



Customer Service Centre in Zhongjiang

For the year ended 31 December 2007, the Group recorded a turnover of approximately HK\$3,195 million, an increase of approximately 20.9% over the last year. Operating profit before returns on investments increased to approximately HK\$170 million from approximately HK\$0.3 million recorded in 2006. The increase in operating profit before returns on investments was due to increases in the gross profit margins in all segments of the Company's businesses. The Group recorded earnings before interests, taxation, depreciation and amortisation (EBITDA) of approximately HK\$532 million, an increase of approximately 1.9 times from last year. Profit after tax attributable to shareholders of the Company amounted to approximately HK\$145 million, a significant increase from loss of HK\$256 million recorded in 2006.

The reasons for a turnaround from a loss to profit includes the non-occurrence of the loss in fair value of derivatives of approximately HK\$124 million and the net interest expense incurred on the interest rate swaps of approximately HK\$13 million recorded in 2006. A significant improvement in contribution from associated companies from loss of approximately HK\$14 million in 2006 to profit of approximately HK\$106 million in 2007, and the additional contribution of approximately HK\$51 million in 2007 from the six jointly controlled entities acquired from HKCG are also the contributing factors in 2007.

Sale of Piped Gas

This business comprises the direct sale of piped natural gas and piped LPG to customers. Turnover of the business increased by 60.8% to approximately HK\$602 million, accounting for approximately 18.8% of the Group's aggregate turnover. During the period, the Group recorded residential consumption of approximately 181 million cubic metres and commercial and industrial consumptions of approximately 170 million cubic metres, representing increases of approximately 11.7% and 61% respectively. The significant increase in the commercial and industrial consumptions represents the Group's shift in its strategic focus to spend more resources to service the higher volume commercial and industrial users.

Gas Pipeline Construction

The Group's gas pipeline construction business mainly includes the development and maintenance of piped gas stations and networks through which the Group provides direct connection of piped gas to customers and receives a connection fee. For the year ended 31 December 2007, the Group recorded a turnover of approximately HK\$380 million in connection fee, which accounted for approximately 11.9% of the Group's total turnover, representing an increase of approximately 14.6% when compared to last year.

The total number of connected households as at 31 December 2007 was approximately 1,467,000 households, an increase of approximately 133,400 households from last year, of which about approximately 16,000 households were existing customers of newly acquired subsidiaries and approximately 117,400 households were new customers during the period. The number of new connections made by the Group during the year increased by approximately 2.2% when compared with last year.

Sale of Liquefied Petroleum Gas

This business comprises the sale of LPG in bulk to wholesale customers and the retail of LPG to end-user households, industrial and commercial customers. For the year ended 31 December 2007, turnover derived from the sale of LPG in bulk amounted to approximately HK\$1,167 million, accounting for approximately 36.5% of the Group's total turnover, representing an increase of approximately 5.1% when compared to last year. The retail business increased by approximately 25.7% to HK\$993 million, accounting for approximately 31.1% of the Group's total turnover.

Shareholder's Loan

On 19 April 2007, the Company entered into a loan agreement with HKCG whereby HKCG agreed to lend to the Company a 60 month loan of US\$25 million at a rate of 12-month HIBOR plus 1.25% for use as general working capital.

Open Offer

On 25 June 2007, the Company completed an open offer with an assured allotment of one offer share at HK\$4.00 per share for every 10 existing shares held. The Company issued 176,072,501 shares under the open offer raising net proceeds of approximately HK\$696 million. The net proceeds were used to partially reduce the outstanding balance of the US\$200 million Notes and as general working capital.



Reduction of the US\$200 Million Senior Guaranteed Notes

During the months of August and September 2007, the Company purchased from the market its US\$200 million Notes amounted to US\$51 million at an average price of 106.648 totaling US\$54.4 million. The purchases translate to savings on interest payments of approximately HK\$11.5 million for 2007 and approximately HK\$32.8 million per annum until maturity in 2011.

Ratings Upgrade

On 23 August 2007, the ratings agency S&P raised its long-term corporate credit rating on the Company from 'BB+' to 'BBB-'. The outlook is stable. At the same time, S&P also raised the issue ratings on the Company's US\$50 million convertible bonds due 2008 and US\$200 million Notes from 'BB+' to 'BBB-'. The upgrades reflect the stronger financial profile as well as improving operational performance of the Group.

Final Dividend

In light of the enormous investment opportunities in the city piped gas networks in the PRC, the Board does not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

