

NOTES TO THE ACCOUNTS

1. Principal Accounting Policies

(a) Basis of Preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention as modified by the revaluation of certain land, properties under development and trading securities.

The Group has adopted new and revised Statements of Standard Accounting Practice ("SSAPs") which became effective on 1st January 2001. In accordance with the SSAP 9 (revised), "Events after the balance sheet date", issued by the HKSA and effective for accounting periods beginning on or after 1st January 2001, dividends proposed or declared after the balance sheet date are no longer recognised as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated. The effect of this change is to increase shareholders' funds at 31st December 1999 and 2000 by HK\$1,082.9 million and HK\$1,181.6 million respectively.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Subsidiaries

Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

Investments in subsidiaries are stated in the accounts of the Company at cost less provision, if necessary, for any impairment losses, plus net amounts due from the relevant companies.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Associated Companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of the associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, investments in associated companies are stated at cost less provision, if necessary, for any impairment losses. The results of the associated companies are accounted for by the Company on the basis of dividends received and receivable.

(e) Jointly Controlled Entities

A jointly controlled entity is a joint venture whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated profit and loss account includes the Group's share of the results of the jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, investments in jointly controlled entities are stated at cost less provision, if necessary, for any impairment losses. The results of the jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

1. Principal Accounting Policies (continued)

(f) Foreign Currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences arising therefrom are dealt with as a movement in reserves.

(g) Fixed Assets

Fixed assets other than properties under development are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their estimated useful lives. The capitalised costs in respect of capital work in progress include direct materials, direct labour costs, subcontracting costs and other direct overheads.

Land for properties under development is stated at cost or valuation. Development expenditure is stated at the aggregate amount of costs, including capitalised interest, incurred at the balance sheet date.

Depreciation of fixed assets is calculated on a straight line basis to write off the cost or valuation less accumulated impairment losses of each asset over its estimated useful life commencing from the month following the date of commissioning or acquisition.

Depreciation periods are as follows:

Land	
– long term lease	Over unexpired terms of the leases
– medium term lease	Over unexpired terms of the leases
Capital Work in Progress	No depreciation
Properties under Development	No depreciation
Installations, Vehicles, Office Furniture and Equipment	5 – 10 years
Compressors	10 years
Production Plant	10 – 25 years
Meters and Risers	15 years
Gasholders, Office, Store and Buildings	30 years
Gas Mains	40 years

In prior years, gas mains were depreciated on a straight line basis over 30 years. The directors have reviewed the estimated useful lives of these assets and considered it appropriate to depreciate them on a straight line basis over 40 years. This represents a change in accounting estimate and the Group's depreciation charge for the current year has been reduced by approximately HK\$44.0 million.

Effective from 1st January 1994, no further revaluations of the Group's land and properties under development have been carried out. The Group places reliance on paragraph 80 of SSAP 17, "Property, Plant and Equipment", which provides exemption from the need to make regular revaluations for such assets.

The carrying amounts of fixed assets are reviewed at each balance sheet date to assess whether their recoverable amounts have declined below their carrying amounts. If there is any indication that a fixed asset is impaired, the recoverable amount of the relevant asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such an impairment loss is recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for the same asset, in which case it is treated as a revaluation decrease.

Profit or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the asset is transferred to retained earnings and is shown as a movement in reserves.

1. Principal Accounting Policies (continued)

(h) Investments in Securities

Investments in securities represent equity and debt securities. Securities which are intended to be held on a continuing basis and for an identified long term purpose are classified as investment securities. Securities not classified as investment securities are classified as trading securities.

(i) Investment Securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of the relevant security will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. The impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) Trading Securities

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from changes in fair values of trading securities are recognised in the profit and loss account.

Profits or losses on disposal of trading securities representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(i) Inventories

Inventories comprise stores and materials and work in progress, and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of overheads. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(j) Accounts Receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet date are stated net of such provision.

(k) Deferred Taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(l) Revenue Recognition

- (i) Town gas sales – based on gas consumption derived from meter readings.
- (ii) Liquefied petroleum gas sales – upon completion of the gas filling transaction.
- (iii) Equipment sales – upon completion of installation work or when equipment, materials and parts are delivered to customers and title has passed.
- (iv) Maintenance, services and other charges – when services are provided and invoiced.
- (v) Interest income – recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (vi) Dividend income – recognised when the right to receive payment is established.
- (vii) Sales of investments in securities – recognised upon the conclusion of the contract notes.
- (viii) Rental income – recognised on a straight line basis.

1. Principal Accounting Policies (continued)

(m) Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing companies are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease periods.

(n) Borrowing Costs

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 profit and loss account in the year in which they are incurred.

(o) Retirement Benefit Costs

The Group contributes to two defined contribution retirement schemes which are available to salaried staff. The assets of the retirement schemes are held separately from those of the Group in independently administered funds. With the implementation of the Mandatory Provident Fund (MPF) Schemes Ordinance in December 2000, the Group also participates in master trust MPF schemes operated by independent service providers. The Group's contributions to these retirement schemes are calculated as a percentage of the employees' basic salaries or relevant income and are expensed as incurred. No forfeited contributions have been utilised by the Group to reduce the existing contributions.

