司) from January 1999 to September 2002. He worked in the Economic Development Research Centre of the State Metallurgical Industry Bureau (國家冶金部經濟發展研究中心) from July 1992 to December 1998. Since 19 April 2011, he has been a director of Sihuan Pharmaceutical Co., Ltd. (四環藥業股份有限公司) , a company listed on Shenzhen Stock Exchange.

Mr. ZHANG Jun, aged 46, has been a non-executive Director since 9 February 2010. Mr. Zhang worked as an executive Director of the Company since June 2009, and was re-designated as a non-executive Director in February 2010. Mr. Zhang graduated from Beijing Normal University (北京師範大學) with a degree in philosophy in July 1990 and completed a course in economics from Nankai University (南開大學) in 1998. He is currently the general manager of Tianjin TEDA Group Co., Ltd., a wholly owned subsidiary of TEDA. Prior to that, Mr. Zhang was an administrative officer of TEDA and a deputy administrative officer of TEDA Administrative Commission (天津經濟技術開發區管理委員會) and administrative officer of Tianjin TEDA Eco-Landscape Development Co., Ltd. (天津經濟技術開發區總公司園林綠化公司). Mr. Zhang is a director of TEDA. He acted as the chairman of Tianjin TEDA Co., Ltd. (天津泰達股份有限公司) (a company listed on Shenzhen Stock Exchange) from May 2011 to February 2013. He has been a director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (listed on the Stock Exchange) since April 2008.

Biographical Information of Directors and Senior Management

Mr. DAI Yan, aged 60, has been a non-executive Director since February 2010. Mr. Dai worked as an Executive Director from June 2007, and was re-designated as a non-executive Director in February 2010. Mr. Dai is a senior economist. Mr. Dai graduated from the University of International Business and Economics in 1980. In 1998, he completed the postgraduate professional course in law in the Party School of the Central Committee of the Communist Party of China and the postgraduate course of international trade in Tianjin University of Finance and Economics, respectively. From 1988 to 2002, he acted as the deputy general manager of Tianjin Garments Import & Export Corporation, the deputy general manager of Tianjin Garments Associate Corporation, the director, deputy general manager and general manager of Tianjin Zhong Fu International Group Company Limited and acted as the director and deputy general manager of Tianjin Textile (Holdings) Group Limited. He is currently an executive director and executive deputy general manager of Tianjin Development Holdings Limited and is also a director and executive deputy general manager of Tsinlien Group Company Limited, the controlling shareholder of Tianjin Development Holdings Limited since September 2009. Mr. Dai has been an executive director of Tianjin Port Development Holdings Limited (listed on the Main Board of the Stock Exchange). Mr. Dai has solid experience in management for over twenty years.

Mr. WANG Gang, aged 48, has been a non-executive Director since 9 February 2010. Mr. Wang worked as an Executive Director of the Company from 2004, and was re-designated as a Non-Executive Director in February 2010. Mr. Wang graduated from the thermal engineering branch of Tinjian University (天津大學) with a bachelor's degree in Engineering in July 1990 and acquired a postgraduate degree at Tianjin University of Finance & Economics in July 2001. He is a senior engineer. He is the former chief executive officer of the Company and the former general manager of Tianjin district operations. He has ample professional experience in thermal engineering. From August 2003 to May 2004, he was the chairman and general manager of TEDA Gas, a subsidiary of Tsinlien Group Company Limited and a fellow subsidiary of Tianjin Development Holdings Limited operating gas supply business in Tianjin. Mr. Wang was the vice manager of TEDA Heat and Power Company (泰達熱電公司), a wholly owned subsidiary of TEDA, the vice general manager of Tianjin TEDA Tsinlien Heat & Power Co., Ltd. (泰達津聯熱電公司), a subsidiary of Tianjin Development, and the general manager of Guohua Energy Development (Tianjin) Co., Ltd. (國華能源發展(天津)有限公司) from August 1997 to August 2003. Mr. Wang was responsible for the day-to-day operation of the Group including the implementation of the business plan of the Group from May 2004 to July 2007.

Ms. ZHU Wen Fang, aged 46, has been a non-executive Director since 20 August 2010. Ms. Zhu graduated from Lanzhou University (蘭州大學) with a bachelor's degree in July 1990 and a master's degree in business management in 1995. She is currently the manager of the Securities Department of TEDA. Prior to that, Ms. Zhu was project manager of TEDA Industrial Investment Co. Ltd. (天津開發區工業投資公司), and project manager and deputy administrative officer of Tianjin TEDA Group Co., Ltd. (天津泰達集團有限公司), a wholly-owned subsidiary of TEDA. She has been the deputy chairperson of the board of directors of Sihuan Pharmaceutical Co., Ltd. (四環藥業股份有限公司), a company listed on Shenzhen Stock Exchange, since 2009. She has been a director of Changjiang Securities Co., Ltd. (長江證券股份有限公司), a company listed on the Shenzhen Stock Exchange, since 2007, a director of Tianjin Jinbin Development Co., Ltd. (天津津濱發展股份有限公司), a company listed on the Shenzhen Stock Exchange, since 2008, and a director of Tianjin Binhai Energy and Development Co., Ltd. (天津濱海能源發展股份有限公司) since 2007.

Biographical Information of Directors and Senior Management

Independent Non-Executive Directors

Mr. IP Shing Hing *J.P.*, aged 58, has been an independent non-executive Director since 23 March 2009. He holds a Bachelor of Laws (Hons.) Degree from the University of Hong Kong and a Master of Arts: Arbitration and Alternative Dispute Resolution from the City University of Hong Kong. He is a solicitor and Notary Public, Hong Kong SAR and China-Appointed Attesting Officer, and Justice of Peace, and has been a practising solicitor in Hong Kong for more than 20 years. He also serves as an independent non-executive director of Far East Hotels and Entertainment Limited (listed on the Stock Exchange). He was an independent non-executive director of Quam Limited (listed on the Stock Exchange) during the period from 1 October 2006 to 30 September 2008. He is enthusiastic in community activities which include serving as the President of The Law Society of Hong Kong (2002-2004), Vice-President of The Law Society of Hong Kong (1999-2002), Council Member of the Association of China-Appointed Attesting Officers Limited (since 2002), Director of Hong Kong Chinese General Chamber of Commerce (since 1997) and part-time Member of Central Policy Unit (2004-2005), Member of Basic Law Promotion Steering Committee, and Member of the Greater Pearl River Delta Business Council.

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

Professor Japhet Sebastian LAW, aged 62, has been an independent non-executive Director since 23 March 2009. He obtained his Ph.D. in Mechanical/Industrial Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Professor Law has acted as a consultant with various corporations in Hong Kong and overseas and is currently an independent non-executive director of the following companies listed on the Stock Exchange: Tianjin Port Development Holdings Limited, Beijing Capital International Airport Co., Ltd., Global Digital Creations Holdings Limited, Shougang Fushan Resources Group Limited, Regal Hotels International Holdings Limited and Tianjin Binhai Teda Logistics (Group) Corporation Limited. He was an independent non-executive director of Cypress Jade Agricultural Holdings Limited from December 2011 to July 2013. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government, and various Government and charitable boards and committees.

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

Biographical Information of Directors and Senior Management

Mr. TSE Tak Yin, aged 65, has been an independent non-executive Director since March 2009. He has 17 years of experience in finance and operation of the gas industry. He was the Chief Accountant of a local piped gas company in 1980 and was appointed as General Manager of Customer Services Division in 1993 and General Manager of Corporate Development Division until 1997. He is currently the Director — Corporate Finance and Affairs of ITApps Limited. Mr. Tse is a Fellow Member of Association of Chartered Certified Accountants ("ACCA") and an Associate Member of Hong Kong Institute of Certified Public Accountants.

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

Mr. LAU Siu Ki, Kevin, aged 55, has been an independent non-executive Director since March 2009. He is currently running his own management consultancy firm, Hin Yan Consultants Limited. Mr. Lau has previously worked at Ernst & Young for over 15 years. He graduated from the Hong Kong Polytechnic in 1981. Mr. Lau is a Fellow Member of both the ACCA and the HKICPA. Mr. Lau was a Member of the World Council of ACCA from May 2002 to September 2011 and the President of ACCA Hong Kong in 2000/2001. Mr. Lau is currently the company secretary of Yeebo (International Holdings) Limited, and an independent non-executive director of COL Capital Limited, Comba Telecom Systems Holdings Limited, Embry Holdings Limited, FIH Mobile Limited (Foxconn International Holdings Limited has changed its name to FIH Mobile Limited (富智康集團有限公司)), Samson Holdings Ltd and TCL Communication Technology Holdings Limited respectively and the shares of these companies are listed on the Main Board of the Stock Exchange. In the past two years. Mr. Lau also acted as an independent non-executive director of Greenfield Chemical Holdings Limited, and Proview International Holdings Limited, both companies listed on the Main Board of the Stock Exchange, from April 2002 to June 2010 and September 2005 to August 2010, respectively.

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

SENIOR MANAGEMENT

Mr. JI Li Guo, aged 50, senior engineer, joined the Group in May 2009, is currently the Executive Deputy General Manager of the Group. Mr. Ji graduated from Harbin Institute of Technology (哈爾濱工業大學) in 1986. During the period from 1999 to 2005, he served as the Chief Engineer of Tianjin TEDA Group Real Estate Department (天津泰達集團房產部). During the period from 2005 to 2009, he served as the Deputy General Manager of Tianjin TEDA Venture Project Management Co., Ltd (天津泰達創業項目管理有限公司).

Biographical Information of Directors and Senior Management

Mr. XING Dong, aged 46, joined the Group in June 2007. He is currently the Deputy General Manager of the Group. Mr. Xing graduated from Tianjin University (天津大學) in 1989. During the period from 1990 to 2007, he was the Minister of the Engineering Department, Diversion Operation Department and Investment Management Department of Tianjin Economic-Technological Development Area Water Corporation (天津經濟開發區總公司自來水公司).

Mr. HU Mao Jie, aged 60, senior engineer, joined the Group in July 2009. He is currently the Senior Consultant of the Group. Mr. Hu graduated from East China University of Science and Technology (華東理工大學) with a bachelor degree, and obtained a master degree from Tianjin University of Finance and Economics (天津財經大學). During the period from 1998 to 2001, he was the Deputy Party Secretary and General Manager of Tianjin Gas Group Company (天津市燃氣集團公司). During the period from 2001 to 2003, he was Vice Chairman and Executive Deputy General Manager of Tianjin Gas Group Company (天津市燃氣集團公司). During the period from 2004 to 2006, he was the Director and General Manager of Beijing New Hualian Gas Investment Company (北京新華聯燃氣投資公司). During the period from 2007 to 2008, he was the Vice President of China Leason Investment Group (Hong Kong) Co., Ltd. (香港中國聯盛投資公司). Mr. Hu has nearly thirty years'experience in the gas industry, and he is also a director of the China Civil Engineering Association (中國土木工程協會), China Gas Association (中國煤氣協會), and an executive director of China City Gas Society (中國煤氣學會). He served as the Deputy General Manager and Chief Engineer of the Group until 20 November 2013.

Mr. ZHANG Zhong Hai, aged 38, accountant, joined the Group in May 2009. He is currently the Chief Finance Officer of the Company and was appointed as a Deputy General Manager of the Group on 25 June 2012. Mr. Zhang holds a master's degree in accounting in Nankai University (南開大學) and has worked as an accounting manager, finance vice-president and finance minister in other PRC corporations prior to joining the Group.

Mr. YIN Fu Gang, aged 39, joined the Group in September 2009. He is currently the Company Secretary of the Company and was appointed as a Deputy General Manager of the Group on 25 June 2012. Mr. Yin holds a master's degree of Laws in Nankai University (南開大學). Mr. Yin is a qualified lawyer in the PRC and also has the qualifications as a judge, a corporate legal adviser and an intermediate economist in the PRC. He works together with Mr. Yip Wai Yin, a practising solicitor of the Hong Kong Special Administrative Region and a partner of Messrs. Woo Kwan Lee & Lo, as joint company secretaries of the Company in handling the corporate and secretarial matters of the Company. He has been a director and the company secretary of TEDA HK since 2011. During the period from 1997 to 2002, he was a former court judge of the People's Court of Jinnan District, Tianjin. During the period from 2005 to 2009, he was a Corporate Counsel Section Chief in TEDA.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company is an investment holding company. Details of the principal activities of the Company's subsidiaries are set out in Note 37 to the financial statements.

The analysis of the Group's performance for the year by business segments is set out in Note 6 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2013 are set out in the consolidated income statement on page 56.

Based on the profit of the Company for 2013 and taking into account the financial position of the Company, the Board recommended a final dividend of HK$0.005 per Ordinary Share (the "Final Dividend") for the year ended 31 December 2013 (nine months ended 31 December 2012: Nil), amounting to approximately HK$30,384,114.20 according to the number of issued Ordinary Shares as at the date of the relevant resolution of the Board. The Final Dividend is subject to approval by the holders of Ordinary Shares at the forthcoming annual general meeting of the Company to be held on 5 May 2014 (the "AGM"), and is expected to be paid on or about 23 May 2014.

CLOSURES OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the AGM

Shareholders of the Company whose names appear on the register of members of the Company on Monday, 5 May 2014 will be eligible to attend and, in relation to holders of Ordinary Shares, to vote at the AGM. The register of members of the Company will be closed from Wednesday, 30 April 2014 to Monday, 5 May 2014 (both days inclusive). All completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 29 April 2014.

(b) For determining the entitlement to the Final Dividend

The Final Dividend will be payable to the holders of Ordinary Shares whose names appear on the register of members of the Company on Monday, 12 May 2014 and the register of members of the Company will be closed from Monday, 12 May 2014 to Wednesday, 14 May 2014 (both days inclusive). In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 9 May 2014.

Directors' Report

FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Group for the last five financial years ended 31 December 2013 is set out on page 152.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

As at 31 December 2013, the Company had 5,995,522,027 Ordinary Shares, 170,000,000 convertible preference shares of nominal value HK$1.00 each ("Convertible Preference Shares") and 8,600,000 redeemable preference shares of nominal value HK$50.00 each ("Redeemable Preference Shares") in issue. 130,000,000 Convertible Preference Shares and 8,600,000 Redeemable Preference Shares were issued to Cavalier Asia Limited for the consideration of HK$130 million and HK$430 million respectively on 4 May 2009 and were subsequently transferred to TEDA HK in August 2011. The 40,000,000 Convertible Preference Shares were issued to the Hong Kong syndicated banks with the repayment of HK$10 million to discharge the syndicate bank loan HK$210 million on 7 May 2009.

