濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)

Stock Code: 8035

Annual Report | 2012

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

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

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

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

CONTENT

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPLIANCE OFFICER

Mr. Gao Liang

JOINT COMPANY SECRETARIES

Mr. Yin Fu Gang
Mr. Yip Wai Yin

AUTHORISED REPRESENTATIVES

Mr. Gao Liang
Mr. Yin Fu Gang

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

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPLIANCE ADVISER

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

LEGAL ADVISER ON HONG KONG LAW

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

PRINCIPAL BANKERS

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

STOCK CODE

8035

WEBSITE

www.binhaiinv.com

CORPORATE PROFILE

Binhai Investment Company Limited **incorporated: Bermuda**

↓ 100%

Winstar Venture Limited incorporated: **BVI**

↓ 100%

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

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Share-holding	
100%	**Wah Sang Gas Equipment and Engineering Company Limited** *(Note (1))* **incorporated: BVI**
100%	**Yiyang Wah Sang Gas Co., Ltd incorporated:** **Hunan Province**
100%	**Tianjin Binhai Xinda Real Estate Company Limited** **incorporated: Tianjin**
100%	**Binhai Investment (Tianjin) Company Limited** **incorporated: Tianjin**

Share-holding		Incorporated
100%	Tianjin Wah Sang Gas Enterprise Company Limited *(Note (2))*	Tianjin
100%	Tianjin Wah Sang Energy Development Company Limited *(Note (3))*	Tianjin
100%	Tianjin HuaTai Xinda Company Limited	Tianjin
85%	Beijing Airport TEDA Gas Company Limited	Beijing
90%	Sanhe TEDA Gas Company Limited	Hebei Province
85%	Zhuozhou Binhai Gas Development Company Limited	Hebei Province
100%	Qinhuangdao TEDA Gas Company Limited	Hebei Province
100%	Zibo Jin Bin Gas Company Limited	Shandong Province
100%	Binzhou Wah Sang Gas Company Limited	Shandong Province
99%	Changle Wah Sang Gas Company Limited	Shandong Province
100%	Dezhou Wah Sang Gas Company Limited	Shandong Province
80%	Qingdao Jiaonan Wah Sang Gas Company Limited	Shandong Province
100%	Qingdao Jiaozhou Wah Sang Gas Company Limited	Shandong Province
100%	Haiyang Wah Sang Gas Company Limited	Shandong Province
100%	Zhaoyuan Binhai Gas Company Limited *(Note (4))*	Shandong Province
100%	Yishui Binhai Gas Company Limited *(Note (5))*	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%	Leiyang Wah Sang Gas Company Limited	Hunan Province

CORPORATE PROFILE

100%	Funing TEDA Gas Company Limited	Jiangsu Province
100%	Jinhu Wah Sang Gas Company Limited	Jiangsu Province
100%	Suining Wah Sang Gas Company Limited	Jiangsu Province
100%	Yizheng TEDA Gas Company Limited	Jiangsu Province
100%	Nanjing Wah Sang Gas Company Limited	Jiangsu Province
100%	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 Wah Sang Gas Development 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%	Yingtan Wah Sang Gas Company Limited	Jiangxi Province
100%	Tangshan Binhai Gas Company Limited	Hebei Province
100%	Yizheng Jin Bin Gas Company Limited	Jiangsu Province
100%	Tangshan TEDA Gas Company Limited	Hebei Province

Note:

(1) Wah Sang Gas Equipment and Engineering Company Limited had been struck off the BVI government register from 1 May 2012.

(2) Tianjin Wah Sang Gas Enterprise Company Limited changed its name to "Tianjin Binda Gas Enterprise Company Limited" on 26 April 2012.

(3) Tianjin Wah Sang Energy Development Company Limited changed its name to "Tianjin Bintai Energy Development Company Limited" on 24 April 2012.

(4) Zhaoyuan Binhai Gas Company Limited, formerly name "Zhaoyuan Wah Sang Gas Company Limited", changed to its present name on 12 April 2011.

(5) Yishui Binhai Gas Company Limited, formerly name "Yishui Wah Sang Gas Company Limited", changed to its present name on 6 July 2011.

FINANCIAL HIGHLIGHTS

	2012 **HK$'000**	2011 *HK$'000*	Percentage Change
Revenue	**1,623,293**	1,231,065	+32%
Gross profit	**248,092**	167,444	+48%
Profit for the year	**113,699**	73,127	+55%
Basic earnings per share attributable to owners of the Company during the year	**1.0 cents**	0.6 cents	0.4 cents

	2012 **HK$'000**	2011 *HK$'000*	Percentage Change
Total assets	**2,463,872**	1,454,064	+69%
Total equity	**629,357**	493,491	+28%
Total liabilities	**1,834,515**	960,573	+91%

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "Board"), I am delighted to present the annual report of Binhai Investment Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2012.

FINANCIAL PERFORMANCE REVIEW

During the financial year of 2012, the Group maintained its positive view on the development in the gas market, despite the complexities of China's macro-economic situation and market environment affected by the Euro Zone debt crisis and the slow U.S. economic recovery from recession. The Group is dedicated to the sustainable and prolonged development of its gas business through focussing on market exploitation in the area of Tianjin Binhai New Area ("TBNA"), acceleration of resources integration and optimization of resources, and management system upgrading. Under the endeavours of its management and staff, the Group has achieved rapid growth for three consecutive years. For the financial year of 2012, the Group recorded revenue of HK$1,623 million (2011: HK$1,231 million), 32% higher year-on-year. The Group's gross profit amounted to HK$248 million (2011: HK$167 million), representing an increase of 48% from last year. The profit attributable to owners of the Company was approximately HK$111 million (2011: HK$71 million), indicating a growth of 56% over last fiscal year.

During the fiscal year of 2012, the Group attained remarkable achievements, including:

- Successfully acquired the assets of Tianjin Binhai Secondary Gas Pipeline ("Secondary Gas Pipeline") from Tianjin TEDA Investment Holding Co., Ltd. ("TEDA") at a consideration of RMB 279 million, which is of great significance to the Group becoming more competitive within the area of TBNA.

- Signed an agreement of syndicated loan in the amount of HK$622.4 million with both Standard Chartered Bank (Hong Kong) Limited and China Development Bank Corporation Hong Kong Branch for a loan period of 7 years. This syndicated loan is a good demonstration of active participation of Hong Kong financial institutions in the domestic PRC infrastructure project. With adequate funding, the Group is able to strengthen pipeline networks in key business regions.

- Further underpinned the cooperation with China National Petroleum Corporation and Sinopec as well as fostered long-term developments in gas supplies coordination, purchasing procedures and gas allocation and delivery.

- Increased efforts on the development in the area of TBNA. By conducting research and analysis regarding the competitive market environment, the Group has ascertained a series of purposeful competitive strategies, thus expanding its market share.

CHAIRMAN'S STATEMENT

CORPORATE GOVERNANCE

The Group has spared no effort to strengthen corporate governance practices, which have laid a solid foundation for the Group's healthy development. The Chairman encouraged all Directors to actively participate in the affairs of the Board and also engaged in effective communication with all Directors to ensure effective operation of the Board. The Group continuously optimizes division of responsibilities of the senior managements and enforces the strategies, operating and management goals as directed by the Board.

HUMAN RESOURCES

The Group considers human resources are very important to the development of the Group. During the process of the development of the Group, we steadfastly rely on our staff, respect them and realize staff values. In the financial year of 2012, the Group has focused the work of human resources on team building, organization optimization and strengthening staff management and moral improvement. By the end of such financial year, the number of employees of the Group was 1,147, representing a growth of 7% compared to the previous financial year.

PROSPECTS

In the fiscal year of 2012, natural gas consumption of the country grew by 12%, the growth of which was the largest among all forms of energy consumption. Nevertheless, natural gas currently accounts for only 4.4% of domestic PRC primary energy consumption. During the Twelfth Five-year Plan period, the Chinese government vigorously advances gas market structure and expands gas market shares in the primary energy resources. As a result, there are tremendous growth prospects in gas industry development.

Currently, the Group's services cover six provinces and two municipalities in Mainland China. We will continuously focus on resources integration, quality management, and constantly increase levels of investment return and profit. It is our mission to endeavor to become an influential gas supplier in Mainland China.

In the fiscal year of 2012, the Group already made new progress in certain areas of significantly functional regions of TBNA. The Group will fully and properly utilize and maximize pipeline network, gas sources, accumulated reputation and co-operation with the controlling shareholder of the Company so as to constantly expand its market share and make the Group become the most important clean energy supplier in TBNA.

CHAIRMAN'S STATEMENT

The Group has and always will be on the solid ground to the industrial advantage, and relying on its long-term professional experience, safe and reliable service quality, specialized knowledge, the remarkable brand value of the controlling shareholder of the Company, good relationship with the government and extensive social resources, will contribute to the environmental protection while realising enterprise development at the same time.

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

On behalf of the Board
Binhai Investment Company Limited

Zhang Bing Jun
Chairman of the Board

Hong Kong, 25 June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Connection Services

The Group constructs gas pipelines for its clients and connects their pipelines to the Group's main gas pipeline networks, and charges connection service fees from industrial and commercial customers, property developers and property management agents. As at 31 March 2012, the Group's total gas pipeline network was approximately 1,152 kilometers, representing an increase of 222 kilometers of the pipeline network from 930 kilometers as at 31 March 2011. During the year ended 31 March 2012, income from the connection service fees amounted to approximately HK$262,294,000, representing an increase of HK$41,778,000 or 19% compared to HK$220,516,000 for the last year.

Sales of Piped Gas

During the year ended 31 March 2012, consumption of piped gas by residential and industrial customers amounted to approximately $1,374 \times 10^6$ and $9,287 \times 10^6$ mega-joules respectively, as compared to $1,145 \times 10^6$ and $5,850 \times 10^6$ mega-joules respectively for the last year. For the year ended 31 March 2012, the piped gas sales income of the Group amounted to HK$914,238,000, representing an increase of HK$339,269,000 or 59% compared to HK$574,969,000 for the last year. The increase in the number of large scale industrial users led to an appreciable escalation of gas consumption.

Property Development

As the real estate business does not meet the Group's current strategic direction to focus on the development of the gas business, and taking into account the impact of control policy of the mainland on real estate business, the Group plans to dispose of the property under development.

Completion of the TEDA Investment Agreement

Pursuant to the TEDA investment agreement in relation to the nominee arrangement for TEDA's shareholding interests in the Company held by Cavalier Asia Limited ("Tsinlien BVI") and its amendment, Tsinlien BVI transferred 3,003,987,207 ordinary shares, 130,000,000 convertible preference shares, 8,600,000 redeemable preference shares of the Company and the entire issued share capital in Topfair International Limited (which indirectly holds interests in certain former subsidiaries of the Group) that it holds to TEDA Hong Kong Property Company Limited, a wholly-owned subsidiary of TEDA ("TEDA HK") during the year ended 31 March 2012. The condition for completion of the TEDA investment agreement was deemed to have been fulfilled, and TEDA formally became the ultimate controlling shareholder of the Company upon completion of such transfer.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Gross Profit Margin

The gross profit margin of the Group during the year was 15.3%, a fraction higher than the margin level of 13.6% in last year. The gross profit margin of the piped gas sales was 7.0%, representing an increase of 25% compared to 5.6% for the last year. The increase of industrial users' gas consumption which contributed to higher gross profit margin caused an appreciable escalation of the gross profit margin of the piped gas sales.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 March 2012 was HK$102 million, representing a decrease of HK$24 million compared to HK$126 million for the last year. However, the HK$126 million in last year included the share-based payments expenses of HK$26 million. Excluding this item, the administrative expenses for the year had increased by HK$2 million compared to HK$100 million for the last year. The reason for the increase was that 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 March 2012, the profit attributable to owners of the Company was approximately HK$111 million, comparing to HK$71 million in 2011.

Basic earnings per share for the year ended 31 March 2012 was HK1.0 cents, as compared to HK0.6 cents in 2011.

Liquidity and financial resources

As at 31 March 2012, the total borrowings of the Group were HK$794,628,000 (2011: HK$307,626,000) and the cash and bank deposit of the Group was HK$451,558,000 (2011: HK$432,654,000), which include cash and cash equivalents of HK$445,404,000 and pledged bank deposits of HK$6,154,000. As at 31 March 2012, the Group had consolidated current assets of HK$854,089,000 and its current ratio was approximately 0.55. As at 31 March 2012, the Group had a gearing ratio of approximately 129%, measured by the ratio of total consolidated borrowings of HK$794,628,000 to total equity (includes all capital and reserves of the Group excluding non-controlling interests) of HK$614,373,000.

