

## NOTES TO THE ACCOUNTS

### 1. PRINCIPAL ACCOUNTING POLICIES

#### (a) Basis of Preparation

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

#### (b) Consolidation

The group 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

Investments in subsidiaries are stated in the accounts of the Company at cost less provision, if necessary, for any permanent diminution in value, 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.

In the Company's balance sheet, investments in associated companies are stated at cost less provision, if necessary, for any permanent diminution in value. 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 over which 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 result of the jointly controlled entity for the year, and the consolidated balance sheet includes the Group's share of the net asset of the jointly controlled entity.

In the Company's balance sheet, investment in a jointly controlled entity is stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The result of the jointly controlled entity is accounted for by the Company on the basis of dividends received and receivable.

**(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 are dealt with in the profit and loss account.

The accounts of subsidiaries and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising 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. Major costs incurred in restoring fixed assets to their normal working condition are charged to profit and loss account. Improvements are capitalized and depreciated over their estimated useful lives. The capitalized costs in respect of capital work in progress include direct materials, direct labour costs, subcontracting costs and other overheads.

Depreciation of fixed assets is calculated on a straight line basis to write off the cost or valuation 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
Gas Mains, Gasholders, Office and Store Buildings	30 years

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts.

Profits or losses arising from the disposal of fixed assets are determined as the difference between the net sales proceeds and the carrying amounts of the assets and are recognized in the profit and loss account. Any revaluation reserve balance remaining attributable to the assets is transferred to retained earnings and is shown as a movement in reserves.

**(h) Properties under Development**

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

The carrying amounts of properties under development are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts.

**(i) Operating Leases**

Leases where substantially all the rewards and risks 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 term.

**(j) Deferred Taxation**

Deferred taxation is accounted for at the current tax 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 asset is expected to be payable or receivable in the foreseeable future.

**(k) Inventories**

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

**(l) 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 capitalized 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.

**(m) 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. The Group's contributions to these retirement schemes are calculated as a percentage of the employees' basic salaries and are expensed as incurred. No forfeited contributions have been utilized 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.

**(n) Investments in Securities**

**(i) Investment Securities**

Investment securities are stated at cost less any provision for diminution in value.

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 amount of the reduction is recognized as an expense in the profit and loss account.

**(ii) Trading Securities**

Trading securities comprise of equity and debt securities and are carried at fair value. At each balance sheet date, the net unrealized gains or losses arising from the changes in fair value of trading securities are recognized 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 recognized in the profit and loss account.

**(o) Revenue Recognition**

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

**2. TURNOVER**

The Group is principally engaged in the production, distribution and marketing of town gas and related activities. Turnover comprises the following:

	<b>2000</b>	<b>1999</b>
	<b>HK\$ M</b>	<b>HK\$ M</b>
Gas Sales before Fuel Cost Adjustment	<b>5,410.0</b>	5,109.6
Fuel Cost Adjustment	<b>99.0</b>	(387.6)
Gas Sales after Fuel Cost Adjustment	<b>5,509.0</b>	4,722.0
Equipment Sales	<b>876.6</b>	880.7
Maintenance, Services and Other Charges	<b>265.3</b>	239.6
	<b>6,650.9</b>	5,842.3

**3. OPERATING PROFIT**

	<b>2000</b>	<b>1999</b>
	<b>HK\$ M</b>	<b>HK\$ M</b>
Turnover	<b>6,650.9</b>	5,842.3
Less Expenses:		
Stores and Materials Used	<b>1,799.6</b>	1,328.6
Salaries and Wages	<b>669.3</b>	670.5
Depreciation	<b>470.4</b>	448.7
Other Operating Items	<b>511.8</b>	445.8
Operating Profit	<b>3,199.8</b>	2,948.7

**4. INTEREST EXPENSE**

	<b>2000</b>	<b>1999</b>
	<b>HK\$ M</b>	<b>HK\$ M</b>
Interest on Bank Loans and Overdrafts	<b>51.2</b>	19.6
Interest on Other Loans wholly repayable within five years	<b>11.9</b>	18.0
	<b>63.1</b>	37.6
Interest on Customers' Deposits	<b>26.9</b>	30.3
	<b>90.0</b>	67.9
Less: Amount Capitalized	<b>(35.3)</b>	—
	<b>54.7</b>	67.9