The Group also operates a defined benefit retirement scheme providing benefits to hourly-paid employees based on final pay. The assets of the retirement scheme are held separately from those of the Group in an independently administered fund. Retirement benefit costs are charged to the profit and loss account based on the estimated liability accrued to members. Contributions are paid in accordance with the recommendations made in actuarial reports which are prepared every three years by an independent qualified actuary using the attained age method.

(p) Provisions and Contingent Liabilities

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 when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2. Turnover

The Group's principal activity is the production, distribution and marketing of gas and related activities in Hong Kong which accounts for more than 90 per cent of the Group's turnover and trading results. Accordingly, no segmental analysis is presented. Turnover comprises the following:

	2001 HK\$ M	2000 HK\$ M
Gas Sales before Fuel Cost Adjustment	5,690.3	5,410.0
Fuel Cost Adjustment	(29.2)	99.0
Gas Sales after Fuel Cost Adjustment	5,661.1	5,509.0
Equipment Sales	897.2	876.6
Maintenance and Services	221.0	211.3
Other Sales	78.1	54.0
	<u>6,857.4</u>	<u>6,650.9</u>

3. Operating Profit before Returns on Investments

	2001 HK\$ M	2000 HK\$ M
Turnover	6,857.4	6,650.9
Less Expenses:		
Stores and Materials Used	1,868.4	1,799.6
Salaries and Wages	693.4	669.3
Depreciation	457.3	470.4
Other Operating Items	633.0	650.9
Operating Profit before Returns on Investments	<u>3,205.3</u>	<u>3,060.7</u>

4. Interest Expense

	2001 HK\$ M	2000 HK\$ M
Interest on Bank Loans and Overdrafts	49.7	51.2
Interest on Other Loans wholly repayable within five years	–	11.9
	<u>49.7</u>	<u>63.1</u>
Interest on Customers' Deposits	16.2	26.9
	<u>65.9</u>	<u>90.0</u>
Less: Amount Capitalised	(42.0)	(35.3)
	<u>23.9</u>	<u>54.7</u>

5. Profit before Taxation

	2001 HK\$ M	2000 HK\$ M
Profit before Taxation is stated after crediting and charging the following:		
Crediting:		
Rental Income net of Outgoings	3.5	3.7
Dividend Income from Equity Securities		
– Listed	33.4	25.5
– Unlisted	1.6	1.4
Interest Income from Debt Securities		
– Listed	63.9	17.3
– Unlisted	21.8	12.7
Exchange Gain	15.5	18.1
Net Realised and Unrealised Gains on Investments in Securities	133.3	112.2
Charging:		
Cost of Inventories Sold	2,199.8	2,287.2
Depreciation	457.3	470.4
Operating Lease Rentals – Land and Buildings	20.6	21.6
Auditors' Remuneration	1.9	1.9
Retirement Benefit Costs (Note 7)	88.8	87.7
Net Loss on Residential Maintenance (Note 5a)	0.1	0.3
Note 5a		
Analysis of Net Loss on Residential Maintenance:		
Residential Maintenance Revenue	(151.6)	(143.2)
Less Expenses:		
Salaries and Wages	86.6	84.5
Other Operating Expenses	56.2	50.4
Administrative Overheads	8.9	8.6
Net Loss	0.1	0.3

6. Directors' and Senior Management's Emoluments

(a) Directors' Emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2001 HK\$ M	2000 HK\$ M
Fees	1.6	1.6
Salaries, Allowances and Benefits in Kind	10.7	10.3
Performance Bonus	10.4	9.8
Contributions to Retirement Scheme	5.0	5.0
	<u>27.7</u>	<u>26.7</u>

Number of directors whose emoluments fell within:

Emoluments Band (HK\$ M)	2001	2000
0 – 1.0	8	8
8.0 – 8.5	1	2
8.5 – 9.0	2	1

During the year, the independent non-executive directors of the Company received directors' fees of HK\$0.4 million (2000: HK\$0.4 million) and gas allowances of HK\$0.3 million (2000: HK\$0.3 million).

(b) Five Highest Paid Individuals

The above analysis includes three (2000: three) individuals whose emoluments were among the five highest in the Group. Details of the emoluments payable to the remaining two (2000: two) individuals are as follows:

	2001 HK\$ M	2000 HK\$ M
Salaries, Allowances and Benefits in Kind	3.8	3.8
Performance Bonus	3.3	3.1
Contributions to Retirement Scheme	1.2	1.0
	<u>8.3</u>	<u>7.9</u>

Number of individuals whose emoluments fell within:

Emoluments Band (HK\$ M)	2001	2000
3.5 – 4.0	–	1
4.0 – 4.5	2	1

7. Retirement Benefit Costs

Contributions to the retirement schemes made by the Group and charged to the profit and loss account during the year amounted to HK\$88.8 million (2000: HK\$87.7 million). The benefits of the defined benefit scheme are determined by reference to the final wages and length of service of members.

The latest actuarial valuation of the defined benefit scheme was undertaken as at 31st December 1999 by an independent actuary, Ms. Wing F. Lui of Towers Perrin, a Fellow of the Society of Actuaries of the United States of America, using the attained age method. The valuation was based on the principal assumptions that the expected future income and expenditure of the scheme were discounted at 8 per cent per annum back to the valuation date to assess equivalent capitalised "present values"; and the discount rate was assumed to be 2 per cent per annum higher than the future increase in members' earnings. The actuarial valuation showed that as at 31st December 1999, the scheme assets covered 123 per cent of the benefits accrued to members based on their wages as at 31st December 1999.