Borrowings Structure

As at 31 March 2012, the total borrowings of the Group were HK$794,628,000 (2011: HK$307,626,000). Borrowings from Hong Kong syndicate banks of HK$265,388,000 were denominated in HKD, secured by the Company's guarantee and interests in certain of the Group's subsidiaries, bearing interest at a floating rate. Borrowings from China Merchant Bank of HK$10,000,000 were denominated in HKD, unsecured, bearing interest at a fixed rate of 4%.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings from PRC banks were denominated in RMB, secured by guarantee, bearing interest at prevailing market rates. As at 31 March 2012, short-term borrowings and current portion of long-term borrowings amounted to HK$530,855,000, while the remaining 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, the available banking facilities and written confirmation supplied by TEDA after the year end stating its intention to extend payment term of amounts due to it upon maturity for twelve months if necessary, the Directors of the Company believe that the Group is able to meet its liabilities as and when they fall due.

Risks created by to exchange rate fluctuations

The Directors considered 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 risk. 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.

Interest rate swap contract

For the year ended 31 March 2012, the Group recognized a fair value loss on derivative financial instrument of HK$11,605,000, primarily attributable to the drop in the fair value of an interest rate swap contract entered into by the Group, which was impacted by the global economic instability during the period. In November 2011, the Group entered into a 7 years bank borrowings facilities of HK$622,400,000 with Hong Kong syndicate banks, which 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. In order to minimize the risk of rising interest rates and to control borrowing costs, the Group entered into a floating-to-fixed rate swap contract with Standard Chartered Bank London with an aggregate notional amount of HK$571,635,500 to control the future interest costs ("Swap Contract"). The deferred payment interest rate swap contract will be effective on 30 September 2013 and will terminate on 30 September 2018 ("Termination Day"). 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. Before the Termination Day, the 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 to economic situation and interest rates. The Group believes that such arrangements are advantageous to the Group in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

Charge over the Group's assets

As at 31 March 2012, the Group had pledged bank deposits for gas purchase of HK$6,154,000.

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

Save as disclosed above, there were no charges over of any the Group's assets as at 31 March 2012.

Acquisitions, disposals and significant investments

On 24 June 2011, TEDA and Tianjin Wah Sang Gas Enterprise Company Limited ("Tianjin Wah Sang"), which is a wholly-owned subsidiary of the Company, entered into an asset transfer agreement under which it was conditionally agreed that Tianjin Wah Sang shall acquire the assets comprising the Second Pipelines Network from TEDA at a consideration of RMB279,003,500. The acquisition constituted a discloseable and connected transaction of the Company under the GEM Listing Rules, and is subject to the announcement requirement under Chapter 19 and the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Such transaction was approved by the Company's independent shareholders at the special general meeting held on 9 February 2012 and was completed before 31 March 2012.

Contingent Liabilities

As at 31 March 2012, the Group did not have any significant contingent liabilities.

Employees

As at 31 March 2012, the Group had 1,147 employees (2011: 1,071). For the year ended 31 March 2012, the salaries and wages of the employees was HK$60 million (2011: HK$47 million).

Remuneration Policy

The remuneration of the employees of the Group is determined by reference to the market rate, and the performance, qualification and experience of the relevant staff. Also, a discretionary bonus based on individual performance during the year will be distributed to reward the contributions of employees to the Group. The Group also provides training opportunity and other benefits to its empolyees, including pension insurance, unemployment insurance, injury insurance, medical insurance, maternity insurance and housing fund, etc. Details of pension scheme are set out in Note 2.22(c) and Note 8 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

The Board presents the corporate governance report of the Company for the year ended 31 March 2012.

CORPORATE GOVERNANCE CODE

The Board is responsible for the overall business management of the Group, and assumes overall responsibility for the leadership and control of the Group. By providing directions and supervising its affairs, the Board is responsible for the success of the Group. It believes that good corporate governance practices can strengthen investors' confidence, facilitate the development of the Group, and increase transparency in the operations of the Group, ultimately striving for the long term interest of the Group and the shareholders. During the year ended 31 March 2012, the Group had fully complied with the code provisions set out in Appendix 15 of the GEM Listing Rules except for code provision E1.2. Due to unexpected significant official business, the Chairman of the Board could not attend the Annual General Meeting held in such financial year.

In view of the amendments to the Corporate Governance Code in Appendix 15 of the GEM Listing Rules which came into effect on 1 April, 2012, the Company already adopted amendments to the terms of reference of the Audit Committee, the Remuneration Committee and of the Nomination Committee and published them on the websites of the Stock Exchange and of the Company in February 2012 to comply with the revised code provisions requirements.

SECURITIES TRANSACTIONS BY DIRECTORS

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

All Directors have confirmed, following specific enquiries by the Company, that they have 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 March 2012.

THE BOARD

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

CORPORATE GOVERNANCE REPORT

A list of Directors and their roles and functions has been made available on the websites of the Stock Exchange and the Company since 16 February 2012.

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

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

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

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

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

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

The latest version of the Memorandum of Association and Bye-laws of the Company is available on the websites of the Stock Exchange and the Company.

CORPORATE GOVERNANCE REPORT

A total of 5 Board meetings were held during the year ended 31 March 2012 (including 4 regular meetings) to discuss and decide on the Company's major strategies, important business matters, financial issues and issues regarding the Company's Bye-laws set forth in other matters. A summary of the Directors' attendance at such meetings is as follows:

Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. Zhang Bing Jun	3/5	60%
Mr. Gao Liang	5/5	100%

Non-Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. Shen Xiao Lin	4/5	80%
Mr. Zhang Jun	4/5	80%
Mr. Dai Yan	3/5	60%
Mr. Wang Gang	4/5	80%
Ms. Zhu Wen Fang	4/5	80%

Independent Non-Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. Lau Siu Ki, Kevin	5/5	100%
Mr. Ip Shing Hing, J.P.	5/5	100%
Professor Japhet Sebastian Law	4/5	80%
Mr. Tse Tak Yin	5/5	100%

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

Mr. Zhang Bing Jun is the Chairman of the Board. Mr. Gao Liang is the General Manager of the Company. 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 are set out in the Regulation on Operation of the Board and its Committees of the Company.

CORPORATE GOVERNANCE REPORT

TERM OF OFFICE AND RE-ELECTION

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

In accordance with the Company's Bye-law 87(2), Mr. Gao Liang (an executive Director), Mr. Wang Gang and Ms. Zhu Wen Fang (both 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 of Directors are available on the websites of the Stock Exchange and the Company.

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

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

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

During the financial year ended 31 March 2012, the Remuneration Committee determined the performance remuneration of the Directors and senior management by way of written resolutions and no meeting was held.

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 are not limited to, the following:

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

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

3. Identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships.

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.

During the year ended 31 March 2012, no meeting was held by the Nomination Committee.

AUDITOR'S REMUNERATION

The statement of responsibility to the financial statements by PricewaterhouseCoopers, the auditor of the Group, is set out in the section of "INDEPENDENT AUDITOR'S REPORT" on page 47 to 48 of this Annual Report. The remuneration for the auditor's services for the financial year ended 31 March 2012 amounted to HK$4.3 million.

AUDIT COMMITTEE

The Company 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 are not limited to, the following:

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

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

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

CORPORATE GOVERNANCE REPORT

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

Five meetings were held by the Audit Committee during the year ended 31 March 2012.

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

1. the audited results, financial statements of the Group for the year ended 31 March 2011;

2. the unaudited results of the Group for the 3 months, 6 months and 9 months ended 30 June 2011, 30 September 2011 and 31 December 2011 respectively;

3. financial reporting system and internal control procedures; and

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

The following table lists the details of attendance of the members of the Audit Committee at the meetings held during the year ended 31 March 2012:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. Lau Siu Ki, Kevin *(chairman)*	5/5	100%
Professor Japhet Sebastian Law	5/5	100%
Mr. Tse Tak Yin	5/5	100%
Mr. Ip Shing Hing, *J.P.*	5/5	100w%

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Audit Committee has also reviewed the audited annual results of the Group for the year ended 31 March 2012. 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.

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements for the year ended 31 March 2012 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 is set out in the independent auditor's report on page 47 to 48 of this Annual Report.

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 GEM Listing Rules.

During the year ended 31 March 2012, the management of the Company provided training to the internal audit team, accounting team and operations teams, so as to ensure effective implementation of the internal control system and procedures. The Audit Committee paid great attention to internal controls and made efforts to improve the internal control system during the financial year ended 31 March 2012.

The Company established internal control department, which is responsible for the implementation of the specific responsibilities of the internal control carried out eight internal control reviews and fourteen audit projects during the financial year ended 31 March 2012.

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

CORPORATE GOVERNANCE REPORT

COMPLIANCE ADVISER

WAG Worldsec has been appointed as the Compliance Adviser of the Company, for the period commencing on the date of resumption of trading in the ordinary shares of HK$0.01 each in the capital of the Company ("Shares") on GEM (12 May 2009) and ending on the date that the Company issues its financial results of the third full financial year after the date of resumption of trading (i.e. the financial year ending 31 March 2013). The responsibility of the Compliance Adviser is to provide the Company with advice regarding compliance with the GEM Listing Rules and corporate governance matters. The Compliance Adviser is independent from the Company and the Group.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Bing Jun, aged 48, is 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 1984 and is a qualified senior engineer of the People's Republic of China (the "PRC"). Mr. Zhang studied the State-owned Enterprises course at the Beijing Motorola University (北京摩托羅拉大學) and the Executive Master of Business Administration course at the Guanghua School of Management of the Beijing University (北京大學光華管理學院). Mr. Zhang is currently the Party Secretary and Chairman of TEDA, a wholly State-owned company established in the PRC which indirectly holds 50.13% ordinary shares of the Company through TEDA Hong Kong Property Co., Ltd. ("TEDA HK"). Mr. Zhang has over twenty years' experience in electronic engineering, corporate strategy and planning, management, operation and investment. Mr. Zhang was the General Manager and Deputy Party Secretary of TEDA from June 2006 to January 2011, the Deputy General Manager of Tianjin Zhonghuan Electronic Information Group Co., Ltd. (天津中環電子信息集團有限公司) from December 2005 to June 2006, the Chairman, General Manager and Deputy Party Secretary of Tianjin Optical Electrical Group Co., Ltd. (天津光電集團有限公司) from April 2003 to June 2006 and the Chairman, General Manager and Deputy Party Secretary of Tianjin Optical Electrical Communications Company (天津光電通信公司) from April 1997 to April 2003. Since April 2011, he has been chairman of Sihuan Pharmaceutical Co., Ltd. (四環藥業股份有限公司) (a company listed on Shenzhen Stock Exchange).

Mr. Gao Liang, aged 44, is the General Manager and an executive Director of the Company since August 2009. He is 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. He is currently the Executive Deputy Managing Manager of Tianjin TEDA Environmental Protection Co., Ltd. (天津泰達環保有限公司), a subsidiary of TEDA.

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 44, is a Non-Executive Director since 25 February 2011. Mr. Shen is a Doctor of Management Studies who graduated from the School of Economics and Management of Tsinghua University (清華大學經濟管理學院) with a Doctorate degree in Technical Economics and Management in December 2001. Mr. Shen obtained a master's degree in Economics and Management at the School of Management of Huazhong University of Science and Technology (華中科技大學管理學院) in July 1992 and a Bachelor of Industrial Electrical Automation degree at the Wuhan University of Science and Technology (武漢科技大學) in July 1989, and is a qualified senior economist and accountant of the PRC. Mr. Shen is currently the Deputy General Manager of TEDA. Mr. Shen was appointed as a full-time supervisor of the Supervisory Board for Key Large State-Owned Enterprises of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國資委國有重點大型企業監事會) from March 2003 to August 2008, a full-time supervisor of the Supervisory Board for Key Large State-Owned Enterprises of the Central Enterprises Work Committee (中央企業工作委員會國有重點大型企業監事會) from September 2002 to March 2003 and 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 44, is a Non-Executive Director since 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 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 has been a director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (listed on the Stock Exchange) since April 2008. Since May 2011, he has been the chairman of Tianjin TEDA Co., Ltd. (listed on Shenzhen Stock Exchange).

