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THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 3)

PRELIMINARY ANNOUNCEMENT OF 2009 ANNUAL RESULTS

CHAIRMAN'S STATEMENT

THE YEAR'S RESULTS

The performance of the Group's gas business in Hong Kong remained steady in 2009. In comparison, the Group's city-gas businesses in mainland China thrived and continued to record good profit growth whilst its emerging environmentally-friendly energy businesses are under proactive development.

Profit after taxation attributable to shareholders of the Group for the year amounted to HK\$5,175.0 million, an increase of HK\$872.5 million compared to 2008. Earnings per share for the year amounted to HK 78.7 cents, an increase of 22.0 per cent over 2008. Profit growth in 2009 was mainly due to growth in profits of mainland businesses, one-off gains from investments in projects in mainland China, and an increase in financial investment income.

During the year under review, the Group invested HK\$2,760.2 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various businesses in Hong Kong and the mainland.

GAS BUSINESS IN HONG KONG

After a sharp decline during the first quarter of 2009 due to the global financial tsunami, Hong Kong's economy showed signs of recovery in the second quarter. However, the tourism, restaurant and hotel sector businesses only began to pick up gradually in the second half of 2009. In addition, higher average temperatures in 2009 compared to 2008 and the threat of human swine influenza, which adversely impacted local spending associated with inbound tourism, led to a slight decrease in total volume of gas sales in Hong Kong by 1.1 per cent compared to 2008. On the other hand, total number of appliances sold in 2009 was 219,896 units, an increase of 6.1 per cent over 2008. This was due to an improving local economy during the second half of 2009, the Company's introduction of more new products, expansion of sales channels and strengthening of market promotions. As at the end of 2009, the number of customers was 1,698,723, an increase of 26,639 compared to 2008.

BUSINESS DEVELOPMENT IN MAINLAND CHINA

The Group's mainland businesses progressed well in 2009.

Although the impact of the global financial tsunami was severe in early 2009, the economic stimulus measures taken by mainland authorities helped their economy regain momentum in second quarter of 2009. The Group's city-gas and natural gas businesses benefited from this economic recovery, recording continuous growth. The Group's development of emerging environmentally-friendly energy projects, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), is also progressing well. ECO is currently at a stage of developing projects for investment. Construction work for some of its projects is now in progress. In the long run, both city-gas and emerging environmentally-friendly energy businesses on the mainland have good prospects and investment value.

Overall as at the end of 2009, inclusive of projects of the Group's subsidiary company, Towngas China Company Limited ("Towngas China"), the Group had 103 projects spread across 19 provinces/municipalities/autonomous regions, encompassing upstream, midstream and downstream natural gas sectors, the water supply and wastewater treatment sector, natural gas filling stations and emerging environmentally-friendly energy projects.

Diversification and an increase in the number of projects are rapidly transforming the Group from a locally-based company centred on a single business into a sizable, nation-wide, multi-business corporation with a focus on environmentally-friendly ventures and the energy sector.

(I) MAINLAND UTILITY BUSINESSES

The Group's city-gas businesses progressed well in 2009, with new projects successfully established in Xinmi in Henan province, in Fengxian county Economic Development Zone and Suining county in Jiangsu province, and in Zhangshu, Fengcheng and Pingxiang in Jiangxi province. The project in Xinmi is the Group's first in Henan province. Inclusive of seven new projects established by Towngas China in 2009, the Group had 84 city-gas projects in mainland cities spread across 16 provinces/municipalities as at the end of 2009. During the year under review, the number of residential customers on the mainland reached 10,617,000 and total volume of gas sales was 6,870 million cubic metres. The Group has become the largest city-gas enterprise on the mainland.

With completion in the next three years of large-scale natural gas projects including transmission pipeline projects from Sichuan province to eastern and southern China and phase two of the West-to-East pipeline project, and an increase in the quantity of imported liquefied natural gas, the problem of natural gas supply not meeting demand will be mitigated. The Group therefore anticipates its mainland projects will have access to sufficient gas sources to enable them to continue to thrive in the future.

The Group's midstream natural gas projects are making good progress. These include high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province and Hangzhou, Zhejiang province, and a joint venture that invests in the construction of natural gas pipelines and the exploitation of gas fields in Jilin province. These kinds of high-pressure natural gas pipeline joint ventures generate good returns and help the Group develop and strengthen its downstream city-gas market interests.

The Group operates water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, and manages an integrated water supply and wastewater joint venture in Suzhou Industrial Park, Jiangsu province. These projects are progressing well.