8. Taxation

	2001 HK\$ M	2000 HK\$ M
Hong Kong Profits Tax is provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year	476.9	451.1
Deferred Taxation (Note 24)	(6.9)	(6.9)
	<u>470.0</u>	<u>444.2</u>
Share of taxation attributable to an associated company	–	1.6
	<u>470.0</u>	<u>445.8</u>

Deferred taxation amounting to HK\$33.4 million for the year (2000: HK\$49.3 million) has not been provided for in respect of accelerated depreciation allowances.

9. Profit Attributable to Shareholders

Profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$2,622.6 million (2000: HK\$2,567.3 million).

10. Dividends

	2001 HK\$ M	2000 HK\$ M
Interim paid, of HK 12 cents per ordinary share (2000: HK 12 cents per ordinary share)	633.6	616.5
Final, proposed of HK 23 cents per ordinary share (2000: HK 23 cents per ordinary share)	1,196.9	1,181.6
	<u>1,830.5</u>	<u>1,798.1</u>

Notes

- (a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December 1999 and 2000 were HK\$1,082.9 million and HK\$1,181.6 million respectively. Under the new accounting policy as described in Note 1(a), these have been written back against opening reserves as at 1st January 2000 and 2001 as detailed in Note 27 and are now charged in the period in which they were proposed.
- (b) At a meeting held on 14th March 2002 the directors declared a final dividend of HK 23 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2002.

11. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$3,182.7 million (2000: HK\$3,131.0 million) and the weighted average of 5,486,428,575 shares in issue (2000: 5,674,289,670 shares*) after adjusting for the bonus issue and shares repurchased during the year.

* Adjusted for bonus issue in 2001.

12. Fixed Assets

	Land HK\$ M Note (a)	Properties under Development HK\$ M Note (b)	Buildings, Plant, Mains & Other Equipment HK\$ M Note (c)	Total HK\$ M
Group				
Cost or Valuation				
At 1st January 2001	1,797.7	3,090.2	10,842.9	15,730.8
Additions	12.4	2.8	669.8	685.0
Disposals	–	–	(28.5)	(28.5)
At 31st December 2001	<u>1,810.1</u>	<u>3,093.0</u>	<u>11,484.2</u>	<u>16,387.3</u>
Accumulated Depreciation				
At 1st January 2001	220.5	–	3,874.4	4,094.9
Charge for the year	37.3	–	420.0	457.3
Disposals	–	–	(27.5)	(27.5)
At 31st December 2001	<u>257.8</u>	<u>–</u>	<u>4,266.9</u>	<u>4,524.7</u>
Net Book Value				
At 31st December 2001	<u>1,552.3</u>	<u>3,093.0</u>	<u>7,217.3</u>	<u>11,862.6</u>
At 31st December 2000	<u>1,577.2</u>	<u>3,090.2</u>	<u>6,968.5</u>	<u>11,635.9</u>
Company				
Cost or Valuation				
At 1st January 2001	1,771.9	–	10,449.9	12,221.8
Additions	–	–	498.9	498.9
Disposals	–	–	(37.2)	(37.2)
At 31st December 2001	<u>1,771.9</u>	<u>–</u>	<u>10,911.6</u>	<u>12,683.5</u>
Accumulated Depreciation				
At 1st January 2001	218.3	–	3,816.3	4,034.6
Charge for the year	36.7	–	401.6	438.3
Disposals	–	–	(26.7)	(26.7)
At 31st December 2001	<u>255.0</u>	<u>–</u>	<u>4,191.2</u>	<u>4,446.2</u>
Net Book Value				
At 31st December 2001	<u>1,516.9</u>	<u>–</u>	<u>6,720.4</u>	<u>8,237.3</u>
At 31st December 2000	<u>1,553.6</u>	<u>–</u>	<u>6,633.6</u>	<u>8,187.2</u>

12. Fixed Assets (continued)

Note (a) : Land

(i) The analysis of Cost or Valuation of Land is as follows:

	Group HK\$ M	Company HK\$ M
Items stated at:		
Cost	250.1	211.9
Valuation – 1993	1,560.0	1,560.0
	<u>1,810.1</u>	<u>1,771.9</u>

Land at North Point and Tai Po Industrial Estate was revalued by an independent qualified valuer, Chesterton Petty Limited, as at 31st December 1993 on an open market value basis. The carrying amount of the assets of the Group and the Company would have been HK\$96.3 million (2000: HK\$98.5 million) had they been carried at cost less accumulated depreciation.

(ii) The Net Book Value of Land is analysed as follows:

	Group HK\$ M	Company HK\$ M
Held in Hong Kong:		
On medium term leases	1,502.0	1,502.0
On long term leases	14.9	14.9
Held outside Hong Kong:		
On medium term leases	34.6	–
On long term leases	0.8	–
	<u>1,552.3</u>	<u>1,516.9</u>

Note (b) : Properties under Development

Properties under development represent long term leasehold land as follows:

- (i) Ma Tau Kok South, Kowloon (remaining portion of Kowloon Marine Lot 102) with a site area of 130,000 square feet; and
- (ii) Yeung Uk Road, Tsuen Wan (Lot No. 484 in Demarcation District No. 443) with a site area of 9,780 square feet.

