

EXTENDING FRONTIERS

The year 2000 was characterised by drive and achievements for Towngas. Substantial progress was made across multiple fronts as the Group's strategic initiatives on quality growth continued to gain momentum. It was indeed a year to feel gratified about and to be proud of: the Group added new investments to its previous base of pilot city gas joint ventures in the Pearl River Delta; new businesses that capitalise on Towngas's fundamental strengths were rolled out speedily. Throughout this period of vigorous activities, the Group was able to report further growth for its core gas business in Hong Kong as the local economy continued with its recovery.

Increasing demand for the utilisation of natural gas in China and the nation's imminent entry into the World Trade Organization have opened up new opportunities for Towngas. And the Group's investments and interests in the mainland have significantly expanded in keeping pace with these developments. They now include a three per cent interest in China's first liquefied natural gas project to be located in Guangdong; a new joint venture for the marketing and manufacture of high-quality polyethylene fittings that will be in high demand for gas and water pipe systems in the near future; and active development in city gas distribution in existing joint ventures in Panyu and Zhongshan, where businesses are rapidly increasing. And this is only the beginning — the mainland potential remains enormous.

Towngas's persistent support for environmental initiatives has also begun to yield results. The Group has won a 21-year government contract to build and operate two liquefied petroleum gas filling stations under the name of ECO Station. The initial success of this project paves the way for further expansion of the Group's green energy business; and plans are now underway to acquire more stations.

Last year's heralded launch of a PC version of the iCare portal was quickly followed by the introduction of iCare's Internet service on TV through the use of set-top box technology. The family-oriented and comprehensive iCare portal rapidly became one of Hong Kong's most frequently visited websites. In a reorganisational move, iCare.com Limited was grouped under Henderson Cyber Limited in which Towngas retained 18.05 per cent equity. Henderson Cyber was successfully listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong in July 2000. In another development, both our Towngas credit card and household protection packages which were launched to enhance customer convenience recorded satisfactory growth.

While much has been accomplished over the past year, we recognise that more can be achieved. In the 21st century, we will position Towngas as a high-performance organisation as well as an environmentally-supportive energy utility. Our service-focused operations and customer-centric culture should stand second to none, and we will continue to leverage our core skills and assets to drive the Group's business growth and expansion plans. We see new frontiers. We will achieve more growth.

THE YEAR'S HIGHLIGHTS

	2000	1999	Change %
OPERATING (COMPANY)			
Number of Customers as at 31st December	1,329,161	1,265,354	+5
Number of Customers per km of Mains	474	467	+1
Installed Capacity, thousand m ³ per hour	458	458	-
Peak Hourly Demand, thousand m ³	434	410	+6
Town gas Sold, million MJ	26,057	24,687	+6
Employees as at 31st December	1,998	2,054	-3
Number of Customers per Employee	665	616	+8
FINANCIAL			
Turnover, HK million dollars	6,651	5,842	+14
Profit Attributable to Shareholders, HK million dollars	3,131	2,899	+8
Dividends, HK million dollars	1,798	1,642	+10
SHAREHOLDERS			
Issued Shares, million of shares	5,138	4,708	+9
Shareholders' Funds, HK million dollars	19,112	18,173	+5
Earnings per Share, HK cents	60.7	55.9*	+9
Dividends per Share, HK cents	35.0	31.8*	+10
Shareholders' Funds, HK dollars per share	3.72	3.51*	+6
Shareholders as at 31st December	13,686	13,926	-2

* Adjusted