



Towngas has printed a safety booklet in Tagalog, Thai and Indonesian, in addition to Chinese and English, to ensure that Hong Kong's multi-cultural domestic helpers are totally familiar with gas safety. We now also offer Tagalog-language enquiry hotline service.

from risk identification and alleviation to pro-active anticipation and prevention. Extension of such practices will boost safety efficiency even more in the future.

Safety is an equally key tenet of our business expansion in mainland China and we continue to demonstrate our competitive edge in this area for all our cross-border undertakings. To this end, as we roll-out our joint ventures, we are scrupulous in ensuring all necessary equipment, technical training and alignment of safe working practices are comparable to our Hong Kong standards.

## Occupational Health Strategies

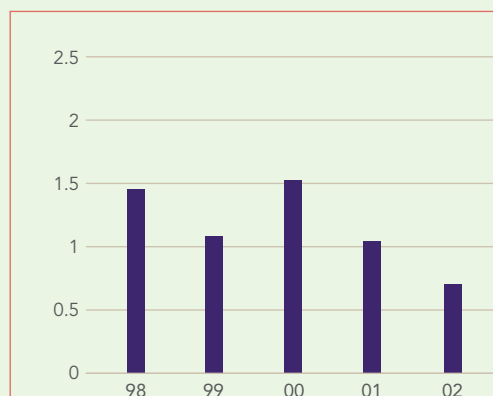
In 2002, our Accident Frequency Rate reached a record low of 0.7 for every 100,000 man-hours worked – a decrease of 32 per cent since the previous year. Our overall objective for the well-being of our workforce is that they continually develop and direct their energies towards the safe transmission, storage and use of gas throughout all our operations. Amongst other initiatives in 2002, over 450 colleagues

completed the Mandatory Basic Safety Training Revalidation Course and 26 ECO Station road tanker drivers attended a Fire Services training programme.

Employees also participated in a Safety and Environmental Protection Day, an inter-departmental quiz and several experience-sharing visits. Such events help nurture the creative synergy of our technical staff, who last year received the Safety Technological Achievement Award (Silver) and the

## Accident Frequency Rate

Company (Number of accidents per 100 thousand man hours)



## Environmental Performance Table

### Ozone Layer Protection

99% of our vehicle air conditioning systems now operate with refrigerant R134A  
65% of BCF fire extinguishers have been replaced by dry powder ones since 1995

### Air Quality

Total NO<sub>x</sub> output was 8.70 kg / TJ of town gas  
Total SO<sub>x</sub> output was 0.12 kg / TJ of town gas  
Total CO<sub>2</sub> output was 15.39 metric tonnes / TJ of town gas

### Water Quality

Total waste water output was 11.74 m<sup>3</sup> / TJ of town gas

### Chemical Waste

Total chemical waste output was 0.64 kg / TJ of town gas

### Noise

All installations and operations complied with the statutory requirements  
No noise abatement notice has ever been received

*All legal requirements relating to environmental protection were fully complied with.*

Best Presentation Award (Bronze) for their innovative design of dustless drilling equipment to keep dust levels to a minimum during installation of appliances at customers' homes.

## Environmental Protection

The Company was included in Morley's Sustainable Futures Fund at the end of 2001, underlining our robust, unambiguous approach to sustainable development issues. Our practices and programmes are set out in our Environmental Report, which has been audited by The Hong Kong Productivity

Council. Open disclosure regarding Towngas' management of environmental risk puts us ahead of an Asian trend that is being spearheaded by listing rules emanating from the New York and London stock exchanges.

Our commitment to environmental enhancement won us the Business Environment Council's 2002 BEC Environmental Performance Award in October, for the second year running. However, not only are we determined as a company to operate in ways that create the least damage to our environment, we are



Our latest environmental awareness print advertisements introduced in 2002, focus on environmental protection and sustainable development.



also intent on encouraging our business associates to address environmental performance measures as well. We have strengthened this resolve by forming an Environmental Liaison with Contractors and Dealers Sub-committee and last year ran a number of "minimising environmental impact" training programmes. In 2002, we also successfully convinced our gas appliance suppliers to abandon the use of polystyrene materials for packaging so as to minimise pollution emanating from non-degradable waste.

We are equally resolute in continuing to environmentally challenge our employees, who in turn are equally set on maintaining their key role in improving our environmental performance. During 2002, Towngas people saved us HK\$0.5 million through redeployment of IT hardware, further reduced their paper consumption, and recycled 3,720 kg of polystyrene waste. These and a raft of other efforts ensured we

not only retained the coveted Government's Gold Wastewi\$e Logo but were also honoured with the Grand Award, the highest possible category, in the Green Office Award (Large Organisations) 2002 Hong Kong Eco-Business Awards.

In addition, we continued our efforts towards reducing global warming and conserving energy usage. Last year, we recovered 9,114 tonnes of CO<sub>2</sub>, 2 per cent more than in 2001, to supply our dry ice business and make carbonated soft drinks. We also harnessed about 6.1 million cubic metres of landfill gas for commercial production of town gas. Currently, we are awaiting the results of a feasibility study, due in 2003, on the utilisation of methane gas released from Hong Kong's sizeable land-fill sites to replace a part of naphtha-produced town gas. Such a project would involve specific gas conversion technology and substantial investment. Other environmental management strategies last year yielded pleasing overall energy savings in excess of HK\$2 million, including contribution from equipping all our 27 offtake and pigging stations with solar power.