The Group will keep on looking for opportunities to invest in high-quality utility projects on the mainland.

(II) ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

Liquefied Petroleum Gas Filling Stations and Landfill Gas Utilization

The Group has been operating environmentally-friendly energy businesses in Hong Kong through ECO for several years. ECO's five dedicated liquefied petroleum gas filling stations and its North East New Territories landfill gas treatment facility continue to operate well. ECO is also endeavouring to acquire further landfill gas utilization projects at other sites in Hong Kong. By making use of landfill gas which would otherwise be flared off, such projects help reduce greenhouse gas emissions and depletion of fossil fuels, thus improving air quality in Hong Kong.

Aviation Fuel Facility

Construction of ECO's phase-one aviation fuel facility, comprising a tank farm for storage of aviation fuel served by tanker jetties in Area 38, Tuen Mun, for Hong Kong International Airport, is basically complete, and a professional operating team has been set up ready for commencement of operation scheduled for the first quarter of 2010. Tanker jetties and facilities for unloading and transporting aviation fuel to Hong Kong International Airport via submarine pipelines will be provided. The entire facility will become a major logistics base for supply of aviation fuel in Hong Kong. Construction of a neighbouring second tank farm is also progressing well; commissioning is expected before the end of 2010 by which time this airport-based aviation fuel storage and logistic facility will be the largest of its kind in the world.

Coalbed Methane and Coal-mine Methane Liquefaction and Utilization

ECO has endeavoured to develop clean and emerging environmentally-friendly energy projects on the mainland since early 2008 and has achieved good progress so far. Phase one of the Group's coalbed methane liquefaction facility located in Jincheng, Shanxi province commissioned in the fourth quarter of 2008 operated well and produced approximately 100 million cubic metres of liquefied coalbed methane in 2009 for transportation by tankers to downstream markets. This is the first large-scale coalbed methane liquefaction and utilization project on the mainland. Construction of phase two of the facility is in progress. Once commissioned, which is expected to be in the fourth quarter of 2010, the annual production capacity will be increased to 300 million standard cubic metres, three times of its existing level. This project provides an additional gas source for the Group's city-gas projects. In 2009, ECO, in joint co-operation with mainland scientific research institutes, successfully developed and verified a technology to remove oxygen from coal-mine methane which typically contains about 40 per cent of methane and then to produce liquefied methane by using cryogenic liquefaction technique, similar to that used in coalbed methane liquefaction. The quality of liquefied methane is basically the same as, and compatible with, liquefied natural gas. ECO has recently pinned down a project in Chongqing to utilize the abundant coal-mine methane there for production of liquefied methane. This will be the world's first large-scale coal-mine gas utilization project, other than in-situ power generation, to convert otherwise wasteful resources to fuel of high value.

Coal Mines and Coal Chemical Processing

ECO is also monitoring new technology for the production of clean energies from coal as a substitute for petroleum products, and keeping abreast related market trends and potential investment opportunities associated with these alternative fuels. To this end, ECO is now constructing a methanol production plant and developing a coal mine in Junger, Erdos, Inner Mongolia; both are expected to be commissioned by the end of 2010. The annual production capacity of this methanol plant is 200,000 tonnes of methanol. Additionally, ECO's coal mining and coking plant project in Fengcheng, Jiangxi province is progressing well. The total amount of resources reserves of coal mine projects invested by ECO is approximately 180 million tonnes, including thermal coal and prime coking coal. Plan is now in place to expand the coal resources reserves of these projects to 360 million tonnes. ECO is also proactively developing and establishing vehicular clean fuel filling station businesses in places such as Shandong, Shanxi, Shaanxi, Henan and Liaoning provinces following the successful commissioning of a compressed natural gas filling station in Shaanxi province in 2008, the largest of its kind on the mainland.

Establishment of Chinese Holding Company

In tandem with the rapid development of emerging environmentally-friendly energy businesses on the mainland, ECO established a Chinese holding company in Erdos, Inner Mongolia at the end of 2009 to enhance its management effectiveness and financing flexibility. The energy market on the mainland has great potential to expand. ECO's development of emerging environmentally-friendly energy businesses and its conclusion of related agreements are expected to bring good economic benefits and business prospects to the Group.

(III) TOWNGAS CHINA COMPANY LIMITED (STOCK CODE: 1083.HK)

The Group currently has a 45.61 per cent interest in Towngas China which recorded a profit of HK\$265 million in 2009, an increase of 31 per cent over 2008.