The analysis of Cost or Valuation of Properties under Development is as follows:

	Group HK\$ M
Items stated at:	
Cost	123.0
Valuation – 1993	2,970.0
	<u>3,093.0</u>

Property under development at Ma Tau Kok South was revalued by an independent qualified valuer, Chesterton Petty Limited, as at 31st December 1993 on an open market value basis.

12. Fixed Assets (continued)

Note (c) : Buildings, Plant, Mains and Other Equipment

	Buildings, Plant and Equipment HK\$ M	Mains and Risers HK\$ M	Meters and Installations HK\$ M	Capital Work in Progress HK\$ M	Total HK\$ M
Group					
Cost					
At 1st January 2001	3,762.0	5,388.5	1,040.7	651.7	10,842.9
Additions	116.9	56.5	171.2	325.2	669.8
Transfers	14.1	247.6	–	(261.7)	–
Disposals	(25.2)	–	(2.9)	(0.4)	(28.5)
At 31st December 2001	<u>3,867.8</u>	<u>5,692.6</u>	<u>1,209.0</u>	<u>714.8</u>	<u>11,484.2</u>
Accumulated Depreciation					
At 1st January 2001	1,737.6	1,551.1	585.7	–	3,874.4
Charge for the year	202.3	154.6	63.1	–	420.0
Disposals	(24.6)	–	(2.9)	–	(27.5)
At 31st December 2001	<u>1,915.3</u>	<u>1,705.7</u>	<u>645.9</u>	<u>–</u>	<u>4,266.9</u>
Net Book Value					
At 31st December 2001	<u>1,952.5</u>	<u>3,986.9</u>	<u>563.1</u>	<u>714.8</u>	<u>7,217.3</u>
At 31st December 2000	<u>2,024.4</u>	<u>3,837.4</u>	<u>455.0</u>	<u>651.7</u>	<u>6,968.5</u>
Company					
Cost					
At 1st January 2001	3,614.5	5,199.9	1,039.2	596.3	10,449.9
Additions	49.1	9.7	170.6	269.5	498.9
Transfers	8.1	221.1	–	(229.2)	–
Disposals	(32.8)	–	(2.8)	(1.6)	(37.2)
At 31st December 2001	<u>3,638.9</u>	<u>5,430.7</u>	<u>1,207.0</u>	<u>635.0</u>	<u>10,911.6</u>
Accumulated Depreciation					
At 1st January 2001	1,706.3	1,524.8	585.2	–	3,816.3
Charge for the year	191.5	147.2	62.9	–	401.6
Disposals	(23.9)	–	(2.8)	–	(26.7)
At 31st December 2001	<u>1,873.9</u>	<u>1,672.0</u>	<u>645.3</u>	<u>–</u>	<u>4,191.2</u>
Net Book Value					
At 31st December 2001	<u>1,765.0</u>	<u>3,758.7</u>	<u>561.7</u>	<u>635.0</u>	<u>6,720.4</u>
At 31st December 2000	<u>1,908.2</u>	<u>3,675.1</u>	<u>454.0</u>	<u>596.3</u>	<u>6,633.6</u>

13. Subsidiaries

	2001 HK\$ M	2000 HK\$ M
Unlisted Shares, at Cost	1,810.1	1,810.1
Amounts due from Subsidiaries	4,418.5	4,870.5
	6,228.6	6,680.6
Amounts due to Subsidiaries	(3,341.1)	(1,830.1)
	2,887.5	4,850.5

The principal subsidiaries of the Company are shown on pages 79 and 80 of the accounts.

14. Associated Companies

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
Share of Net Assets	177.2	66.9	–	–
Loans to Associated Companies	2,283.0	2,373.2	587.7	869.9
	2,460.2	2,440.1	587.7	869.9

Loans to associated companies are mainly for the financing of properties development projects and the amounts are unsecured, interest free and have no fixed terms of repayment. Particulars of the associated companies as at 31st December 2001 are listed below:

Name	Note	Issued Share Capital/ Registered Capital	Percentage of the Group's Equity Interest	Place of Incorporation/ Operation	Principal Activity
Lane Success Development Limited	(i)	10,000 shares of HK\$1 each	45	Hong Kong	Property Development
Primeland Investment Limited	(ii)	95 shares of US\$1 each	32	British Virgin Islands/ Hong Kong	Investment Holding
GH-Fusion Limited	(iii)	200 shares of US\$1 each	50	British Virgin Islands	Investment Holding
Suzhou Industrial Park Hong Kong and China Gas Company Limited		RMB 44 million	45	People's Republic of China ("PRC")	Gas Production and Sales

14. Associated Companies (continued)

Notes

- (i) The Group holds a 45 per cent interest in Lane Success Development Limited whose principal activity is the development of King's Park Hill project. The property development project is a joint development with Henderson Land Development Limited and has been completed and offered for sale in year 2000.
- (ii) The Group has an effective interest of 15 per cent in the Airport Railway Hong Kong Station project through its 32 per cent interest in Primeland Investment Limited. The project, which includes office, commercial and hotel properties, is being developed in phases up to 2005.
- (iii) The Group holds a 50 per cent interest in GH-Fusion Limited which has a wholly owned subsidiary in the PRC for the manufacturing of polyethylene fittings for gas and water pipe systems.