**5. PROFIT BEFORE TAXATION**

	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M
Profit Before Taxation has been arrived at after crediting and charging the followings:		
Crediting:		
Rental Income net of Outgoings	3.7	4.0
Dividend Income from Listed Investments	25.5	20.7
Dividend Income from Unlisted Investments	1.4	0.9
Exchange Gain	18.1	—
Realized and Unrealized Gains on Investments in Securities	112.2	96.8
Charging:		
Cost of Inventories Sold	2,287.2	1,776.8
Depreciation	470.4	448.7
Operating Lease Rentals – Land and Buildings	21.6	24.6
Auditors' Remuneration	1.9	1.8
Retirement Benefit Costs (Note 7)	87.7	87.8
Exchange Loss	—	5.7
Net Loss on Residential Maintenance (Note 5a)	0.3	0.1

Note 5a

**Analysis of Net Loss on Residential Maintenance:**

Residential Maintenance Revenue	(143.2)	(136.0)
Less Expenses:		
Salaries and Wages	84.5	81.4
Other Operating Expenses	50.4	46.4
Administrative Overheads	8.6	8.3
Net Loss	0.3	0.1

**6. DIRECTORS' EMOLUMENTS**

	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M
Fees	1.6	1.5
Salaries, Allowances and Benefits in Kind	10.3	10.0
Performance Bonus	9.8	8.9
Contributions to Retirement Scheme	5.0	4.3
	26.7	24.7

Number of Directors whose emoluments fell within:

<b>Emoluments Band (HK\$ M)</b>	<b>2000</b>	1999
0 - 1.0	8	8
1.0 - 7.5	—	1
7.5 - 8.0	—	2
8.0 - 8.5	2	—
8.5 - 9.0	1	—

During the year, the independent non-executive directors of the Company received Directors' fees of HK\$0.4 million (1999: HK\$0.4 million) and gas allowances of HK\$ 0.3 million (1999: HK\$0.4 million) for the year ended 31st December, 2000.

The above analysis includes three (1999: three) individuals whose emoluments were among the five highest in the Group. Details of the emoluments paid to the other two (1999: two) individuals are:

	2000 HK\$ M	1999 HK\$ M
Salaries, Allowances and Benefits in Kind	3.8	3.6
Performance Bonus	3.1	2.9
Contributions to Retirement Scheme	1.0	0.9
	<b>7.9</b>	<b>7.4</b>

Number of individuals whose emoluments fell within:

Emoluments Band (HK\$ M)	2000	1999
3.5 - 4.0	1	2
4.0 - 4.5	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\$87.7 million (1999: HK\$87.8 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 annum back to the valuation date to assess equivalent capitalized "present values"; and the discount rate was assumed to be 2% per annum higher than the future increase in members' earnings.

The actuarial valuation showed that on 31st December, 1999, the scheme assets which excluded an interest free loan of HK\$20.0 million covered 123 per cent of the benefits accrued to members based on their wages as at 31st December, 1999. As at 31st December, 2000, the interest free loan has been fully repaid.

**8. TAXATION**

	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M
Hong Kong Profits Tax is provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the year	<b>451.1</b>	430.2
Deferred Taxation (Note 15)	<b>(6.9)</b>	(6.9)
	<b>444.2</b>	423.3
Share of taxation attributable to an associated company	<b>1.6</b>	–
	<b>445.8</b>	423.3

Deferred taxation amounting to HK\$26.5 million for the year (1999: HK\$58.3 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\$2,567.3 million (1999: HK\$2,364.9 million).

**10. DIVIDENDS**

	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M
Interim Dividend at 12 cents (1999: 12 cents) per share	<b>616.5</b>	565.0
Proposed Final Dividend at 23 cents (1999: 23 cents) per share	<b>1,181.6</b>	1,082.9
1998 Final Dividend saved on shares repurchased	–	(5.5)
	<b>1,798.1</b>	1,642.4

**11. EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$3,131.0 million (1999: HK\$2,898.5 million) and the weighted average number of 5,160,531,155 shares in issue (1999: 5,185,809,517 shares\*) after adjusting for the bonus issue and shares repurchased during the year.