Towngas' environmental know-how and reputation also well match the Chinese Government's aggressive clean-energy policy requirements and were a major imperative in helping us to enlarge our investment portfolio in the mainland throughout 2002. As such, we are careful to ensure that all our joint venture projects stringently adhere to sound sustainable practices.

## FINANCIAL RESOURCES REVIEW

### Liquidity and Capital Resources

As at 31st December 2002, the Group had a healthy net cash position of HK\$1,195 million (31st December 2001: HK\$499 million).

During the year, the Company repurchased 30.2 million shares on The Stock Exchange of Hong Kong Limited. The aggregate consideration including related expenses amounted to HK\$291 million in cash.

The operating and capital expenditure of the Group is funded by cash flow from operations, internal liquidity and bank loans. The Group has adequate sources of fund and unutilised banking facilities to meet its future capital expenditure.

### Borrowing Structure

As at 31st December 2002, the Group's bank borrowings amounted to HK\$1,748 million (31st December 2001: HK\$1,349 million). All the Group's borrowings are unsecured and have a floating interest rate with maturity within one year on revolving credit or term loan facility.

The Group's borrowings are primarily denominated in Hong Kong dollars and the Group has no significant exposure to foreign exchange fluctuations. Also, there is no net gearing for the Group as it was in net cash positions throughout the years 2001 to 2002.

### Contingent Liabilities

As at 31st December 2002, the Group provided guarantees totalling HK\$2,249 million (31st December 2001: HK\$2,283 million) in respect of bank borrowing facilities made available to associated companies and jointly controlled entities.

### Currency Profile

The Group's operations and activities are predominantly based in Hong Kong. As such, both its cash and cash equivalents and borrowings are denominated in either Hong Kong dollars or United States dollars. Borrowings for our Group's subsidiaries and joint ventures in mainland China are however predominantly in the local currency, Renminbi.

### Group's Investments in Securities

Under the guidance of the Group's Treasury Committee, investments have been made in equity and debt securities. As at 31st December 2002, the investments in securities amounted to HK\$2,080 million (31st December 2001: HK\$2,287 million). During the year, the performance of the Group's investments in securities was satisfactory.

## CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is an integral part of Towngas' heritage. We believe giving back to the community is a crucial part of best business practice and we expect to be measured by the degree to which our standard of involvement positively impacts the quality and well being of the society in which we operate as a gas utility.

### Social Investment

In the last few years, we have become more directly involved in supporting the less privileged in our society. So during 2002 for example, we donated over 1,000 appliances to single elderly people and several Braille labelled hotplates to the Hong Kong Society for the Blind for training purposes. In addition, many of our employees gave some of their spare time to working on senior citizen projects such as installing free safety handrails, providing free hair-cutting and photography services, and making monthly deliveries of hot soup. In November, Towngas also hosted a day of festivity and good fellowship for more than 300 elderly people to mark the 20,000th participant of the Towngas Elderly Concession Scheme.

“Engaging with the community in a variety of ways is critical to our philosophy of being a caring and committed corporate citizen”



More than 20,000 elderly people have benefited from Towngas' Elderly Concession Scheme since its launch in 1995.

### Partnering with Employees

Sharing and caring have long been part of the Towngas ethos and we are proud of the strong bond that exists between employees and the Company in realising our corporate social responsibilities. Last year, with their boundless energy, Towngas people enthusiastically entertained senior citizens during Chinese New Year, made and distributed 6,000 mooncakes (a traditional Chinese delicacy) to the elderly during Mid-Autumn Festival celebrations and continued to underpin our long-standing support for the Tung Wah Group of Hospitals.



Towngas' sponsorship of the three-year Corporate Afforestation Scheme is well supported by employees and their families, who donate their valuable spare time to help plant trees.

The wholehearted participation of our employees and the enormous spirit of the Towngas Volunteer Team also drove many successful fund-raising activities for the Community Chest in 2002, such as Green Day, Skip Lunch Day and wrapping rice dumplings as a promotional campaign during the summer Dragon Boat Race season. In so doing, our staff earned the Company third ranking in the Community Chest's Top Ten Fund Raising Organisations last April and ensured we retained the President's Award for 2002, for the eighth year running.

### Strategic Sponsorship Activities

We believe that caring corporations can play a vital role in focusing the public on issues which can make a difference to their lives, and which we as a company seek to encourage through our core business objectives, such as preserving and improving the environment. In 2002, Towngas sponsored

Ecotourism for All and the Hoi Ha Marine Life Centre, to help raise awareness to the SAR's wildlife and beautiful natural surroundings, and actively supported several Environmental Protection Department promotional events.



"Rice Dumplings for the Community" is Towngas' largest community-cum-charity annual event. Here students learn how to wrap rice dumplings which raise funds for The Community Chest and are given to needy elderly members of the community.