The Group obtained an effective control over the majority of the board of directors of Towngas China, resulting from changes in the board of directors of Towngas China, in late December 2009. Therefore Towngas China was accounted for and consolidated into the consolidated accounts of the Group as a subsidiary as from 31st December 2009.

In 2009, Towngas China set up new city-gas project companies in Chiping county in Shandong province, in Xinjin county and the Xindu district of Chengdu in Sichuan province, in Huangshan in Anhui province, in Yangjiang in Guangdong province and in the Changjiu Industrial Corridor in Jiangxi province. Towngas China also signed agreements for the development of city-gas projects in Linqu in Shandong province and in the New Industrial District of Anshan in Liaoning province in November 2009 and February 2010 respectively. Towngas China will focus on developing city-gas businesses in small to medium-sized cities and continue to strive for rapid expansion through mergers and acquisitions.

PIPELAYING PROJECTS

In order to cope with future demand growth and enhance reliability of gas supply in Hong Kong, several pipelaying projects are currently underway. Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant, to partially replace naphtha as feedstock for the production of town gas, is progressing well. Construction of a 9 km pipeline in the western New Territories to strengthen supply reliability is also in progress. In tandem with the development of West Kowloon, South East Kowloon and a cruise terminal, planning for the networks in these regions is underway, including a route diversion for the submarine pipeline from Ma Tau Kok to North Point. Meanwhile, the Group reached a 30-year agreement with Ocean Park Hong Kong in 2009 for gas supply and utilization. A gas transportation system will be developed to supply gas to Ocean Park's existing attractions, facilities and new extensions under development.

The Group will constantly allocate more resources to the renovation work of the network to ensure safe operation.

PROPERTY DEVELOPMENTS

An overall total of approximately 1.21 million square feet of the Grand Waterfront property development project, located at the Ma Tau Kok south plant site, had been sold by the end of December 2009, representing over 98 per cent of the total residential floor area of the project. Leasing of the commercial area of the project is good.

The Group has a 50 per cent interest in the Grand Promenade property development project at Sai Wan Ho. An overall total of approximately 1.73 million square feet had been sold by the end of December 2009, representing over 99 per cent of the total residential floor area of the project.

The Group has an approximately 15.8 per cent interest in the International Finance Centre ("IFC") complex. Rental demand for the shopping mall and office towers of IFC continues to be good. The occupancy rate of the project's hotel complex, comprising the Four Seasons Hotel and Four Seasons Place, remains high.

NOTES PROGRAMMES

In tandem with the Group's long-term investments on the mainland, HKCG (Finance) Limited, a wholly-owned subsidiary of the Group, successfully issued and sold US\$1 billion notes guaranteed by the Company (the "Notes"; stock code: 4303.HK) in August 2008. The issue was very well-received by investors. A high credit rating of A1 (stable) was assigned to the Notes by international rating agency Moody's Investors Service and a high rating A+ (stable) by Standard and Poor's rating services. The issue also won a number of awards granted by several leading financial publications. The Group's success in completing this transaction before a tightening of credit in the financial markets as a result of the financial tsunami has contributed effectively to the provision of long-term financing for its business developments.

In May 2009, the Group further established a US\$1 billion medium term note programme (the “MTN Programme”) through HKCG (Finance) Limited. Since the establishment of the MTN Programme, the Group has issued medium term notes with an aggregate amount of HK\$3.01 billion up to now at nominal interest rates ranging from 3.90 per cent to 5.00 per cent per annum with a maturity of 10 to 40 years. These included the first ever issue of 30-year notes and 40-year notes - the longest term corporate papers ever issued - in the Hong Kong dollar bond market. The good reception to these corporate papers reflects investors’ confidence towards the Group’s very strong credit standing and long-term development.

COMPANY AWARDS

The Company has been honoured to receive the “2009 Hong Kong Awards for Industries: Customer Service Grand Award” in recognition of its strong tradition of putting “customers first” by providing them with the convenience of a one-stop service ranging from the supply of gas to appliance sales and after-sales services, including installation and maintenance. The “Hong Kong Awards for Industries” (the “Awards”), with full government support, is organised by various trade and industrial organisations representing different business sectors in Hong Kong. The organising committee is chaired by the Director-General of Trade and Industry. The Awards recognises the outstanding achievements of Hong Kong enterprises in different sectors, especially in their move towards higher technology and higher value-added activities. The Awards is highly valued by the local community and the trade and industrial sectors. The Company’s persistent efforts in provision of more value-added services and introduction of innovations have once again earned it industry recognition.