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

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

Details of the movements in the share capital of the Company during the year ended 31 December 2013 are set out in Note 23 to the financial statements.

PRE-EMPTIVE RIGHTS

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

Directors' Report

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 25 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had no reserves available for cash distribution and/or distribution in specie as calculated under the Companies Act of Bermuda as at 31 December 2013 (31 December 2012: Nil).

CHARITABLE DONATIONS

During the year ended 31 December 2013, the Group made no charitable and other donations (nine months ended 31 December 2012: Nil).

SHARE OPTION SCHEME

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

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

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

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

Directors' Report

Pursuant to the 2010 Scheme, the Company granted 90,500,000 share options to the Directors and certain continuous contract employees of the Group on 27 September 2010. As at 31 December 2013, 21,500,000 of these share options had lapsed.

As at 31 December 2013, a total of 530,281,200 Ordinary Shares (representing approximately 8.84% of the issued Ordinary Shares as at 31 December 2013) could be issued upon exercise of all options which may be but not yet granted under the 2010 Scheme, and a total of 69,000,000 Ordinary Shares (representing approximately 1.15% of the issued Ordinary Shares as at 31 December 2013) could be issued upon exercise of all options which had been granted and yet to be exercised under the 2010 Scheme.

Details of movement of share options granted under the 2010 Scheme during the year ended 31 December 2013 were as follows:

Grantee	Date of grant	Exercise Period *(Note)*	Exercise Price *(HK$)*	Number of Ordinary Shares subject to outstanding options as at 1 January 2013	Number of options lapsed during the year	Number of Ordinary Shares subject to outstanding options as at 31 December 2013	Approximate percentage of the Company's total issued Ordinary Shares capital as at 31 December 2013
Directors	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	5,000,000	23,000,000	0.38%
Total				74,000,000	5,000,000	69,000,000	1.15%

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

Save as disclosed above, no share option was granted, exercised or cancelled during the year ended 31 December 2013.

Directors' Report

DIRECTORS

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

Executive Directors:

Mr. Zhang Bing Jun *(Chairman)*
Mr. Gao Liang *(General Manager)*

Non-executive Directors:

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

Independent Non-executive Directors:

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

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

In accordance with the Company's bye-law 87(1) and (2), Mr. Zhang Bing Jun (an executive Director), Mr. Shen Xiao Lin and Mr. Zhang Jun (both non-executive Directors), Professor Japhet Sebastian Law and Mr. Tse Tak Yin (both independent non-executive Directors) will retire by rotation and will be eligible for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Report

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the contracts with TEDA and its subsidiaries and associates which are set out in the sections "CONNECTED TRANSACTIONS" and "CONTINUING CONNECTED TRANSACTIONS", there were no material contracts between the Group and its controlling shareholder or its associates during the year ended 31 December 2013.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2013.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party which subsisted at the end of the year ended 31 December 2013 or at any time during the period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year ended 31 December 2013 were rights to acquire benefit by means of the acquisition of any class of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such right in any other body corporate.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals are set out in Note 9 to the consolidated financial statement to this report. More particulars are also set out in the section headed "REMUNERATION COMMITTEE" in "CORPORATE GOVERNANCE REPORT".

CHANGE IN DIRECTOR'S INFORMATION

Professor Japhet Sebastian Law, an independent non-executive Director, ceased to be independent non-executive director of Cypress Jade Agricultural Holdings Limited on 18 July 2013 and became an independent non-executive director of Shougang Fushan Resources Group Limited on 1 September 2013. Cypress Jade Agricultural Holdings Limited and Shougang Fushan Resources Group Limited are both listed on the Stock Exchange.

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 31 December 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:

		Interest in Ordinary Shares						
Name of Director	Capacity	Personal interests	Corporate interests	Family interests	Total interests	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 31 December 2013
Mr. GAO Liang	Beneficial owner	–	–	–	–	10,000,000	10,000,000	0.17%
Mr. ZHANG Jun	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.12%
Mr. DAI Yan	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.12%
Mr. WANG Gang	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.12%
Ms. ZHU Wen Fang	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.12%
Mr. IP Shing Hing, *J.P.*	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.03%
Professor Japhet Sebastian LAW	Beneficial owner	1,000,000	–	–	1,000,000	2,000,000	3,000,000	0.05%
Mr. TSE Tak Yin	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.03%
Mr. LAU Siu Ki, Kevin	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.03%

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

Director's rights to acquire shares

Pursuant to the 2010 Scheme, the Company granted options to subscribe for Ordinary Shares to the Directors, the details of which were as follows:

Name of Director	Date of grant	Exercise Period	Exercise Price *(HK$)*	Number of Ordinary Shares subject to outstanding options as at 1 January 2013	Number of Ordinary Shares subject to outstanding options as at 31 December 2013	Approximate percentage of the Company's total issued ordinary share capital as at 31 December 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 31 December 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 31 December 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:

			Interests in Ordinary Shares/underlying Ordinary Shares							
			Number of Ordinary Shares				Number of underlying Ordinary Shares			
Name of shareholder	Position	Capacity	Beneficial interest	Family interest	Corporate interest	Other interest	Corporate interest	Other interest	Total interest	Approximate percentage of the total issued ordinary share capital of the Company as at 31 December 2013
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	30.51%
	Short	Interest of controlled corporation	–	–	–	–	1,333,333,333 *(Note 2)*	–	1,333,333,333	22.23%
Tsinlien Group Company Limited ("Tsinlien")	Long	Interest of controlled corporation/ Nominee for another person	–	–	496,188,000 *(Note 1)*	–	–	1,333,333,333 *(Note 2)*	1,829,521,333	30.51%
	Short	Interest of controlled corporation	–	–	–	–	1,333,333,333 *(Note 2)*	–	1,333,333,333	22.23%
Tianjin TEDA Investment Holding Co., Ltd. ("TEDA")	Long	Interest of controlled corporation	–	–	3,500,175,207 *(Note 3)*	–	4,406,504,066 *(Note 3)*	–	7,906,679,273	131.88%
	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%
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	12.76%

Name of shareholder	Position	Capacity	Interests in Ordinary Shares/underlying Ordinary Shares: Number of Ordinary Shares: Beneficial interest	Family interest	Corporate interest	Other interest	Number of underlying Ordinary Shares: Corporate interest	Other interest	Total interest	Approximate percentage of the total issued ordinary share capital of the Company as at 31 December 2013
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	12.76%
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	17.46%
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	17.46%
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	10.90%
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	10.90%
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	10.90%
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. Such 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. Tianjin Pharmaceutical Group Co., Ltd. wholly-owns Tsinlien. Tsinlien, through its wholly-owned subsidiaries, is a controlling shareholder of Tianjin Development Holdings Limited. TEDA HK has borrowed from Santa Resources Limited these 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) 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. Cavalier Asia Limited has also 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 Cavalier Asia Limited as referred to Note 2 above.

4. Wah Sang Gas Development Group (Cayman Islands) Limited is a company entirely owned by Mr. Shum. The corporate interests held by Mr. Shum refers to his deemed interests in the Ordinary Shares held by Wah Sang Gas Development Group (Cayman Islands) Limited.

5. Ms. Wu Man Lee is deemed to be interested in such 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 is 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 are 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 is 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 interested in 212,059,614 underlying Ordinary Shares). Accordingly, Forebright Partners Limited is 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 is 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. (46.14% control)). Such interest represents 286,585,366 underlying Ordinary Shares issuable upon conversion of Convertible Bonds subscribed for by Guotai Junan Securities (Hong Kong) Limited, and 123,306,233 underlying Ordinary Shares issuable upon conversion of Convertible Preference Shares purchased by Guotai Junan Finance (Hong Kong) Limited. On 6 December 2013, Guotai Junan Securities (Hong Kong) Limited converted Convertible Bonds in principal amount of HK$1,000,000 into 2,710,027 new Ordinary Shares.

Other than as disclosed above, as at 31 December 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.

CONTROLLING SHAREHOLDER'S INTERESTS IN NON-COMPETING GAS SUPPLY BUSINESSES

The Group disposed of its interests in thirty subsidiaries ("Disposed Subsidiaries") to Cavalier Asia Limited to hold on behalf of TEDA HK pursuant to an agreement (the "2008 Disposal Agreement") dated 28 May 2008 (as amended) between Cavalier Asia Limited and a subsidiary of the Company. The 2008 Disposal Agreement was deemed completed in May 2009. Since then, the Group has repurchased interests in six of the Disposed Subsidiaries from TEDA HK, TEDA HK has disposed of interests in eighteen of the Disposed Subsidiaries to independent third parties, and three of the Disposed Subsidiaries were de-registered. As at 31 December 2013, TEDA HK still held interests in three of the Disposed Subsidiaries, namely Xuzhou Wah Sang Gas Co. Ltd., Huaining Wah Sang Gas Co., Ltd. and Weishan Wah Sang Gas Co. Ltd. Although the businesses carried out by these three Disposed Subsidiaries are similar to the business of the Group, they operate in areas which the Group has no business in, namely, Xuzhou in Jiangsu province, Huaining in Anhui province and Weishan in Shandong province. Therefore, the Directors are of the view that the business of those three Disposed Subsidiaries which TEDA HK is currently interested in do not compete directly with the business of the Group.

Apart from the three Disposed Subsidiaries as mentioned above, TEDA only has a minority interest in Tianjin TEDA Tsinlien Gas Company Limited ("TEDA Gas") and Tianjin Eco-City Energy Investment Construction Company Limited ("Tianjin Eco-City") which are engaged in the supply of gas to end users.

TEDA Gas mainly serves the purpose of supplying natural gas to the Tianjin Economic and Technological Development Area at preferential rates in order to enhance the appeal of such area to investors and is not a purely commercial enterprise. As the Company understands, TEDA Gas is loss making and requires government subsidies to operate, whereas the Group supplies gas to TEDA Gas on a market basis and accordingly earns profit. The Group does not have the operating right granted by the government of the Tianjin Economic and Technological Development Area to supply gas to the local end users in such area. Besides, the Company does not consider it commercially desirable for the Group to supply gas to the local end users in such area.

Tianjin Eco-City is directly owned as to 51% by Tianjin Eco-City Investment Development Company Limited (owned by TEDA as to 35% since December 2007), a company established under a national-grade cooperation project between the PRC government and the Singapore Government that manages and operates a particular district in the Binhai New Area. Tianjin Eco-City purchases gas from the Group for its own use and to satisfy the demand of end users in such district in accordance with the intention of the local government, and does not carry out the business of sale of gas to customers. The Group does not have the operating right granted by the government of such district to supply gas to the local end users.

As the businesses of the three former subsidiaries of the Group held by TEDA HK are differentiated from the business of the Group by location, and the businesses of TEDA Gas and Tianjin Eco-City are differentiated from the business of the Group by target customers, the Directors consider that there is no business competition between the Group and the TEDA Group. Save for TEDA's interest in the abovementioned three Disposed Subsidiaries, TEDA Gas and Tianjin Eco-City, none of the Directors or controlling shareholders of the Company or their respective associates had any interest in a business which may compete with the business of the Group.

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 issued its financial results for the third full financial year. 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.

CONNECTED TRANSACTIONS

Tianjin Sai-rui Machinery Equipment Company Limited ("Sai Rui") is a direct subsidiary of Tianjin Pipe (Group) Corporation ("Tianjin Pipe"), which is owned as to 57% by TEDA, the ultimate controlling shareholder of the Company which through its subsidiary holds approximately 57.6% of the total Ordinary Shares in issue. As an associate of TEDA, each of Sai Rui and Tianjin Pipe is regarded as a connected person of the Company under the Rules Governing the Listing of Securities on the Stock Exchange ("Main Board Listing Rules").

Directors' Report

Tianjin Tianguan Taigang Pipes Company Limited ("Tianguan Taigang") is directly owned as to 50% by Tianjin Pipe, therefore Tianguan Taigang is a connected person of the Company.

As TEDA HK is the controlling shareholder of the Company holding approximately 57.6% of the total issued Ordinary Shares, TEDA HK is a connected person of the Company under the Main Board Listing Rules.

Tianjin Steel Pipe Manufacturing Co., Ltd ("Tianjin Steel Pipe") is a wholly-owned subsidiary of Tianjin Pipe. Tianjin Steel Pipe is therefore a connected person of the Company.

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

(a) Provision of connection services

Date of the agreement:	22 February 2013
Parties:	Sai Rui
	Tianjin Bintai Energy Development Company Limited ("Bintai Energy"), an indirect wholly-owned subsidiary of the Company
Transaction involved:	Provision of services for the construction of gas connection facilities by Bintai Energy at Sai Rui's factory premises
Consideration:	RMB1,041,180

(b) Purchase of steel pipe materials

Date of the agreement:	18 September 2013
Parties:	BITCL
	Tianguan Taigang
Transaction involved:	Supply of steel pipe materials for industrial pipes for transmission of natural gas by Tianguan Taigang to BITCL and its associates
Consideration:	RMB20,914,586

(c) Asset disposal entrustment agreement

Date of the agreement:	27 September 2013
Parties:	BITCL
	TEDA HK
Transaction involved:	TEDA HK engaged BITCL to dispose of its indirect interest in 15 of the companies which were previously acquired from the Group
Consideration:	RMB14,997,058

(d) Supply of natural gas

Date of the agreement:	11 December 2013
Parties:	Tianjin Binda Gas Enterprise Company Limited ("Binda Gas"), a wholly-owned subsidiary of the Company
	Tianjin Steel Pipe
Transaction involved:	Supply of natural gas by Binda Gas to Tianjin Steel Pipe via gas pipelines to the gas stations in the factory premises of Tianjin Steel Pipe
Consideration:	Up to RMB34,450,000

CONTINUING CONNECTED TRANSACTIONS

As the composition of a majority of the board of directors of TEDA Gas is controlled by TEDA, TEDA Gas is an associate of TEDA and therefore is a connected person of the Company.