15. Jointly Controlled Entity

	2001 HK\$ M	Group 2000 HK\$ M
Loan to the Jointly Controlled Entity	208.7	25.0

Loan to the jointly controlled entity represents loan to Yieldway International Limited for the Sai Wan Ho property development project. The loan is unsecured, interest bearing and has no fixed terms of repayment. Particulars of the jointly controlled entity as at 31st December 2001 are listed below:

Name	Issued Share Capital	Percentage of the Group's Equity Interest	Place of Incorporation/ Operation	Principal Activity
Yieldway International Limited	2 shares of HK\$1 each	50	Hong Kong	Property Development

The Group has a 50 per cent interest in a residential development project at Sai Wan Ho which is held through Yieldway International Limited. The project is a joint development with Henderson Land Development Limited and is expected to be completed in 2005.

16. Investment Securities

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
Debt Securities (Note a)	887.2	15.6	–	–
Equity Securities (Note b)	603.0	612.1	69.7	82.1
	<u>1,490.2</u>	<u>627.7</u>	<u>69.7</u>	<u>82.1</u>
Market Value of Listed Investments	<u>1,868.6</u>	<u>1,242.4</u>	<u>74.7</u>	<u>89.3</u>
Notes				
(a) Debt Securities				
Unlisted	11.8	–	–	–
Listed – overseas	875.4	15.6	–	–
	<u>887.2</u>	<u>15.6</u>	<u>–</u>	<u>–</u>
(b) Equity Securities				
Unlisted	5.8	20.6	5.8	18.2
Listed				
Hong Kong	594.3	588.6	63.9	63.9
Overseas	2.9	2.9	–	–
	<u>603.0</u>	<u>612.1</u>	<u>69.7</u>	<u>82.1</u>

17. Inventories

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
Stores and Materials	253.6	289.7	234.6	273.6
Work in Progress	259.2	312.0	258.6	298.8
	<u>512.8</u>	<u>601.7</u>	<u>493.2</u>	<u>572.4</u>

At 31st December 2001, the amount of stores and materials of the Group and the Company carried at net realisable value amounted to HK\$141.5 million (2000: HK\$143.1 million).

18. Debtors and Payment in Advance

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
Trade Debtors (Note)	888.8	829.6	859.0	813.0
Other Debtors and Receivables	153.9	114.0	31.8	53.0
Payment in Advance	222.2	128.4	217.4	127.1
	<u>1,264.9</u>	<u>1,072.0</u>	<u>1,108.2</u>	<u>993.1</u>

Note

The Group has established credit policies for different types of customers. The credit period offered for trade debtors ranges from 30 to 60 days. These are subject to periodic review by management. As at 31st December 2001, the aging analysis of the trade debtors, net of provision, was as follows:

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
0 – 30 days	785.8	682.4	765.0	673.8
31 – 60 days	42.0	66.8	40.9	64.7
61 – 90 days	13.5	19.3	13.1	18.9
Over 90 days	47.5	61.1	40.0	55.6
	<u>888.8</u>	<u>829.6</u>	<u>859.0</u>	<u>813.0</u>

19. Housing Loans to Staff

The housing loans to staff includes loans made to two directors of the Company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance as follows:

	Balance at	Balance at	Maximum
	31/12/2001	31/12/2000	Balance
	HK\$ M	HK\$ M	Outstanding
			during
			2001
			HK\$ M
Alfred Chan Wing Kin	2.8	3.2	3.2
James Kwan Yuk Choi	3.0	3.4	3.4
	<u>5.8</u>	<u>6.6</u>	<u>6.6</u>

The loans are secured by mortgages on the properties purchased. The loans are repayable up to March 2008 for Mr. Alfred Chan Wing Kin and November 2008 for Mr. James Kwan Yuk Choi by monthly instalments which include interest at an annual rate of 2.5 per cent and 3.0 per cent below the best lending rate in Hong Kong during the period 1st January to 23rd January 2001 and 24th January to 31st December 2001 respectively.

20. Trading Securities

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
Debt Securities (Note a)	750.7	434.4	–	–
Equity Securities (Note b)	45.9	239.6	–	1.4
	<u>796.6</u>	<u>674.0</u>	<u>–</u>	<u>1.4</u>
Notes				
(a) Debt Securities				
Unlisted	311.2	122.5	–	–
Listed				
Hong Kong	66.4	124.3	–	–
Overseas	373.1	187.6	–	–
	<u>750.7</u>	<u>434.4</u>	<u>–</u>	<u>–</u>
(b) Equity Securities				
Unlisted	–	23.3	–	–
Listed				
Hong Kong	44.3	120.1	–	–
Overseas	1.6	96.2	–	1.4
	<u>45.9</u>	<u>239.6</u>	<u>–</u>	<u>1.4</u>

21. Time Deposits, Cash and Bank Balances

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
Time Deposits up to three months	1,437.5	3,247.0	216.4	1,142.4
Time Deposits over three months	290.1	2,691.0	43.5	720.4
	<u>1,727.6</u>	<u>5,938.0</u>	<u>259.9</u>	<u>1,862.8</u>
Cash and Bank Balances	120.5	56.7	19.5	36.8
	<u>1,848.1</u>	<u>5,994.7</u>	<u>279.4</u>	<u>1,899.6</u>

22. Trade and Other Payables

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
Trade Creditors (Note)	153.5	109.6	121.1	90.1
Other Creditors and Accruals	512.5	541.7	443.0	504.3
	<u>666.0</u>	<u>651.3</u>	<u>564.1</u>	<u>594.4</u>