In addition, the Company gained a “2009 Global Chinese Business 1000 – Hong Kong Top 20” award from Yazhou Zhoukan in recognition of the Company’s top 20 market capitalization ranking in Hong Kong as at the end of July 2009.

EMPLOYEES AND PRODUCTIVITY

The number of employees engaged in the town gas business was 1,908 at the end of 2009. During the year under review, the Company’s customers increased by 26,639 with each employee serving 890 customers, slightly up compared to each employee serving 870 customers in 2008. Total remuneration for employees directly involved in the town gas business amounted to HK\$656 million for 2009. In 2009, there was an approximately 2.5 per cent average increase in remuneration over 2008. The Group offers employees rewarding careers based on their capabilities and performance and arranges a variety of training programmes in order to constantly enhance the quality of the Group’s customer services.

On behalf of the Board of Directors, I would like to thank all our employees for their dedication and hard work in creating value for shareholders and customers.

BONUS ISSUE OF SHARES

The Directors propose to make a bonus issue of one new share of HK\$0.25 credited as fully paid for every ten shares held on the Register of Members on 20th May 2010. The necessary resolution will be proposed at the forthcoming Annual General Meeting on 28th May 2010, and if passed, share certificates will be posted on 31st May 2010.

DIVIDEND

The Directors are pleased to recommend a final dividend of HK 23 cents per share payable to shareholders whose names are on the Register of Members as at 20th May 2010. Including the interim dividend of HK 12 cents per share paid on 19th October 2009, the total dividend payout for the whole year shall be HK 35 cents per share.

Barring unforeseen circumstances, the forecast dividends per share for 2010 after bonus share issue shall not be less than that for 2009.

BUSINESS OUTLOOK FOR 2010

The Company anticipates steady growth and an increase of about 26,000 new customers in Hong Kong during 2010. Hong Kong's economy is gradually recovering from the global financial tsunami, with different business sectors including tourism, restaurant, and hotel sectors now beginning to prosper once again. The Group expects commercial and industrial gas sales and appliance sales in Hong Kong to remain stable in 2010. On the other hand, the Group's city-gas and natural gas businesses on the mainland are expected to continue to progress well. In addition, following the mainland government's move towards a policy of energy diversification and environmental protection, the Group predicts good prospects for its emerging environmentally-friendly energy businesses, which will ignite a new light illuminating the way for the Group's long-term development and business growth.

It is anticipated that the results of the Group's emerging environmentally-friendly energy businesses and mainland utility businesses will reach the same level as that of Hong Kong gas businesses in 2012, and will maintain growth momentum faster than Hong Kong businesses thereafter.

LEE Shau Kee

Chairman

Hong Kong, 16th March 2010

The Board of Directors has pleasure in presenting a summary of results of the Group for the year ended 31st December 2009 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2009

	Note	2009 HK\$ Million	2008 HK\$ Million
Revenue	2	12,351.8	12,352.2
Total operating expenses	3	(8,490.4)	(8,738.2)
		<u>3,861.4</u>	<u>3,614.0</u>
Other gains/(losses), net		827.2	(584.6)
Interest expense		(567.8)	(416.8)
Share of profits less losses of associated companies		1,164.4	1,820.3
Share of profits less losses of jointly controlled entities		771.0	524.5
		<u>6,056.2</u>	<u>4,957.4</u>
Profit before taxation		6,056.2	4,957.4
Taxation	4	(747.0)	(562.6)
		<u>5,309.2</u>	<u>4,394.8</u>
Profit for the year		<u>5,309.2</u>	<u>4,394.8</u>
Attributable to:			
Shareholders of the Company		5,175.0	4,302.5
Minority interests		134.2	92.3
		<u>5,309.2</u>	<u>4,394.8</u>
Dividends	5	<u>2,285.3</u>	<u>2,333.0</u>
Earnings per share – basic and diluted, HK cents	6	<u>78.7</u>	<u>64.5</u>
Town gas sold in Hong Kong, million MJ		27,274.1	27,582.7
Number of customers in Hong Kong as at 31st December		1,698,723	1,672,084