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Dai Yan, aged 59, is a Non-Executive Director since February 2010. Mr. Dai worked as an Executive Director of the Company since 2007, and was re-designated as a non-executive Director in February 2010. Mr. Dai is a senior economist. Mr. Dai graduated from Beijing Foreign Economic Trade University in 1980. In 1998, he completed the postgraduate professional course in law in the Party School of the Central Committee of the Communist Party of China and the postgraduate course of international trade in the Tianjin Economics and Finance Institute respectively. From 1988 to 2002 he worked as the deputy general manager of Tianjin Garment Import & Export Corporation, the deputy general manager of Tianjin Garment Associate Corporation, director, the deputy general manager and the general manager of Tianjin Zhong Fu International Group Company Limited and the deputy general manager and a director of Tianjin Textile (Holdings) Limited. He is currently a director of Tianjin Development Holdings Limited and is also a director and deputy general manager of Tsinlien, the controlling shareholder of Tianjin Development Holdings Limited. Since September 2009, Mr Dai has been an executive director of Tianjin Port Development Holdings Limited (listed on the Main Board of the Stock Exchange). Mr. Dai has solid experience in management for over twenty years.

Mr. Wang Gang, aged 46, is a Non-Executive Director since February 2010. Mr. Wang worked as an Executive Director of the Company since 2004, and was re-designated as a Non-Executive Director in February 2010. He is the former chief executive officer of the Company and the former general manager of Tianjin district operations. He has ample professional experience in thermal engineering. From August 2003 to May 2004, he was the chairman and general manager of TEDA Gas, a subsidiary of Tsinlien and a fellow subsidiary of Tianjin Development 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 45, is a Non-Executive Director since 20 August 2010. Ms. Zhu graduated from Lanzhou University (蘭州大學) with a bachelor's degree in 1990 and a master's degree in business management in 1995. She is currently the manager of the Securities Department of TEDA. Prior to that, Ms. Zhu was a project manager of TEDA Industrial Investment Co. Ltd. (天津開發區工業投資公司), and a 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 the 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 56, is an Independent Non-Executive Director since March 2009. He holds a Bachelor of Laws (Hons.) Degree from the University of Hong Kong and a Master of Arts: Arbitration and Alternative Dispute Resolution from the City University of Hong Kong. He is a solicitor and Notary Public, Hong Kong SAR and China-Appointed Attesting Officer, and Justice of Peace, and has been a practising solicitor in Hong Kong for more than 20 years. He also serves as an independent non-executive director 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 60, is an Independent Non-Executive Director since March 2009. He obtained his Ph.D. in Mechanical/Industrial Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Professor Law has acted as a consultant with various corporations in Hong Kong and overseas and is currently an independent non-executive director of Tianjin Port Development Holdings Limited, Beijing Capital International Airport Co., Ltd. and Global Digital Creations Holdings Limited (listed on the Stock Exchange). He has acted as an independent non-executive director of Regal Hotels (listed on the Stock Exchange) since 18 June 2012. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government, and various Government and charitable boards and committees. Professor Law is a Professor in the Department of Decision Sciences and Managerial Economics at the Chinese University of Hong Kong.

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

Mr. Tse Tak Yin, aged 64, is an Independent Non-Executive Director since March 2009. He has 17 years of experience in finance and operation of the gas industry. He was the Chief Accountant of a local piped gas company in 1980 and was appointed as General Manager of Customer Services Division in 1993 and General Manager of Corporate Development Division until 1997. He is currently Director — Corporate Finance and Affairs of ITApps Limited. Mr. Tse is a Fellow Member of Association of Chartered Certified Accountants ("ACCA") and an Associate Member of Hong Kong Institute of Certified Public Accountants ("HKICPA").

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

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 53, is an Independent Non-Executive Director since March 2009. He is currently running his own management consultancy firm, Hin Yan Consultants Limited. Mr. Lau has previously worked at Ernst & Young for over 15 years. He graduated from the Hong Kong Polytechnic in 1981. Mr. Lau is a Fellow Member of both the ACCA and the 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, Foxconn International Holdings Limited, 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 48, senior engineer, joined the Group in May 2009, is currently an Executive Deputy General Manager of the Group. Mr. Ji graduated from Harbin Institute of Technology (哈爾濱工業大學) in 1986. During the period from 1999 to 2005, he served as Chief Engineer of Tianjin TEDA Group Real Estate Department (天津泰達集團房產部). During the period from 2005 to 2009, he served as Deputy General Manager of Tianjin TEDA Venture Project Management Co., Ltd (天津泰達創業項目管理有限公司).

Mr. Xing Dong, aged 44, joined the Group in June 2007. He is currently a 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 a 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).

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hu Mao Jie, aged 59, senior engineer, joined the Group in July 2009. He is currently a Deputy General Manager and the Chief Engineer of the Group. Mr. Hu graduated from East China University of Science and Technology (華東理工大學) with a bachelor's degree, and obtained a master's degree from Tianjin University of Finance and Economics (天津財經大學). During the period from 1998 to 2001, he was Deputy Party Secretary and General Manager of Tianjin Gas Group Company (天津燃氣集團公司). During the period from 2001 to 2003, he was Vice Chairman and Executive Deputy General Manager of Tianjin Gas Group Company (天津燃氣集團公司). During the period from 2004 to 2006, he was Director, 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 Vice President of China Leason Investment Group (Hong Kong) Co., Ltd. (香港中國聯盛投資公司). Mr. Hu has nearly thirty years' experience in the gas industry, and he is also a director of the China Civil Engineering Association (中國土木工程協會), China Gas Association (中國煤氣協會), and an executive director of China City Gas Society (中國煤氣學會).

Mr. Zhang Zhong Hai, aged 37, accountant, joined the Group in May 2009. He is currently the Chief Finance Officer of the Company. Mr. Zhang holds a master's degree in accounting in Nankai University (南開大學) and has worked as an accounting manager, finance vice-president and finance minister in other PRC corporations prior to joining the Group. Mr. Zhang was appointed as a Deputy General Manager of the Group on 25 June 2012.

Mr. Yin Fu Gang, aged 38, joined the Group in September 2009. He is currently the Company Secretary of the Company. Mr. Yin holds a master's degree of Laws in Nankai University (南開大學). Mr. Yin is a qualified lawyer in the PRC and also has the qualifications as a judge, 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. Mr. Yin was appointed as a Deputy General Manager of the Group on 25 June 2012.

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

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

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2012 are set out in the consolidated income statement on page 49.

The Board does not recommend the payment of a dividend in respect of the year (2011: Nil).

FINANCIAL HIGHLIGHTS

A summary of the results and the assets and liabilities of the Group for the last five financial years ended 31 March 2012 is set out on page 124.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

As at 31 March 2012, the Company had 5,992,812,000 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 Tsinlien BVI 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 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 Share (subject to adjustment and no fractional Shares will be issued). All outstanding Convertible Preference Shares will be automatically converted by the Company after the tenth anniversary of the date of issue.

DIRECTORS' REPORT

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

Details of the movements in the share capital of the Company during the year are set out in Note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 27 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had no reserves available for cash distribution and/or distribution in specie as calculated under the Companies Act of Bermuda as at 31 March 2012 (2011: Nil).

CHARITABLE DONATIONS

During the year ended 31 March 2012, the Group made no charitable and other donations (2011: Nil).

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 20 August 2010, the shareholders of the Company approved a new share option scheme (the "2010 Scheme") in place of the previous scheme which had lapsed. 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.

DIRECTORS' REPORT

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 shares of the Company in issue as at the date of approval of the 2010 Scheme. The total number of Shares issued under the 2010 Scheme and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) under the 2010 Scheme in any 12-month period shall not exceed 1% of the total number of Shares in issue unless approved by the shareholders of the Company.

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

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

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

As at 31 March 2012, a total of 525,281,200 Shares (representing approximately 8.76% of the existing issued share capital of the Company) could be issued upon exercise of all options which may be granted under the 2010 Scheme and a total of 74,000,000 Shares (representing approximately 1.24% of the existing issued share capital of the Company) could be issued upon exercise of all options which had been granted and yet to be exercised under the 2010 Scheme.

DIRECTORS' REPORT

Details of movement of share options granted under the 2010 Scheme during the year ended 31 March 2012 were as follows:

Grantee	Date of grant	Exercise Period *(Note)*	Exercise Price (HK$)	Number of shares subject to outstanding options as at 1 April 2011	Number of shares subject to outstanding options as at 31 March 2012	Approximate percentage of the Company's total issued share capital as at 31 March 2012
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	28,000,000	0.47%
Total				74,000,000	74,000,000	1.24%

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

No share option was granted, exercised, lapsed or cancelled during the year ended 31 March 2012.

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

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

DIRECTORS' REPORT

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(2), Mr. Gao Liang (an executive Director), Mr. Wang Gang and Ms. Zhu Wen Fang (both 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 two years' term of office and non-executive Directors have three years' term of office, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

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

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save for the contracts with TEDA or its associates which are set out in the section "CONNECTED TRANSACTIONS" and "CONTINUING CONNECTED TRANSACTIONS", there were no contracts of significance between the Group and its controlling shareholder or its subsidiaries during the year ended 31 March 2012.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2012.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party which subsisted at the end of the year on 31 March 2012 or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year ended 31 March 2012 were rights to acquire benefit by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such right in any other body corporate.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

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

INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF 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 March 2012, 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 of the Company						
Name of Director	Capacity	Personal interests	Corporate interests	Family interests	Total interests in shares	Interests in underlying shares pursuant to share options	Total aggregate interests in shares and underlying shares	Approximate percentage of the Company's total issued ordinary share capital as at 31March 2012
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".

DIRECTORS' REPORT

Director's rights to acquire shares

Pursuant to the 2010 Scheme, the Company granted options on the Company's ordinary shares to the Directors, the details of which were as follows:

Name of Director	Date of grant	Exercise Period	Exercise Price (HK$)	Number of shares subject to outstanding options as at 1 April 2011	Number of shares subject to outstanding options as at 31 March 2012	Approximate percentage of the Company's total issued share capital as at 31 March 2012
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 share options is 10 years from the date of grant.

Save as disclosed above, as at 31 March 2012, 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 March 2012, 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 of the Company					
Name of shareholder	Position	Capacity and nature of interest	Beneficial interests	Family interests	Corporate interests	Others	Total	Approximate percentage of the issued ordinary share capital as at 31 March 2012
Tsinlien	Long	Interest of controlled corporation	–	–	496,188,000 *(Note 1)*	1,333,333,333 *(Note 2)*	1,829,521,333	30.53%
	Short	Nominee for another person	–	–	1,333,333,333 *(Note 3)*	–	1,333,333,333	22.25%
TEDA	Long	Interest of controlled corporation	–	–	8,670,653,873 *(Note 3)*	–	8,670,653,873	144.68%
Tianjin Development Holdings Limited	Long	Interest of controlled corporation	–	–	496,188,000 *(Note 1)*	–	496,188,000	8.28%
Tianjin Investment Holdings Limited	Long	Interest of controlled corporation	–	–	496,188,000 *(Note 1)*	–	496,188,000	8.28%
Santa Resources Limited	Long	Beneficial owner	496,188,000 *(Note 1)*	–	–	–	496,188,000	8.28%
Mr. Shum Ka Sang ("Mr. Shum")	Long	Beneficial owner/ Interest of controlled corporation	15,650,000	–	749,350,000 *(Note 4)*	–	765,000,000	12.77%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	749,350,000 *(Note 4)*	–	–	–	749,350,000	12.50%
Ms. Wu Man Lee	Long	Interest of spouse	–	765,000,000 *(Note 5)*	–	–	765,000,000	12.77%

DIRECTORS' REPORT

Notes:

1. The interest disclosed represents the interest in the Company held by Santa Resources Limited, a company which is directly wholly-owned by Tianjin Development Holdings Limited, a company incorporated in Hong Kong and the shares of which are listed on the Main Board of the Stock Exchange. Tsinlien, through Tianjin Investment Holdings Limited which it wholly-owns, is a controlling shareholder of Tianjin Development Holdings Limited.

2. These 1,333,333,333 ordinary shares of HK$0.01 each in the Company ("Shares") represent the 1,333,333,333 potential Shares which are issuable assuming full conversion of the 40,000,000 Convertible Preference Shares issued to the syndicated banks under the Settlement Agreement, pursuant to which Tsinlien BVI, a wholly-owned subsidiary of Tsinlien, has agreed to buy back such Convertible Preference Shares from the syndicated banks on the 5th anniversary of the date of issue of such Convertible Preference Shares. Tsinlien BVI has agreed to transfer such Convertible Preference Shares to TEDA HK, a wholly-owned subsidiary of TEDA, after completion of acquisition from the syndicated banks.

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

4. Wah Sang Gas Development Group (Cayman Islands) Limited is wholly-owned by Mr. Shum. The corporate interests held by Mr. Shum represent his deemed interests in the Shares by virtue of his interests in Wah Sang Gas Development Group (Cayman Islands) Limited.

5. Ms. Wu Man Lee is deemed to be interested in the Shares by virtue of the interests in such Shares owned by her spouse, Mr. Shum.

