

SERVICE INITIATIVES

Towngas appreciates that proactive initiatives, backed by our hallmark reputation for reliability and service, are powerful consumer acquisition and retention tools. Throughout 2002, we focused on enhancing customer convenience and communications. We were therefore delighted to receive the Hong Kong Retail Management Association Customer Service Award in December, a much-prized seal of approval.

Automatic Meter Reading System

Towngas' Automatic Meter Reading System (AMR) is believed to be the first system in the world designed to collect accurate gas consumption data within high-rise buildings, without the necessity for manual readings. We were then very pleased when AMR won the coveted 2002 Federation of Hong Kong Industries Consumer Product Design Award in recognition of its ground-breaking invention. To date, Towngas has fitted out over 6,000 apartments with AMR devices in both public and private developments. With more installations due on stream, AMR is thus on track to become a standard feature of modern homes in the future.

their personal details without having to contact our staff, and launched a free self-reading gas meter reminder service to facilitate accurate, rather than estimated, monthly accounts.

It was especially satisfying to offer a number of new services to the visually-impaired during 2002, such as Chinese and English Braille gas bills, Braille labelled hotplates with flame-failure safety features, and a barrier-free website. This latter project was voted one of the Ten Most Outstanding Programmes for the Visually-Impaired in March 2002 by the Hong Kong Blind Union.

Continuing Service Diversity

Whilst safety and trust form the cornerstone of our top-notch customer service, perpetual enhancements maintain our leading-edge position. Mindful that convenience and flexibility are a high priority for Hong Kong people, we initiated a one-hour appointment scheme in 2002, subsequent to a same day on-demand scheme launched in 2001. Last year we also introduced an e-bill enquiry service, enabling customers to check their bill information and update

“Superior quality service, a customer-orientated mindset and a firm commitment to the basics are maintaining positive consumer sentiment”

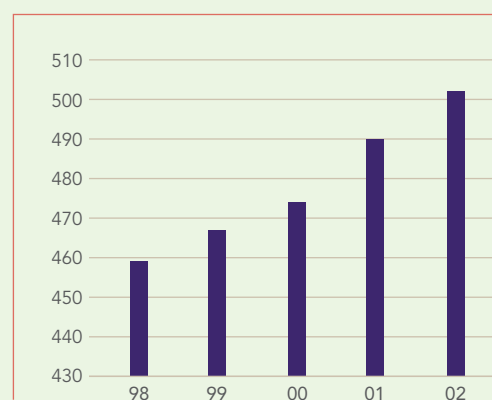


Towngas Avenue extended the footprint of its lifestyle store concept, offering comprehensive services and gourmet dining in a cosy environment, by opening a second store in Causeway Bay.

Listening and Learning

In 2002, we were highly gratified to receive a record number of 1,637 compliment letters in appreciation of our high service standards. A main way we strive to maintain continuing excellence to our customers is through our Customer Focus Teams, who provide a platform for direct communication and promotion of safety and environmental programmes within housing developments. During 2002, the teams held 25 meetings, establishing a conduit for feedback on our products and services. Complementing this scheme, Towngas District Council Focus Teams also took part in over 100 functions throughout the year, creating a further link to the community through local councillors.

**Number of Customers
per km Mains** (Company)



Towngas Service Pledge

May 2001 to April 2002

We pledge		We achieved
Reliability	Uninterrupted gas supply	99.995%
	Restoration of gas supply within 24 hours	100%
Safety	Emergency Teams arrive on site within 45 minutes ¹	99.93%
Appointments	Availability within 2 working days	1.04 working days on average
	Keeping appointments ²	93.87%
Speed and Convenience	Customer Service Hotline	97.83%
	– Calls answered within 5 rings – Less than 1 minute to get access to our staff	96.10%
Service Attitude	Courteous and friendly ³	8.63 (maximum score:10)
Handling Suggestions	Handled written comments or suggestions within 3 working days	100%

¹ Average 20.58 minutes.
² Based on results of monthly surveys conducted between May 2001 and April 2002.
³ Based on monthly surveys conducted between May 2001 and April 2002 by an independent research company.

Towngas Service Pledge Results

We exceeded most of our Service Pledge targets for the period 2001-2002. This underlines yet again, our uncompromising commitment to ensuring safety and reliability of gas supply, speed and convenience in contacting our hotline, and fast emergency response

time. As part of these service level measurements, monthly customer surveys, conducted by an independent research company, also recorded a satisfying upward trend in customer ratings relating to our employees' courteous and friendly attitude.

EMPLOYEES AND PRODUCTIVITY

We seek to build close connections with our employees through our human resources policies, provision of personal learning opportunities and support for career development. In return, Towngas people give us back the skills, creativity and loyalty that foster increasing productivity, improved performance, greater efficiency and above all, a “can-do” culture.