CONSOLIDATED BALANCE SHEET
as at 31st December 2009

	2009	2008
Note	HK\$ Million	HK\$ Million
Assets		
Non-current assets		
Property, plant and equipment	23,573.3	15,077.0
Investment property	501.0	523.0
Leasehold land	879.3	561.0
Intangible asset	2,461.7	196.4
Associated companies	8,338.0	10,465.4
Jointly controlled entities	7,011.2	6,164.0
Available-for-sale financial assets	2,996.0	1,105.2
Derivative financial instruments	186.4	-
Retirement benefit assets	59.3	64.7
Other non-current assets	477.0	89.1
	<u>46,483.2</u>	<u>34,245.8</u>
Current assets		
Completed property for sale	29.0	110.1
Inventories	2,588.0	1,806.0
Trade and other receivables	3,164.7	2,429.9
Loan and other receivables from associated companies	41.2	29.4
Loan and other receivables from jointly controlled entities	83.2	86.6
Loan and other receivables from minority interests	106.7	85.4
Housing loans to staff	35.0	46.8
Financial assets at fair value through profit or loss	405.2	767.4
Time deposits over three months	351.9	55.7
Time deposits up to three months, cash and bank balances	12,817.4	12,290.9
	<u>19,622.3</u>	<u>17,708.2</u>
Current liabilities		
Trade and other payables	(5,190.7)	(2,746.7)
Amounts due to jointly controlled entities	(22.2)	-
Loan and other payables to minority interests	(111.4)	(34.0)
Provision for taxation	(556.9)	(384.5)
Borrowings	(4,747.6)	(2,242.5)
	<u>(10,628.8)</u>	<u>(5,407.7)</u>
Net current assets	<u>8,993.5</u>	<u>12,300.5</u>
Total assets less current liabilities	<u>55,476.7</u>	<u>46,546.3</u>
Non-current liabilities		
Customers' deposits	(1,114.4)	(1,074.3)
Deferred taxation	(1,890.0)	(1,272.9)
Borrowings	(15,672.0)	(12,342.5)
Loans payable to minority interests	(12.2)	(44.7)
Derivative financial instruments	-	(312.1)
	<u>(18,688.6)</u>	<u>(15,046.5)</u>
Net assets	<u>36,788.1</u>	<u>31,499.8</u>
Capital and reserves		
Share capital	1,632.3	1,666.4
Share premium	3,618.6	3,618.6
Reserves	26,093.1	23,833.5
Proposed dividend	1,501.8	1,533.1
Shareholders' funds	<u>32,845.8</u>	<u>30,651.6</u>
Minority interests	<u>3,942.3</u>	<u>848.2</u>
Total equity	<u>36,788.1</u>	<u>31,499.8</u>

Notes:

1. Changes in accounting policies

The principal accounting policies applied in the preparation of the consolidated accounts have been consistently applied to the two years presented, unless otherwise stated.

The Group has applied the following new standards and amendments to Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1st January 2009. There is however no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies.

- HKAS 1 (revised) “Presentation of Financial Statements”
- HKAS 23 (revised) “Borrowing Costs”
- HKFRS 7 “Financial Instruments - Disclosures” (amendment)
- HKFRS 8 “Operating segments”

HKICPA has issued a number of new or revised standards, amendments to standards and interpretations which are not effective for accounting period beginning 1st January 2009. The Group has not early adopted these new and revised HKFRS.

2. Segment information

The Group’s principal activity is the production, distribution and marketing of gas, water and related activities in Hong Kong and mainland China. Revenue comprises turnover which includes the following:

	2009 HK\$ Million	2008 HK\$ Million
Gas sales before fuel cost adjustment	8,704.2	8,379.7
Fuel cost adjustment	539.9	1,677.0
	<hr/>	<hr/>
Gas sales after fuel cost adjustment	9,244.1	10,056.7
Equipment sales	963.5	908.3
Maintenance and services	296.6	285.3
Water sales	313.1	289.1
Property sales	493.4	33.2
Rental income	29.1	24.6
Other sales	1,012.0	755.0
	<hr/> 12,351.8 <hr/>	<hr/> 12,352.2 <hr/>

2. Segment information (Continued)

The chief operating decision-maker has been identified as the executive committee members (the “ECM”). ECM reviews the Group’s internal reporting in order to assess performance and allocate resources. ECM considers the business from both a product and geographical perspective. From a product perspective, management assesses the performance of (a) gas, water and related business; and (b) property business. Gas, water and related business is further evaluated on a geographical basis (Hong Kong and Mainland China).

ECM assesses the performance of the operating segments based on a measure of adjusted profit before interest, tax, depreciation and amortisation (the “adjusted EBITDA”). Other information provided, except as noted below, to ECM is measured in a manner consistent with that in the accounts.

Segment assets exclude available-for-sale financial assets, financial assets at fair value through profit or loss, time deposit, cash and bank balances other than those included under segment assets for operation purposes, derivative financial instruments, retirement benefit assets, other non-current assets, loan and other receivables from minority interests and housing loans to staff.