Tianjin Pipe is a connected person of the Company as mentioned above. Tianjin Dawufeng Copper Materials Company Limited, Tianjin Tian Hai High Pressure Containers Limited Company, Tianjin Tian Guan Yuan Tong Pipe Materials and Products Company Limited, Tianjin Tai Gang Tian Guan Stainless Steel Company Limited and other subsidiaries or affiliated companies of Tianjin Pipe ("Tianjin Pipe Associated Companies") are associates of Tianjin Pipe and are also regarded as connected persons of the Company.

Tianjin Eco-City is a direct subsidiary of Tianjin Eco-City Investment Development Company Limited which is owned by TEDA as to 35%. As an associate of TEDA, Tianjin Eco-City is regarded as a connected person of the Company.

Sai Rui is regarded as a connected person of the Company as mentioned above.

Bohai Property Insurance Company Limited ("Bohai") is owned by TEDA and its subsidiaries as to 60% in aggregate and is a non wholly-owned subsidiary of TEDA. As an associate of TEDA, Bohai is also regarded as a connected person of the Company.

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

(a) Sales of gas to TEDA Gas

Date of the agreement:	28 May 2008
Duration:	3 years from 7 May 2009 and a further 3 years from 1 April 2011 by a supplemental agreement dated 24 June 2011
Parties:	TEDA Gas Binda Gas
Transaction involved:	Supply of gas by the Group to TEDA Gas in priority over other suppliers given equal terms, at prices determined in accordance with prevailing market rates and no less favourable than those charged to independent third parties
Annual cap for the period from 1 January 2013 to 31 December 2013	RMB127,440,000
Actual amount in the period from 1 January 2013 to 31 December 2013	RMB98,393,000

Directors' Report

(b) Sales of gas to Tianjin Pipe and its associated companies

Date of the agreement:	10 September 2010
Duration:	From 21 October 2010 up to and including 31 March 2013
Parties:	Binda Gas and Bintai Energy Tianjin Pipe
Transaction involved:	Supply of gas by the Binda Gas and/or Bintai Energy to Tianjin Pipe and Tianjin Pipe Associated Companies
Annual cap for the period from 1 January 2013 to 31 March 2013	RMB123,000,000
Actual amount in the period from 1 January 2013 to 31 March 2013	RMB62,135,000

(c) Sales of gas to Tianjin Eco-City

Date of the agreement:	30 December 2011
Duration:	From 30 December 2011 up to and including 30 December 2014
Parties:	Binda Gas Tianjin Eco-City
Transaction involved:	Supply of gas by Binda Gas to Tianjin Eco-City
Annual cap for the period from 1 January 2013 to 31 December 2013	RMB48,100,000
Actual amount in the period from 1 January 2013 to 31 December 2013	RMB25,441,000

(d) Sales of gas to Sai Rui

Date of the agreement:	24 June 2011
Duration:	From 14 September 2011 up to and including 31 March 2014
Parties:	Binda Gas
	Sai Rui
Transaction involved:	Supply of gas by the Binda Gas to Sai Rui
Annual cap for the period from 1 January 2013 to 31 December 2013	RMB34,020,000
Actual amount in the period from 1 January 2013 to 31 December 2013	RMB16,904,000

(e) Insurance agreements

Date of the agreement:	5 April 2012
Duration:	From 5 April 2012 up to and including 4 April 2013
Parties:	BITCL
	Bohai
Transaction involved:	Bohai provides insurance coverage to various subsidiaries of the Group
Actual amount in the period from 5 April 2012 to 4 April 2013	RMB1,044,000

(f) Master gas supply agreement

Date of the agreement:	28 February 2013
Duration:	From 1 April 2013 up to and including 31 December 2015
Parties:	TEDA
	the Company
Transaction involved:	Supply of natural gas by the Group to TEDA and its subsidiaries and associates
Annual cap for the period from 1 April 2013 to 31 December 2013	RMB257,300,000
Actual amount in the period from 1 April 2013 to 31 December 2013	RMB239,274,000

(g) Master gas supply connection agreement

Date of the agreement:	28 March 2013
Duration:	From 1 April 2013 up to and including 31 December 2015
Parties:	TEDA
	the Company
Transaction involved:	Provision of gas supply connection services by the Group to TEDA and its subsidiaries and associates from time to time
Annual cap for the period from 1 April 2013 to 31 December 2013	RMB30,000,000
Actual amount in the period from 1 April 2013 to 31 December 2013	RMB12,078,000

Directors' Report

Details on related party transactions for the year are set out in note 36 to the consolidated financial statements. Details of any related party transaction which also constitute connected transaction or continuing connected transaction not exempted under paragraph 14A.31 or 14A.33 of the Main Board Listing Rules are disclosed above. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Main Board Listing Rules in respect of such transactions.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 47 and 51 of the Annual Report in accordance with paragraph 14A.38 of the Main Board Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions referred to above for the year ended 31 December 2013 and confirm that these transactions have been entered into:

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

(b) on normal commercial terms; and

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, sales to the Group's five largest customers accounted for 30% (nine months ended 31 December 2012: 28%) of the total sales for the period and sales to the largest customer included therein accounted for 16% (nine months ended 31 December 2012: 14%).

Purchases from the Group's five largest suppliers accounted for 48% (nine months ended 31 December 2012: 52%) of the total purchases for the year ended 31 December 2013 and purchases from the largest supplier included therein accounted for 17% (nine months ended 31 December 2012: 21%).

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

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

Directors' Report

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the total issued Ordinary Shares as required under the Main Board Listing Rules.

AUDITORS

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

On behalf of the Board
Binhai Investment Company Limited

Gao Liang
Executive Director

Hong Kong, 19 March 2014

Independent Auditor's Report

羅兵咸永道

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

We have audited the consolidated financial statements of Binhai Investment Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 151, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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Independent Auditor's Report

pwc

羅兵咸永道

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 HK$'000	Nine months ended 31 December 2012 HK$'000
Revenue	6	**2,229,133**	1,206,285
Cost of sales	8	**(1,769,834)**	(973,955)
Gross profit		**459,299**	232,330
Reversal of impairment	16	**7,586**	26,521
Administrative expenses	8	**(167,508)**	(104,115)
Other income and losses — net	7	**(18,588)**	(6,498)
		280,789	148,238
Finance costs — net	10	**(67,223)**	(25,828)
Share of losses of investments accounted for using the equity method	11b	**(33)**	(477)
Profit before income tax		**213,533**	121,933
Income tax expenses	12	**(72,271)**	(29,462)
Profit for the year/period		**141,262**	92,471
Attributable to:			
— Owners of the Company		**135,722**	89,615
— Non-controlling interests		**5,540**	2,856
		141,262	92,471
Earnings per ordinary share	14		
— basic *(HK cents)*		**1.2 cents**	0.8 cent
— diluted *(HK cents)*		**1.2 cents**	0.8 cent
Dividends	32	**30,384**	—

The notes on page 65 to 151 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Year ended 31 December 2013 HK$'000	Nine months ended 31 December 2012 HK$'000
Comprehensive income		
Profit for the year/period	**141,262**	92,471
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**18,653**	7,005
Total comprehensive income for the year/period	**159,915**	99,476
Attributable to:		
— Owners of the Company	**153,777**	96,166
— Non-controlling interests	**6,138**	3,310
Total comprehensive income for the year/period	**159,915**	99,476

The notes on page 65 to 151 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2013

	Note	**31 December 2013 HK$'000**	31 December 2012 HK$'000
ASSETS			
Non-current assets			
Land use rights	*15*	**48,098**	48,390
Property, plant and equipment	*16*	**2,250,548**	1,792,701
Investments accounted for using the equity method	*11b*	**45,781**	19,679
Deferred income tax assets	*31*	**8,924**	8,678
		2,353,351	1,869,448
Current assets			
Inventories	*19*	**49,344**	70,975
Trade and other receivables	*18, 20*	**594,117**	351,058
Amount due from immediate holding company	*28*	**1,368**	3,636
Restricted cash	*18, 21*	**6,368**	31,074
Cash and cash equivalents	*18, 21*	**685,086**	818,231
		1,336,283	1,274,974
Asset held for sale	*22*	**157,695**	75,878
		1,493,978	1,350,852
Total assets		**3,847,329**	3,220,300
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital			
— Ordinary shares	*23*	**59,955**	59,928
— Convertible preference shares	*23*	**170,000**	170,000
— Redeemable preferences shares	*23*	**430,000**	430,000
Share premium	*25*	**1,141**	424,737
Others reserves	*25*	**(56,574)**	111,523
Retained earnings/(accumulated losses)	*26*	**243,141**	(503,470)
		847,663	692,718
Non-controlling interests		**24,432**	18,294
Total equity		**872,095**	711,012

Consolidated Balance Sheet

As at 31 December 2013

	Note	31 December 2013 HK$'000	31 December 2012 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*18, 29*	**1,496,829**	1,062,497
Derivative financial instruments	*18, 30*	**149,206**	24,337
		1,646,035	1,086,834
Current liabilities			
Trade and other payables	*18, 27*	**1,005,629**	784,953
Current income tax liabilities		**58,564**	43,604
Borrowings	*18, 29*	**265,006**	593,897
		1,329,199	1,422,454
Total liabilities		**2,975,234**	2,509,288
Total equity and liabilities		**3,847,329**	3,220,300
Net current assets/(liabilities)		**164,779**	(71,602)
Total assets less current liabilities		**2,518,130**	1,797,846

The notes on page 65 to 151 are an integral part of these financial statements.

The financial statements on pages 56 to 151 were approved by the Board of Directors on 19 March 2014 and were signed on its behalf.

Director
Zhang Bing Jun

Director
Gao Liang

Balance Sheet

As at 31 December 2013

	Note	31 December 2013 HK$'000	31 December 2012 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	11a	**—**	—
Amounts due from subsidiaries	11a	**1,768,129**	1,209,116
		1,768,129	1,209,116
Current assets			
Cash and cash equivalents	18, 21	**57,196**	92,748
Trade and other receivables		**—**	150
		57,196	92,898
Total assets		**1,825,325**	1,302,014
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital			
— Ordinary shares	23	**59,955**	59,928
— Convertible preference shares	23	**170,000**	170,000
— Redeemable preferences shares	23	**430,000**	430,000
Share premium	25	**1,141**	424,737
Others reserves	25	**34,512**	218,282
Retained earnings/(accumulated losses)	26	**122,459**	(628,193)
Total equity		**818,067**	674,754

Balance Sheet

As at 31 December 2013

	Note	31 December 2013 HK$'000	31 December 2012 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	18, 29	**860,347**	610,139
Derivative financial instruments	18, 30	**134,251**	—
		994,598	610,139
Current liabilities			
Trade and other payables	18, 27	**12,660**	12,121
Borrowings	18, 29	**—**	5,000
		12,660	17,121
Total liabilities		**1,007,258**	627,260
Total equity and liabilities		**1,825,325**	1,302,014
Net current assets		**44,536**	75,777
Total assets less current liabilities		**1,812,665**	1,284,893

The notes on page 65 to 151 are an integral part of these financial statements.

The financial statements on pages 56 to 151 were approved by the Board of Directors on 19 March 2014 and were signed on its behalf.

Director
Zhang Bing Jun

Director
Gao Liang

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to Owners of the Company						
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Other reserves** *(Note 25)* *HK$'000*	**Retained earnings/ (accumulated losses)** *(Note 26)* *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
Balance at 1 April 2012, as previously reported	659,928	424,737	121,946	(592,238)	614,373	14,984	629,357
Common control business combination *(Note 5)*	–	–	65,380	(847)	64,533	–	64,533
Balance at 1 April 2012, as restated	659,928	424,737	187,326	(593,085)	678,906	14,984	693,890
Comprehensive income							
Profit for the period	–	–	–	89,615	89,615	2,856	92,471
Other comprehensive income							
Currency translation differences	–	–	6,551	–	6,551	454	7,005
Total comprehensive income for the period	–	–	6,551	89,615	96,166	3,310	99,476
Common control business combination *(Note 5)*	–	–	(82,354)	–	(82,354)	–	(82,354)
Balance at 31 December 2012	659,928	424,737	111,523	(503,470)	692,718	18,294	711,012
Balance at 1 January 2013	**659,928**	**424,737**	**111,523**	**(503,470)**	**692,718**	**18,294**	**711,012**
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**135,722**	**135,722**	**5,540**	**141,262**
Other comprehensive income							
Currency translation differences	**–**	**–**	**18,055**	**–**	**18,055**	**598**	**18,653**
Total comprehensive income for the year	**–**	**–**	**18,055**	**135,722**	**153,777**	**6,138**	**159,915**
Ordinary shares issued for exercising of conversion rights	**27**	**1,141**	**–**	**–**	**1,168**	**–**	**1,168**
Set-off and elimination the accumulated losses	**–**	**(424,737)**	**(184,709)**	**609,446**	**–**	**–**	**–**
Forfeiture of employee share options	**–**	**–**	**(1,443)**	**1,443**	**–**	**–**	**–**
Total transactions with owners, recognised directly in equity	**27**	**(423,596)**	**(186,152)**	**610,889**	**1,168**	**–**	**1,168**
Balance at 31 December 2013	**659,955**	**1,141**	**(56,574)**	**243,141**	**847,663**	**24,432**	**872,095**

The notes on page 65 to 151 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	Year ended 31 December 2013 HK$'000	Nine months ended 31 December 2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	*33(a)*	**249,543**	181,230
Income tax paid		**(57,311)**	(40,111)
Net cash generated from operating activities		**192,232**	141,119
Cash flows from investing activities			
Interest paid		**(28,667)**	(18,272)
Purchase of property, plant and equipment		**(346,107)**	(437,665)
Assets held for sale		**(55,252)**	(9,558)
Purchase of land use rights		**(59)**	(125)
Investment in a joint venture		**(25,218)**	(5,711)
Proceeds from disposal of property, plant and equipment		**3,754**	4,312
Proceeds from disposal of land use rights		**149**	—
Acquisition of subsidiaries under common control *(Note 5)*		**—**	(82,354)
Decrease/(increase) in restricted cash		**24,706**	(24,920)
Interest received		**10,147**	4,158
Net cash used in investing activities		**(416,547)**	(570,135)

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Year ended 31 December 2013 ***HK$'000***	Nine months ended 31 December 2012 *HK$'000*
Cash flows from financing activities		
Proceeds from issuance of convertible bonds	**300,119**	–
Proceeds from issuance of Renminbi bonds	**–**	621,736
Proceeds from borrowings	**532,010**	730,692
Repayments of borrowings	**(672,010)**	(476,276)
Repayments to TEDA	**–**	(57,859)
Interest paid	**(65,700)**	(22,594)
Commitment and agency fee paid	**(8,801)**	(12,302)
Net cash generated from financing activities	**85,618**	783,397
Net (decrease)/increase in cash and cash equivalents	**(138,697)**	354,381
Cash and cash equivalents at beginning of year/period	**818,231**	460,822
Exchange gains on cash	**5,552**	3,028
Cash and cash equivalents at end of year/ period	**685,086**	818,231

The notes on page 65 to 151 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 37 to these consolidated financial statements. The Company and its subsidiaries are hereafter together referred to as the Group.

