Financial Review

For the year ended 31 December 2009, the Group's piped gas business booked a turnover of HK$2,025 million, a growth of 22.2% when compared to 2008. EBITDA was HK$725 million, an increase of approximately 7.1% from 2008. Profit after taxation attributable to shareholders of the Company amounted to HK$265 million, a surge of 31.0% when compared to last year.

Turnover

For the year ended 31 December 2009, the Group booked a turnover of HK$2,906 million, representing a decrease of 34.1% when compared to 2008. Such a decrease was due to the disposal of liquefied petroleum gas ("LPG") operations. The turnover is mainly attributable to the following businesses:

Sales of Piped Gas and Related Products

Turnover from sales of piped gas and related products increased by 26.8% from HK$1,210 million to HK$1,534 million in 2009. The increase is mainly contributed by a 30.6% increase in the total gas volume sold. The total gas volume sold during the year amounted to 760 million cubic metres, an increase of 178 million cubic metres from 2008, of which new subsidiaries contributed 35.7% of the increase while the organic growth of the existing subsidiaries accounted for the remaining 64.3%. The total number of piped gas connected customers as at 31 December 2009 was approximately 1,896,000 households, representing an increase of approximately 193,000 households from 2008, of which around 51,000 households were existing customers of newly acquired subsidiaries.

Gas Pipeline Construction

For the gas pipeline construction business, construction fees income amounted to HK$492 million for the year, being an increase of 9.7% when compared to 2008. This is contributed by an increase of approximately 142,000 new household connections in 2009.

Sales of LPG

Turnover from sales of LPG decreased by HK$1,871 million when compared to 2008 and amounted to HK$880 million in 2009, primarily attributable to the disposal of the LPG operations by the Group in June 2009.

Operating Expenses

Operating expenses decreased by 36.7%, from HK$4,181 million in 2008 to HK$2,645 million in 2009, mainly due to the disposal of the LPG operations by the Group in June 2009. Operating expenses of piped gas business increased from HK$1,491 million in 2008 to HK$1,780 million in 2009, representing an increase of 19.4%. The increase is mainly due to increases in stores and materials used, staff costs, depreciation and amortization expenses of 27.8%, 18.4% and 16.0% respectively, while other expenses decreased by 14.4%. The addition of new subsidiaries also resulted in a HK$103 million increase.

Stores and Materials Used

Stores and materials used in piped gas business increased from HK$920 million in 2008 to HK$1,176 million in 2009. The increase in expenses is mainly attributed to the growth of the Group's piped gas business during the year. The addition of new subsidiaries contributed 32.8% of the increase.

Staff Costs

Staff costs of piped gas business increased from HK$212 million in 2008 to HK$251 million in 2009. The rise in staff costs is mainly in response to the business development. Acquisition of new subsidiaries during the year also accounted for approximately HK$9 million of the increase.

Other Expenses

The decrease in other expenses of piped gas business is mainly attributable to the enhanced cost control of existing subsidiaries under operation.

Finance Costs

Finance costs of piped gas business decreased from HK$142 million in 2008 to HK$127 million in 2009, mainly attributed to the purchase of US$8 million of guaranteed senior notes from the market by the Company during 2008, the full redemption of US$26.7 million convertible bonds, and the decrease of loan interest rates in 2009 when compared to those of last year.

Share of Results of Associates

Share of results of associates decreased from HK$146 million in 2008 to HK$137 million in 2009, representing a decrease of approximately 6.2%. The decrease is mainly attributed to a decline in profits of an associate's non-gas business as a result of market impact.

Share of Results of Jointly Controlled Entities ("JCEs")

Share of results of JCEs in piped gas business increased from approximately HK$57 million in 2008 to approximately HK$74 million in 2009, rising by approximately 29.8%. The increase is mainly attributed to the increase of 13.9% in the gas volume sold and the increase in the total number of JCEs customers of approximately 42,000 households, or 6.3%.

Available-for-sale Investments

Available-for-sale investments are mainly comprised of investments in Chengdu City Gas Co., Ltd. ("Chengdu Gas"). Chengdu Gas was stated at cost and no impairment provision was necessary during the year.

We are committed to provide comprehensive services to our customers in a sincere and caring manner.

Financial Resources and Position

The Group has adopted a prudent approach in managing its financial resources by maintaining an appropriate level of cash and cash equivalents and adequate facilities for daily operating needs and business development, and by controlling borrowings to a healthy level.

As at 31 December 2009, the Group's total borrowings, which were mainly denominated in Renminbi, Hong Kong dollars and United States dollars, amounted to HK$2,765 million, an increase of HK$501 million, or 22.1% when compared to that of last year. The total borrowings are mainly comprised of HK$471 million loans from HKCG due between 2 to 5 years, HK$1,110 million guaranteed senior notes due in 2011, and HK$507 million and HK$538 million bank loans due between 1 to 5 years and within 1 year respectively. Other than the guaranteed senior notes and HK$331 million bank loans and other borrowings which bear interest at fixed rates, other Group's borrowings are mainly arranged on a floating rate basis. The arrangements on terms and interest rates of the borrowings provide robust financial resources and stable interest costs for the Group.

Other than pledging shares in certain subsidiaries to secure the guaranteed senior notes, the Group did not have any pledge of assets.

As at 31 December 2009, the Group had committed but not yet utilized facilities amounting to HK$262 million. As of the date of this announcement, the Group had obtained additional facilities from two banks in Hong Kong and two banks in Shenzhen of HK$450 million and RMB200 million respectively.

Families and friends spend time enjoying freshly cooked food swiftly served by natural gas-empowering restaurant.

Cash and cash equivalents of the Group, which were mainly denominated in Renminbi, Hong Kong dollars and United States dollars, totalled HK$964 million as at 31 December 2009.

The Group ended the year with a current ratio of 0.7 times, an EBITDA-to-interest coverage ratio of 5.7 times and a gearing ratio (net debt excluding HKCG loans ("ND") to equity attributable to shareholders plus ND) of 17.1%.

The operating and capital expenditure of the Group is funded by cash flow from operations, internal liquidity, and financing agreements with banks and its shareholder. The Group has cash and cash equivalents, together with unutilised banking facilities, which allow the Group to continuously maintain a strong liquidity position and adequate financial resources to meet its contractual obligations and operating needs.

Credit Ratings

In 2009, Moody's Investors Service, a rating agency, maintained a "Baa3" rating for the Company's senior unsecured bonds and continued to assign a "Baa3" issuer rating to the Company. The outlook on the Company was rated as stable. Meanwhile, Standard & Poor's, another rating agency, maintained a "BBB-" rating for the Company's long term corporate credit rating and the issue rating of the US$200 million notes. The outlook on the Company is stable, reflecting a solid financial position and promising operating prospect of the Company.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2009.

Currency Profile

The Group's activities are predominantly operated and conducted in Hong Kong and the PRC. As such, its cash, cash equivalents or borrowings are mainly denominated in Renminbi, Hong Kong dollars and United States dollars, hence, the Group does not expect any material foreign exchange risk exposure.

Final Dividend

In view of the continuous growth in the Group's results, the Board recommended a final dividend for the year ended 31 December 2009 of two HK cents per share (2008: one HK cent per share), representing a 100% increase over last year.