The segment information provided to the ECM for the reportable segments is as follows:

	Gas, water and related business								Total	
	Hong Kong		Mainland China		Property		All other segments			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million	Million	Million	Million	Million	Million	Million
Revenue	7,871.5	9,177.4	3,957.8	3,117.0	522.5	57.8	-	-	12,351.8	12,352.2
Adjusted EBITDA	3,900.0	4,095.9	1,046.3	781.4	199.6	(104.4)	(2.4)	-	5,143.5	4,772.9
Depreciation and amortisation	(548.6)	(479.2)	(277.8)	(221.7)	(0.2)	(0.2)	-	-	(826.6)	(701.1)
Unallocated corporate expenses									(455.5)	(457.8)
									3,861.4	3,614.0
Other gains/(losses), net									827.2	(584.6)
Interest expense									(567.8)	(416.8)
Share of profits less losses of associated companies	-	-	327.5	219.5	837.5	1,600.8	(0.6)	-	1,164.4	1,820.3
Share of profits less losses of jointly controlled entities	-	-	575.2	476.3	197.1	47.6	(1.3)	0.6	771.0	524.5
Profit before taxation									6,056.2	4,957.4
Taxation									(747.0)	(562.6)
Profit for the year									5,309.2	4,394.8
Attributable to:										
Shareholders of the Company									5,175.0	4,302.5
Minority interests									134.2	92.3
									5,309.2	4,394.8

Share of profits of associated companies includes HK\$524.9 million (2008: HK\$1,357.4 million), being the Group’s share of post-tax change in valuation of investment properties at the International Finance Centre (the “IFC”) complex for the year

Share of profits of jointly controlled entities includes HK\$197.1 million (2008: HK\$47.6 million), being the Group’s share of post-tax profits arising from the sale of a portion of the residential units of Grand Promenade.

2. Segment information (Continued)

	Gas, water and related business									
	Hong Kong		Mainland China		Property		All other segments		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Million	Million	Million	Million	Million	Million	Million	Million	Million	Million	
Segment assets	18,459.7	18,098.4	27,639.4	19,196.1	6,328.2	6,504.1	3,782.3	154.8	56,209.6	43,953.4
Unallocated assets:										
- available-for-sale financial assets									2,996.0	1,105.2
- financial assets at fair value through profit and loss									405.2	767.4
- time deposits, cash and bank balances excluded from segment assets									5,630.3	5,842.0
- others									864.4	286.0
Total assets	18,459.7	18,098.4	27,639.4	19,196.1	6,328.2	6,504.1	3,782.3	154.8	66,105.5	51,954.0

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2009 is HK\$8,394.0 million (2008: HK\$9,235.2 million), and the revenue from external customers in PRC is HK\$3,957.8 million (2008: HK\$3,117.0 million).

At 31st December 2009, the total of non-current assets other than financial instruments and retirement benefit assets located in Hong Kong and other countries are HK\$15,596.9 million and HK\$27,167.6 million (2008: HK\$15,319.4 million and HK\$17,667.4 million) respectively.

3. Total operating expenses

	2009	2008
	HK\$ Million	HK\$ Million
Stores and materials used	4,617.7	5,598.6
Cost of property sold	139.6	9.9
Manpower costs	1,120.2	1,006.2
Depreciation and amortization	836.3	708.4
Other operating items	1,776.6	1,415.1
	8,490.4	8,738.2

4. Taxation

The amount of taxation charged to the consolidated income statement represents:

	2009	2008
	HK\$ Million	HK\$ Million
Current taxation - provision for Hong Kong profits tax at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year	537.7	515.8
Current taxation - provision for PRC enterprise income tax at the prevailing rates on the estimated assessable profit for the year	63.7	38.4
Current taxation - under/(over) provision in prior years	1.2	(29.4)
Deferred taxation - origination and reversal of temporary differences	76.3	99.9
Withholding tax	68.1	-
Deferred taxation - change of tax rate for entities operated in Hong Kong	-	(62.1)
	<u>747.0</u>	<u>562.6</u>
	<u><u>747.0</u></u>	<u><u>562.6</u></u>

5. Dividends

	2009	2008
	HK\$ Million	HK\$ Million
Interim, paid - HK 12 cents per ordinary share (2008: HK 12 cents per ordinary share)	783.5	799.9
Final, proposed - HK 23 cents per ordinary share (2008: HK 23 cents per ordinary share)	1,501.8	1,533.1
	<u>2,285.3</u>	<u>2,333.0</u>
	<u><u>2,285.3</u></u>	<u><u>2,333.0</u></u>

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$5,175.0 million (2008: HK\$4,302.5 million) and the weighted average of 6,577,537,751 shares (2008: 6,665,599,584 shares) in issue after adjusting for the shares repurchased during the year.