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

Up to 10 February 2014, the Company's ordinary shares were listed on Growth Enterprise Market Board ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). On 28 November 2013, an application was made by the Company to the Stock Exchange for the transfer of listing of its ordinary shares from GEM to the Main Board. The approval was granted by the Stock Exchange on 30 January 2014 for its ordinary shares to be listed on the Main Board and de-listed from GEM effective 10 February 2014.

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 19 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

Pursuant to a resolution of the Board of Directors dated 8 November 2012, the financial year end date of the Group was changed from 31 March to 31 December to coincide with the financial year end date of the Company's principal operating subsidiaries, which are mainly situated in the People's Republic of China ("the PRC"), and thereby facilitate the preparation of the consolidated financial statements of the Group. Accordingly, the current financial period covers a twelve-month period from 1 January 2013 to 31 December 2013 (twelve month period) and the comparative financial period covers a nine-month period from 1 April 2012 to 31 December 2012 (nine month period). The comparative figures for the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes thereto are not comparable.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are carried at fair value.

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

2.1.1 *Changes in accounting policies and disclosures*

(a) *New and amended standards adopted by the Group*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

Amendment to HKAS 1, 'Financial statement presentation' regards other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

HKFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

HKAS 28, (revised 2011), 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

(b) The following new standards and amendments to standards which are relevant to the Group and are mandatory for the first time for the financial year beginning 1 January 2013 but have no material impact on the Group:

- Amendment to HKFRS 1, 'First time adoption', on government loans
- Annual improvements 2011
- HKAS 27, (revised 2011), 'Separate financial statements'
- HKFRS 13, 'Fair value measurements'
- Amendment to HKAS 19, 'Employee benefits'
- HKFRS 7, 'Financial instruments: Disclosures' on asset and liability offsetting
- HK(IFRIC) — Int 20, 'Stripping costs in the production phase of a surface mine'
- Annual improvement 2012 — Amendment to HKFRS 13, 'Fair value measurement'
- Annual improvement 2013 — Amendment to HKFRS 1, 'First time adoption'

(c) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

- Amendment to HKAS 32, 'Financial instruments: Presentation' on asset and liability offsetting[1]
- Amendments to HKFRS 10, 12 and HKAS 27, "Consolidation for investment entities"[1]
- Amendment to HKAS 36, 'Impairment of assets' on recoverable amount disclosures[1]
- Amendment to HKAS 39, 'Financial Instruments: Recognition and Measurement' — 'Novation of derivatives'[1]
- HK(IFRIC) 21, 'Levies'[1]
- Amendment to HKAS 19, 'Employee benefits' regarding defined benefit plans[2]
- Annual improvements 2012[2]
- Annual improvements 2013[2]
- HKFRS 9, 'Financial Instruments'[3]

[1] Changes effective for annual periods beginning on or after 1 January 2014.
[2] Changes effective for annual periods beginning on or after 1 July 2014.
[3] Changes effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of assessing the impact of these new standards, interpretations and amendments. None of these is expected to have a significant effect on the results and financial position of the Group.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

(i) Common control acquisitions:

For common control combination, the consolidated financial statements incorporate the financial entities of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The consolidated financial statements are presented as if the entities or business had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(ii) Other acquisitions:

The Group applies the acquisition method to account for business combinations except for those under common control by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

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

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements as of 1 January 2012. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other income and losses — net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

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

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

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

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

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

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

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

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

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

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

2.7 Intangible assets

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

2.8 Impairment of investment in subsidiaries, joint arrangements and non-financial assets

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

2.9 Asset held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' (Note 20), 'amounts due from subsidiaries' (Note 11a), 'amounts due from immediate holding company' (Note 28) and 'cash and bank balances' (Note 21) in the balance sheet.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.13 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the time being hedged.

For derivative financial instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in the consolidated income statement within 'other income and losses — net'.

2.14 Inventories

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

2.15 Trade and other receivables

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

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

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.17 Share capital

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's owners.

2.18 Trade payable

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

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

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Convertible bonds issued by the Company are recognised as liability at fair value at the date of issue. In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method.

Transaction costs that relate to the issue of the bond are allocated to the liability which are included in the carrying amount of the liability portion and amortised over the period of the bond using the effective interest method.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Convertible bonds

In the situation when the convertible bonds are denominated in a currency other than the Company's functional currency, and consequently, their conversion options are not settled by the exchange of a fixed amount of cash in the functional currency of the Company, for a fixed number of the Company's shares. The convertible bonds contract must be separated into two component elements: a derivative liability component consisting of the conversion option and a liability component consisting of the host debt component of the bonds.

The derivative liability component is recognised initially at fair value. The host debt component at initial recognition is measured as the difference between the consideration received and the fair value of the derivative liability component.

Transaction costs relating to the issue of the convertible bonds are allocated to the host debt and derivative liability component in proportion to the allocation of the consideration received. The portion of the transaction costs relating to the host debt component is recognised initially as part of that component. The portion relating to the derivative liability component is recognised immediately in the income statement.

Subsequent to initial recognition, the derivative liabilities are carried at fair value with changes in fair value recognised in the income statement. The host debt component is measured at amortised cost using the effective interest method and the interest expense is recognised in the income statement.

If the convertible bonds were converted, the carrying amounts of the derivative and host debt would be transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds were redeemed, any difference between the amount paid and the carrying amounts of both components would be recognised in the income statement.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

(a) Pension obligations

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

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

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

(b) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

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

2.24 Share-based payments

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

— including any market performance conditions (for example, an entity's share price);

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

— including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

For share options lapsed, amount previously recognised as equity are transferred to retained earnings.

2.25 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value-added tax and business tax. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Connection services

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

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

(b) Sale of gases

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

2.27 Interest income

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

2.28 Leases (as the lessee for operating leases)

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

2.29 Financial guarantee contract

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

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

2.30 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet). Total capital is calculated as 'equity' as shown in the consolidated balance sheet excluding non-controlling interests.

The Group's gearing ratio decreased during the year, because increase in equity due to comprehensive income attributable to the Owners of the Company is higher than the increase in debt.

	2013 ***HK$'000***	2012 *HK$'000*
Debt *(Note (i))*	**1,761,835**	1,656,394
Equity *(Note (ii))*	**847,663**	692,718
Debt to equity ratio	**208%**	239%

Notes:

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

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

Financial risk management objectives and policies

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

Cash flow and fair value interest rate risks

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

The Group's interest rate risk arises primarily from deposits and borrowings which are issued at variable rates and fixed rates. The deposits interest rate risk is considered not material. The borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk of the long-term bank borrowings by using floating-to-fixed interest rate swap in order to minimise the potential impact of increase in interest rate. Such interest rate swap has the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

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

At 31 December 2013, if interest rate has been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately HK$5.2 million higher/lower, mainly as a result of higher/lower interest costs from borrowings and lower/ higher fair value change on derivative financial instrument (Nine months ended 31 December 2012: HK$8.3 million).

Foreign exchange risk

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

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

The following table details the Group's sensitivity to a 10% (Nine months ended 31 December 2012: 10%) appreciation in RMB against HK$ and US Dollars, mainly as a result of foreign exchange gain on translation of HK$ denominated borrowings.

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Increase in post-tax profit and equity	**60,676**	32,013

For a 10% (Nine months end 31 December 2012: 10%) depreciation of RMB against HK Dollars, there would be an equal and opposite impact on the profit and equity.

Credit risk

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

In order to minimise the credit risk over trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each half-year end date and balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade receivables.

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

Liquidity risk

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

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

Group	Weighted average effective interest rate %	Less than 1 year HK$ million	1 to 5 years HK$ million	Over 5 years HK$ million	Total undiscounted cash flow HK$ million	Carrying amount HK$ million
As at 31 December 2013						
Payables	**N/A**	**900**	**–**	**–**	**900**	**900**
Borrowings	**4.05%-6%**	**302**	**710**	**–**	**1,012**	**901**
Convertible bonds	**13.17%**	**3**	**315**	**–**	**318**	**229**
RMB bond	**7.25%**	**42**	**681**	**–**	**723**	**632**
Derivative financial instrument – interest rate swap contract	**N/A**	**–**	**15**	**–**	**15**	**15**
As at 31 December 2012						
Payables	N/A	650	–	–	650	650
Borrowings	2.4%-7.872%	665	546	39	1,250	1,046
RMB bond	6.50%	40	703	–	743	610
Derivative financial instrument – interest rate swap contract	N/A	–	–	24	24	24

Company	Weighted average effective interest rate %	Less than 1 year HK$ million	1 to 5 years HK$ million	Over 5 years HK$ million	Total undiscounted cash flow HK$ million	Carrying amount HK$ million
As at 31 December 2013						
Payables	**N/A**	**13**	**–**	**–**	**13**	**13**
Convertible bonds	**13.17%**	**3**	**315**	**–**	**318**	**229**
RMB bond	**7.25%**	**42**	**681**	**–**	**723**	**632**
As at 31 December 2012						
Payables	N/A	12	–	–	12	12
Borrowings (HK)	4.0%	5	–	–	5	5
RMB Bond	6.50%	40	703	–	743	610

The Company has given guarantee of approximately HK$837 million to subsidiaries in respect of bank borrowings. Under the term of the financial guarantee contracts, the Company will make payments to reimburse the lenders upon failure of the subsidiaries to make payments when due (Note 34).

Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's liabilities that are measured at fair value at 31 December 2013.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Liabilities				
Financial liabilities at fair value through profit or loss				
Interest rate swap contract	—	14,955	—	14,955
Derivative liability component of convertible bonds	—	—	134,251	134,251
Total liabilities	—	14,955	134,251	149,206

The financial instrument classified as level 2 is an interest rate swap contract entered into with a commercial bank, the fair value of which is determined using valuation models and observable data either directly or indirectly.

The financial instrument classified as level 3 is the derivative component of the convertible bonds, the fair value of which is determined using valuation models and unobservable inputs.

The following table presents the Group's liabilities that are measured at fair value at 31 December 2012.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Liabilities				
Financial liabilities at fair value through profit or loss				
Interest rate swap contract	—	24,337	—	24,337

Financial instruments in level 3

The following table presents the changes in level 3 instrument, which is the derivative liability component of the convertible bonds for the year ended 31 December 2013.

Group and Company	Derivative financial instruments *HK$'000*
As at 5 August 2013 (issuance date)	**81,197**
Exercising of conversion rights	**(434)**
Changes in fair value	**53,488**
As at 31 December 2013	**134,251**
Total losses for the year included in profit or loss for liabilities held at the end of the year, under "Other income and losses — net"	**(53,488)**
Changes in unrealised losses for the year included in profit or loss at the end of the year	**(53,488)**

If the significant unobservable inputs of stock price and volatility of the convertible bonds would be increased by HK$0.01 and 1% respectively, the Group's profit for the year would have been approximately HK$2.0 million and HK$5.5 million lower.

Except for the derivative financial instruments, the carrying amounts of the Group's financial assets including cash and cash equivalents, restricted cash and trade and other receivables (except for the prepayments), and financial liabilities including trade and other payables (except for the advance from customers, staff salaries and welfare payables and accrued taxes other than income tax) and short-term borrowings obtained at variable rates, approximate their fair value due to their short maturity. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value. The carrying values and fair values of other borrowings are stated in Note 29(f).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(a) Estimated impairment of property, plant and equipment

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

The recoverable amounts of the gas pipelines and gas supply machinery and equipment are determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. At 31 December 2013 the carrying amount of property, plant and equipment is HK$2,251 million (At 31 December 2012: HK$1,793 million). Details of the recoverable amount calculation are disclosed in Note 16.

(b) Estimated provision for doubtful debts

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

(c) ***Income taxes***

As at 31 December 2013, no deferred tax asset is recognised in the Group's balance sheet in relation to the estimated unused tax losses of HK$85.64 million due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, a recognition of deferred tax asset may arise, which would be recognised in the consolidated income statement for the period in which such recognition takes place.

(d) ***Revenue recognition of on-site gas sales***

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

(e) ***Fair value of derivative financial instruments***

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on inputs existing at the end of each reporting period. The Group has used relevant valuation model to analyse for the derivative financial instruments that are not traded in active market. The carrying amount of derivative financial instruments would be changed if the parameters used in the relevant valuation model are changed.

5. BUSINESS COMBINATION

On 26 October 2012, the Group entered into agreements with TEDA Hong Kong Property Company Limited ("TEDA HK"), the immediate holding company of the Group, and its subsidiary to purchase of six entities ("Six Subsidiaries", Note 36(a)) held by TEDA HK at a consideration of RMB66,124,793 (equivalent to approximately HK$82,354,000). The acquisition was completed during the period ended 31 December 2012.

The acquisition has been accounted for as a common control combination for which the Company applies the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants in preparing the consolidated financial statements. The comparative figures for nine months ended 31 December 2012 has been prepared on the basis as if the current Group structure had been in existence throughout the periods presented.

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheets as at 31 December 2012.

