

# THE HONG KONG AND CHINA GAS COMPANY LIMITED

## 2001 INTERIM REPORT

*To Shareholders*

Dear Sir or Madam,

### HALF-YEARLY RESULTS

I am pleased to report that the unaudited profit attributable to shareholders of the Group for the six months ended 30th June 2001 amounted to a record of HK\$1,701.5 million, an increase of HK\$106.7 million as compared with the corresponding period in 2000. Earnings per share amounted to HK cents 30.1 as compared with HK cents 28.0 for the first half of 2000 after adjusting for the one for ten bonus issue of shares.

Highlights of the unaudited results of the Group for the six months ended 30th June 2001 and the comparative unaudited figures for the six months ended 30th June 2000 are shown in the following summary:

	<b>Unaudited</b> <b>Six months ended 30th June</b>	
	<b>2001</b>	<b>2000</b>
Turnover, HK million dollars	<b>3,713.8</b>	3,498.1
Profit Attributable to Shareholders, HK million dollars	<b>1,701.5</b>	1,594.8
Earnings per Share, HK cents	<b>30.1</b>	28.0*
Interim Dividends per Share, HK cents	<b>12.0</b>	12.0
Town Gas Sold in Hong Kong, million MJ	<b>14,525.0</b>	14,107.1
Number of Customers in Hong Kong as at 30th June	<b>1,366,231</b>	1,296,020

\* *Adjusted*

Please refer to the financial statements and notes to the accounts shown on pages 5 to 14 for details.

### CASH OFFER TO REPURCHASE SHARES

In order to create a more efficient capital structure and to enhance the financial performance of the Company, such as return on capital employed and earnings per share, the Company announced on 13th June 2001 that a conditional cash offer ("the Offer") would be made to repurchase up to 300 million shares by inviting tenders at between HK\$9.70 and HK\$10.30 in cash per share. The Directors were given the right to increase the maximum number of shares to be repurchased to up to 400 million shares pursuant to an over-allocation. At an extraordinary general meeting of the Company held on 21st July 2001, over 99% of the votes cast by way of poll by the independent shareholders were in favour of the ordinary resolutions proposed to approve the Offer, and the whitewash waiver and the creeper authorisation relating to the Offer.

As at 3rd August 2001, the date on which the Offer closed, valid tenders totalling over 728 million shares had been received by the Company, indicating enthusiastic responses to the Offer. On 6th August, the Company announced that the Board of Directors had decided to exercise the over-allocation in part, in accordance with the terms of the Offer, and to repurchase over 364 million shares. The strike price was set at HK\$9.70 per share. The total consideration payable to the shareholders by the Company under the Offer is approximately HK\$3,535.5 million.

## **BUSINESS DEVELOPMENT IN CHINA**

In June 2001, the Group announced that it had acquired a 45 per cent interest in Suzhou Industrial Park Hong Kong and China Gas Company Limited ("SIPHKCG") which was formerly known as Suzhou Industrial Park Shell Gas Company Limited, established in mid-1997. The Group has acquired the equity stake previously held by Shell (China) Limited and become the major shareholder and operator of SIPHKCG. Located in Suzhou, Jiangsu Province and adjacent to Shanghai, the Suzhou Industrial Park, with its planned approach and sophisticated infrastructure, is expected to attract sizeable foreign companies to invest. SIPHKCG, with sole proprietary gas supply rights within the Suzhou Industrial Park, is now supplying piped substitute natural gas within the industrial park, and liquefied petroleum gas within and outside the industrial park. The anticipated arrival of natural gas in Suzhou in 2005 will further foster the development of piped gas business in the Suzhou Industrial Park. The Group is optimistic about the prospects of this project.

As China shows growing concern for the development of natural gas, the Group continues to explore gas businesses on the mainland. The Guangdong Liquefied Natural Gas Receiving Terminal and Trunkline Project will pave the way for developing the natural gas market in Hong Kong and the Pearl River Delta. The Group has a 3 per cent interest in this HK\$4.8 billion project. Phase One of the project is expected to be operational in 2005 to supply natural gas to the Pearl River Delta. The Group will continue to develop gas businesses in the region.

The West-to-East gas transmission pipeline project will have a positive effect on the development of the city piped gas market in the eastern part of China. The potential for market development is substantial. The Group is actively exploring natural gas related projects.