As there were no diluted potential ordinary shares outstanding during the year (2008: nil), the diluted earnings per share for the year ended 31st December 2009 is the same as the basic earnings per share.

7. Trade and other receivables

	2009 HK\$ Million	2008 HK\$ Million
Trade receivables (Note)	1,646.4	1,360.5
Instalment receivables	57.4	239.7
Payment in advance	627.6	280.4
Other receivables	833.3	549.3
	<hr/>	<hr/>
	3,164.7	2,429.9
	<hr/> <hr/>	<hr/> <hr/>

Note:

The Group has established credit policies for different types of customers. The credit period offered for trade receivables, which subject to periodic review by management, ranges from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 31st December 2009, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	2009 HK\$ Million	2008 HK\$ Million
0 – 30 days	1,404.6	1,128.9
31 – 60 days	38.5	35.8
61 – 90 days	26.3	28.6
Over 90 days	177.0	167.2
	<hr/>	<hr/>
	1,646.4	1,360.5
	<hr/> <hr/>	<hr/> <hr/>

8. Trade and other payables

	2009 HK\$ Million	2008 HK\$ Million
Trade payables (Note a)	1,171.7	463.4
Other payables and accruals (Note b)	4,019.0	2,283.3
	<hr/>	<hr/>
	5,190.7	2,746.7
	<hr/> <hr/>	<hr/> <hr/>

Notes:

(a) As at 31st December 2009, the aging analysis of the trade payables is as follows:

	2009 HK\$ Million	2008 HK\$ Million
0 – 30 days	581.4	294.6
31 – 60 days	63.6	35.2
61 – 90 days	40.4	14.2
Over 90 days	486.3	119.4
	<hr/>	<hr/>
	1,171.7	463.4
	<hr/> <hr/>	<hr/> <hr/>

(b) The balance includes an amount of approximately HK\$60.7 million (2008: HK\$109.5 million) payable to Henderson Land Development Company Limited in relation to its entitlement to 27 per cent of the net sales proceeds generated from the sales of residential units of Grand Waterfront.

DIVIDEND AND BONUS SHARE ISSUE

The Board now recommends a final dividend of HK 23 cents per share payable to shareholders of the Company whose names are on the register of members on 20th May 2010. The Board also recommends the issue of bonus shares on the basis of one bonus share for every ten existing shares held by shareholders registered as such on the register of members on 20th May 2010. The necessary resolutions will be proposed at the forthcoming Annual General Meeting on 28th May 2010, and if passed, dividend warrants and share certificates will be posted on 31st May 2010.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 18th May 2010 to Thursday, 20th May 2010, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed issue of bonus shares and final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 17th May 2010.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 28th May 2010. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about Monday, 26th April 2010.

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 31st December 2009, the Group had a net current deposits position of HK\$8,422 million (31st December 2008: HK\$10,104 million) and long-term borrowings of HK\$15,672 million (31st December 2008: HK\$12,343 million). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$405 million (31st December 2008: HK\$767 million), net current funds as at 31st December 2009 amounted to HK\$8,827 million (31st December 2008: HK\$10,871 million). In addition, banking facilities available for use amounted to HK\$5,897 million (31st December 2008: HK\$3,864 million).

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities and debt financing. The Group has adequate and stable sources of funds and unutilised banking facilities to meet its future capital expenditures and working capital requirements.

Borrowing structure

In May 2009, the Group established a US\$1 billion Medium Term Note Programme (the "Programme") which allows notes to be issued under the Programme within 12 months' period. During the year, the Group issued notes in the total amount of HK\$2,760 million with maturity terms of 10 years, 15 years, 30 years and 40 years in Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the MTNs as at 31st December 2009 was HK\$2,710 million.

As at 31st December 2009, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the “Guaranteed Notes”) issued in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US\$995 million (31st December 2008: US\$995 million) and the carrying value was HK\$7,626 million (31st December 2008: HK\$7,613 million).

As at 31st December 2009, the outstanding principal amount of the 7-year US dollar Guaranteed Senior Notes due 2011 (the “Guaranteed Senior Notes”) issued in September 2004 by a subsidiary of the Group, Towngas China Company Limited, was US\$141 million and the carrying value was HK\$1,110 million. The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited.