The condensed consolidated balance sheet as at 31 December 2012:

	The Group before the repurchase *HK$'000*	**Six entities before repurchase** *HK$'000*	**Adjustments** *HK$'000*	**Consolidated** *HK$'000*
Net assets	715,136	78,230	(82,354)	711,012
Share capital	659,928	76,524	(76,524)	659,928
Share premium	424,737	—	—	424,737
Accumulated Losses	(512,983)	(345)	9,858	(503,470)
Other reserves	125,551	2,051	(16,079)	111,523
Non-controlling interests	17,903	—	391	18,294
	715,136	78,230	(82,354)	711,012

Note:

(i) The above adjustments represent elimination of investment in the combining entities against share capital, reserves and retained earnings.

(ii) No other significant adjustments were made to the net assets and net profit or loss of any entities as a result of the common control combination to achieve consistent accounting policies.

6. 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 is generated in the PRC (place of domicile of the Group entities that derive revenue). Save for Tianjin Pipe Group Corporation ("Tianjin Pipe"), a related party of the Group which contributed sales of 16% of the total revenue of the Group (Nine months ended 31 December 2012: 14%), there was no other individual customer of the Group which contributed sales of over 10% of the Group's total revenue for the year ended 31 December 2013.

	Year ended 31 December 2013				
	On-site gas sales	Bottled gas sales	Piped gas sales	Connection services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
— Tianjin TEDA Tsinlien Gas Co., Ltd. ("TEDA Gas"), Tianjin Eco-city Energy Investment Construction Co., Ltd. ("Tianjin Eco— city"), Tianjin Pipe and its associates *(Note 36)*	–	–	564,801	–	564,801
— Other customers	275,929	18,575	834,781	535,047	1,664,332
Revenue from external customers	275,929	18,575	1,399,582	535,047	2,229,133
Segment results	1,541	1,438	110,670	345,650	459,299
— Reversal of impairment charge — net					7,586
— Administrative expenses					(167,508)
— Other income and losses — net					(18,588)
— Finance costs — net					(67,223)
— Share of losses of investments accounted for using the equity method					(33)
Profit before income tax					213,533
Other information for reportable segments:					
Depreciation	(1,141)	(132)	(59,021)	(975)	(61,269)
Amortisation	(144)	(10)	(733)	(280)	(1,167)

	Nine months ended 31 December 2012				
	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 Eco-city, Tianjin Pipe and its associates *(Note 36)*	—	—	282,741	—	282,741
— Other customers	171,449	14,441	462,526	275,128	923,544
Revenue from external customers	171,449	14,441	745,267	275,128	1,206,285
Segment results	1,677	(577)	53,539	177,691	232,330
— Reversal of impairment charge — net					26,521
— Administrative expenses					(104,115)
— Other income and losses — net					(6,498)
— Finance costs — net					(25,828)
— Share of losses of investments accounted for using the equity method					(477)
Profit before income tax					121,933
Other information for reportable segments:					
Depreciation	(386)	(96)	(36,413)	(623)	(37,518)
Amortisation	(121)	(10)	(525)	(192)	(848)

7. OTHER INCOME AND LOSSES – NET

	Year ended 31 December 2013 ***HK$'000***	Nine months ended 31 December 2012 *HK$'000*
Other income		
Income from management of Disposed Subsidiaries *(Note)*	–	522
Income from management of TEDA Gas *(Note 36)*	–	627
Assembling service	**3,388**	1,781
	3,388	2,930
Other gains or losses — net:		
Commission on asset disposal entrustment in respect of certain former subsidiaries *(Note 36)*	**18,909**	—
Loss on disposal of property, plant and equipment	**(208)**	(965)
Gain on liquidation of subsidiaries	**1,098**	2,484
Fair value loss on derivative financial instruments — net	**(44,106)**	(12,732)
Others	**2,331**	1,785
	(21,976)	(9,428)
	(18,588)	(6,498)

Note:

The Group disposed 30 of its subsidiaries ("Disposed Subsidiaries") to Cavalier Asia Limited ("Tsinlien BVI"), the then nominee major shareholder of the Group, on 4 May 2009. Following the completion of the disposal and pursuant to a management agreement, the Group continues to manage these Disposed Subsidiaries (Note 36).

8. EXPENSES BY NATURE

	Year ended 31 December 2013 HK$'000	Nine months ended 31 December 2012 HK$'000
Cost of gas purchased	**1,432,958**	787,977
Changes in inventories	**(1,181)**	117
Cost of pipeline materials	**60,151**	47,387
Subcontractor and other costs	**122,484**	42,933
Employee benefit expense *(Note 9(a))*	**146,936**	83,177
Depreciation		
— Cost of sales	**57,205**	34,786
— Administrative expenses	**4,064**	2,732
Operating lease rental		
— TEDA *(Note 36(b))*	**—**	2,504
— Others	**10,615**	4,480
Reversal of over accrued construction costs *(Note)*	**—**	(3,438)
(Reversal of)/provision for impairment of trade and other receivables — net	**(352)**	3,987
Amortisation	**1,167**	848
Auditor's remuneration	**3,593**	3,770
Other professional fees	**14,921**	10,682
Others	**84,781**	56,128
Total cost of sales and administrative expenses	**1,937,342**	1,078,070

Note:

The reversal was related to over accrued construction costs of connection service projects which have been completed.

9. EMPLOYEE BENEFIT EXPENSE

(a) The analysis of employee benefit expense including directors' emoluments is as follows:

	Year ended 31 December 2013 ***HK$'000***	Nine months ended 31 December 2012 *HK$'000*
Wages and salaries	**107,844**	59,816
Pension costs	**19,599**	10,644
Other welfares	**19,493**	12,717
	146,936	83,177

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

	Directors' fee ***HK$'000***	**Salaries and allowances** ***HK$'000***	**Pension cost** ***HK$'000***	**Others** ***HK$'000***	**Total** ***HK$'000***
For the year ended 31 December 2013					
Executive Directors:					
Mr. ZHANG Bing Jun	400	–	–	–	400
Mr. GAO Liang *(Note)*	200	3,038	34	137	3,409
Non-Executive Directors:					
Mr. DAI Yan	200	–	–	–	200
Mr. ZHANG Jun	200	–	–	–	200
Mr. WANG Gang	200	–	–	–	200
Ms. ZHU Wen Fang	200	–	–	–	200
Mr. SHEN Xiao Lin	200	–	–	–	200
Independent Non-Executive Directors:					
Mr. LAU Siu Ki, Kevin	264	–	–	–	264
Mr. IP Shing Hing	264	–	–	–	264
Mr. Japhet Sebastian LAW	264	–	–	–	264
Mr. TSE Tak Yin	264	–	–	–	264
	2,656	3,038	34	137	5,865

	Directors' fee HK$'000	Salaries and allowances HK$'000	Pension cost HK$'000	Others HK$'000	Total HK$'000
For the nine months ended 31 December 2012					
Executive Directors:					
Mr. ZHANG Bing Jun	300	–	–	–	300
Mr. GAO Liang *(Note)*	150	1,087	24	211	1,472
Non-Executive Directors:					
Mr. DAI Yan	150	–	–	–	150
Mr. ZHANG Jun	150	–	–	–	150
Mr. WANG Gang	150	–	–	–	150
Ms. ZHU Wen Fang	150	–	–	–	150
Mr. SHEN Xiao Lin	150	–	–	–	150
Independent Non-Executive Directors:					
Mr. LAU Siu Ki, Kevin	198	–	–	–	198
Mr. IP Shing Hing	198	–	–	–	198
Mr. Japhet Sebastian LAW	198	–	–	–	198
Mr. TSE Tak Yin	198	–	–	–	198
	1,992	1,087	24	211	3,314

Note:

Mr. GAO Liang is also the chief executive of the Company.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one director (Nine months ended 31 December 2012: one director) whose emoluments are reflected in the analysis presented above. The emolument of the remaining four individuals is above HK$1 million. The emoluments paid to the four highest paid individuals are as follows:

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Wages and salaries	**6,414**	2,739
Pension costs	**137**	94
Other welfares	**546**	870
	7,097	3,703

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

None of directors has waived any emoluments in the year ended 31 December 2013.

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands (in HK dollar)		
HK$500,000 – HK$1,000,000	**—**	4
HK$1,000,001 – HK$1,500,000	**1**	—
HK$1,500,001 – HK$2,000,000	**2**	—
HK$2,000,001 – HK$2,500,000	**1**	—

10. FINANCE COSTS — NET

	Year ended 31 December 2013 HK$'000	Nine months ended 31 December 2012 HK$'000
Interest on bank borrowings wholly repayable within 5 years	**65,682**	43,368
Interest on RMB bonds wholly repayable within 5 years	**45,042**	7,577
Interest expense on convertible bonds	**11,600**	—
Other borrowing costs	**545**	205
Interest on amounts due to TEDA *(Note 36)*	**—**	135
Net foreign exchange gains on financing activities	**(16,832)**	(3,027)
Finance costs	**106,037**	48,258
Less: Amounts capitalised as part of the cost of property, plant and equipment *(Note)*	**(28,667)**	(18,272)
Total finance costs	**77,370**	29,986
Finance income	**(10,147)**	(4,158)
Net finance costs	**67,223**	25,828

Note:

Amount included finance costs from general borrowings capitalised at a rate of 7.01% (Nine months ended 31 December 2012: 7.17%).

11A. INVESTMENTS IN AND LOANS TO SUBSIDIARIES — COMPANY

	31 December 2013 HK$'000	31 December 2012 HK$'000
Non-current assets		
Unlisted shares, at cost	**47,748**	47,748
Less: Provision for interest in a subsidiary *(Note (i))*	**(47,748)**	(47,748)
	—	—
Amounts due from subsidiaries	**1,927,890**	1,647,679
Less: Provision for amounts due from subsidiaries *(Note (i))*	**(159,761)**	(438,563)
	1,768,129	1,209,116

Notes:

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

ii. The details of the subsidiaries are stated in Note 37 to the financial statements.

iii. The directors consider that the non-controlling interests are not material and hence no summarised financial information of subsidiaries with non-controlling interests is disclosed.

11B. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The amounts recognised in the consolidated balance sheet are as follows:

	31 December 2013 *HK$'000*	31 December 2012 *HK$'000*
Joint ventures	**45,781**	19,679

The amounts recognised in the consolidated income statements are as follows:

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Joint ventures	**(33)**	(477)

The joint ventures listed below have share capital consisting solely of paid up capital, which is held directly by the Group.

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
At 1 January 2013 and 1 April 2012	**19,679**	14,445
Additional investment	**25,218**	5,573
Share of losses	**(33)**	(477)
Currency translation differences	**917**	138
At 31 December 2013 and 2012	**45,781**	19,679

Nature of investment in joint ventures

Name of entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Tianjin Airport Economic Area Gas Co., Ltd. ("Tianjin Airport Gas")	Tianjin, China	40	Carring out connection services and sale of gases	Equity
Qinhuangdao Taixing Gas Co., Ltd. ("Qinhuangdao Taixing")	Qinhuangdao, China	45	Carring out connection services and sale of gases	Equity
Sinopec Binhai Investment (Tianjin) Natural Gas Utilization Co., Ltd.("SBI")	Tianjin, China	50	Gas utilization technical development	Equity

SBI is a newly invested joint venture in 2013. The joint ventures of the Group are private companies and there is no quoted market price available.

There are no contingent liabilities relating to the Group's interests in the joint ventures.

Summarised financial information for joint ventures

As the financial information of Tianjin Airport Gas and Qinhuangdao Taixing are not material to the Group, no separate individual financial information are presented. Set out below are the summarised financial information for the three joint ventures which are accounted for using the equity method.

Summarised balance sheet

At 31 December 2013	Tianjin Airport Gas and Qinhuangdao Taixing *HK$'000*	SBI *HK$'000*	Total *HK$'000*
Current			
Cash and cash equivalents	29,738	43,783	73,521
Other current assets (excluding cash)	7,070	5,588	12,658
Total current assets	36,808	49,371	86,179
Financial liabilities (excluding trade payables)	–	–	–
Other current liabilities (including trade payables)	9,817	(28)	9,789
Total current liabilities	9,817	(28)	9,789
Non-current			
Assets	22,438	854	23,292
Financial liabilities	–	–	–
Other liabilities	–	–	–
Total non-current liabilities	–	–	–
Net assets	49,429	50,253	99,682

Summarised statement of comprehensive income

Year ended at 31 December 2013	Tianjin Airport Gas and Qinhuangdao Taixing HK$'000	SBI HK$'000	Total HK$'000
Revenue	14,175	–	14,175
Depreciation and amortisation	(13,481)	(952)	(14,433)
Interest income	909	67	976
Interest expense	(38)	–	(38)
Profit/(loss) before income tax	1,565	(885)	680
Income tax expense	(866)	–	(866)
Profit/(loss) for the year	699	(885)	(186)
Dividends received from joint venture	–	–	–

Summarised balance sheet

At 31 December 2012	Tianjin Airport Gas and Qinhuangdao Taixing HK$'000	SBI HK$'000	Total HK$'000
Current			
Cash and cash equivalents	35,708	—	35,708
Other current assets (excluding cash)	480	—	480
Total current assets	36,188	—	36,188
Financial liabilities (excluding trade payables)	—	—	—
Other current liabilities (including trade payables)	4,476	—	4,476
Total current liabilities	4,476	—	4,476
Non-current			
Assets	15,716	—	15,716
Financial liabilities	—	—	—
Other liabilities	—	—	—
Total non-current liabilities	—	—	—
Net assets	47,428	—	47,428

Summarised statement of comprehensive income

Nine months ended at 31 December 2012	Tianjin Airport Gas and Qinhuangdao Taixing *HK$'000*	SBI *HK$'000*	Total *HK$'000*
Revenue	2,896	—	2,896
Depreciation and amortisation	(4,278)	—	(4,278)
Interest income	189	—	189
Interest expense	—	—	—
Loss before income tax	(1,193)	—	(1,193)
Income tax expense	—	—	—
Loss for the period	(1,193)	—	(1,193)
Dividends received from joint venture	—	—	—

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint ventures is as follows:

Summarised financial information

	Year ended 31 December 2013 ***HK$'000***	Nine months ended 31 December 2012 *HK$'000*
Opening net assets at 1 January/1 April	**47,428**	14,445
Additions	**52,440**	34,176
Loss for the year/period	**(186)**	(1,193)
Closing net assets	**99,682**	47,428
Carrying value interest in joint ventures (at respective equity interests)	**45,781**	19,679

12. INCOME TAX EXPENSES

No Hong Kong profit tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (Nine months ended 31 December 2012: Nil).