\* Adjusted for bonus issue in 2000.



**12. SHARE CAPITAL**

	Ordinary Shares of HK\$0.25 each			
	Number of Shares		Nominal Value	
	2000	1999	2000 HK\$ M	1999 HK\$ M
Authorized:				
At 1st January	10,000,000,000	5,000,000,000	2,500.0	1,250.0
Increase during the year	–	5,000,000,000	–	1,250.0
At 31st December	10,000,000,000	10,000,000,000	2,500.0	2,500.0
Issued and Fully Paid:				
At 1st January	4,708,467,414	4,318,542,614	1,177.1	1,079.7
Bonus Issue (Note 13)	470,846,741	429,513,326	117.7	107.4
Exercise of Warrants	–	5,062,474	–	1.2
Repurchase of Shares	(41,729,000)	(44,651,000)	(10.4)	(11.2)
At 31st December	5,137,585,155	4,708,467,414	1,284.4	1,177.1

By an ordinary resolution passed on 5th May, 2000, the issued share capital was increased by way of a bonus issue by applying HK\$117,711,685 charging to the share premium account in payment in full at par of 470,846,741 shares of HK\$0.25 each on the basis of one new share for every ten shares held on 20th April, 2000. These shares rank pari passu with the existing shares.

There was no outstanding warrants as at 31st December, 2000 and 1999.

**13. SHARE PREMIUM**

	Group and Company	
	2000 HK\$ M	1999 HK\$ M
At 1st January	4,283.2	4,334.7
Add: Premium on Warrants exercised	–	56.1
	4,283.2	4,390.8
Less: Bonus Issue (Note 12)	(117.7)	(107.4)
Bonus Issue and Warrants issue expenses	–	(0.2)
At 31st December	4,165.5	4,283.2

**14. RESERVES**

	Properties Revaluation Reserve HK\$ M	General Reserve HK\$ M	Capital Redemption Reserve HK\$ M	Unappropriated Profits HK\$ M	Total HK\$ M
<b>Group</b>					
At 1st January, 2000	4,420.8	6,920.0	14.4	1,357.0	12,712.2
Profit Attributable to Shareholders	—	—	—	3,131.0	3,131.0
Transfer to General Reserve	—	400.0	—	(400.0)	—
Shares Repurchased	—	—	10.4	(393.7)	(383.3)
Dividends	—	—	—	(1,798.1)	(1,798.1)
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
<b>Company</b>					
At 1st January, 2000	1,450.8	6,920.0	14.4	393.8	8,779.0
Profit Attributable to Shareholders	—	—	—	2,567.3	2,567.3
Transfer to General Reserve	—	400.0	—	(400.0)	—
Shares Repurchased	—	—	10.4	(393.7)	(383.3)
Dividends	—	—	—	(1,798.1)	(1,798.1)
At 31st December, 2000	1,450.8	7,320.0	24.8	369.3	9,164.9
<b>Group</b>					
At 1st January, 1999	4,420.8	6,620.0	3.2	864.3	11,908.3
Profit Attributable to Shareholders	—	—	—	2,898.5	2,898.5
Transfer to General Reserve	—	300.0	—	(300.0)	—
Shares Repurchased	—	—	11.2	(463.4)	(452.2)
Dividends	—	—	—	(1,642.4)	(1,642.4)
At 31st December, 1999	4,420.8	6,920.0	14.4	1,357.0	12,712.2
Company and Subsidiaries	4,420.8	6,920.0	14.4	1,345.1	12,700.3
Associated Companies	—	—	—	11.9	11.9
	4,420.8	6,920.0	14.4	1,357.0	12,712.2
<b>Company</b>					
At 1st January, 1999	1,450.8	6,620.0	3.2	434.7	8,508.7
Profit Attributable to Shareholders	—	—	—	2,364.9	2,364.9
Transfer to General Reserve	—	300.0	—	(300.0)	—
Shares Repurchased	—	—	11.2	(463.4)	(452.2)
Dividends	—	—	—	(1,642.4)	(1,642.4)
At 31st December, 1999	1,450.8	6,920.0	14.4	393.8	8,779.0

The distributable reserves of the Company at 31st December, 2000, comprising general reserve and unappropriated profits, amounted to HK\$7,689.3 million (1999: HK\$ 7,313.8 million) after provision for the final dividend for the year ended 31st December, 2000.