Other than as disclosed above, as at 31 March 2012, the Company had not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital.

INTERESTS IN COMPETING INTERESTS

During the year, save for the interests acquired by TEDA (through TEDA HK) in certain former subsidiaries of the Group, the disposal of which to Tsinlien BVI pursuant to an agreement dated 28 May 2008 between Tsinlien BVI and a subsidiary of the Group (as amended) was deemed to have completed in May 2009, none of the Directors or the controlling shareholders of the Company or their respective associates had any interests in a business which competes or may compete with the business of the Group. Although some of the business carried out by the former subsidiaries of the Group is similar to the business of the Group, they are in different locations. Therefore, the Directors are of the view that the business of the former subsidiaries do not compete directly with the business of the Group.

DIRECTORS' REPORT

As at 31 March 2012, the names, nature of business and details of ownership of TEDA HK in the former subsidiaries of the Group were as follows:

	Name of former subsidiary	Nature of Business	% of interests
1	Xintai Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
2	Shouguang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	75
3	Dongying Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
4	Jizhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	98
5	Boxing Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
6	Jinan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
7	Jiangshan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
8	Xuzhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
9	Ningguo Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
10	Huaining Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
11	Jiangxi Nanchang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
12	Suqian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
13	Huangshan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
14	Guixi Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
15	Gaoan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
16	Pizhou Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
17	Xinyi Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
18	Youxian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
19	Fengxian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
20	Liuyang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
21	Ningyang Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
22	Qingyuan Yimin Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
23	Peixian Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100
24	Anxin Lihua Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	99
25	Weishan Wah Sang Gas Co. Ltd.	Connection Service & Sale of Gases	100

INTERESTS OF COMPLIANCE ADVISER

Pursuant to the Compliance Adviser Agreement dated 7 May 2009 between the Company and WAG Worldsec, WAG Worldsec has been appointed as the compliance adviser of the Company for the period from 12 May 2009 to the date the Company issues its financial results for the year ending 31 March 2013.

Save as disclosed above, none of WAG Worldsec or its directors, employees or associates had any interests in the securities of the Company or any member of the Group, nor any rights to subscribe or nominate others to subscribe for the securities of the Company or any members of the Group.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

TEDA is the ultimate controlling shareholder of the Company interested in 3,003,987,207 Shares (representing approximately 50.13% of the total number of Shares in issue) held by TEDA HK.

Tianjin Xing Cheng Investment and Development Company Limited ("Tianjin Xing Cheng") is a company owned by TEDA as to 50%. As an associate of TEDA, Tianjin Xing Cheng is also regarded as a connected person of the Company under the GEM Listing Rules.

During the year, the Group's connected transactions with the TEDA and Tianjin Xing Cheng were as follows:

(a) Acquisition of second pipelines network

Date of the agreement:	24 June 2011
Parties:	TEDA (as vendor) Tianjin Wah Sang Gas Enterprise Company Limited ("Tianjin Wah Sang") (as purchaser)
Transaction involved:	Tianjin Wah Sang acquired from TEDA the assets which comprise of a gas pipeline of approximately 47.606 kilometers in length starting at the offtake station of Tianjin Municipality situated at the Dagang Oilfield and ending at the offtake station situated at the gas factory in the Tianjin Economic-Technological Development Area (the "Second Pipelines Network").
Consideration	RMB 279,003,500

DIRECTORS' REPORT

(b) Gas supply connection

Date of the agreement:	7 June 2011
Parties:	Wah Sang Energy Development Company Limited ("Wah Sang Energy") Tianjin Xing Cheng
Transaction involved:	Tianjin Xing Cheng engaged Wah Sang Energy to provide connection services for the construction of connection pipelines in a town project of Tianjin Xing Cheng in Jinnan District of Tianjin
Consideration	RMB5,866,000

CONTINUING CONNECTED TRANSACTIONS

As the composition of a majority of the board of directors of Tianjin TEDA Tsinlien Gas Company Limited ("TEDA Gas") is controlled by TEDA, TEDA Gas is an associate of TEDA and therefore is a connected person of the Company.

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

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

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

Tianjin Eco-City Energy Investment Construction Company Limited ("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 under the GEM Listing Rules.

DIRECTORS' REPORT

Tianjin Sai-rui Machinery Equipment Company Limited ("Sai Rui") is a direct subsidiary of Tianjin Pipe (Group) Corporation, which is owned as to 57% by TEDA. As an associate of TEDA, Sai Rui is also regarded as a connected person of the Company under the GEM Listing Rules.

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

(a) Lease of premises from an associate of TEDA

(i)	Date of the agreement:	20 May 2008
	Parties:	Binhai Investment (Tianjin) Company Limited ("BITCL") (a wholly-owned subsidiary of the Group) (as the lessee) TEDA Real Property Development Company (天津開發區泰達大廈房地產開發公司), an indirect wholly-owned subsidiary of TEDA (as the lessor)
	Transaction involved:	lease of the office premises on 25/F, Teda Building, 256 South of Jiefang Road, Hexi District, Tianjin with a total floor area of 2,117.25 square metres for a term from 1 July 2008 to 30 June 2011
	Annual cap for the period from 1 April 2011 to 30 June 2011	RMB598,917
	Actual amount in the period from 1 April 2011 to 30 June 2011	RMB598,917

DIRECTORS' REPORT

(ii)	Date of the agreement:	8 June 2011
	Parties:	Wah Sang Energy (as the lessee) TEDA Real Property Development Company (天津開發區泰達大廈房地產開發公司), an indirect wholly-owned subsidiary of TEDA (as the lessor)
	Transaction involved:	lease of (i) the office premises on 25/F, TEDA Building, 256 South of Jiefang Road, Hexi District, Tianjin with a total floor area of 2,117.25 square metres; (ii) 17 parking spaces at the ground level and at the basement second floor of TEDA Building, and (iii) a storage house at the basement second floor of TEDA Building for a term from 1 July 2011 to 31 March 2014
	Annual cap for the period from 1 July to 31 March 2012	RMB2,641,113
	Actual amount in the period from 1 July to 31 March 2012	RMB2,407,410

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

Date of the agreement:	28 May 2008 (as amended by supplemental agreements dated 16 June 2008, 25 February 2009 and 10 November 2010)
Parties:	TEDA (as the lessor) Tianjin Wah Sang (as the lessee)
Transaction involved:	lease of the Second Pipelines Network for the exclusive use by Tianjin Wah Sang for distribution of piped gas at a leasing charge of RMB0.1 per cubic meter of gas supplied by the network
Annual cap for the year ended 31 March 2012	RMB27,500,000
Actual amount in the year ended 31 March 2012	RMB12,985,717

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

Date of the agreement:	28 May 2008 (as amended by supplemental agreements dated 3 July 2008, 25 February 2009, 10 November 2010 and 7 December 2011)
Parties:	TEDA HK BITCL
Transaction involved:	Appointment by TEDA to continue to manage and operate the 30 subsidiaries in which were disposed of to Tsinlien BVI under the Disposal Agreement, following completion of the Disposal which took place on 4 May 2009 On December 2011, the entire management rights and obligations on the Disposal Subsidiaries was transferred to TEDA HK by TEDA An annual management fee equal to 3% of the net asset value (as at the preceding financial year end) of the subsidiaries disposed of under the Disposal Agreement plus 20% of the audited net profit for the preceding financial year of these subsidiaries are payable to the Group for its services
Annual cap for the year ended 31 March 2012	RMB1,000,000
Actual amount in the year ended 31 March 2012	RMB201,366

DIRECTORS' REPORT

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

Date of the agreement:	28 May 2008
Parties:	TEDA and Tsinlien Group Company Limited (as the shareholders of TEDA Gas) BITCL TEDA Gas
Transaction involved:	Appointment by TEDA and Tsinlien Group Company Limited of BITCL to manage the business and administration and operations of TEDA Gas An annual management fee equal to 3% of the net asset value (as at the preceding financial year end) of TEDA Gas plus 20% of the audited net profit for the preceding financial year of TEDA Gas are payable to BITCL for its services
Annual cap for the year ended 31 March 2012	RMB1,000,000
Actual amount in the year ended 31 March 2012	RMB861,662

(e) Sales of gas to TEDA Gas

Date of the agreement:	28 May 2008
Parties:	TEDA Gas
	Tianjin Wah Sang
Transaction involved:	Supply of gas by the Group to TEDA Gas in priority over other suppliers given equal terms, at prices determined in accordance with prevailing market rates and no less favourable than those charged to independent third parties
Annual cap for the year ended 31 March 2012	RMB106,200,000
Actual amount in the year ended 31 March 2012	RMB95,628,209

(f) Sales of gas to 6 Former Subsidiaries

Date of the agreement:	25 June 2010
Parties:	Tianjin Wah Sang
	6 of the 30 former subsidiaries of the Group the interests in which were disposed of to Tsinlien BVI under the Disposal (and subsequently transferred to TEDA HK) (the "6 Former Subsidiaries")
Transaction involved:	Supply of gas by the Tianjin Wah Sang to the 6 Former Subsidiaries
Annual cap for the year ended 31 March 2012	RMB6,500,000
Actual amount in the year ended 31 March 2012	RMB6,404,164

DIRECTORS' REPORT

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

Date of the agreement:	10 September 2010
Parties:	Tianjin Wah Sang and Wah Sang Energy
	Tianjin Pipe
Transaction involved:	Supply of gas by the Tianjin Wah Sang and/or Wah Sang Energy to Tianjin Pipe and its associated companies
Annual cap for the year ended 31 March 2012	RMB400,500,000
Actual amount in the year ended 31 March 2012	RMB271,443,655

(h) Sales of gas to Tianjin Eco-City

Date of the agreement:	30 December 2011
Parties:	Tianjin Wah Sang
	Tianjin Eco-City
Transaction involved:	Supply of gas by the Tianjin Wah Sang to Tianjin Eco-City
Annual cap for the year ended 31 March 2012	RMB2,784,000
Actual amount in the year ended 31 March 2012	RMB1,754,805

DIRECTORS' REPORT

(i) Sales of gas to Sai Rui

Date of the agreement:	24 June 2011
Parties:	Tianjin Wah Sang
	Sai Rui
Transaction involved:	Supply of gas by the Tianjin Wah Sang to Tianjin Sai Rui
Annual cap for the year ended 31 March 2012	RMB24,300,000
Actual amount in the year ended 31 March 2012	RMB—

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 38 and 45 of the Annual Report in accordance with paragraph 20.38 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The independent non-executive Directors have reviewed the continuing connected transactions referred to above for the year ended 31 March 2012 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.

The connected transactions or continuing connected transactions of the Company particularly described above have been disclosed in accordance with requirements under Chapter 20 of the GEM Listing Rules.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 March 2012, sales to the Group's five largest customers accounted for 28% (2011: 19%) of the total sales for the year and sales to the largest customer included therein accounted for 17% (2011:8%).

Purchases from the Group's five largest suppliers accounted for 67% (2011: 74%) of the total purchases for the year ended 31 March 2012 and purchases from the largest supplier included therein accounted for 30% (2011: 42%).

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

Save for 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 share capital) had any beneficial interest in any of the Group's five largest customers and suppliers.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2012.

PUBLIC FLOAT

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

EVENT AFTER THE BALANCE SHEET DATE

As the real estate business does not meet the Group's current strategic direction to focus on the development of the gas business and taking into account the impact of the control policy of the mainland on real estate business, the Group plans to dispose of the property under development, as approved by the Board on 25 June 2012.

The directors consider that the plan of disposal does not have significant negative impact to the Group.