Subsidiaries established in the PRC are subject to the PRC enterprise income tax ("EIT") at the rate of 25% (Nine months ended 31 December 2012: 25%).

	Note	Year ended 31 December 2013 HK$'000	Nine months ended 31 December 2012 HK$'000
Current tax:			
Current tax on profits for the year/period		**72,271**	32,699
Deferred tax *(Note 31)*:			
Tax losses		**–**	(3,237)
Income tax expenses		**72,271**	29,462

Note:

The tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the statutory enterprise income tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December 2013 HK$'000	Nine months ended 31 December 2012 HK$'000
Profit before income tax	**213,533**	121,933
Tax calculated at the respective applicable tax rates	**59,782**	31,326
Expenses not deductible for taxation purposes	**11,089**	6,578
Tax losses for which no deferred income tax asset was recongnised	**14,843**	494
Income not subject to tax	**(12,657)**	(7,737)
Utilisation of previously unrecognised tax losses	**(786)**	(1,199)
Tax charge	**72,271**	29,462

13. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

During the year ended 31 December 2013, the profit attributable to equity owners of the Company is dealt with in the financial statements of the Company to the extent of HK$121 million (Nine months ended 31 December 2012: HK$85 million).

14. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Earnings		
Profit attributable to owners of the Company	**135,722**	89,615
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**11,659,627,161**	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 by the tenth anniversary of issue.

On 12 December 2013, conversion rights in respect of the convertible bonds in the principal amount of HK$1,000,000 were exercised, pursuant to which 2,710,027 new ordinary shares were issued.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense and fair value of derivative component less the tax effect, where applicable. The exercise of share option would have no material dilutive effect to the earnings per share. Since the impact of conversion of convertible bonds on earning per share is anti-dilutive for the year ended 31 December 2013, diluted earnings per share equalled to basic earnings per share.

15. LAND USE RIGHTS

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

	HK$'000
As at 1 April 2012	48,717
Currency translation differences	396
Additions	125
Amortisation charge	(848)
As at 31 December 2012	48,390
Currency translation differences	1,356
Additions	59
Disposals	(149)
Amortisation charge	(1,167)
Reclassify to assets held for sale	(391)
As at 31 December 2013	48,098

The Group is in the process of applying for the title to certain land use rights with cost of approximately HK$1.4 million (approximately RMB1.1 million) as at 31 December 2013 (Nine months ended 31 December 2012: HK$1.4 million (approximately RMB1.1million)). The directors of the Company believe that the title documents will be obtained in due course without significant cost.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Machinery and equipment HK$'000	Gas pipelines HK$'000	Office equipment and motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
Cost:						
At 1 April 2012	104,578	121,394	1,097,620	74,672	550,211	1,948,475
Currency translation differences	915	804	6,792	571	3,481	12,563
Additions	237	562	66	2,189	206,344	209,398
Transfer upon completion	8,638	8,399	424,158	–	(441,195)	–
Disposals	–	(4,327)	(2,414)	(567)	(2,221)	(9,529)
At 31 December 2012	114,368	126,832	1,526,222	76,865	316,620	2,160,907
Currency translation differences	3,379	4,122	48,987	1,951	9,673	68,112
Additions	221	3,628	4,956	6,609	452,699	468,113
Transfer upon completion	4,088	7,850	391,902	–	(403,840)	–
Reclassify to assets held for sale	(714)	(4,127)	(4,194)	(401)	–	(9,436)
Disposals	–	(3,291)	(5,548)	(2,839)	(414)	(12,092)
At 31 December 2013	121,342	135,014	1,962,325	82,185	374,738	2,675,604
Accumulated depreciation:						
At 1 April 2012	33,208	26,603	13,488	39,032	–	112,331
Currency translation differences	130	280	339	214	–	963
Depreciation charge for the period	2,591	5,821	22,334	6,772	–	37,518
Disposals	(11)	(3,780)	(5)	(352)	–	(4,148)
At 31 December 2012	35,918	28,924	36,156	45,666	–	146,664
Currency translation differences	905	1,548	1,297	1,185	–	4,935
Depreciation charge for the year	4,856	6,582	40,836	8,995	–	61,269
Reclassify to assets held for sale	(8)	(45)	(45)	(4)	–	(102)
Disposals	–	(448)	–	(2,134)	–	(2,582)
At 31 December 2013	41,671	36,561	78,244	53,708	–	210,184

	Buildings HK$'000	Machinery and equipment HK$'000	Gas pipelines HK$'000	Office equipment and motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
Impairment Charge:						
At 1 April 2012	30,762	67,344	143,021	5,037	–	246,164
Currency translation differences	263	583	1,134	23	–	2,003
Reversal of impairment charge	–	–	(26,521)	–	–	(26,521)
Disposals	–	–	–	(104)	–	(104)
At 31 December 2012	31,025	67,927	117,634	4,956	–	221,542
Currency translation differences	917	1,890	3,273	384	–	6,464
Reversal of impairment charge	–	(3,762)	(3,824)	–	–	(7,586)
Disposals	–	–	(5,548)	–	–	(5,548)
At 31 December 2013	31,942	66,055	111,535	5,340	–	214,872
Net book value:						
At 31 December 2013	47,729	32,398	1,772,546	23,137	374,738	2,250,548
At 31 December 2012	47,425	29,981	1,372,432	26,243	316,620	1,792,701

Notes:

(a) The Group is in the process of applying for the title to certain buildings with cost of approximately HK$8.1 million (approximately RMB6.3 million) as at 31 December 2013 (31 December 2012: HK$5.5 million (approximately RMB4.5 million)). The directors of the Company believe that the title documents will be obtained in due course without significant additional cost.

(b) Movement of the provision for impairment charges is as follows:

	Group	
	Year ended 31 December 2013	Nine months ended 31 December 2012
	HK$'000	*HK$'000*
At 1 January 2013 and 1 April 2012	**221,542**	246,164
Currency translation differences	**6,464**	2,003
Reversal of impairment charge *(Note (i))*	**(7,586)**	(26,521)
Reversal of impairment charge of disposals	**(5,548)**	(104)
At 31 December 2013 and 2012	**214,872**	221,542

Note:

(i) Impairment charge reversed during the year was due to certain assets will be disposed at consideration higher than the carrying value. For the period ended 31 December 2012, impairment charge was reversed for CGUs where there were sustainable profits and future cash flow anticipated.

17. INTANGIBLE ASSETS

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

18. FINANCIAL INSTRUMENTS BY CATEGORY

(a) Group

Assets as per balance sheet	Loans and receivables 31 December 2013 HK$'000	31 December 2012 HK$'000
Trade and other receivables excluding prepayments	**432,910**	214,216
Cash and bank balances	**691,454**	849,305
Total	**1,124,364**	1,063,521

At 31 December 2013

Liabilities as per balance sheet	Financial liabilities at fair value through profit and loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
Borrowings	**–**	**1,761,835**	**1,761,835**
Derivative financial instruments	**149,206**	**–**	**149,206**
Trade and other payables excluding non-financial liabilities	**–**	**890,404**	**890,404**
Total	**149,206**	**2,652,239**	**2,801,445**

At 31 December 2012

Liabilities as per balance sheet	Financial liabilities at fair value through profit and loss *HK$'000*	Other financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Borrowings	—	1,656,394	1,656,394
Derivative financial instruments	24,337	—	24,337
Trade and other payables excluding non-financial liabilities	—	650,216	650,216
Total	24,337	2,306,610	2,330,947

(b) Company

Assets as per balance sheet	**Loans and receivables** **31 December 2013** ***HK$'000***	31 December 2012 *HK$'000*
Cash and cash equivalents	**57,196**	92,748

At 31 December 2013

Liabilities as per balance sheet	**Financial liabilities at fair value through profit and loss** ***HK$'000***	**Other financial liabilities at amortised cost** ***HK$'000***	**Total** ***HK$'000***
Borrowings	**—**	**860,347**	**860,347**
Derivative financial instruments	**134,251**	**—**	**134,251**
Trade and other payables excluding non-financial liabilities	**—**	**12,660**	**12,660**
Total	**134,251**	**873,007**	**1,007,258**

At 31 December 2012

Liabilities as per balance sheet	Financial liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*
Borrowings	—	615,139	615,139
Trade and other payables excluding non-financial liabilities	—	12,121	12,121
Total	—	627,260	627,260

19. INVENTORIES

	Group	
	31 December 2013	31 December 2012
	HK$'000	*HK$'000*
Materials for gas pipelines	**43,855**	66,667
Gases	**5,489**	4,308
	49,344	70,975

The cost of inventories recognised as expense and included in the cost of sales amounted to HK$1,613 million (Nine months ended 31 December 2012: HK$871 million).

20. TRADE AND OTHER RECEIVABLES

	Notes	Group 31 December 2013 HK$'000	31 December 2012 HK$'000
Trade receivables		**310,957**	206,795
Less: Provision for impairment of trade receivables	*(e)*	**(48,923)**	(44,319)
	(c)	**262,034**	162,476
Notes receivables		**91,520**	18,582
		353,554	181,058
Advances to suppliers		**195,657**	173,248
Less: Provision for impairment	*(f)*	**(82,666)**	(84,821)
		112,991	88,427
Prepayments and other receivables		**56,436**	55,571
Less: Provision for impairment	*(g)*	**(8,220)**	(7,156)
		48,216	48,415
Receivables from related parties *(Note 36)*		**79,356**	33,158
		594,117	351,058

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

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

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

		Group	
		31 December 2013	31 December 2012
	Notes	***HK$'000***	*HK$'000*
0 — 90 days		**173,383**	97,751
91 — 180 days		**31,079**	32,030
181 — 360 days		**32,166**	19,512
Over 360 days		**74,329**	57,502
		310,957	206,795
Less: Provision for impairment of trade receivables	*(e)*	**(48,923)**	(44,319)
		262,034	162,476

Trade receivables net of provision and notes receivables of HK$354 million are fully collectible as they are due from active trading customers with low default rate.

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

	Group	
	31 December 2013	31 December 2012
	HK$'000	*HK$'000*
91 — 180 days	**2,727**	342
181 — 360 days	**2,866**	1,394
Over 360 days	**26,352**	13,464
	31,945	15,200

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

	Group	
	Year ended 31 December 2013	Nine months ended 31 December 2012
	HK$'000	*HK$'000*
At 1 January 2013 and 1 April 2012	**(44,319)**	(41,216)
Currency translation differences	**(1,305)**	(350)
Impairment of trade receivables	**(10,611)**	(8,706)
Write back of impairment	**7,312**	5,953
At 31 December 2013 and 2012	**(48,923)**	(44,319)

The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. Amounts charged to the allowance account are generally written back when there is evidence of recovering additional cash.

(f) Movements of the Group's provision for impairment of advances to suppliers are as follows:

	Group	
	Year ended 31 December 2013	Nine months ended 31 December 2012
	HK$'000	*HK$'000*
At 1 January 2013 and 1 April 2012	**(84,821)**	(83,996)
Currency translation differences	**(2,344)**	(689)
Impairment of advances to suppliers	**(1,272)**	(1,537)
Write back of impairment	**5,771**	1,401
At 31 December 2013 and 2012	**(82,666)**	(84,821)

Provision for impairment of approximately HK$83 million (Nine months ended 31 December 2012: HK$85 million) principally relates to advances to suppliers which arose as a result of termination of trading relationships.

(g) Movements of the Group's provision for impairment of prepayments and other receivables are as follows:

	Group	
	Year ended 31 December 2013	Nine months ended 31 December 2012
	HK$'000	*HK$'000*
At 1 January 2013 and 1 April 2012	**(7,156)**	(7,097)
Currency translation differences	**(216)**	(44)
Impairment of prepayments and other receivables	**(848)**	(15)
At 31 December 2013 and 2012	**(8,220)**	(7,156)

21. CASH AND BANK BALANCES

	Group		Company	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**685,086**	818,231	**57,196**	92,748
Restricted cash	**6,368**	31,074	**–**	–

The carrying amounts of the Group's and the Company's cash and bank balances are denominated in the following currencies:

	Group		Company	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi	**512,021**	567,710	**56,966**	92,550
Hong Kong dollars	**177,999**	254,482	**230**	198
US dollars	**1,434**	27,113	**—**	—
	691,454	849,305	**57,196**	92,748

Note:

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

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

22. ASSETS HELD FOR SALE

		Group	
		31 December 2013	31 December 2012
	Note	***HK$'000***	*HK$'000*
Property under development	*(a)*		
Land use rights		**19,416**	12,728
Construction costs and capitalised expenditure		**128,554**	63,150
		147,970	75,878
Other asset held for sale	*(b)*	**9,725**	—
		157,695	75,878

Notes:

(a) Property under development is located in Tianjin Airport Economic Area in Binhai New Area, the PRC and is located on land held under land use rights for commercial use for a term of 40 years from 31 December 2009. On 25 June 2012, as approved by the Board, the Group plans to dispose of the property under development.

(b) Pursuant to an agreement dated 24 January 2014, one of the subsidiaries of the Group entered into an asset transfer agreement with a third party to transfer its land use rights and property, plant and equipment at a consideration of HK$23 million.