Note

At 31st December 2001, the aging analysis of the trade creditors was as follows:

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
0 – 30 days	140.5	100.7	119.8	89.3
31 – 60 days	5.1	2.4	1.2	0.5
61 – 90 days	2.1	1.0	–	–
Over 90 days	5.8	5.5	0.1	0.3
	<u>153.5</u>	<u>109.6</u>	<u>121.1</u>	<u>90.1</u>

23. Bank Loans and Overdrafts

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
Bank Loans	1,338.1	1,244.2	–	260.0
Bank Overdrafts	10.8	10.4	10.8	10.4
	<u>1,348.9</u>	<u>1,254.6</u>	<u>10.8</u>	<u>270.4</u>

24. Deferred Taxation

	Group and Company	
	2001 HK\$ M	2000 HK\$ M
At 1st January	20.7	27.6
Transfer to the Profit and Loss Account (Note 8)	(6.9)	(6.9)
At 31st December	<u>13.8</u>	<u>20.7</u>

24. Deferred Taxation (continued)

The deferred taxation balance relates to the timing differences arising from accelerated depreciation allowances.

The potential liability for deferred taxation in respect of accelerated depreciation allowances for which no provision has been made at 31st December 2001 amounted to HK\$807.1 million (2000: HK\$773.7 million).

Deferred taxation has not been provided for in respect of the properties revaluation surplus as this does not constitute a timing difference.

25. Share Capital

	Ordinary Shares of HK\$0.25 each		Nominal Value	
	2001	2000	2001 HK\$ M	2000 HK\$ M
Authorised:				
At 1st January and at 31st December	10,000,000,000	10,000,000,000	2,500.0	2,500.0
Issued and Fully Paid:				
At 1st January	5,137,585,155	4,708,467,414	1,284.4	1,177.1
Bonus Issue (Note 26)	513,758,515	470,846,741	128.4	117.7
Repurchase of Shares	(447,619,226)	(41,729,000)	(111.9)	(10.4)
At 31st December	5,203,724,444	5,137,585,155	1,300.9	1,284.4

By an ordinary resolution passed on 3rd May 2001, the issued share capital was increased by way of a bonus issue by applying HK\$128,439,629 charging to the share premium account in payment in full at par of 513,758,515 shares of HK\$0.25 each on the basis of one new share for every ten shares held on 20th April 2001. These shares rank pari passu with the existing shares.

On 13th June 2001, the Company announced a conditional cash offer to repurchase up to 300 million shares (subject to adjustment for increase up to 400 million shares) at an offer price of between HK\$9.7 and HK\$10.3 in cash per share. The proposed offer was approved by ordinary resolutions passed at the Extraordinary General Meeting of the Company held on 21st July 2001. On 6th August 2001, the Company announced its acceptance of a total of 364,487,226 shares at HK\$9.7 per share under the offer for a total consideration of approximately HK\$3,535.5 million before expenses. During the year, the Company also repurchased 83,132,000 shares on The Stock Exchange of Hong Kong Limited for an aggregate consideration of HK\$797.1 million before expenses.

26. Share Premium

	Group and Company	
	2001 HK\$ M	2000 HK\$ M
At 1st January	4,165.5	4,283.2
Less: Bonus Issue (Note 25)	(128.4)	(117.7)
At 31st December	4,037.1	4,165.5

27. Reserves

	Properties Revaluation Reserve HK\$ M	General Reserve HK\$ M	Capital Redemption Reserve HK\$ M	Unappropriated Profits HK\$ M	Total HK\$ M
Group					
At 1st January 2001	4,420.8	7,320.0	24.8	1,896.2	13,661.8
Effect of adopting revised SSAP 9 (Note 10a)	–	–	–	1,181.6	1,181.6
At 1st January 2001 as restated	4,420.8	7,320.0	24.8	3,077.8	14,843.4
Profit Attributable to Shareholders	–	–	–	3,182.7	3,182.7
Share of Revaluation Surplus of an Associated Company	117.7	–	–	–	117.7
Transfer (from)/to General Reserve	–	(3,500.0)	–	3,500.0	–
Shares Repurchased	–	–	111.9	(4,361.8)	(4,249.9)
2000 Final Dividend paid	–	–	–	(1,181.6)	(1,181.6)
2001 Interim Dividend paid	–	–	–	(633.6)	(633.6)
2001 Final Dividend proposed	–	–	–	(1,196.9)	(1,196.9)
At 31st December 2001	4,538.5	3,820.0	136.7	2,386.6	10,881.8
Company and Subsidiaries	4,420.8	3,820.0	136.7	2,330.8	10,708.3
Associated Companies	117.7	–	–	55.8	173.5
	4,538.5	3,820.0	136.7	2,386.6	10,881.8
Company					
At 1st January 2001	1,450.8	7,320.0	24.8	369.3	9,164.9
Effect of adopting revised SSAP 9 (Note 10a)	–	–	–	1,181.6	1,181.6
At 1st January 2001 as restated	1,450.8	7,320.0	24.8	1,550.9	10,346.5
Profit Attributable to Shareholders	–	–	–	2,622.6	2,622.6
Transfer (from)/to General Reserve	–	(3,500.0)	–	3,500.0	–
Shares Repurchased	–	–	111.9	(4,361.8)	(4,249.9)
2000 Final Dividend paid	–	–	–	(1,181.6)	(1,181.6)
2001 Interim Dividend paid	–	–	–	(633.6)	(633.6)
2001 Final Dividend proposed	–	–	–	(1,196.9)	(1,196.9)
At 31st December 2001	1,450.8	3,820.0	136.7	299.6	5,707.1