AUDITOR

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

On behalf of the Board
Binhai Investment Company Limited

Gao Liang
Executive Director

Hong Kong, 25 June 2012

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 49 to 123, which comprise the consolidated and company balance sheets as at 31 March 2012, 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

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 March 2012, 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, 25 June 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Note	**2012 HK$'000**	2011 HK$'000
Revenue	5	**1,623,293**	1,231,065
Costs of sales	7	**(1,375,201)**	(1,063,621)
Gross profit		**248,092**	167,444
Reversal of impairment charge — net	16	**—**	40,489
Other income and gains — net	6	**(5,361)**	24,534
Administrative expenses	7	**(102,441)**	(126,096)
		140,290	106,371
Interest waived	9	**11,902**	—
Finance costs	10	**(3,889)**	(12,372)
Share of results of a jointly controlled entity	19	**16**	(351)
Profit before taxation		**148,319**	93,648
Income tax expenses	11	**(34,620)**	(20,521)
Profit for the year		**113,699**	73,127
Attributable to:			
— Owners of the Company		**111,238**	71,380
— Non-controlling interests		**2,461**	1,747
		113,699	73,127
Earnings per ordinary share	13		
— basic (HK cents)		**1.0 cents**	0.6 cents
— diluted (HK cents)		**1.0 cents**	0.6 cents

The notes on page 56 to 123 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
Comprehensive income		
Profit for the year	**113,699**	73,127
Other comprehensive income:		
Exchange differences	**22,167**	18,152
Other comprehensive income	**22,167**	18,152
Total comprehensive income for the year	**135,866**	91,279
Attributable to:		
— Owners of the Company	**132,894**	89,100
— Non-controlling interests	**2,972**	2,179
Total comprehensive income for the year	**135,866**	91,279

The notes on page 56 to 123 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2012

	Note	**2012** **HK$'000**	2011 HK$'000
ASSETS			
Non-current assets			
Land use rights	15	**44,630**	41,628
Property, plant and equipment	16	**1,545,267**	645,289
Interest in a jointly controlled entity	19	**14,445**	13,891
Deferred income tax assets	32	**5,441**	6,423
		1,609,783	707,231
Current assets			
Property under development	20	**67,199**	46,937
Inventories	21	**48,462**	38,090
Trade and other receivables	22	**279,067**	226,335
Amount due from immediate holding company	23	**7,803**	—
Pledged bank deposits	24	**6,154**	1,187
Cash and cash equivalents	24	**445,404**	431,467
		854,089	744,016
Assets held for sale	25	**—**	2,817
		854,089	746,833
Total assets		**2,463,872**	1,454,064
EQUITY			
Owners of the Company			
Share capital			
— Ordinary shares	26	**59,928**	59,928
— Convertible preference shares	26	**170,000**	170,000
— Redeemable preferences shares	26	**430,000**	430,000
Share premium		**424,737**	424,737
Others reserves	27	**121,946**	100,290
Accumulated losses		**(592,238)**	(703,476)
		614,373	481,479
Non-controlling interests		**14,984**	12,012
Total equity		**629,357**	493,491

CONSOLIDATED BALANCE SHEET

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Amounts due to ultimate holding company	29	–	17,810
Borrowings	30	263,773	10,000
Derivative financial instrument	31	11,605	–
		275,378	27,810
Current liabilities			
Trade and other payables	28	611,204	534,361
Amounts due to ultimate holding company	29	365,153	59,771
Current income taxation liabilities		51,925	41,005
Borrowings	30	530,855	297,626
		1,559,137	932,763
Total liabilities		1,834,515	960,573
Total equity and liabilities		2,463,872	1,454,064
Net current liabilities		(705,048)	(185,930)
Total assets less current liabilities		904,735	521,301

On behalf of the Board

Director	*Director*
Zhang Bing Jun	**Gao Liang**

The notes on page 56 to 123 are an integral part of these financial statements.

BALANCE SHEET

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	18	**587,424**	444,841
Current assets			
Amount due from a subsidiary	18	**10,632**	26,873
Cash and cash equivalents	24	**194**	193
		10,826	27,066
Total assets		**598,250**	471,907
EQUITY			
Owners of the Company			
Share capital			
— Ordinary shares	26	**59,928**	59,928
— Convertible preference shares	26	**170,000**	170,000
— Redeemable preferences shares	26	**430,000**	430,000
Share premium		**424,737**	424,737
Others reserves	27	**212,821**	193,130
Accumulated losses		**(712,725)**	(825,929)
Total equity		**584,761**	451,866
LIABILITIES			
Non-current liabilities			
Borrowings	30	**5,000**	10,000
Current liabilities			
Trade and other payables	28	**3,489**	5,041
Borrowings	30	**5,000**	5,000
		8,489	10,041
Total liabilities		**13,489**	20,041
Total equity and liabilities		**598,250**	471,907
Net current assets		**2,337**	17,025
Total assets less current liabilities		**589,761**	461,866

On behalf of the Board

Director	*Director*
Zhang Bing Jun	**Gao Liang**

The notes on page 56 to 123 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Owners of the Company						
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves (Note 27) *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Balance at 1 April 2010	659,928	424,737	61,207	(779,619)	366,253	9,833	376,086
Comprehensive income							
Profit for the year	–	–	–	71,380	71,380	1,747	73,127
Other comprehensive income							
Exchange differences	–	–	17,720	–	17,720	432	18,152
Total comprehensive income for the year	–	–	17,720	71,380	89,100	2,179	91,279
Transactions with owners							
Recognition of equity settled share-based payments	–	–	26,126	–	26,126	–	26,126
Transfer to accumulated losses	–	–	(4,763)	4,763	–	–	–
Total transactions with owners	–	–	21,363	4,763	26,126	–	26,126
Balance at 31 March 2011	659,928	424,737	100,290	(703,476)	481,479	12,012	493,491
Comprehensive income							
Profit for the year	–	–	–	111,238	111,238	2,461	113,699
Other comprehensive income							
Exchange differences	–	–	21,656	–	21,656	511	22,167
Total comprehensive income for the year	–	–	21,656	111,238	132,894	2,972	135,866
Balance at 31 March 2012	659,928	424,737	121,946	(592,238)	614,373	14,984	629,357

The notes on page 56 to 123 are an integral part of these financial statement.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Net cash generated from operations	33(a)	**93,876**	71,065
Income tax paid		**(22,718)**	(31,779)
Net cash generated from operating activities		**71,158**	39,286
Cash flow from investing activities			
Interest paid		**(19,384)**	(1,566)
Commitment and agency fee paid		**(857)**	—
Purchase of property, plant and equipment		**(424,037)**	(276,293)
Investment in property under development		**(31,011)**	(7,317)
Purchase of land use rights		**(2,948)**	(6,785)
Investment in a jointly-controlled company		**–**	(14,242)
Proceeds from sale of property, plant and equipment		**14,646**	6,505
Proceeds from disposal of assets		**1,358**	8,131
Proceeds from assets held for sale		**442**	2,375
Interest received		**1,488**	799
Net cash used in investing activities		**(460,303)**	(288,393)
Cash flow from financing activities			
Proceeds from borrowings		**791,540**	292,626
Repayments of borrowings		**(297,626)**	(5,000)
Repayments to TEDA		**(36,298)**	—
Repayments to Tsinlien Assets Management		**(28,497)**	—
Increase in pledged cash		**(4,967)**	(1,187)
Interest paid		**(1,464)**	(1,140)
Commitment and agency fee paid		**(18,582)**	—
Guarantee fee paid		**(2,324)**	—
Net cash generated from financing activities		**401,782**	285,299
Net increase in cash and cash equivalents		**12,637**	36,192
Cash and cash equivalents at beginning of the year		**431,467**	386,891
Effect of exchange differences		**1,300**	8,384
Cash and cash equivalents at end of the year		**445,404**	431,467

The notes on page 56 to 123 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. GENERAL INFORMATION

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

As at 31 March 2012, current liabilities of the Group exceeded current assets by HK$705 million. The Group's ability to continue as a going concern depends on the financial resources presently available to the Group. Taking into account the expected financial performance and net cash to be generated from operation of the Group, the available banking facilities and written statement supplied by TEDA after year end stating its intention to extend payment term of the amounts due to it upon maturity for twelve months if necessary, the directors of the Company believe that the Group is able to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future. Accordingly, the consolidated financial statements have been prepared under the going concern basis.

Changes in accounting policies and disclosures

(a) Following are amendments and interpretations which are effective in the current year, relevant to and applied by the Group:

HKAS 1 (Amendments)	Presentation of financial statements
HKAS 27 (Amendments)	Consolidated and separate financial statements
HKAS 34 (Amendments)	Interim financial reporting
HKFRS 3 (Amendments)	Business combinations
HKFRS 7 (Amendments)	Financial instruments: Disclosures
HK(IFRIC) – Int14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int19	Extinguishing financial liabilities with equity instruments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

(b) Amendments to accounting standards published and relevant to the Group's but are not effective for the financial year ended 31 March 2012 and have not been early adopted by the Group:

HKAS 1 (Amendment)	Presentation of financial statements[3]
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets[2]
HKAS 19 (Amendment)	Employee benefits[4]
HKAS 27 (revised 2011)	Separate financial statements[4]
HKAS 28 (revised 2011)	Investments in associates and joint ventures[4]
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities[5]
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets[1]
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures[6]
HKFRS 10	Consolidated financial statements[4]
HKFRS 11	Joint arrangements[4]
HKFRS 12	Disclosure of interests in other entities[4]
HKFRS 13	Fair value measurements[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

2.2 Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2012.

(a) Consolidation

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

Inter-company transactions, balances and expenses on transactions between profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary, to ensure consistency with the policies adopted by the Group.

(b) Business combinations

The Group applies the acquisition method to account for business combinations. 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.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

(c) Changes in ownership interests in subsidiaries without change of control

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

(d) Disposal of subsidiaries

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

(e) Separate financial statements

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

2.3 Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. Interests in jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's interest in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

The Group's share of the post-acquisition results in jointly controlled entities is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 exchange differences are recognised as a separate component of equity.

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. Exchange differences arising are recognised in equity.

2.6 Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

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

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

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

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

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised 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, jointly controlled entity and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose 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 balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

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

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

2.10 Financial assets

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.

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 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 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 balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' (Note 22), amount due from a subsidiary (Note 18), 'amount due from immediate holding company' (Note 23) and 'cash and cash equivalents' (Note 24) in the balance sheet. Loans and receivables are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

2.11 Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a 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.

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 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, the reversal of the previously recognised impairment loss is recognised in the income statement.

2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing 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 recognized immediately in the consolidated income statement within 'other income and gains — net'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

2.13 Properties under development

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

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

2.14 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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.

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

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.

2.20 Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

2.21 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.

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

2.22 Employee benefits

(a) Employee leave entitlements

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

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

(b) Profit sharing and bonus plans

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

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

(c) Pension obligations

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

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

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

(d) Employee benefits — share-based payments

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

— including any market performance conditions;

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

— excluding the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

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

2.23 Provisions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

2.24 Revenue recognition

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

(a) Connection services

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

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

(b) Sale of gases

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

(c) Interest income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

2.25 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.

2.26 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.

2.27 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

Capital risk management

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

The Group's gearing ratio increased significantly during the year because of increased bank borrowings to finance investment in long term assets (Note 30).

	2012	2011
	HK$'000	*HK$'000*
Debt *(Note (i))*	**794,628**	307,626
Equity *(Note (ii))*	**614,373**	481,479
Debt to equity ratio	**129%**	64%

(i) Debt is defined as long and short-term borrowings, as detailed in Note 30.

(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 and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Cash flow interest rate risks and fair value interest rate risks

The Group does not have any specific interest rate policy 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 minimize 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

At 31 March 2012, 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$7 million higher/lower, mainly as a result of lower/higher fair value change on derivative financial instrument (2011: HK$1 million).

Foreign currency risk

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

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

The following table details the Group's sensitivity to a 10% (2011: 10%) appreciation in RMB against Hong Kong Dollars and US Dollars, mainly as a result of foreign exchange gain on translation of Hong Kong Dollar-denominated borrowings.

	2012 ***HK$'000***	2011 *HK$'000*
Increase in post-tax profit and equity	**22,792**	3,040

For a 10% (2011: 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 minimize the credit risk over trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each half-year end date and balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Concentration of credit risk with respect to trade receivables is limited as the Group has a large number of customers none of whom singly exceeds 5% of gross receivables. Therefore, management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade receivables.

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

Liquidity risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 at 31 March HK$ million
2012						
Payables	**N/A**	**520**	**–**	**–**	**520**	**520**
Borrowings	**3.86%-7.87%**	**571**	**201**	**106**	**878**	**795**
Amount due to TEDA	**0%-6.56%**	**365**	**–**	**–**	**365**	**365**
Derivative financial instrument	**N/A**	**–**	**–**	**15**	**15**	**12**
2011						
Payables	N/A	402	–	–	402	402
Borrowings	2.18%-6.67%	305	11	–	316	308
Amount due to TEDA and Tsinlien Group (Tianjin) Assets Management Co., Ltd. ("Tsinlien Assets Management")	0%-6.1%	92	19	–	111	106

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 at 31 March HK$ million
2012						
Payables	N/A	3	–	–	3	3
Borrowings (HK)	4.0%	5	5	–	10	10
2011						
Payables	N/A	5	–	–	5	5
Borrowings (HK)	4.0%	6	11	–	17	15

The Company has given guarantee of approximately HK$709 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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 March 2012.

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Liabilities				
Derivative financial instrument	–	11,605	–	11,605

Derivative financial instrument 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

(a) Estimated impairment of property, plant and equipment

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

The recoverable amounts of the gas pipelines and gas supply machinery and equipment are determined based on value-in-use calculations. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. At 31 March 2012 the carrying amount of property, plant and equipment is HK$1,545 million (2011: HK$645 million). Details of the recoverable amount calculation are disclosed in Note 16.