23. SHARE CAPITAL

	Number of shares *Thousand*	**Amounts** *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:	15,000,000	150,000
Fully paid:		
As at 31 March 2012 and 31 December 2012	5,992,812	59,928
Shares issued on exercise of convertible bonds	2,710	27
As at 31 December 2013	5,995,522	59,955
Convertible Preference Shares of HK$1.00 each, issued and fully paid *(Note (i))*	170,000,000	170,000
Redeemable Preference Shares of HK$50.00 each, issued and fully paid *(Note (ii))*	8,600	430,000
Total		
Authorised:		750,000
Issued and fully paid:		659,955

Notes:

(i) Convertible Preference Shares of HK$1.00

The Company issued 130 million and 40 million Convertible Preference Shares on 28 May 2008 to Tsinlien BVI and syndicate banks, respectively. These Convertible Preference Shares are:

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

(ii) Redeemable Preference Shares of HK$50.00

The Company issued 8.6 million Redeemable Preference Shares on 28 May 2008 to Tsinlien BVI, these Redeemable Preference Shares are:

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

24. SHARE-BASED PAYMENTS

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

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

	31 December 2013		31 December 2012	
	Average exercise prices ***HK$***	**Share options** ***'000***	Average exercise prices *HK$*	Share options *'000*
Beginning balance	**0.56**	**74,000**	0.56	74,000
Forfeited	**0.56**	**(5,000)**	—	—
Ending balance	**0.56**	**69,000**	0.56	74,000

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

	31 December 2013		31 December 2012	
	Remaining contractual life number of years	**Share options** ***'000***	Remaining contractual life number of years	Share options *'000*
Exercise price HK$0.56	**6.7**	**69,000**	7.7	74,000

25. OTHER RESERVES AND SHARE PREMIUM

	Contributed surplus *(Note (i))* HK$'000	Exchange reserve *(Note (ii))* HK$'000	Statutory reserves *(Note (iii))* HK$'000	Employee share option reserve HK$'000	Others *(Note (iv))* HK$'000	Total HK$'000	Share premium HK$'000
Group							
Balance at 1 April 2012, as previously reported	28,800	(90,778)	2,561	21,363	160,000	121,946	424,737
Common control business combination *(Note 5)*	–	2,195	–	–	63,185	65,380	–
Balance at 1 April 2012, as restated	28,800	(88,583)	2,561	21,363	223,185	187,326	424,737
Currency translation differences	–	6,551	–	–	–	6,551	–
Common control business combination *(Note 5)*	–	–	–	–	(82,354)	(82,354)	–
Balance at 31 December 2012	28,800	(82,032)	2,561	21,363	140,831	111,523	424,737
Currency translation differences	–	18,055	–	–	–	18,055	–
Set-off and elimination of the accumulated losses *(Note (v))*	(24,709)	–	–	–	(160,000)	(184,709)	(424,737)
Forfeiture of employee share options	–	–	–	(1,443)	–	(1,443)	–
Issuance of shares on conversion of convertible bonds	–	–	–	–	–	–	1,141
Balance at 31 December 2013	4,091	(63,977)	2,561	19,920	(19,169)	(56,574)	1,141

	Contributed surplus *(Note (i))* HK$'000	Exchange reserve *(Note (ii))* HK$'000	Statutory reserves *(Note (iii))* HK$'000	Employee share option reserve HK$'000	Others *(Note (iv))* HK$'000	Total HK$'000	Share premium HK$'000
Company							
Balance at 1 April 2012	47,547	(16,089)	–	21,363	160,000	212,821	424,737
Currency translation differences	–	5,461	–	–	–	5,461	–
Balance at 31 December 2012	47,547	(10,628)	–	21,363	160,000	218,282	424,737
Currency translation differences	–	21,129	–	–	–	21,129	–
Set-off and elimination of the accumulated losses *(Note (v))*	(43,456)	–	–	–	(160,000)	(203,456)	(424,737)
Forfeiture of employee share options	–	–	–	(1,443)	–	(1,443)	–
Issue of shares on conversion of convertible bonds	–	–	–	–	–	–	1,141
Balance at 31 December 2013	4,091	10,501	–	19,920	–	34,512	1,141

Note:

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

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

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

(iv) Amounts represented difference between capitalised debt and par value of convertible preference shares issued in 2009 and merger reserve resulted from common control business combination (Note 5).

(v) A special general meeting of the shareholders was held on 8 November 2013. The shareholders resolved to set-off and eliminate the accumulated losses of the Company in the amount of HK$628,193,531 with the amount of HK$424,737,296 standing to the credit of the share premium account as at 31 December 2012 from HK$424,737,296 to nil, the amount of HK$43,456,235 standing to the credit of the contributed surplus account as at 31 December 2012 from HK$47,547,866 to HK$4,091,631 and the amount of HK$160,000,000 from the item "others" standing to the credit of the other reserves account as at 31 December 2012 from HK$160,000,000 to nil. This would streamline the accounts of the Company and enable the Company to achieve a capital structure that would permit and facilitate the payment of dividends, as and when the directors consider it appropriate.

26. RETAINED EARNINGS/(ACCUMULATED LOSSES)

	Group *HK$'000*	**Company** *HK$'000*
At 1 April 2012	(593,085)	(712,725)
Profit for the period	89,615	84,532
At 31 December 2012	(503,470)	(628,193)
Profit for the year	135,722	121,016
Set-off and elimination of the accumulated losses *(Note 25(v))*	609,446	628,193
Forfeiture of employee share options	1,443	1,443
At 31 December 2013	243,141	122,459

27. TRADE AND OTHER PAYABLES

		Group		Company	
		31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	*(a)*	**340,372**	250,549	**–**	–
Advance from customers		**105,987**	134,737	**–**	–
Other payables	*(b)*	**509,422**	364,332	**–**	–
Accrued expenses		**41,939**	28,508	**12,660**	12,121
Amounts due to related parties *(Note 36)*		**7,909**	6,827	**–**	–
		1,005,629	784,953	**12,660**	12,121

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

	Group	
	31 December 2013	31 December 2012
	HK$'000	*HK$'000*
RMB	**987,252**	768,395
HK dollars	**18,377**	16,558
	1,005,629	784,953

(b) At 31 December 2013, the ageing analysis of the trade payables based on invoice date is as follows:

	Group	
	31 December 2013	31 December 2012
	HK$'000	*HK$'000*
0 — 90 days	**123,454**	87,381
91 — 180 days	**73,753**	32,895
181 — 360 days	**34,618**	36,896
Over 360 days	**108,547**	93,377
	340,372	250,549

(c) Included in other payables are construction payables and amounts due to non-controlling interests of subsidiaries calculated pursuant to the respective joint venture agreements.

28. AMOUNTS DUE FROM IMMEDIATE HOLDING COMPANY

The amounts due from immediate holding company are unsecured, interest free with no fixed repayment terms.

	Group	
	31 December 2013	31 December 2012
	HK$'000	*HK$'000*
Amounts due from immediate holding company *(Note (a))*	**1,368**	3,636

Note:

(a) The amounts are unsecured, interest free with no fixed repayment terms.

29. BORROWINGS

	Group		Company	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current				
Secured over shares of subsidiaries *(Note (a))*	**447,427**	468,396	**–**	–
Unsecured *(Note (b))*	**262,245**	5,000	**–**	5,000
RMB bond *(Note (c))*	**631,806**	610,139	**631,806**	610,139
Convertible bonds *(Note (d) and (f))*	**228,541**	–	**228,541**	
	1,570,019	1,083,535	**860,347**	615,139
Less: Amounts due within one year included in current liabilities	**(73,190)**	(21,038)	**–**	(5,000)
	1,496,829	1,062,497	**860,347**	610,139
Current				
Unsecured *(Note (e) and (f))*	**191,816**	572,859	**–**	–
Current portion of long-term borrowings	**73,190**	21,038	**–**	5,000
	265,006	593,897	**–**	5,000

Notes:

(a) In November 2011, the Group entered into a 7 years bank borrowing facilities of HK$622,400,000 with Hong Kong syndicate banks. The borrowings are secured by the interests in certain of the Group's subsidiaries and guaranteed by the Company. They carry interest at HIBOR plus 3.5% per annum from the first utilisation date up to (but excluding) the second anniversary of the facility agreement and HIBOR plus 4% per annum thereafter, and are repayable semi-annually up to 30 September 2018. The fair value of this long-term borrowing is approximate to its carrying amount.

(b) Included in the balances is borrowing from China Merchants Bank which is unsecured, carries interest at a fixed rate of 4%, and was settled in May 2013. In addition, it also included borrowing from Standard Chartered Bank (Hong Kong) Limited which is unsecured, carries interests at a rate of LIBOR plus 5% per annum. The fair value of this long-term borrowing is approximate to its carrying amount.

(c) On 18 October 2012, the Group issued RMB500,000,000 bonds (the "Bonds"). The Bonds carry interest at 6.50% per annum payable semi-annually in arrear and will mature in 2015.The listing of and permission to deal with the Bonds on The Stock Exchange of Hong Kong Limited by way of debt issues to professional investors became effective on 25 October 2012.

(d) Convertible bonds

The carrying values of liability component of the convertible bonds as at 31 December 2013 are as follows:

Group and Company

	31 December 2013 *HK$'000*
Face value of convertible bond issued on 5 August 2013 (issuance date), net of transaction cost	**300,119**
Derivative liability component on initial recognition	**(81,197)**
Liability component on initial recognition	**218,922**
Exercising of conversion rights	**(734)**
Amortisation using the effective interest method	**10,353**
Liability component at 31 December 2013	**228,541**
Number of conversion shares at the issuance date (shares)	**840,108,401**

On 5 August 2013, the Company issued the convertible bonds due in 2016 in an aggregate principal amount of HK$310,000,000, which are convertible into fully-paid ordinary shares of the Company with a par value of HK$0.01 each. Based on the initial conversion price of HK$0.3690 per share (subject to adjustments), a maximum of 840,108,401 shares will be allotted and issued upon the exercise in full of the conversion rights attached to the convertible bonds.

Since the denominated currency (HK$) of the bonds is different from the functional currency (Rmb) of the Company, their conversion options will be settled by the Company delivering a fixed member of its own shares in exchange for a variable amount of cash in the Company's functional currency. Consequently, the conversion options are not equity instruments and are therefore classified as derivative financial liabilities.

Conversion rights in respect of convertible bonds in the principal amount of HK$1,000,000 were exercised, pursuant to which 2,710,027 new shares were issued on 12 December 2013.

The fair value of the derivative component of the convertible bonds was calculated using the Binomial model with the major inputs used in the model as at 5 August 2013 and 31 December 2013 as follows:

	5 August 2013	**31 December 2013**
Stock price (HK$)	0.4600	0.4750
Volatility	35.06%	35.92%
Dividend yield	0%	0%
Risk free rate	0.612%	0.556%

Any changes in the major inputs into the model will result in changes in the fair value of the derivative component. The change in the fair value of the conversion option from 5 August 2013 to 31 December 2013 resulted in a fair value loss of HK$53 million, which has been recorded in the income statement for the year ended 31 December 2013.

The initial carrying amount of the liability component is the residual amount after deducting the issuance cost of the convertible bonds and the fair value of the derivative component as at 5 August 2013, and is subsequently carried at amortised cost. Interest expense is calculated using the effective method by applying the effective interest rate of 13.17% per annum to the adjusted liability component.

(e) Included in the balances are borrowing from China Merchants Bank and Bank of Communications which are unsecured, carries interest at the rate of 6% per annum, and is repayable within one year.

(f) The carrying amounts and fair values of the borrowings with fixed interest rates for the Group and the Company are as follows:

Group

	Carrying amounts		**Fair values**	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Borrowings	**–**	384,259	**–**	384,485
RMB bond	**631,806**	610,139	**632,716**	645,616
Convertible bonds	**228,541**	–	**249,215**	–
	860,347	994,398	**881,931**	1,030,101

Company

	Carrying amounts		Fair values	
	31 December 2013 HK$'000	31 December 2012 HK$'000	**31 December 2013 HK$'000**	31 December 2012 HK$'000
Borrowings	**–**	5,000	**–**	4,999
RMB bond	**631,806**	610,139	**632,716**	645,616
Convertible bonds	**228,541**	–	**249,215**	–
	860,347	615,139	**881,931**	650,615

The fair values are based on cash flows discounted at rates disclosed in note (g) below. All other borrowings of the Group carry interest at floating rates.

(g) The effective annual interest rates at the balance sheet date were as follows.

	Group		Company	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
— PRC banks	**6%**	6%-7.872%	**–**	–
— Hong Kong banks	**4.05-5.415%**	2.4%-4.05%	**–**	4%
— RMB Bond	**7.25%**	6.5%	**7.25%**	6.5%
— Convertible bonds	**13.17%**	–	**13.17%**	–

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

	Group		Company	
	31 December 2013 HK$'000	31 December 2012 HK$'000	**31 December 2013 HK$'000**	31 December 2012 HK$'000
Hong Kong Dollars	**675,968**	495,397	**228,541**	5,000
Renminbi	**823,622**	1,160,997	**631,806**	610,139
USD	**262,245**	–	**–**	–
	1,761,835	1,656,394	**860,347**	615,139

(i) The maturity of the borrowings included in non-current liabilities is as follows:

	Group		Company	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Over one year, less than two years	**358,351**	62,890	**–**	–
Over two years, less than five years	**1,138,478**	961,877	**860,347**	610,139
Over five years	**–**	37,730	**–**	–
	1,496,829	1,062,497	**860,347**	610,139

(j) As at 31 December 2013, the Group has undrawn bank borrowing facilities of approximately HK$107 million (Nine months ended 31 December 2012: HK$107 million).

30. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2013		As at 31 December 2012	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swap contract *(Note)*	**–**	**14,955**	–	24,337
Derivative component of convertible bonds *(Note 29(d))*	**–**	**134,251**	–	–
	–	**149,206**	–	24,337

Note:

On 23 December 2011, the Group entered into a deferred payment interest rate swap contract with Standard Chartered Bank London, with an aggregate notional amount of HK$571,635,500 (the "Swap Contract"). The Swap Contract is effective on 30 September 2013, and will terminate on 30 September 2018.

Pursuant to the Swap Contract, the Group will pay interest at a fixed rate of 2.25%, and will receive interest at floating rate with reference to the HIBOR as published by the Hong Kong Association of Bank, semi-annually on 31 March and 30 September commencing from 30 September 2013 and up to termination date. All settlements of the Swap Contract are aggregated and settled on the termination date of the Swap Contract.

The Swap Contract does not qualify for hedge accounting, so that it is classified as derivative financial instrument on the balance sheet and with fair value changes recognised in the consolidated income statement.

31. DEFERRED INCOME TAX ASSETS

	Tax losses	
	Year ended 31 December 2013	Nine months ended 31 December 2012
	HK$'000	*HK$'000*
At 1 January 2013 and 1 April 2012	**8,678**	5,441
Charged to the income statement	**—**	3,237
Currency translation differences	**246**	—
At 31 December 2013 and 2012	**8,924**	8,678

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$21.41 million (Nine months end 31 December 2012: HK$17.9 million) in respect of losses amounting to HK$85.64 million (Nine months end 31 December 2012: HK$71.6 million) that can be carried forward against future taxable income. Losses amounting to HK$0.90 million, HK$13.89 million, HK$9.11 million, HK$37.59 million and HK$24.15 million will expire in the following five years respectively.