**15. DEFERRED TAXATION**

	<b>Group and Company</b>	
	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M
At 1st January	<b>27.6</b>	34.5
Transfer to the Profit and Loss Account (Note 8)	<b>(6.9)</b>	(6.9)
At 31st December	<b>20.7</b>	27.6

The deferred taxation balance at 31st December, 2000 relates to the timing differences arising from accelerated depreciation allowances.

The potential liability for deferred taxation for which no provision has been made in the accounts amounts to HK\$746.1 million (1999: HK\$719.6 million) and is in respect of accelerated depreciation allowances generated from capital expenditure.

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

**16. DEBENTURES**

	<b>Group</b>	
	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M
At 1st January	<b>200.0</b>	200.0
Repurchased during the year	<b>(200.0)</b>	–
At 31st December	<b>–</b>	200.0

**17. LAND**

	<b>Group</b>	<b>Company</b>
	<b>HK\$ M</b>	<b>HK\$ M</b>
The value of Land is made up as follows:		
Cost and Valuation		
At 1st January and at 31st December, 2000	<b>1,797.7</b>	<b>1,771.9</b>
Accumulated Depreciation		
At 1st January, 2000	<b>183.3</b>	<b>181.6</b>
Charge for the year	<b>37.2</b>	<b>36.7</b>
At 31st December, 2000	<b>220.5</b>	<b>218.3</b>
Net Book Value		
At 31st December, 2000	<b>1,577.2</b>	<b>1,553.6</b>
At 31st December, 1999	1,614.4	1,590.3

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

Items stated at:

Cost	<b>237.7</b>	<b>211.9</b>
Valuation - 1993	<b>1,560.0</b>	<b>1,560.0</b>
	<b>1,797.7</b>	<b>1,771.9</b>

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 basis. The carrying amount of the assets of the Group and the Company would have been HK\$98.5 million (1999: HK\$100.6 million) had these assets been carried at cost less accumulated depreciation. In accordance with the Statement of Standard Accounting Practice 2.117 – Property, Plant and Equipment, the Group and the Company are not required to make regular revaluations.

**(b) The Net Book Value of Land is represented by:**

	<b>Group HK\$ M</b>	<b>Company HK\$ M</b>
Held in Hong Kong:		
On medium term leases	<b>1,538.4</b>	<b>1,538.4</b>
On long term leases	<b>15.2</b>	<b>15.2</b>
Held outside Hong Kong:		
On medium term leases	<b>22.8</b>	–
On long term leases	<b>0.8</b>	–
	<b>1,577.2</b>	<b>1,553.6</b>

**18. BUILDINGS, PLANT, MAINS AND OTHER EQUIPMENT**

	<b>Buildings, Plant and Equipment HK\$ M</b>	<b>Mains and Risers HK\$ M</b>	<b>Meters and Installations HK\$ M</b>	<b>Capital Work in Progress HK\$ M</b>	<b>Total HK\$ M</b>
<b>Group</b>					
Cost					
At 1st January, 2000	<b>3,610.4</b>	<b>5,170.9</b>	<b>840.3</b>	<b>567.6</b>	<b>10,189.2</b>
Additions	<b>95.3</b>	<b>8.6</b>	<b>205.8</b>	<b>362.5</b>	<b>672.2</b>
Transfers	<b>60.9</b>	<b>209.0</b>	<b>(0.1)</b>	<b>(269.8)</b>	–
Disposals	<b>(4.6)</b>	–	<b>(5.3)</b>	<b>(8.6)</b>	<b>(18.5)</b>
At 31st December, 2000	<b>3,762.0</b>	<b>5,388.5</b>	<b>1,040.7</b>	<b>651.7</b>	<b>10,842.9</b>
Accumulated Depreciation					
At 1st January, 2000	<b>1,546.0</b>	<b>1,358.3</b>	<b>546.1</b>	–	<b>3,450.4</b>
Charge for the year	<b>195.5</b>	<b>192.8</b>	<b>44.9</b>	–	<b>433.2</b>
Disposals	<b>(3.9)</b>	–	<b>(5.3)</b>	–	<b>(9.2)</b>
At 31st December, 2000	<b>1,737.6</b>	<b>1,551.1</b>	<b>585.7</b>	–	<b>3,874.4</b>
Net Book Value					
At 31st December, 2000	<b>2,024.4</b>	<b>3,837.4</b>	<b>455.0</b>	<b>651.7</b>	<b>6,968.5</b>
At 31st December, 1999	<b>2,064.4</b>	<b>3,812.6</b>	<b>294.2</b>	<b>567.6</b>	<b>6,738.8</b>

