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Expanding Horizons

Our vision: We have a pioneering spirit. When the Company was incorporated in 1862, it was content to merely light up the streets of Hong Kong. Since then we have moved with the beat of progress, growing our product range, enhancing our services, and extending our reach. By 2002, our expanding horizons embraced no less a vision than to become Asia's leading clean energy supplier and quality service provider, with a primary focus on gas.

Our commitment: We are dedicated to maintaining high standards of corporate governance and demonstrating transparency in our accounting and financial information, to ensuring the integrity and safety of our gas network, to preserving and protecting the environment and not least, to being a caring corporate citizen. Last year, our commitment to green policies and support for the less privileged in our society won us respectively, two coveted environmental awards and several honours for our community involvement.

Our strategy: We understand the importance of managing change whilst working to ensure an economic return on investment. Creative marketing initiatives kept our brand at the forefront of consumers' minds and encouraged sales during 2002. Opening our second flagship Towngas Avenue also boosted our quality-service image. Meanwhile, prudent gas network expansion means we are ready to capitalise on promising local developments such as the IT-driven Cyberport campus, the strategically located R&D Science Park and the up-coming Hong Kong International Theme Park as they all gear up for business.

Our future: We have our sights trained on emerging markets. In mainland China, we are forging a future backed by our reputation for innovation, safety and reliability. The dynamics of the world's largest potential energy-consuming population are rapidly changing as the push for clean fuel helps drive economic growth. Towngas' interests in the Guangdong Liquefied Natural Gas Receiving Terminal and Trunkline Project, the mega West-to-East Gas Pipeline Project and burgeoning city piped gas businesses have given us an enviable leading-edge into China's escalating natural gas market.

Our performance: We know market share rests on confidence and integrity. In 2002, we made steady progress, despite the tighter economy, due to our well-managed core business, judicious investment strategies and the enormous promise of our mainland ventures. Our share buyback policy also helped realise an increase in earnings per share. With our deep well of talent, experience and assets, we therefore remain optimistic we can sustain momentum by continuing to expand our horizons in the years to come.

The Year's Highlights

| | 2002 | 2001 | Change % |
|--|------------------|---------------------|----------|
| Operating (Company) | | | |
| Number of Customers as at 31st December | 1,470,738 | 1,407,408 | +4 |
| Number of Customers per km of Mains | 502 | 490 | +2 |
| Installed Capacity, thousand m ³ per hour | 458 | 458 | – |
| Peak Hourly Demand, thousand m ³ | 450 | 424 | +6 |
| Town Gas Sales, million MJ | 26,641 | 26,564 | – |
| Number of Employees as at 31st December | 1,989 | 1,956 | +2 |
| Number of Customers per Employee | 739 | 720 | +3 |
| Financial | | | |
| Turnover, HK million dollars | 6,878 | 6,857 | – |
| Profit attributable to Shareholders, HK million dollars | 3,087 | 3,183 | -3 |
| Dividends, HK million dollars | 1,992 | 1,831 | +9 |
| Shareholders | | | |
| Issued Shares, million of shares | 5,691 | 5,204 | +9 |
| Shareholders' Funds, HK million dollars | 16,611 | 17,201 [#] | -3 |
| Earnings per Share, HK cents | 54.2 | 53.0 [*] | +2 |
| Dividends per Share, HK cents | 35.0 | 31.8 [*] | +10 |
| Shareholders' Funds, HK dollars per share | 2.92 | 3.01 ^{#*} | -3 |
| Number of Shareholders as at 31st December | 13,582 | 13,047 | +4 |

[#] Adjusted for adopting SSAP 34

^{*} Adjusted for bonus issue in 2002