32. DIVIDENDS

No dividend was proposed in respect of the nine months ended 31 December 2012.

Final dividend in respect of the year ended 31 December 2013 of HK$0.005 per share, amounting to HK$30,384,114.20 is proposed by the Directors on 19 March 2014. This proposed dividend is subject to approval in the forthcoming annual general meeting of the Company. These financial statements do not reflect this dividend payable.

33. CASH GENERATED FORM OPERATIONS

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

	Year ended 31 December 2013 ***HK$'000***	Nine months ended 31 December 2012 *HK$'000*
Profit before income tax	**213,533**	121,933
Adjustments for:		
— Interest income	**(10,147)**	(4,158)
— Depreciation	**61,269**	37,518
— Amortisation	**1,167**	848
— Reversal of impairment on property, plant and equipment	**(7,586)**	(26,521)
— (Reversal of)/provision for impairment of trade and other receivables — net	**(352)**	3,987
— Finance costs	**77,370**	29,986
— Fair value loss on derivative financial instruments — net	**44,106**	12,732
— Loss on disposal of property, plant and equipment *(Note (i))*	**208**	965
— Gain on liquidation of subsidiaries	**(1,098)**	(2,484)
— Share of losses form investments accounted for using equity method	**33**	477
Changes in working capital:		
— Inventories	**21,631**	(12,579)
— Amount due from immediate holding company	**2,268**	18,297
— Trade and other receivables	**(221,861)**	(75,703)
— Amount due to ultimate holding company	**—**	2,404
— Trade and other payables	**69,002**	73,528
Net cash generated from operations	**249,543**	181,230

(i) Movements on disposal of assets comprise:

	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*
Net book amount of property, plant and equipment	**3,962**	5,277
Proceeds from disposals in current year	**(3,754)**	(4,312)
Loss on disposals	**208**	965

34. FINANCIAL GUARANTEE

The Company has given guarantee of approximately HK$837 million (Nine months end 31 December 2012: HK$701 million) to subsidiaries in respect of obtaining bank borrowings, of which HK$730 million had been utilised as at 31 December 2013.

35. COMMITMENTS

(a) Capital commitments

Capital expenditure and property development commitment of the Group at the balance sheet date contracted but not yet incurred is as follows:

	31 December 2013 *HK$'000*	31 December 2012 *HK$'000*
Property, plant and equipment	**9,709**	24,707
Asset held for sale	**—**	2,145
	9,709	26,852

(b) Operating leases commitment — Group as lessee

The Group's future aggregate minimum lease payments under non-cancelable operating leases in respect of buildings are as follows:

	31 December 2013	31 December 2012
	HK$'000	*HK$'000*
Not later than one year	**11,376**	5,358
Later than one year and not later than five years	**3,399**	5,744
Later than five years	**4,350**	4,366
	19,125	15,468

36. RELATED PARTY TRANSACTIONS

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

	Year ended 31 December 2013 HK$'000	Nine months ended 31 December 2012 HK$'000
(a) Transactions with holdings companies:		
Income from management of Disposed Subsidiaries *(Note (i))*	**–**	522
Interest expenses	**–**	(135)
Purchase of subsidiaries *(Note (5))*	**–**	82,354
Commission on asset disposal entrustment in respect of certain former subsidiaries *(Note (ii))*	**18,909**	—
(b) Transactions with fellow subsidiaries:		
Sale of gas to TEDA Gas *(Note (iii))*	**124,062**	71,633
Sale of gas to Tianjin Pipe and its associates *(Note (iii))*	**408,661**	202,323
Sale of gas to former subsidiaries(now owned by immediate holding company) *(Note (iii))*	**–**	2,074
Sale of gas to Tianjin Eco-city *(Note (iii))*	**32,078**	8,785
Sale of gas to Tianjin Sai-rui Machinery Equipment Company Limited ("Sai Rui")*(Note (iii))*	**21,314**	7,748
Income from management of TEDA Gas *(Note (iv))*	**–**	627
Rental charges of office premises to TEDA Real Property Development Company Ltd. *(Note(v))*	**–**	(2,504)
Provision of connection service to Tianjin TEDA Binhai Station Construction Company Limited ("TEDA Binhai Station") *(Note (vi))*	**13,814**	—
Provision of connection service to Sai Rui *(Note (vii))*	**2,435**	—
Purchase of steel pipe materials from TPCO & TISCO Welding Pipe Corporation Co., Ltd ("Tianguan Taigang") *(Note (viii))*	**(11,729)**	—
Insurance premium paid to Bohai Property Insurance Company Limited ("Bohai")*(Note (ix))*	**(1,513)**	(1,293)
Advertising fee to Tianjin TEDA Football Club Company Limited ("Tianjin TEDA Football Club") *(Note (x))*	**(2,522)**	—

	31 December 2013 HK$'000	31 December 2012 HK$'000
(c) Balances with fellow subsidiaries:		
Account receivable from associates of Tianjin Pipe	**57,000**	21,381
Account receivable from Tianjin Eco-city	**8,819**	6,898
Account receivable from Tianguan Taigang	**8,775**	—
Management fee receivable from TEDA Gas	**4,762**	4,630
Prepayment received for sales of gas from Sai Rui *(Note (iv))*	**—**	(6,131)
Account advance received from TEDA Binhai Station	**(57)**	—
Account advance received from Tianjin TEDA Transportation Hub Operation Management Co., Ltd. ("TEDA Transportation Hub") *(Note (xi))*	**(1,149)**	—
(Prepayment received)/accounts receivable from Tianjin Xing Cheng *(Note (xii))*	**(6,703)**	249
Insurance premium payable to Bohai	**—**	(696)

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

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

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

(e) Key management compensation

Key management compensation is set out in Note 9 to these financial statements.

Note:

(i) The Group provides management services to the Disposed Subsidiaries in which TEDA has interest in. Annual management fee is calculated at 3% of the net asset value of the Disposed Subsidiaries as at the preceding financial year-end (taking into account any inter-company balances) plus 20% of the audited net profit of the Disposed Subsidiaries for the preceding financial year. The agreement has been matured during the year ended 31 December 2013.

(ii) On 27 September 2013, TEDA HK (the immediate holding company) entered into the Asset Disposal Entrustment Agreement with Binhai Investment (Tianjin) Company Limited ("BITCL"), a wholly-owned subsidiary of the Group, under which TEDA HK engaged BITCL to dispose of assets comprising interest in 15 of such former subsidiaries of the Group. BITCL charged commission at 25.75% of the consideration for disposal of such assets. The total commission receivable was RMB14,997,000.

(iii) The Group supplies gas to related parties via its pipe network at a price regulated by the State Government and the Tianjin Municipal Government.

(iv) The Group provides management service to TEDA Gas, the annual management fee of which is calculated at 3% of the audited net asset value (as at the preceding year end on 31 December) of TEDA Gas plus 20% of the audited net profit of TEDA Gas for the preceding financial year. The agreement has been matured during the year ended 31 December 2013.

(v) The Group leases office promise from TEDA Real Property Development Company Ltd. at a rate of RMB113 per square meter per month. The leases were terminated during the period in October 2012.

(vi) The Group was engaged to provide the connection services to TEDA BinHai Station located in Tianjin.

(vii) The Group was engaged to provide the connection services to Sai Rui located in Tianjin Airport Economic Area of Tianjin.

(viii) The Group entered into the Steel Pipes Agreement Tianguan Taigang for the supply of steel pipe materials by Tianguan Taigang.

(ix) On 5 April 2013, the Group entered into insurance arrangement with Bohai as insurer, pursuant to which Bohai will provide insurance coverage to various subsidiaries of the Group. The insurance policies under the arrangement are for a term of one year commencing from 5 April 2013.

(x) The Group was provided advertisement service by Tianjin TEDA Football Club located in Binhai New Area of Tianjin.

(xi) The Group supplies gas to TEDA Transportation Junction located in Tianjin.

(xii) The Group was engaged to provide the connection services at the price of RMB2,800 per household in a town located in Jinnan District of Tianjin.

37. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

At 31 December 2013, the Group had the following principal subsidiaries and jointly ventures which, in the opinion of the directors of the Company, materially affect the results and/or assets of the Group.

(a) Investment holding companies:

Name of entity	Kind of legal entity and place of incorporation	Particulars of issued and fully paid capital	Effective interest held
Winstar Venture Limited	British Virgin Islands ("BVI")	US$200 ordinary shares	100%
Binhai Investment Hong Kong Limited	Hong Kong	HK$2 ordinary shares, HK$29 million non-voting deferred shares *(Note (ii))*	100%
Binhai Investment (Tianjin) Co. Limited	Wholly foreign owned enterprises, PRC	US$155 million	100%

Note:

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

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

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

(b) Other subsidiaries:

	Name of entity	Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
1	Zibo Jin Bin Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	25	–	100
2	Tianjin Binda Gas Enterprise Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	565	–	100
3	Binzhou TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	27	–	100
4	Zhaoyuan Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	20	–	100
5	Deqing Binhai Gas Company Limited	Sino-foreign equity joint ventures, PRC	Connection services and sale of gases, PRC	18	–	90
6	Qingdao Laixi Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	16	–	100
7	Zhuozhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	11	–	100
8	Nanjing Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	–	100
9	Yizheng TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	13	–	100

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

Name of entity	Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
10 Qinhuangdao TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	–	100
11 Tianjin Bintai Energy Development Co., Ltd	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	204	–	100
12 Qingdao Jiaonan Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	11	–	100
13 Sanhe TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7	–	90
14 Changle Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	8	–	100
15 Dezhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	–	100
16 Jurong Wah Sang Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	3	–	100
17 Zhangjiagang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	4	18	100
18 Qingdao Jiaozhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	17	–	100

	Name of entity	Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital (Note (i)) HK$ Million	Potential capital contributions (Note (ii)) HK$ Million	Effective indirect interest (Note (iii)) (%)
19	Jingjiang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	3	13	100
20	Funing TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7	–	100
21	Yishui Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	13	–	100
22	Rizhao Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	13	–	100
23	Haiyan Tian Tai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	25	–	100
24	Huzhou Nanxun Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	20	–	100
25	Beijing Airport Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	–	100
26	Haiyang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	2	10	100
27	Tonglu Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	8	98

Name of entity		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital (Note (i)) HK$ Million	Potential capital contributions (Note (ii)) HK$ Million	Effective indirect interest (Note (iii)) (%)
28	Jinhu Wah Sang Gas Company	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7	–	100
29	Qixia Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	6	5	100
30	Tianjin Binhai Xinda Real Estate Company Limited	Wholly foreign owned enterprises, PRC	Real estate investment, PRC	–	156	100
31	Yizheng Jin Bin Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	12	–	100
32	Tangshan Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	24	65	100
33	Tianjin Hua Tai Xinda Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	6	–	100
34	Tangshan TEDA Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	47	–	100
35	Jizhou Binhai Gas Co., Ltd *(Note (iv))*	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	14	–	98
36	Anxin TEDA Gas Co., Ltd *(Note (iv))*	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	2	–	99
37	Qingyuan Binhai Gas Co., Ltd *(Note (iv))*	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	11	–	99.71

	Name of entity	Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
38	Liuyang Binhai Gas Co., Ltd *(Note (iv))*	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	19	–	100
39	Fengxian Binhai Gas Co., Ltd *(Note (iv))*	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	16	–	100
40	Gaoan TEDA Gas Co., Ltd *(Note (iv))*	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	18	–	100

Notes:

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

(ii) The Company's potential capital contributions, through Binhai Investment (Tianjin) Co., Limited, into these subsidiaries amounted to approximately HK$275 million. Although the deadlines for injecting the capital to all these subsidiaries have expired, these subsidiaries are all still operating as at date of these consolidated financial statements.

(iii) Effective interests held are determined by assets appropriation upon the dissolution of the subsidiaries, instead of by proportion of the capital injection and profit share. The position as at 31 December 2013 is unchanged from 31 December 2012.

(iv) The Six Subsidiaries were acquired from TEDA HK during the period ended 31 December 2012.

(c) Joint ventures:

Name of entity	Date of incorporation	Issued share capital	Principal activities
Tianjin Airport Economic Area Gas Co., Ltd.	2 June 2010	RMB30 million (approximately HK$38 million)	Connection services and sale of gas
Qinhuangdao Taixing Gas Co., Ltd.	19 September 2012	RMB10 million (approximately HK$13 million)	Connection services and sale of gas
Sinopec Binhai Investment (Tianjin) Natural Gas Utilisation Co., Ltd.	23 May 2013	RMB40 million (approximately HK$51 million)	Gas utilization technical development

38. IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The directors of the Company consider TEDA HK, a company incorporated in Hong Kong with limited liability and beneficially wholly owned by TEDA, as the immediate holding company and TEDA as the ultimate holding company.

Five-Year Financial Summary

The following table summarized the results, assets and liabilities of the Group for the five years ended 31 December 2013.

	Year ended 31 December 2013	Nine months ended 31 December 2012	Year ended 31 March 2012 (restated)	Year ended 31 March 2011 (restated)	Year ended 31 March 2010 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**2,229,133**	1,206,285	1,678,971	1,270,570	824,529
Profit attributable to owners of the Company	**135,722**	89,615	114,221	71,110	226,549

	31 December 2013	31 December 2012	31 March 2012 (restated)	31 March 2011 (restated)	31 March 2010 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**3,847,329**	3,220,300	2,546,603	1,526,793	915,354
Total liabilities	**2,975,234**	2,509,288	1,852,713	974,108	486,965
Equity holder equity	**847,663**	692,718	678,906	540,673	418,556
Non-controlling interest	**24,432**	18,294	14,984	12,012	9,833

Note:

The financial statements of the Group for the year ended 31 March 2012, 2011 and 2010 and as at 31 March 2012, 2011 and 2010 have been restated on the basis that the structure and business activities of the Group immediately after the acquisition of the Six Subsidiaries completed in 2012 had been in existence throughout the year presented.