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	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
<b>Company</b>					
Cost					
At 1st January, 2000	3,507.5	4,998.9	838.7	521.4	9,866.5
Additions	59.4	7.6	205.8	328.2	601.0
Transfers	51.3	193.4	–	(244.7)	–
Disposals	(3.7)	–	(5.3)	(8.6)	(17.6)
At 31st December, 2000	3,614.5	5,199.9	1,039.2	596.3	10,449.9
Accumulated Depreciation					
At 1st January, 2000	1,522.1	1,339.7	545.8	–	3,407.6
Charge for the year	187.8	185.1	44.7	–	417.6
Disposals	(3.6)	–	(5.3)	–	(8.9)
At 31st December, 2000	1,706.3	1,524.8	585.2	–	3,816.3
Net Book Value					
At 31st December, 2000	1,908.2	3,675.1	454.0	596.3	6,633.6
At 31st December, 1999	1,985.4	3,659.2	292.9	521.4	6,458.9

## 19. PROPERTIES UNDER DEVELOPMENT

	Group HK\$ M
At 1st January, 2000	3,086.6
Additions	3.6
At 31st December, 2000	3,090.2

Properties under development represent long term leasehold land as follows:

- (a) Ma Tau Kok South, Kowloon (remaining portion of Kowloon Marine Lot 102) with a site area of 130,000 square feet; and
- (b) 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	120.2
Valuation - 1993	2,970.0
	3,090.2

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 basis. In accordance with the Statement of Standard Accounting Practice 2.117 – Property, Plant and Equipment, the Group is not required to make regular revaluations.

## 20. SUBSIDIARIES

	2000 HK\$ M	1999 HK\$ M
Unlisted Shares, at Cost	1,810.1	1,810.1
Amounts due from Subsidiaries	4,870.5	5,859.7
	6,680.6	7,669.8
Amounts due to Subsidiaries	(1,830.1)	(1,829.2)
	4,850.5	5,840.6

The principal subsidiaries of the Company are shown on pages 69 and 70 of the accounts.

## 21. ASSOCIATED COMPANIES

	Group		Company	
	2000 HK\$ M	1999 HK\$ M	2000 HK\$ M	1999 HK\$ M
Share of Net Assets	66.9	11.9	–	–
Loans to Associated Companies	2,373.2	2,613.6	869.9	867.9
	2,440.1	2,625.5	869.9	867.9

Loans to associated companies are mainly made 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, 2000 are listed below:

Name	Note	Issued Share Capital	Percentage of the Group's Equity Interest	Place of Incorporation/ Operation	Principal Activity
Lane Success Development Limited	a	10,000 shares of HK\$1 each	45	Hong Kong	Property Development
Primeland Investment Limited	b	95 shares of US\$1 each	32	British Virgin Islands/ Hong Kong	Investment Holding
iBrandDirect.com (Holdings) Limited		90,000 shares of US\$1 each	33.33	Cayman Islands/ Hong Kong	Investment Holding
GH-Fusion Limited		200 shares of US\$1 each	50	British Virgin Islands	Investment Holding

### Notes

- The Group holds a 45% interest in Lane Success Development Limited whose principal activity is the development of King's Park Hill project. The property development project has been completed and offered for sale in year 2000.
- The Group has an effective interest of 15% in the Airport Railway Hong Kong Station project through its 32% interest in Primeland Investment Limited. The project, which includes office, commercial and hotel properties, is being developed in phases up to 2005.