Redeployment, Productivity and Creativity

Despite an on-going tariff freeze, in effect since 1998, we have adopted a strategy of natural attrition and redeployment, rather than implementing a redundancy programme. We met our workforce targets for 2002 by continuing to redeploy employees into such critical areas as our strategic China business ventures, Towngas Avenue, U-Tech, iCare and ECO Stations. At the same time, a range of initiatives also contributed to on-going productivity gains of 2.64 per cent year-on-year, measured in terms of customer numbers per employee. Our Superior Quality Service (SQS) programme plays a pivotal role in helping to realise such encouraging results by inspiring a culture that embraces problem-solving, change-orientated and strategic thinking teamwork. During 2002, SQS contributed savings of HK\$20 million by completing 76 projects covering innovative customer service, product development, safety and improved efficiency programmes.

Roll-out of SQS in the mainland also began to see results last year, furthering a more culturally aligned and creative workforce and complementing

professional development programmes run by the Hong Kong and China Gas Technical Training Centre, located at Guangzhou, Guangdong. Although only officially inaugurated in December, the Centre had already hosted a number of significant workshops for JV partners, in such areas as gas technology, appliance installation and maintenance, and customer service skills.

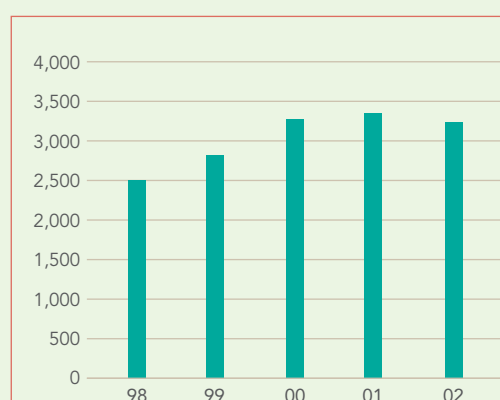
Continuous Learning Strategies

Our Hong Kong based Technical Training Centre (TTC) is the key link in maintaining a pool of highly trained technicians and engineers, whereas Learning and Development Section (LDS) acts as our main arm for delivering highly focused programmes to support business growth. During 2002, TTC graduated 25 apprentices and 30 registered gas installers whilst LDS provided each of our employees with 50 hours of

“Encouraging creativity is driving continuous improvements”

Turnover per Employee

Company (HK\$ thousand)



training on average. In addition, the scope of e-learning modules was expanded last year, so as to enable employees to up-date their knowledge and skills without always having to rely on traditional

classroom training. LDS also organises our graduate training programme, the primary route for sourcing our new generation of managers, one of whose recruits won the highly respected Hong Kong Engineers' Trainee of the Year Award for 2002.

As a corporate citizen, we are equally committed to fostering the learning spirit of young, lively minds within the community. During 2002, 21 youngsters participated in the Government's Youth Work Experience and Training Scheme; 20 university graduates accepted one-year internships as part of our support for the One-Company-One-Job Campaign; and 36 local and overseas students took up summer placements to enhance their industrial know-how.

GAS SUPPLY

Towngas is involved in the entire gas chain from production to supply within Hong Kong, serving industrial, commercial and residential customers. We seek to balance transmission diversity, security to consumers and an expansion of our pipeline system with an economic return on investment, whilst ensuring absolute safety of the gas network.

Infrastructure

We continue to prudently grow our infrastructure in anticipation of future demand and the interests of improving safety, reliability and efficiency. The total length of Hong Kong's gas pipeline network now stands at over 3,000 km, of which 69 km was laid in 2002. The Eastern Transmission Pipeline is

progressing well with commissioning due to take place in 2006. This project will provide sufficient gas storage and distribution capabilities for a projected territorial population growth in the eastern part of Kowloon, as more housing and commercial developments come on stream.

Towngas' pipeline network to the Hong Kong Science Park was completed in time for the Park's official opening in June. The Science Park is a crucial link in the territory's transition to a knowledge-based economy and will support technology, electronic and engineering R&D initiatives. Additionally, its closeness to the mainland border makes the Park well-located for technological businesses focusing on the Pearl River Delta region.

We also gassed up the 2.6 km Cyberport pipeline extension with mains supply last year, again well in advance of requirements. Designed to host a cluster of quality information technology (IT) companies, retail and residential facilities and a 5-star deluxe hotel, Cyberport is set to pioneer new standards in business and home lifestyles. Towngas is now in a good position to reap the initial rewards of our investment as tenants gradually take up their leases.

“Judicious investment in our pipeline network balances capacity with potential for growth without compromising on safety”

Meanwhile, we are making excellent progress with our Hong Kong International Theme Park pipeline. Scheduled for completion in 2004, this project will supply gas to the theme park's hotels, retail outlets, dining and entertainment facilities. Located on Lantau Island, an area of outstanding beauty, the complex is expected to attract over 5 million visitors annually. We are therefore upbeat that the theme park will become a substantial source of recurrent revenue for the Company in the near future.

The classic Disney characters greet the guests and media at the Hong Kong International Theme Park Groundbreaking Ceremony with songs and dances.