As at 31st December 2009, the Group’s borrowings amounted to HK\$20,420 million (31st December 2008: HK\$14,585 million). Other than the Notes mentioned on above which had fixed interest rate while the Guaranteed Senior Notes were secured by a pledge of shares of certain subsidiaries of Towngas China Company Limited, all bank and other loans were unsecured and had a floating interest rate, of which HK\$4,226 million (31st December 2008: HK\$4,730 million) were long-term bank loans while HK\$4,748 million (31st December 2008: HK\$2,242 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2009, the maturity profile of the Group’s borrowings was 23 per cent within 1 year; 23 per cent within 1 to 2 years, 3 per cent within 2 to 5 years and 51 per cent over 5 years (31st December 2008: 16 per cent within 1 year; 8 per cent within 1 to 2 years, 24 per cent within 2 to 5 years and 52 per cent over 5 years).

The US dollar Guaranteed Notes issued are hedged to Hong Kong dollars by currency swaps and the Group’s bank borrowings are primarily denominated in Hong Kong dollars; thus, the Group has no significant exposure to foreign exchange risk. The gearing ratio [net borrowing / (shareholders’ funds + net borrowing)] for the Group as at 31st December 2009 remained healthy at 18 per cent (31st December 2008: 7 per cent). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$405 million as at 31st December 2009 (31st December 2008: HK\$767 million), the net gearing ratio [net debt / (shareholders’ funds + net debt)] stood at 17 per cent (31st December 2008: 5 per cent).

Contingent liabilities

As at 31st December 2009, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associated companies, jointly controlled entities or third parties (31st December 2008: Nil).

Currency profile

The Group’s operations and activities are predominantly based in Hong Kong and mainland China. As such, its cash, cash equivalents or borrowings are mainly denominated in either Hong Kong dollars or United States dollars, whereas borrowings for the Group’s subsidiaries and joint ventures in mainland China are predominantly denominated in the local currency, Renminbi, in order to provide natural hedging for the investment there.

Group’s investments in securities

Under the guidance of the Group’s Treasury Committee, investments have been made in equity and debt securities. As at 31st December 2009, the investments in securities amounted to HK\$3,401 million (31st December 2008: HK\$1,873 million). The performance of the Group’s investments in securities was satisfactory.

CORPORATE GOVERNANCE

During the year ended 31st December 2009, save as disclosed below, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Under the Code Provision E.1.3 of the Code which was in force on 1st January 2009, notice of annual general meeting should be sent to shareholders at least 20 clear business days before the meeting. As the Company arranged an appropriate venue in 2008 to accommodate all the attendees for the 2009 Annual General Meeting, the Company, in accordance with the requirements under its Articles of Association, gave 21 clear days’ notice to the shareholders of the Company before the convening of the Annual General Meeting of the Company which was held on 14th May 2009.

The audit committee has reviewed the Group’s consolidated accounts for the year ended 31st December 2009, including the accounting principles and practices adopted by the Group, in conjunction with PricewaterhouseCoopers, the Group’s external auditor and internal auditor.

PURCHASE, SALE OR REDEMPTION OF THE GROUP’S LISTED SECURITIES

During the year, the Company repurchased 136,216,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$1,994,277,080 before expenses. The repurchased shares were subsequently cancelled. The nominal value of the cancelled shares was transferred to the capital redemption reserve and the aggregate consideration was charged to unappropriated profits. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK\$	HK\$	HK\$
March 2009	20,384,000	12.22	10.94	237,917,700
April 2009	43,035,000	14.60	11.88	571,345,500
May 2009	22,898,000	15.50	14.40	341,056,080
June 2009	20,492,000	15.96	15.16	321,606,320
July 2009	7,774,000	16.68	15.82	124,508,620
August 2009	5,783,000	17.16	16.44	96,828,760
September 2009	15,850,000	19.44	17.22	301,014,100
Total	<u>136,216,000</u>			<u>1,994,277,080</u>

Save as mentioned above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares during the year.

By Order of the Board
JOHN H.M. HO
Chief Financial Officer and Company Secretary

Hong Kong, 16th March 2010

As at the date of this announcement, the Board comprises:

Non-executive Directors: Dr. The Hon. Lee Shau Kee (Chairman), Mr. Colin Lam Ko Yin, Mr. Lee Ka Kit and Mr. Lee Ka Shing

Independent Non-executive Directors: Mr. Leung Hay Man, Dr. The Hon. David Li Kwok Po and Professor Poon Chung Kwong

Executive Directors: Mr. Alfred Chan Wing Kin and Mr. James Kwan Yuk Choi