**22. JOINTLY CONTROLLED ENTITIES**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M	<b>HK\$ M</b>	HK\$ M
Amount due from the Jointly Controlled Entity	<b>25.0</b>	–	–	–

Particulars of the jointly controlled entity as at 31st December, 2000 is listed below:

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

**23. INVESTMENT SECURITIES**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M	<b>HK\$ M</b>	HK\$ M
Listed Investments (Note)	<b>607.1</b>	417.2	<b>63.9</b>	88.4
Unlisted Investments	<b>20.6</b>	29.0	<b>18.2</b>	27.3
	<b>627.7</b>	446.2	<b>82.1</b>	115.7

Note  
Listed Investments

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M	<b>HK\$ M</b>	HK\$ M
Listed, at cost				
Hong Kong	<b>588.6</b>	413.3	<b>63.9</b>	88.4
Overseas	<b>18.5</b>	3.9	–	–
	<b>607.1</b>	417.2	<b>63.9</b>	88.4
Market Value of Listed Investments	<b>1,242.4</b>	570.2	<b>89.3</b>	129.1

**24. TRADING SECURITIES**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M	<b>HK\$ M</b>	HK\$ M
Debt Securities (Note a)	<b>434.4</b>	371.1	–	–
Equity Securities (Note b)	<b>239.6</b>	274.0	<b>1.4</b>	–
	<b>674.0</b>	645.1	<b>1.4</b>	–

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	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M	<b>HK\$ M</b>	HK\$ M
Notes				
<b>(a) Debt Securities</b>				
Unlisted	<b>122.5</b>	147.1	—	—
Listed				
Hong Kong	<b>124.3</b>	38.6	—	—
Overseas	<b>187.6</b>	185.4	—	—
	<b>434.4</b>	371.1	—	—
<b>(b) Equity Securities</b>				
Unlisted	<b>23.3</b>	23.3	—	—
Listed				
Hong Kong	<b>120.1</b>	156.4	—	—
Overseas	<b>96.2</b>	94.3	<b>1.4</b>	—
	<b>239.6</b>	274.0	<b>1.4</b>	—

**25. TIME DEPOSITS**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M	<b>HK\$ M</b>	HK\$ M
Time Deposits up to three months	<b>3,247.0</b>	3,514.4	<b>1,142.4</b>	294.0
Time Deposits over three months	<b>2,691.0</b>	774.0	<b>720.4</b>	38.1
	<b>5,938.0</b>	4,288.4	<b>1,862.8</b>	332.1

**26. DEBTORS AND PAYMENT IN ADVANCE**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M	<b>HK\$ M</b>	HK\$ M
Trade Debtors (Note)	<b>829.6</b>	706.7	<b>813.0</b>	693.8
Other Debtors and Receivables	<b>114.0</b>	77.7	<b>53.0</b>	27.0
Payment in Advance	<b>128.4</b>	273.2	<b>127.1</b>	272.1
	<b>1,072.0</b>	1,057.6	<b>993.1</b>	992.9

Note

The Group has established credit policies for different types of customers. The average credit period offered for Trade Debtors ranges from 30 to 60 days. These are subject to periodic review by management.

As at 31st December, 2000, the aging analysis of the Trade Debtors, net of provision, were as follows:



	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M	<b>HK\$ M</b>	HK\$ M
0 - 30 days	<b>682.4</b>	555.7	<b>673.8</b>	550.8
31 - 60 days	<b>66.8</b>	64.2	<b>64.7</b>	60.6
61 - 90 days	<b>19.3</b>	33.8	<b>18.9</b>	33.8
Over 90 days	<b>61.1</b>	53.0	<b>55.6</b>	48.6
	<b>829.6</b>	706.7	<b>813.0</b>	693.8

## 27. OTHER CURRENT ASSETS

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M	<b>HK\$ M</b>	HK\$ M
Inventories (Note a)	<b>601.7</b>	556.7	<b>572.4</b>	540.2
Housing Loans to Staff (Note b)	<b>203.8</b>	214.2	<b>203.8</b>	214.2
Cash and Bank Balances	<b>56.7</b>	40.4	<b>36.8</b>	31.2
	<b>862.2</b>	811.3	<b>813.0</b>	785.6

Notes

### (a) Inventories

Stores and Materials	<b>289.7</b>	258.1	<b>273.6</b>	242.9
Work in Progress	<b>312.0</b>	298.6	<b>298.8</b>	297.3
	<b>601.7</b>	556.7	<b>572.4</b>	540.2

At 31st December, 2000, the amount of Stores and Materials of the Group and the Company carried at net realizable value amounted to HK\$143.1 million (1999: HK\$ 148.6 million).