(b) Estimated provision for doubtful debts

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

(c) Income taxes

As at 31 March 2012, no deferred tax asset is recognised in the Group's balance sheet in relation to the estimated unused tax losses of HK$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.

5. SEGMENT INFORMATION

The Group currently organises its operations into four reportable operating segments. The principal activities of the reportable segments are as follows:

On-site gas sales	—	Wholesale of liquefied petroleum gas ("LPG") to individual agents directly from the suppliers' depots
Bottled gas sales	—	Sales of bottled gas
Piped gas sales	—	Sales of piped gas through the Group's pipeline networks
Connection service	—	Construction of gas pipelines and installation of appliances to connect customers to the Group's pipeline networks under connection contracts

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

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

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

All of the Group's revenue are generated in the PRC (place of domicile of the group entities that derive revenue). Save for Tianjin Pipe Group Corporation ("Tianjin Pipe") contributed sales of 17% of the total revenue of the Group, there is no other individual customer of the Group who has contributed sales of over 10% of the total revenue for the year ended 31 March 2012 (2011: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

	For the year ended 31 March 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					
– Tianjin TEDA Tsinlien Gas Co., Ltd. ("TEDA Gas"), Tianjin Pipe and its associates *(Note 36)*	–	–	444,128	–	444,128
– Other customers	424,960	21,801	470,110	262,294	1,179,165
Revenue from external customers	424,960	21,801	914,238	262,294	1,623,293
Segment results	1,666	(2,066)	64,263	184,229	248,092
– Other income and gains – net					(5,361)
– Administrative expenses					(102,441)
– Share of results of a jointly controlled entity					16
– Interest waived					11,902
– Finance costs					(3,889)
Profit before income tax					148,319
Other information for reportable segments:					
Depreciation	(1,058)	(151)	(20,414)	(692)	(22,315)
Amortisation	(239)	(9)	(515)	(157)	(920)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

	For the year ended 31 March 2011				
	On-site gas sales	**Bottled gas sales**	**Piped gas sales**	**Connection services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
– TEDA Gas, Tianjin Pipe and its associates *(Note 36)*	–	–	208,864	–	208,864
– Other customers	415,698	19,882	366,105	220,516	1,022,201
Revenue from external customers	415,698	19,882	574,969	220,516	1,231,065
Segment results	1,531	(1,141)	31,976	135,078	167,444
– Reversal of impairment charge, net					40,489
– Other income and gains – net					24,534
– Administrative expenses					(126,096)
– Share of results of a jointly controlled entity					(351)
– Finance costs					(12,372)
Profit before income tax					93,648
Other information for reportable segments:					
Depreciation	(1,162)	(300)	(13,482)	(616)	(15,560)
Amortisation	(285)	(14)	(395)	(151)	(845)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. OTHER INCOME AND GAINS – NET

	2012 **HK$'000**	2011 *HK$'000*
Other income:		
Income from management of Disposed Subsidiaries *(Note)*	**244**	982
Income from management of TEDA Gas *(Note 36)*	**1,042**	1,280
Interest income	**1,488**	799
Others	**–**	1,144
	2,774	4,205
Other gains – net:		
Gain on disposal of property, plant and equipment	**1,816**	1,116
Write back of over accrued compensation for an accident	**–**	6,984
Reimbursement from TEDA for payment of compensation for an accident	**–**	4,098
Gain on disposal of assets of subsidiaries	**1,583**	8,131
Fair value loss on derivative financial instrument *(Note 31)*	**(11,605)**	–
Others	**71**	–
	(8,135)	20,329
	(5,361)	24,534

Note:

The Group disposed 30 of its subsidiaries ("Disposed Subsidiaries") to Cavalier Asia Limited ("Tsinlien BVI"), the then nominee major shareholder of the Group (Note 37), on 4 May 2009. Following the completion of the disposal and pursuant to a management agreement, the Group will continue to manage these Disposed Subsidiaries (Note 36).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

7. EXPENSES BY NATURE

	2012 HK$'000	2011 HK$'000
Cost of gas purchased	**1,205,026**	909,020
Changes in inventories	**187**	29
Cost of pipeline materials	**24,273**	14,064
Subcontractor and other costs	**68,799**	71,375
Employee benefit expense *(Note 8(a))*	**82,293**	85,159
Depreciation		
— Cost of sales	**18,245**	12,120
— Administrative expenses	**4,070**	3,440
Operating lease rental		
— TEDA *(Note 36(a),(b))*	**19,349**	10,510
— Others	**1,027**	5,893
Reversal of over accrued construction costs *(Note)*	**(15,007)**	—
Provision for impairment of trade and other receivables — net	**3,291**	4,515
Inventory write-off	**–**	110
Amortisation	**920**	845
Auditor's remuneration	**4,317**	2,910
Other professional fees	**12,985**	15,099
Others	**47,867**	54,628
Total cost of sales and administrative expenses	**1,477,642**	1,189,717

Note:

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

8. EMPLOYEE BENEFIT EXPENSE

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

	2012 HK$'000	2011 HK$'000
Wages and salaries	**60,037**	47,447
Share-based payments	**–**	26,126
Pension costs	**11,164**	5,957
Other welfares	**11,092**	5,629
	82,293	85,159

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

(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 March 2012					
Executive Directors:					
Zhang Bing Jun *(Note i)*	400	–	–	–	400
Gao Liang	200	1,246	28	53	1,527
Non-Executive Directors:					
Dai Yan *(Note iv)*	200	–	–	–	200
Zhang Jun *(Note iv)*	200	–	–	–	200
Wang Gang *(Note iv)*	200	–	–	–	200
Zhu Wen Fang *(Note iii)*	200	–	–	–	200
Shen Xiao Lin *(Note i)*	200	–	–	–	200
Independent Non-Executive Directors:					
Lau Siu Ki, Kevin	240	–	–	–	240
Ip Shing Hing	240	–	–	–	240
Japhet Sebastian Law	240	–	–	–	240
Tse Tak Yin	240	–	–	–	240
	2,560	1,246	28	53	3,887

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For the year ended 31 March 2012

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

Note:

(i) Appointed on 25 February 2011;

(ii) Resigned on 25 February 2011;

(iii) Appointed on 20 August 2010;

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 1 director (2011: 5 Directors) whose emoluments are reflected in the analysis presented above. In 2012, the emolument of the remaining 4 individuals is below HK$1 million. The emoluments paid to the 4 highest paid individuals are as follows:

	2012 **HK$'000**	2011 *HK$'000*
Wages and salaries	**3,147**	–
Pension costs	**112**	–
Other welfares	**212**	–
	3,471	–

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

None of directors has waived any emoluments in the year ended 31 March 2012.

9. INTEREST WAIVED

	2012 **HK$'000**	2011 *HK$'000*
Interest payable to Tsinlien Assets Management *(Note 28(b))*	**11,902**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

10. FINANCE COSTS

	2012 **HK$'000**	2011 HK$'000
Interest on bank borrowings	**20,885**	4,322
Other borrowing costs	**1,006**	—
Interest on amounts due to TEDA *(Note 36)*	**2,910**	1,359
Interest on amount due to Tsinlien Asset Management *(Note 36)*	**1,156**	2,782
Guarantee fee paid to TEDA and Tianjin TEDA Group Company Limited ("TEDA Group") *(Note 36)*	**799**	1,467
Exchange (gain)/loss	**(2,626)**	4,640
	24,130	14,570
Less: Amounts capitalised as part of the cost of property, plant and equipment *(Note)*	**(20,241)**	(2,198)
	3,889	12,372

Note:

Amount included finance costs from general borrowings capitalised at a rate of 7.12% (2011: 5.43%).

11. INCOME TAX EXPENSES

No Hong Kong profit tax was provided as the Group had no assessable profit arising in or derived from Hong Kong (2011: Nil).

Subsidiaries established in the People's Republic of China (the "PRC") are subject to the PRC enterprise income tax ("EIT") at rates ranging from 24% to 25% (2011: 22% to 25%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Certain subsidiaries of the Group qualify as foreign investment enterprises. As approved by the tax authorities Jinguoshuibao(2001) No.32, these subsidiaries' original applicable enterprise income tax rate is 15%. Under the relevant regulations of the Corporate Income Tax Law, the corporate income tax rate applicable to these subsidiaries is gradually increased to 25% in a 5-year period from 2008 to 2012. The applicable income tax rate is 24% in 2011 and 25% in 2012.

	2012 **HK$'000**	2011 *HK$'000*
Current taxation:		
— Current tax on profits for the year	**40,949**	26,944
— Over accrual in prior years	**(7,311)**	—
Total current taxation	**33,638**	26,944
Deferred taxation *(Note 32)*:		
Tax losses	**982**	(6,423)
Total deferred taxation	**982**	(6,423)
Income tax expense	**34,620**	20,521

Note:

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

	2012 **HK$'000**	2011 *HK$'000*
Profit before taxation	**148,319**	93,648
Tax calculated at the respective applicable tax rates	**39,090**	25,567
Expenses not deductible for taxation purposes	**5,337**	9,410
Tax losses for which no deferred income tax asset was recongnised	**1,314**	5,743
Income not subject to tax	**(1,001)**	(12,499)
Utilisation of previously unrecognised tax losses	**(2,809)**	(7,700)
Over accrual in prior years	**(7,311)**	—
	34,620	20,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the company is dealt with in the financial statements of the Company to the extent of HK$113 million (2011: HK$78 million).

13. EARNINGS PER SHARE

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

	2012 **HK$'000**	2011 HK$'000
Earnings		
Profit attributable to equity holders of the Company	**111,238**	71,380
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**11,659,478,667**	11,659,478,667
Effect of dilutive potential ordinary shares arising from share options	**–**	41,151
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**11,659,478,667**	11,659,519,818

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.

14. DIVIDENDS

No dividend was proposed in respect of the year ended 31 March 2012 (2011: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

15. LAND USE RIGHTS

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

	HK$'000
As as 1 April 2010	34,612
Exchange differences	1,481
Additions	6,785
Amortisation charge	(845)
Reclassify to assets held for sale	(405)
As at 31 March 2011	41,628
Exchange differences	1,654
Additions	2,948
Disposals	(680)
Amortisation charge	(920)
As at 31 March 2012	44,630

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 RMB1.2 million) as at 31 March 2012 (2011: HK$1.4 million (approximately RMB1.2 million)). The directors of the Company believe that the title documents will be obtained in due course without significant cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

16. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Leasehold properties *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 2010	84,821	88,762	309,547	50,573	26,995	560,698
Exchange differences	3,384	4,061	15,501	2,121	4,964	30,031
Additions	667	809	2,828	18,899	349,589	372,792
Transfer upon completion	1,572	5,367	142,778	19	(149,736)	–
Reclassify to assets held for sale	(1,763)	(919)	(491)	–	(25)	(3,198)
Disposals	(5,978)	(1,790)	(1,087)	(2,334)	(471)	(11,660)
At 31 March 2011	82,703	96,290	469,076	69,278	231,316	948,663
Exchange differences	3,465	4,334	29,217	2,479	14,608	54,103
Additions	1,732	1,424	340,317	4,607	545,431	893,511
Transfer upon completion	7,814	9,886	219,824	–	(237,524)	–
Disposals	(1,020)	(936)	(2,154)	(3,438)	(10,726)	(18,274)
At 31 March 2012	**94,694**	**110,998**	**1,056,280**	**72,926**	**543,105**	**1,878,003**
Accumulated depreciation and impairment:						
At 1 April 2010	53,489	75,389	160,905	32,562	–	322,345
Exchange differences	1,950	3,707	6,525	833	–	13,015
Charge for the year	2,535	3,314	4,638	5,073	–	15,560
Write back of impairment charge	–	–	(40,489)	–	–	(40,489)
Reclassify to assets held for sale	(372)	(317)	(97)	–	–	(786)
Disposals	(591)	(202)	(3,480)	(1,998)	–	(6,271)
At 31 March 2011	57,011	81,891	128,002	36,470	–	303,374
Exchange differences	2,065	4,140	4,950	1,336	–	12,491
Charge for the year	2,789	4,405	8,090	7,031	–	22,315
Disposals	(37)	(447)	(3,454)	(1,506)	–	(5,444)
At 31 March 2012	**61,828**	**89,989**	**137,588**	**43,331**	**–**	**332,736**
Net book value:						
At 31 March 2012	**32,866**	**21,009**	**918,692**	**29,595**	**543,105**	**1,545,267**
At 31 March 2011	25,692	14,399	341,074	32,808	231,316	645,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

Notes:

(a) The Group is in the process of applying for the title to certain buildings with cost of approximately RMB3.7 million (approximately HK$4.5 million) as at 31 March 2012 (2011: HK$2.3 million). The directors of the Company believe that the title documents will be obtained in due course without significant additional cost.