27. Reserves (continued)

	Properties Revaluation Reserve HK\$ M	General Reserve HK\$ M	Capital Redemption Reserve HK\$ M	Unappropriated Profits HK\$ M	Total HK\$ M
Group					
At 1st January 2000	4,420.8	6,920.0	14.4	1,357.0	12,712.2
Effect of adopting revised SSAP 9 (Note 10a)	–	–	–	1,082.9	1,082.9
At 1st January 2000 as restated	4,420.8	6,920.0	14.4	2,439.9	13,795.1
Profit Attributable to Shareholders	–	–	–	3,131.0	3,131.0
Transfer (from)/to General Reserve	–	400.0	–	(400.0)	–
Shares Repurchased	–	–	10.4	(393.7)	(383.3)
1999 Final Dividend paid	–	–	–	(1,082.9)	(1,082.9)
2000 Interim Dividend paid	–	–	–	(616.5)	(616.5)
2000 Final Dividend proposed	–	–	–	(1,181.6)	(1,181.6)
At 31st December 2000	4,420.8	7,320.0	24.8	1,896.2	13,661.8
Company and Subsidiaries	4,420.8	7,320.0	24.8	1,835.3	13,600.9
Associated Companies	–	–	–	60.9	60.9
	4,420.8	7,320.0	24.8	1,896.2	13,661.8
Company					
At 1st January 2000	1,450.8	6,920.0	14.4	393.8	8,779.0
Effect of adopting revised SSAP 9 (Note 10a)	–	–	–	1,082.9	1,082.9
At 1st January 2000 as restated	1,450.8	6,920.0	14.4	1,476.7	9,861.9
Profit Attributable to Shareholders	–	–	–	2,567.3	2,567.3
Transfer (from)/to General Reserve	–	400.0	–	(400.0)	–
Shares Repurchased	–	–	10.4	(393.7)	(383.3)
1999 Final Dividend paid	–	–	–	(1,082.9)	(1,082.9)
2000 Interim Dividend paid	–	–	–	(616.5)	(616.5)
2000 Final Dividend proposed	–	–	–	(1,181.6)	(1,181.6)
At 31st December 2000	1,450.8	7,320.0	24.8	369.3	9,164.9

The distributable reserves of the Company at 31st December 2001, comprising general reserve and unappropriated profits, amounted to HK\$5,316.5 million (2000: HK\$8,870.9 million) before the proposed final dividend for the year ended 31st December 2001.

28. Contingent Liabilities

Guarantees have been executed in respect of banking facilities and other borrowings as follows:

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
Subsidiaries	–	–	3,365.0	3,026.4
Associated Companies	1,082.9	1,050.0	1,082.9	1,050.0
Jointly Controlled Entity	1,200.0	–	1,200.0	–
	<u>2,282.9</u>	<u>1,050.0</u>	<u>5,647.9</u>	<u>4,076.4</u>

Save as disclosed above, the Company and the Group did not have any further contingent liabilities as at 31st December 2001.

29. Capital Commitments

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
Capital expenditure authorised but not brought into the accounts at 31st December	<u>452.9</u>	<u>1,605.0</u>	<u>357.0</u>	<u>365.3</u>
Of which, contracts had been entered into at 31st December	<u>194.4</u>	<u>1,361.5</u>	<u>128.3</u>	<u>122.6</u>

30. Lease Commitments

At 31st December 2001, future aggregate minimum lease payments of land and buildings under non-cancellable operating leases were as follows:

	Group		Company	
	2001 HK\$ M	2000 HK\$ M	2001 HK\$ M	2000 HK\$ M
– Not later than one year	15.8	10.8	15.2	10.1
– Later than one year and not later than five years	10.4	4.7	10.1	4.6
	<u>26.2</u>	<u>15.5</u>	<u>25.3</u>	<u>14.7</u>

31. Related Party Transactions

Save as disclosed in notes 14 and 15, there were no other significant related party transactions undertaken by the Company and the Group at anytime during the year.

32. Reconciliation of Profit before Taxation to Net Cash Inflow from Operating Activities

	2001 HK\$ M	2000 HK\$ M
Profit before Taxation	3,656.9	3,579.1
Share of Losses/(Profits) of Associated Companies	5.1	(50.6)
Interest Income	(312.3)	(383.4)
Interest Expense	23.9	54.7
Dividend Income from Equity Securities	(35.0)	(26.9)
Depreciation	457.3	470.4
(Gain)/Loss on Disposal of Fixed Assets	(0.2)	8.9
Net Realised and Unrealised Gain on Investments in Securities	(133.3)	(112.2)
Increase in Customers' Deposits	51.0	55.5
Decrease/(Increase) in Inventories	91.6	(45.0)
(Increase)/Decrease in Debtors and Payments in Advance	(234.8)	8.4
Decrease in Housing Loans to Staff	18.0	10.4
Increase in Creditors and Accruals	17.2	73.2
Exchange Differences	(0.3)	0.9
Net Cash Inflow from Operating Activities	<u>3,605.1</u>	<u>3,643.4</u>