## **ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES**

The Group is fully committed to environmental protection and providing Hong Kong with clean fuel. ECO Energy Company Limited ("ECO"), a wholly-owned subsidiary of the Company, is actively taking part in the business of liquefied petroleum gas ("LPG") filling stations. The two LPG filling stations at West Kowloon and Chai Wan, which were commissioned during the fourth quarter of last year, are operating smoothly. Business is growing steadily as 12,000 out of a total of 18,000 taxis have already switched from diesel to LPG as fuel. The two filling stations together are now servicing more than 6,500 taxi visits a day on average.

In March 2001, ECO was awarded the right to design, build and operate two other dedicated LPG filling stations located at Mei Foo and Tuen Mun. The design and construction work of these two new stations is making very good progress. They are expected to commence operations towards the end of this year. Once commissioned, ECO will be strategically positioned to provide even better services to the taxi community.

Along with the completion of the Government feasibility study on the LPG light bus trial scheme, all ECO stations are ready to extend their services to these vehicles. The Group is determined to build on its current success and devote itself as a clean energy provider in support of the Government's environmental policy.

## **SOUTH EAST KOWLOON DEVELOPMENT PLAN**

In tandem with the Government's new development plan in the area, the Group has requested the Town Planning Board to rezone the 130,000 square-foot Ma Tau Kok South Plant site from commercial to residential use. The Town Planning Board gazetted the amendments to the draft Kai Tak (South) Outline Zoning Plan on 24th August 2001 pursuant to the Town Planning Ordinance and the South Plant site has now been rezoned as "Residential (Group E)". The site can be used for residential development upon application to the Town Planning Board with provision of mitigation measures addressing the environmental concerns. A total floor area of over 1.1 million square feet can be developed on this site.

## **AIRPORT RAILWAY HONG KONG STATION PROJECT**

The Group has a 15 per cent interest in this project which is located above the Airport Railway Hong Kong Station and is being developed in phases between 1997 and 2004. Phase One, comprising 780,000 square feet of One International Finance Centre office tower and 130,000 square feet of shopping space, has been fully leased. Construction of Phase Two started in early 2000. This will comprise the 88-storey Two International Finance Centre office tower, a large shopping mall, one six-star hotel tower and one tower for long-term guests. Last year, the Government agreed that the land premium for Phase Two was HK\$5.5 billion.

Two International Finance Centre, with a height of 420 metres, will have a gross floor area of 2 million square feet. The two hotel blocks will have 1.1 million square feet of gross floor area, making it the largest six-star hotel facility in Hong Kong. The hotels will be managed by Four Seasons Hotels and Resorts. The 38-storey hotel tower will have 400 guestrooms while the other 48-storey tower with 600 units will accommodate long-term guests. It is anticipated that the 620,000 square-foot Phase Two shopping mall will be the largest entertainment hub in Central.

## **KING'S PARK HILL JOINT VENTURE DEVELOPMENT**

This development, in which the Group has a 45 per cent interest, has been completed and sales are now in progress. The project comprises 42 detached and semi-detached residential houses and seven blocks of 86 luxury flats, with a total floor area of approximately 241,000 square feet and 140 car park spaces.

## **SAI WAN HO CONCOURSE JOINT VENTURE PROJECT**

The Group has a 50 per cent interest in the Sai Wan Ho waterfront site. The joint venture that the Group formed with Henderson Land Development Company Limited successfully bid for the site for HK\$2.43 billion last December. The 130,000 square-foot area will be developed into five 50-storey luxury residential apartment buildings, providing 1.3 million square feet of residential floor area. Upon completion at the end of 2003, the project is expected to yield substantial returns.

## **EMPLOYEES AND PRODUCTIVITY**

The number of employees for the town gas business was 1,961 as at 30th June 2001, a reduction of 2.4 per cent as compared with the same period for 2000; at the same time the number of customers grew by 5.4 per cent and overall productivity rose by 8.1 per cent. The Group provides our employees with a rewarding career with compensation based on their capabilities and performance. The Group also continues to improve in the areas of technical know-how and management skills and to provide various types of training to the employees. The Group will continue to enhance productivity while providing our customers with quality services.

## **DIVIDEND**

Your Directors have declared an interim dividend of HK cents 12 per share payable to shareholders whose names are on the register of shareholders of the Company as on 12th October 2001. To enable our Registrars to complete the necessary work associated with this payment, the register of shareholders will be closed on Thursday, 11th October 2001 and Friday, 12th October 2001, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Monday, 22nd October 2001.

## **FUTURE OUTLOOK**

The Board of Directors anticipates that the Group's businesses will enjoy steady growth in 2001.

**LEE Shau Kee**  
Chairman

Hong Kong, 18th September 2001