### (b) 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 are as follows:

	<b>Balance at</b>	<b>Balance at</b>	<b>Maximum Balance</b>
	<b>31/12/1999</b>	<b>31/12/2000</b>	<b>Outstanding during</b>
	<b>HK\$ M</b>	<b>HK\$ M</b>	<b>the Year</b>
			<b>HK\$ M</b>
Alfred Chan Wing Kin			
Managing Director	<b>3.5</b>	<b>3.2</b>	<b>3.5</b>
James Kwan Yuk Choi			
Director & General Manager –			
Marketing & Customer Service	<b>3.7</b>	<b>3.4</b>	<b>3.7</b>
	<b>7.2</b>	<b>6.6</b>	<b>7.2</b>

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 installments which include interest at an annual rate of 2% and 2.5% below the best lending rate in Hong Kong during the period 1st January to 24th January, 2000 and 25th January to 31st December, 2000 respectively.

## 28. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2000	1999	2000	1999
	HK\$ M	HK\$ M	HK\$ M	HK\$ M
Bank Loans	1,244.2	136.6	260.0	59.7
Bank Overdrafts	10.4	24.5	10.4	24.5
	1,254.6	161.1	270.4	84.2

## 29. OTHER CURRENT LIABILITIES

	Group		Company	
	2000	1999	2000	1999
	HK\$ M	HK\$ M	HK\$ M	HK\$ M
Trade Creditors (Note)	109.6	86.6	90.1	76.1
Other Creditors and Accruals	541.7	494.5	504.3	444.4
Provision for Taxation	216.4	308.4	189.5	296.4
	867.7	889.5	783.9	816.9

Note

At 31st December, 2000, the aging analysis of the Trade Creditors were as follows:

	Group		Company	
	2000	1999	2000	1999
	HK\$ M	HK\$ M	HK\$ M	HK\$ M
0 - 30 days	100.7	79.6	89.3	74.7
31 - 60 days	2.4	2.2	0.5	1.4
61 - 90 days	1.0	0.5	—	—
Over 90 days	5.5	4.3	0.3	—
	109.6	86.6	90.1	76.1

## 30. CONTINGENT LIABILITIES

The Company has executed guarantees in respect of bank borrowings of subsidiaries amounting to HK\$3,026.4 million (1999: HK\$2,000 million) and of an associated company amounting to HK\$1,050.0 million (1999: Nil).

## 31. CAPITAL COMMITMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$ M	HK\$ M	HK\$ M	HK\$ M
Capital expenditure authorized but not brought into the accounts at 31st December	1,605.0	463.7	365.3	407.7
Of which, contracts had been entered into at 31st December	1,361.5	214.2	122.6	158.2

**32. LEASE COMMITMENTS**

Operating lease commitments at 31st December payable in the next twelve months, analyzed according to the period in which the lease expires, are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	1999	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M	<b>HK\$ M</b>	HK\$ M
Leases of land and buildings				
which expire				
– within one year	<b>6.5</b>	8.3	<b>5.9</b>	7.8
– in the second to fifth years inclusive	<b>4.4</b>	5.2	<b>4.2</b>	4.8
	<b>10.9</b>	13.5	<b>10.1</b>	12.6

**33. RELATED PARTY TRANSACTIONS**

There were no significant related party transactions undertaken by the Group and the Company at anytime during the year.

**34. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2000</b>	1999
	<b>HK\$ M</b>	HK\$ M
Profit before Taxation	<b>3,579.1</b>	3,322.0
Share of Profits less Losses of Associated Companies	<b>(50.6)</b>	(15.0)
Interest Income	<b>(383.4)</b>	(426.2)
Interest Expense	<b>54.7</b>	67.9
Dividend Income from Listed and Unlisted Investments	<b>(26.9)</b>	(21.6)
Depreciation	<b>470.4</b>	448.7
Loss/(Gain) on Disposal of Fixed Assets	<b>8.9</b>	(0.2)
Realized and Unrealized Loss on Investments in Securities	<b>(112.2)</b>	(96.8)
Increase in Customers' Deposits	<b>55.5</b>	53.4
Increase in Inventories	<b>(45.0)</b>	(71.3)
Decrease in Debtors and Payments in Advance	<b>8.4</b>	123.6
Decrease/(Increase) in Housing Loans to Staff	<b>10.4</b>	(12.0)
Increase in Creditors and Accruals	<b>73.2</b>	52.1
Exchange Differences	<b>0.9</b>	5.8
Net Cash Inflow from Operating Activities	<b>3,643.4</b>	3,430.4