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

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 April	**223,900**	255,933
Exchange differences	**8,554**	10,629
Impairment charge for the year *(Note (i))*	**–**	1,970
Reversal of impairment charge *(Note (ii))*	**–**	(42,459)
Reversal of impairment charge of disposals	**(3,025)**	(2,173)
At 31 March	**229,429**	223,900

Note:

(i) Impairment charge in 2011 related to CGUs where limited growth was expected because of saturation of market and incoming of competitors.

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

The recoverable amounts of CGUs were determined from value in use calculations. The key assumptions for the value in use calculations were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs. The value in use calculations was derived from cash flow projections based on the actual results of prior years.

17. INTANGIBLE ASSETS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

18. SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	*HK$'000*
Non-current assets		
Unlisted shares, at cost	**47,748**	47,748
Less: Provision for interest in a subsidiary *(Note i))*	**(47,748)**	(47,748)
	–	–
Amount due from a subsidiary	**1,137,741**	1,137,741
Less: Provision for amount due from a subsidiary *(Note (i))*	**(550,317)**	(692,900)
	587,424	444,841
Current assets		
Amount due from a subsidiary *(Note (ii))*	**10,632**	26,873

Notes:

i. Provision for interest in a subsidiary represents the estimated impairment of the Group's interest in this subsidiary. The amount due from a subsidiary which basically represents the Company's indirect investment cost in all of its other subsidiaries is unsecured and interest free. Decrease in provision for amount due from a subsidiary during the year is due to improvement in recoverability of the subsidiaries held by the subsidiary.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

Details of all the subsidiaries at 31 March 2012 are set out below:

(a) Investment holding companies:

	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%
Wah Sang Gas Equipment and Engineering Co., Limited	BVI	US$0.05 million ordinary shares	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

(b) Other subsidiaries

		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
1	Zibo Jin Bin Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	25	–	100
2	Tianjin Wah Sang Gas Enterprise Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	179	–	100
3	Binzhou Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	27	–	100
4	Zhaoyuan Binhai Gas Company Limited (formerly Zhaoyuan Wah Sang Gas Company Limited)	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	20	–	100
5	Deqing Binhai Gas Company Limited	Sino-foreign equity joint ventures@, PRC	Connection services and sale of gases, PRC	18	–	90
6	Qingdao Laixi Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	16	–	100
7	Zhuozhou Binhai Gas Development Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	11	–	100
8	Nanjing Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	12	–	100

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		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital (Note (i)) HK$ Million	Potential capital contributions (Note (ii)) HK$ Million	Effective indirect interest (Note (iii)) (%)
9	Yizheng TEDA Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	13	–	100
10	Qinhuangdao TEDA Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	12	–	100
11	Tianjin Wah Sang Energy Development Co., Ltd	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	141	–	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 Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	6	–	90
16	Jurong Wah Sang Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	3	–	100

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For the year ended 31 March 2012

		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))* *(%)*
17	Yingtan Wah Sang Gas Company Limited	Wholly foreign owned enterprises* , PRC	Connection services and sale of gases, PRC	4	21	100
18	Yiyang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	4	20	100
19	Zhangjiagang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	4	18	100
20	Qingdao Jiaozhou Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	17	–	100
21	Jingjiang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	3	13	100
22	Leiyang Wah Sang Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	2	13	100
23	Funing TEDA Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	7	–	100
24	Yishui Binhai Gas Company Limited (formerly Yishui Wah Sang Gas Company Limited)	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	13	–	100

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		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))* *(%)*
25	Rizhao Binhai Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	13	–	100
26	Haiyan Tian Tai Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	25	–	100
27	Huzhou Nanxun Binhai Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	20	–	100
28	Beijing Airport TEDA Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	12	–	100
29	Haiyang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	2	10	100
30	Tonglu Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	12	8	98
31	Suining Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	2	8	100
32	Jinhu Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	7	–	100

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		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))* *(%)*
33	Qixia Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures#, PRC	Connection services and sale of gases, PRC	6	5	100
34	Tianjin Binhai Xinda Real Estate Company Limited	Wholly foreign owned enterprises*, PRC	Property development, PRC	–	156	100
35	Yizheng Jin Bin Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	12	–	100
36	Tangshan Binhai Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	24	62	100
37	Tianjin Hua Tai Xinda Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	6	–	100
38	Tangshan TEDA Gas Company Limited	Wholly foreign owned enterprises*, PRC	Connection services and sale of gases, PRC	47	–	100%
					334	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note:

(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 the subsidiaries amounts to approximately HK$334 million. Although the deadlines for injecting the capital for all these subsidiaries have expired, they are all still operating as at date of these consolidated financial statements.

(iii) Effective interests held are determined by assets appropriation upon the dissolution of the subsidiaries, instead of by proportion of the capital injection. The 2012 position is unchanged from 2011.

(iv) All of the subsidiaries are incorporated and operating in the PRC whose principal activities are provision of gas pipeline connection service and sales of gases. Their legal forms are indicated as follows:

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

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

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2012 **HK$'000**	2011 HK$'000
Share of net assets	**14,445**	13,891

As at 31 March 2012, the Group had a 40% equity interest in an unlisted jointly controlled entity, incorporated and operating in Tianjin, the PRC. None of the investors in this entity has unilateral control over of its economic activities, resulting in joint control over the entity by the respective investors.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Details of the jointly controlled entity as at 31 March 2012 are as follows:

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

20. PROPERTY UNDER DEVELOPMENT

	Group	
	2012	2011
	HK$'000	*HK$'000*
Land use rights	**12,625**	12,154
Construction costs and capitalised expenditure	**54,574**	34,783
	67,199	46,937

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.

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

As set out in note 38, after the year end the Group plans to dispose of the property under development.

21. INVENTORIES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Materials for gas pipelines	**44,804**	34,245
Gases	**3,658**	3,845
	48,462	38,090

The cost of inventories recognised as expense and included in the cost of sales amounted to HK$1,291 million (2011: HK$987 million).

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For the year ended 31 March 2012

22. TRADE AND OTHER RECEIVABLES

		Group	
	Note	**2012** **HK$'000**	2011 HK$'000
Trade receivables		**148,439**	115,116
less: Provision for impairment		**(40,624)**	(32,197)
	(c)	**107,815**	82,919
Notes receivables		**17,959**	28,574
		125,774	111,493
Advances to suppliers		**160,692**	152,181
less: Provision for impairment	*(f)*	**(83,683)**	(85,813)
		77,009	66,368
Prepayments and other receivables		**83,373**	54,424
less: Provision for impairment	*(g)*	**(7,089)**	(5,950)
		76,284	48,474
		279,067	226,335

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

		Group	
		2012	2011
	Note	***HK$'000***	*HK$'000*
0 — 90 days		**71,747**	58,705
91 — 180 days		**11,255**	7,858
181 — 360 days		**14,325**	10,108
Over 360 days		**51,112**	38,445
		148,439	115,116
Less: Provision for impairment of trade receivables	*(e)*	**(40,624)**	(32,197)
		107,815	82,919

Trade receivables net of provision and notes receivables of HK$126 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	
	2012	2011
	HK$'000	*HK$'000*
91 — 180 days	**990**	418
181 — 360 days	**78**	200
Over 360 days	**10,607**	6,248
	11,675	6,866

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For the year ended 31 March 2012

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 April	**(32,197)**	(26,568)
Exchange differences	**(1,384)**	(1,063)
Impairment of trade receivables	**(8,713)**	(6,356)
Write back for the year	**1,670**	1,790
At 31 March	**(40,624)**	(32,197)

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	
	2012	2011
	HK$'000	*HK$'000*
At 1 April	**(85,813)**	(82,561)
Exchange differences	**(2,514)**	(3,303)
Impairment of advances to suppliers	**(1,423)**	(1,075)
Write back for the year	**6,067**	1,126
At 31 March	**(83,683)**	(85,813)

Provision for impairment of approximately HK$84 million (2011: HK$86 million) principally relates to advances to suppliers which arose as a result of termination of trading relationships.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 April	**(5,950)**	(6,006)
Exchange differences	**(247)**	56
Impairment of prepayments and other receivables	**(2,449)**	–
Write back for the year	**1,557**	–
At 31 March	**(7,089)**	(5,950)

Prepayments and other receivables mainly represent deposits for gas purchase. Balance also includes management fee receivable from TEDA Gas of about HK$4.0 million (2011: HK$2.8million) (Note 36).

23. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY

The amount due from immediate holding company represented certain balances with TEDA relating to management of the Disposed Subsidiaries. Upon TEDA HK became the immediate holding company of the Company (Note 37), such balances were transferred from TEDA to TEDA HK. The amount is unsecured interest free and has been settled after the year end.

24. CASH AND CASH EQUIVALENTS AND PLEDGED CASH DEPOSITS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**445,404**	431,467	**194**	193
Pledged cash deposits	**6,154**	1,187	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Group		**Company**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi	**381,556**	220,909	**–**	–
Hong Kong dollars	**26,762**	70,587	**194**	193
US dollars	**43,240**	141,158	**–**	–
	451,558	432,654	**194**	193

Notes:

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.

25. ASSETS HELD FOR SALE

Pursuant to an agreement dated 12 January 2011, one of the subsidiaries of the Group entered into an asset transfer agreement with a third party to transfer its land use rights and property, plant and equipment at a consideration of HK$3.3 million. The carrying value of the land use rights and property, plant and equipment amounted to about HK$2.8 million was classified as 'assets held for sale' as at 31 March 2011.

Consideration of HK$2.6 million and HK$0.7 million was received in January and June 2011 respectively. The sale of the relevant assets was completed during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. SHARE CAPITAL

At 1 April 2010, 31 March 2011, and 31 March 2012	Number of shares	Amounts
	Million	*HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:	15,000	150,000
Issued and fully paid:	5,993	59,928
Convertible Preference Shares of HK$1.00 each *(Note(i))*		
Authorised:	170	170,000
Issued and fully paid:	170	170,000
Redeemable Preference Shares of HK$50.00 each *(Note(ii))*		
Authorised:	9	430,000
Issued and fully paid:	9	430,000
Total		
Authorised:		750,000
Issued and fully paid:		659,928

Notes:

(i) The Company issued 130 million and 40 million Convertible Preference Shares to 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

During the year, the 130 million Convertible Preference Shares and 8.6 million Redeemable Preference Shares have been transferred to TEDA Hong Kong Property Company Limited ("TEDA HK"). (Note 37)

Share options

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

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

	2012		2011	
	Average exercise prices *HK$*	**Share options** *'000*	Average exercise prices *HK$*	Share options *'000*
At 1 April	**0.56**	**74,000**	–	–
Granted	**–**	**–**	0.56	90,500
Lapsed	**–**	**–**	–	(16,500)
At 31 March		**74,000**		74,000

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

	2012 Remaining contractual life number of years	**2012** Share options '000	2011 Remaining contractual life number of years	2011 Share options '000
Exercise price HK$0.56	**8.5**	**74,000**	9.5	74,000

27. OTHER RESERVES

	Contributed surplus (Note (i)) HK$'000	Exchange reserve (Note (ii)) HK$'000	Statutory reserves (Note (iii)) HK$'000	Employee share option reserve HK$'000	Others (Note (iv)) HK$'000	Total HK$'000
(a) Group						
Balance at 1 April 2010	28,800	(130,154)	2,561	–	160,000	61,207
Translation differences	–	17,720	–	–	–	17,720
Recognition of equity settled share-based payment	–	–	–	26,126	–	26,126
Transfer to accumulated loss	–	–	–	(4,763)	–	(4,763)
Balance at 31 March 2011	28,800	(112,434)	2,561	21,363	160,000	100,290
Translation differences	–	21,656	–	–	–	21,656
Balance at 31 March 2012	28,800	(90,778)	2,561	21,363	160,000	121,946

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	Contributed surplus	Exchange reserve	Statutory reserves	Employee share option reserve	Others	Total
	(Note (i))	*(Note (ii))*	*(Note (iii))*		*(Note (iv))*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(b) Company						
Balance at 1 April 2010	47,547	(51,246)	–	–	160,000	156,301
Translation differences	–	15,466	–	–	–	15,466
Recognition of equity settled share-based payment	–	–	–	26,126	–	26,126
Transfer to accumulated loss	–	–	–	(4,763)	–	(4,763)
Balance at 31 March 2011	47,547	(35,780)	–	21,363	160,000	193,130
Translation differences	–	19,691	–	–	–	19,691
Balance at 31 March 2012	47,547	(16,089)	–	21,363	160,000	212,821

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 reorganization on 26 February 2000 in preparation for the listing of the Company's shares on SEHK and the nominal value of the Company's shares issued in exchange therefore.