33. Reconciliation of Interest Income and Expense to Interest Received and Paid

	2001 HK\$ M	2000 HK\$ M
Interest Income	(312.3)	(383.4)
(Decrease)/Increase in Interest Receivable	<u>(24.3)</u>	<u>22.8</u>
Interest Received	<u>(336.6)</u>	<u>(360.6)</u>
Interest Expense	23.9	54.7
Decrease in Interest Payable	<u>44.9</u>	<u>38.5</u>
Interest Paid	<u>68.8</u>	<u>93.2</u>

34. Analysis of Changes in Financing During the Year

	Share Capital and Share Premium HK\$ M	Capital Redemption Reserve HK\$ M	Debentures HK\$ M	Bank Loans HK\$ M	Minority Interests HK\$ M	Total HK\$ M
At 1st January 2001	5,449.9	24.8	–	1,244.2	50.0	6,768.9
Net Cash Inflow/(Outflow) from Financing	–	–	–	95.6	(3.7)	91.9
Transfer to Capital Redemption Reserve	(111.9)	111.9	–	–	–	–
Injection in form of Fixed Assets	–	–	–	–	78.2	78.2
Share of Profit	–	–	–	–	4.2	4.2
Effect of Foreign Exchange Differences	–	–	–	(1.7)	–	(1.7)
At 31st December 2001	<u>5,338.0</u>	<u>136.7</u>	<u>–</u>	<u>1,338.1</u>	<u>128.7</u>	<u>6,941.5</u>
At 1st January 2000	5,460.3	14.4	200.0	136.6	47.2	5,858.5
Net Cash (Outflow)/ Inflow from Financing	–	–	(200.0)	1,107.2	–	907.2
Transfer to Capital Redemption Reserve	(10.4)	10.4	–	–	–	–
Share of Profit	–	–	–	–	2.3	2.3
Effect of Foreign Exchange Differences	–	–	–	0.4	0.5	0.9
At 31st December 2000	<u>5,449.9</u>	<u>24.8</u>	<u>–</u>	<u>1,244.2</u>	<u>50.0</u>	<u>6,768.9</u>

Subsidiary Companies

The following is a list of the principal subsidiaries as at 31st December 2001:

Name	Issued Share Capital/ Registered Capital	Percentage of Issued/ Registered Capital Held	Place of Incorporation/ Operation	Principal Activity
# Tumbrel Investment Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	Investment Holding
# Skyward Investments Limited	10 million ordinary shares of HK\$1 each	100	Hong Kong	Group Financing
# Edonlite Holdings Limited	1,800 million ordinary shares of HK\$1 each	100	British Virgin Islands	Investment Holding
Primebay Investments Limited	1,800 million ordinary shares of HK\$1 each	100	British Virgin Islands	Investment Holding
# Brilliant World International Limited	1,000 ordinary shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment Holding
# Towngas Industrial Gas Company Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	Dry Ice and Production of Industrial Gas
# Towngas Investment Company Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	Investment Holding
State Express Limited	1,000 ordinary shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Building Contractor
Starmax Assets Limited	90 million ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Property Development
Vast World Limited	1,000 ordinary shares of US\$1 each	100	British Virgin Islands	Investment Holding
Planwise Properties Limited	2,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Property Development
Monarch Properties Limited	1,000 ordinary shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment Holding
Union World Limited	1,000 ordinary shares of US\$1 each	100	British Virgin Islands	Group Financing
Prominence Properties Limited	1,000 ordinary shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment Holding
Upwind International Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Securities Investment
Superfun Enterprises Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Securities Investment
U-Tech Engineering Company Limited	5,500,000 ordinary shares of HK\$1 each	100	Hong Kong	Engineering and Related Businesses

Direct subsidiaries of the Company.

Subsidiary Companies (continued)

Name	Issued Share Capital/ Registered Capital	Percentage of Issued/ Registered Capital Held	Place of Incorporation/ Operation	Principal Activity
Technology Capitalisation Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Pathview Properties Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment Holding
ECO Energy Company Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	LPG Filling Stations
Danetop Services Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Barnaby Assets Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Towngas Retail Enterprises Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	Café, Restaurant and Retail Sales
# Towngas International Company Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment Holding
Hong Kong & China Gas (China) Limited	10,000 ordinary shares of HK\$1 each	100	British Virgin Islands	Investment Holding
HKCG Meters Limited	100 ordinary shares of US\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Manufacturing) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Panyu) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Zhongshan) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Guangzhou) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Suzhou) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Qingdao) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Yixing) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
* Panyu Hong Kong & China Gas Limited	RMB 105.0 million	80	PRC	Gas Production and Sales
* Zhongshan Hong Kong & China Gas Limited	RMB 96.0 million	70	PRC	Gas Production and Sales
* Guangzhou Dongyong Hong Kong & China Gas Limited	RMB 48.1 million	80	PRC	Gas Production and Sales
* Qingdao Zhongji Hong Kong & China Gas Company Limited	RMB 14.0 million	90	PRC	Gas Production and Sales
* Yixing Hong Kong & China Gas Company Limited	RMB 107.5 million	80	PRC	Gas Production and Sales

Direct subsidiaries of the Company.

* Sino-foreign Equity Joint Ventures.