### 35. RECONCILIATION OF INTEREST INCOME AND EXPENSE TO INTEREST RECEIVED AND PAID

	2000 HK\$ M	1999 HK\$ M
Interest Income	(383.4)	(426.2)
Increase in Interest Receivable	22.8	89.1
Interest Received	(360.6)	(337.1)
Interest Expense	54.7	67.9
Decrease in Interest Payable	38.5	25.7
Interest Paid	93.2	93.6

### 36. 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, 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	—	—	—	—
Minority Interests' share of profits	—	—	—	—	2.3	2.3
Effect of foreign exchange difference	—	—	—	0.4#	0.5#	0.9
At 31st December, 2000	5,449.9	24.8	—	1,244.2	50.0	6,768.9
At 1st January, 1999	5,414.4	3.2	200.0	1,057.4	43.3	6,718.3
Net Cash Inflow /(Outflow) from						
Financing	57.1	—	—	(926.6)	—	(869.5)
Transfer to Capital						
Redemption Reserve	(11.2)	11.2	—	—	—	—
Injection of Capital in the form of land	—	—	—	—	3.7#	3.7
Minority Interests' share of profits	—	—	—	—	0.2	0.2
Effect of foreign exchange difference	—	—	—	5.8#	—	5.8
At 31st December, 1999	5,460.3	14.4	200.0	136.6	47.2	5,858.5

# Transactions that do not involve cash flows.

## SUBSIDIARY COMPANIES

The following is a list of the principal subsidiaries as at 31st December, 2000:

Name	Issued Share Capital	Percentage of Issued Capital Held	Place of Incorporation/ Operation	Principal Activity
# Tumbrel Investment 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
# Skyward Investments Limited	10 million ordinary shares of HK\$1 each	100	Hong Kong	Group Financing
Starmax Assets Limited	90 million ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Property Development
# 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
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
# Brilliant World International Limited	1,000 ordinary shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment Holding
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	Investment Holding
Superfun Enterprises 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/PRC	Investment Holding

# Direct subsidiaries of the Company.

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<b>Name</b>	<b>Issued Share Capital</b>	<b>Percentage of Issued Capital Held</b>	<b>Place of Incorporation/ Operation</b>	<b>Principal Activity</b>
U-Tech Engineering Company Limited	5,500,000 ordinary shares of HK\$1 each	100	Hong Kong	Engineering and Related Business
# Towngas Investment Company Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	Investment Holding
Technology Capitalization Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Towngas IT Company Limited	2 ordinary shares of US\$1 each	100	British Virgin Islands	Investment Holding
Frontier Success Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Towngas Global Net Limited	2 ordinary shares of HK\$0.1 each	100	Cayman Islands/ Hong Kong	Investment Holding
Hong Kong & China Gas (Panyu) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/PRC	Investment Holding
Hong Kong & China Gas (Zhongshan) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/PRC	Investment Holding
Hong Kong & China Gas (Fangcun) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/PRC	Investment Holding
Hong Kong & China Gas (Guangzhou) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/PRC	Investment Holding
HKCG Meters Limited	100 ordinary shares of US\$1 each	100	British Virgin Islands	Investment Holding
Panyu Hong Kong & China Gas Limited	RMB 105 million	80	PRC	Gas Production and Sales
Zhongshan Hong Kong & China Gas Limited	RMB 96 million	70	PRC	Gas Production and Sales
Guangzhou Fangcun Hong Kong & China Gas Limited	RMB 10.8 million	60	PRC	Gas Production and Sales
Guangzhou Dongyong Hong Kong & China Gas Limited	RMB 42.2 million	80	PRC	Gas Production and Sales
# Towngas International Company Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment Holding
Pathview Properties Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	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
Hong Kong & China Gas (Manufacturing) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding

# Direct subsidiaries of the Company.