

A BRIGHTER FLAME, A BROADER VISION

In 2001, our watchword was *'bright'*, our lynchpin was *'vision'* and our goal was *'making change happen'*. Here at Towngas, we have looked to the past, considered the present and imagined the future. Simply put, we have sought to build on our successes, and deliver for long-term growth from a point of strong shareholder value and rising customer confidence.

In the last year, the energetic creativity of our workforce brought forth innovative products such as the world's first 2-in-1 washer/gas dryer, and the emergence of a brand personality – TGC – that is pure Towngas. But we were also mindful of our eco-friendly commitment to Hong Kong's green fuel policies. To this end, we not only expanded our groundbreaking liquefied petroleum gas (LPG) vehicle refilling business, but also sustained a competitive advantage by capturing 50 per cent of the market.

Faith in our Company is also dependent on the best possible returns for investors. So we were gratified that our share repurchases last August not only boosted shareholder value, but also created the means for a more efficient capital structure. Managing our future effectively however, also means managing the needs of an upcoming generation of consumers. Their expectations, ever challenging, pioneered a lifestyle shopping concept in 2001 – Towngas Avenue – and in so doing changed the face of our customer centres.

Our business growth strategy also saw persistent expansion within mainland China during 2001. Our city gas frontier extended beyond Guangdong to reach Jiangsu and Shandong provinces, and we expect this thrust to continue as China's World Trade Organisation (WTO) entry shifts from rhetoric into reality. In addition, with our expertise in exploiting natural gas to reduce air pollution, the Company is in a good position to leverage growing concerns for environmental greening, pivotal to the West-to-East pipeline project and Beijing's winning the right to host the 2008 Olympic Games.

While it is true that the recession in the United States and the subsequent fallout occasionally caused the Towngas flame to flicker in the wind during 2001, as we enter the new year, that flame is once more glowing bright and strong. By broadening our vision, we have grown our results, driven by a triumvirate catalyst of talented employees, robust infrastructure, and a wealth of experience. And by making change happen, we have fundamentally positioned ourselves as a leading edge company for gas provision in Asia.