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

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

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

(iv) Amount represented difference between capitalized debt and par value of convertible preference shares issued in 2009.

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For the year ended 31 March 2012

28. TRADE AND OTHER PAYABLES

		Group		Company	
		2012	2011	**2012**	2011
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	*(a)*	**193,149**	208,350	**–**	–
Amounts due to Tsinlien Assets Management	*(b)*	**–**	28,497	**–**	–
Advance from customers		**91,211**	104,089	**–**	–
Other payables	*(c)*	**312,078**	159,128	**–**	–
Accrued expenses		**14,766**	34,297	**3,489**	5,041
		611,204	534,361	**3,489**	5,041

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
RMB	**606,690**	530,968
HK dollars	**4,514**	3,393
	611,204	534,361

(a) At 31 March 2012, the ageing analysis of the trade payables was as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
0 — 90 days	**67,469**	101,951
91 — 180 days	**32,133**	11,956
181 — 360 days	**26,287**	23,945
Over 360 days	**67,260**	70,498
	193,149	208,350

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For the year ended 31 March 2012

(b) The balance as at 31 March 2011 represented a principal of RMB24 million payable to Tsinlien Assets Management.

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

On 23 December 2011, the Group entered into another supplemental agreement with Tsinlien Assets Management, pursuant to which the deadline of the repayment of RMB19 million was extended for six months to 31 December 2011. The Group had repaid all the principal of RMB24 million according to the two supplemental agreements, and the interest from 5 July 2004 to the repayment day of HK$11.9 million was waived and was credited to the Group's income statement (Note 9).

(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.

29. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY

	Group	
	2012	2011
	HK$'000	*HK$'000*
Current portion	**365,153**	59,771
Non-current portion	**–**	17,810
	365,153	77,581

Note:

(a) The amounts due to TEDA included balance of HK$18.5 million (2011: HK$53.4 million) related to an advance of RMB45 million from TEDA for the Group's daily operation. The advance was unsecured, carried interest at 6.56% per annum and was repayable over three installments from 2010. The remaining balance of amounts due to TEDA is unsecured, interest free and with no fixed repayment term.

(b) The amounts due to TEDA also included payable to TEDA for acquisition of the Second Pipelines Network (Note 36(a)).

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30. BORROWINGS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current liabilities				
Secured over shares of subsidiaries *(Note(a))*	**265,388**	–	**–**	–
Unsecured *(Note(b) and (c))*	**10,000**	15,000	**10,000**	15,000
	275,388	15,000	**10,000**	15,000
Less: Amounts due within one year included in current liabilities	**(11,615)**	(5,000)	**(5,000)**	(5,000)
	263,773	10,000	**5,000**	10,000
Current liabilities				
Unsecured *(Note (b) and (c))*	**519,240**	292,626	**–**	–
Current portion of long-term borrowings	**11,615**	5,000	**5,000**	5,000
	530,855	297,626	**5,000**	5,000

Note:

(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 it's 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 is repayable within 2 years. In addition, it also included borrowing from Bank of Tianjin which is unsecured, carries interests at a fixed rate of 7.87%, and is repayable within one year. The rest of the balances carry interest at floating rates.

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

Group

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Borrowing from China Merchants Bank	**10,000**	15,000	**9,763**	13,875
Borrowing from Bank of Tianjin	**246,670**	–	**233,144**	–
	256,670	15,000	**242,907**	13,875

Company

	Carrying amounts		Fair values	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Borrowing from China Merchants Bank	**10,000**	15,000	**9,763**	13,875
	10,000	15,000	**9,763**	13,875

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

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
– PRC banks	**6.56%-7.87%**	5.56%-6.67%	**–**	–
– Hong Kong banks	**3.86%-4%**	2.18%-4%	**Fixed rate of 4%**	Fixed rate of 4%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong Dollars	**275,388**	215,000	**10,000**	15,000
Renminbi	**519,240**	92,626	**–**	–
	794,628	307,626	**10,000**	15,000

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Over one year, less than two years	**23,757**	5,000	**5,000**	5,000
Over two years, less than five years	**139,250**	5,000	**–**	5,000
Over five years	**100,766**	–	**–**	–
	263,773	10,000	**5,000**	10,000

(g) As at 31 March 2012, the Group has undrawn bank borrowing facilities of approximately HK$350 million (2011: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

31. DERIVATIVE FINANCIAL INSTRUMENT

	As at 31 March 2012		As at 31 March 2011	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swap contract	**–**	**11,605**	–	–

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") (Note 3). 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 recognized in the consolidated income statement.

32. DEFERRED INCOME TAX ASSETS

	Tax losses	
	2012	2011
	HK$'000	*HK$'000*
At 1 April 2011	**6,423**	–
Debited to income statement *(Note 11)*	**(982)**	6,423
At 31 March 2012	**5,441**	6,423

The Group recognises deferred tax assets for tax loss carry forward only to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group did not recognize deferred tax assets in respect of operating losses amounting to approximately HK$64 million which can be carried forward against future taxable income. These unutilised losses expire after five years from occurrence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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33. NOTES TO CASH FLOW STATEMENT

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

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation	**148,319**	93,648
Adjustments for:		
— Interest income	**(1,488)**	(799)
— Depreciation	**22,315**	15,560
— Amortisation	**920**	845
— Reversal of impairment charge on property, plant and equipment	**–**	(40,489)
— Impairment charge on trade and other receivables	**3,291**	4,515
— Finance costs	**3,889**	12,372
— Interest waived	**(11,902)**	—
— Fair value loss on derivative financial instrument	**11,605**	—
— Gain on disposal of property, plant and equipment *(Note(i))*	**(1,816)**	(1,116)
— Gain on disposal of assets *(Note(i))*	**(1,583)**	(8,131)
— Employee share-based compensation	**–**	26,126
— Share of results of a jointly controlled entity	**(16)**	351
Changes in working capital:		
— Inventories	**(10,372)**	(8,099)
— Trade and other receivables	**(31,199)**	(111,354)
— Trade and other payables	**(38,087)**	87,636
Net cash generated from operations	**93,876**	71,065

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(i) Movements on disposal of assets comprise:

	2012 **HK$'000**	2011 HK$'000
Net book amount of property, plant and equipment	**12,830**	5,389
Net book amount of assets held for sale	**2,817**	—
Proceeds from disposals in prior years	**(2,600)**	—
Proceeds from disposals in current year	**(16,446)**	(14,636)
Gain on disposals	**(3,399)**	(9,247)

(b) Major non-cash transaction:

The Group purchased pipelines from TEDA at a consideration of RMB279 million. 10% of the consideration has been settled before year end. The remaining balance will be settled within one year after the completion date of acquisition (Note 36(i)).

34. FINANCIAL GUARANTEE

The Company has given guarantee of approximately HK$709 million (2011: Nil) to subsidiaries in respect of bank borrowings, HK$359 million of which had been utilised as at 31 March 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

35. COMMITMENTS

(a) Capital expenditure and property development commitment of the Group (Company: None in 2012 and 2011) at the balance sheet date contracted but not yet incurred is as follows:

	2012 **HK$'000**	2011 *HK$'000*
Property, plant and equipment	**39,998**	186,705
Property under development	**3,177**	3,834
	43,175	190,539

(b) The Group had future aggregate minimum lease payments under non-cancelable operating leases in respect of buildings are as follows (Company: None in 2012 and 2011):

	2012 **HK$'000**	2011 *HK$'000*
Not later than one year	**3,810**	3,014
Later than one year and not later than five years	**3,623**	4,354
Later than five years	**4,431**	4,459
	11,864	11,827

Note: The above amounts include a lease commitment with a subsidiary of TEDA (Note 36(b)).

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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:

	2012 **HK$'000**	2011 *HK$'000*
(a) Transactions with holding company:		
Acquisition of Second pipelines network from TEDA *(Note(i))*	**337,572**	–
Income from management of Disposed Subsidiaries *(Note (ii))*	**244**	982
Leasing charges of Second Pipelines Network *(Note (iii))*	**(15,712)**	(7,721)
Reimbursement from TEDA for payment of compensation for an accident	**–**	4,098
Guarantee fee accured *(Note (iv))*	**(799)**	(1,467)
Interest expenses	**(4,066)**	(4,141)
Interest waived by Tsinlien Assets Management *(Note 9)*	**11,902**	–
(b) Transactions with fellow subsidiaries:		
Sale of gas to TEDA Gas *(Note (v))*	**115,703**	65,106
Sale of gas to Tianjin Pipe and its associates *(Note (v))*	**328,425**	143,758
Sale of gas to former subsidiaries *(Note (v))*	**7,749**	4,205
Sale of gas to Tianjin Eco-city Energy Investment Construction Company Limited ("Tianjin Eco-city") *(Note (v))*	**2,123**	–
Income from management of TEDA Gas *(Note (vi))*	**1,042**	1,280
Rental charges of office premises to TEDA Real Property Development Company Ltd *(Note(vii))*	**(3,637)**	(2,789)
Provision of connection service to Tianjin Xing Cheng Investment and Development Company Limited ("Tianjin Xing Cheng") *(Note (viii))*	**7,097**	–

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	2012	2011
	HK$'000	*HK$'000*
(c) Balances with fellow subsidiaries:		
Account receivable from associates of Tianjin Pipe	**3,304**	6,248
Account receivable from TEDA Gas	**60**	–
Account receivable from Tianjin Eco-city	**742**	–
Management fee receivable from TEDA Gas	**3,968**	2,797
Prepayment received for sales of gas from Tianjin Sai-rui Machinery Equipment Company Limited *(Note (v))*	**(14,800)**	–
Account receivable from Tianjin Xing Cheng *(Note (viii))*	**6,159**	–

(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.

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(e) Key management compensation

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

Note:

(i) The Group and TEDA entered into an Asset Transfer Agreement on 24 June 2011 in relation to acquisition of the Second Pipelines Network at consideration of RMB279 million (equivalent to approximately HK$338 million). The transaction was completed during this year. In accordance with the Asset Transfer Agreement, 10% of the consideration had been paid before year end. The remaining balance will be settled within one year after the completion date.

(ii) 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.

(iii) The Group leased from TEDA the Second Pipelines Network at a usage charge of RMB0.10 per cubic metre of gas supplied via the network. The lease terminated in February 2012 after the completion of the acquisition as stated in (i) above.

(iv) The Group pays guarantee fees to TEDA and TEDA Group for the latter to provide guarantee for short term bank loans of HK$232 million. The fee is calculated at 1% on the loan principal.

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

(vi) 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.

(vii) The Group leases office promise from TEDA Real Property Development Company Ltd. at a rate of RMB113 per square meter per month.

(viii) The Group was engaged to provide the connection services at the price of RMB 2,800 per household in a Town Project located in Jinnan District of Tianjin.

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37. IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

Tsinlien BVI, a wholly owned subsidiary of Tsinlien Group Company Limited ("Tsinlien"), was the nominee major shareholder of the Company.

Pursuant to an agreement dated 28 May 2008 and supplemental agreement dated 15 February 2009, Tsinlien has agreed to transfer the entire issued share capital of Tsinlien BVI to TEDA HK, a company incorporated in Hong Kong with limited liability and beneficially wholly owned by TEDA. During the year, Tsinlien BVI transferred its interests in the ordinary shares, Convertible Preference Shares and Redeemable Preferences of the Company to TEDA HK. Upon the completion of the transfer, TEDA HK formally became the immediate holding company and TEDA formally became the ultimate holding company of the Company.

38. EVENT AFTER THE BALANCE SHEET DATE

On 25 June 2012, as approved by the Board, the Group plans to dispose of the property under development. The directors consider that the plan of disposal does not have significant financial impact to the Group.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Directors on 25 June 2012.

FIVE-YEAR FINANCIAL SUMMARY

The following table summarized the results, assets and liabilities of the Group for the five years ended 31 March 2012.

	2012 **HK$'000**	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Revenue	**1,623,293**	1,231,065	795,279	621,464	587,479
Profit/(loss) attributable to owners of the Company	**111,238**	71,380	230,114	(40,451)	(49,928)
Total assets	**2,463,872**	1,454,064	833,633	571,267	478,679
Total liabilities	**1,834,515**	960,573	457,547	1,457,789	1,307,357
Equity holder' equity/(deficit)	**614,373**	481,479	366,253	(894,811)	(835,823)
Non-controlling interests	**14,984**	12,012	9,833	8,289	7,145