

## Consolidated Profit and Loss Account

<i>for the year ended 31st December 2002</i>	Note	2002 HK\$ M	2001 HK\$ M
Turnover	2	<b>6,878.0</b>	6,857.4
Operating Profit before Returns on Investments	3	<b>3,384.3</b>	3,205.3
Investment Income		<b>79.2</b>	168.3
Interest Income		<b>123.5</b>	312.3
Interest Expense	4	<b>(4.8)</b>	(23.9)
Share of Profits less Losses of Associated Companies		<b>(1.2)</b>	(5.1)
Profit before Taxation	5	<b>3,581.0</b>	3,656.9
Taxation	8	<b>(482.3)</b>	(470.0)
Profit after Taxation		<b>3,098.7</b>	3,186.9
Minority Interests		<b>(11.7)</b>	(4.2)
Profit Attributable to Shareholders	9	<b>3,087.0</b>	3,182.7
Dividends	10	<b>1,991.8</b>	1,830.5
Earnings per Share, HK cents	11	<b>54.2</b>	53.0*

\* Adjusted for bonus issue in 2002

# Consolidated Balance Sheet

as at 31st December 2002	Note	2002 HK\$ M	2001 HK\$ M
<b>Assets</b>			
<b>Non-Current Assets</b>			
Fixed Assets	12	9,324.2	11,862.6
Associated Companies	14	2,539.8	2,460.2
Jointly Controlled Entities	15	241.6	208.7
Investment Securities	16	1,651.9	1,490.2
		<u>13,757.5</u>	<u>16,021.7</u>
<b>Current Assets</b>			
Properties under Development for Sale	17	1,051.6	–
Inventories	18	604.7	512.8
Debtors and Payment in Advance	19	1,223.7	1,055.1
Housing Loans to Staff	20	168.9	185.8
Trading Securities	21	427.8	796.6
Time Deposits, Cash and Bank Balances	22	2,943.3	1,848.1
		<u>6,420.0</u>	<u>4,398.4</u>
<b>Current Liabilities</b>			
Trade and Other Payables	23	(596.7)	(629.4)
Provision for Taxation		(194.6)	(216.2)
Bank Loans and Overdrafts	24	(1,748.0)	(1,348.9)
		<u>(2,539.3)</u>	<u>(2,194.5)</u>
<b>Net Current Assets</b>		<u>3,880.7</u>	<u>2,203.9</u>
<b>Total Assets Less Current Liabilities</b>		<u>17,638.2</u>	<u>18,225.6</u>
<b>Non-Current Liabilities</b>			
Customers' Deposits		(848.5)	(839.6)
Deferred Taxation	25	(6.9)	(13.8)
Deferred Liabilities	26	(48.0)	(42.9)
		<u>(903.4)</u>	<u>(896.3)</u>
<b>Minority Interests</b>		<u>(123.6)</u>	<u>(128.7)</u>
<b>Net Assets</b>		<u>16,611.2</u>	<u>17,200.6</u>
<b>Capital and Reserves</b>			
Share Capital	27	1,422.7	1,300.9
Share Premium	28	3,907.8	4,037.1
Reserves	29	9,971.8	10,665.7
Proposed Dividend	29	1,308.9	1,196.9
		<u>16,611.2</u>	<u>17,200.6</u>

Approved by the Board of Directors on 5th March 2003

**Lee Shau Kee**  
Director

**Lee Hon Chiu**  
Director

The notes on pages 59 to 84 form part of these accounts.

# Balance Sheet

<i>as at 31st December 2002</i>	Note	2002 HK\$ M	2001 HK\$ M
<b>Assets</b>			
<b>Non-Current Assets</b>			
Fixed Assets	12	8,303.3	8,237.3
Subsidiaries	13	2,707.5	2,887.5
Associated Companies	14	501.0	587.7
Investment Securities	16	63.9	69.7
		<u>11,575.7</u>	<u>11,782.2</u>
<b>Current Assets</b>			
Inventories	18	575.9	493.2
Debtors and Payment in Advance	19	1,125.9	898.4
Housing Loans to Staff	20	168.9	185.8
Time Deposits, Cash and Bank Balances	22	728.0	279.4
		<u>2,598.7</u>	<u>1,856.8</u>
<b>Current Liabilities</b>			
Trade and Other Payables	23	(478.4)	(527.5)
Provision for Taxation		(158.4)	(178.5)
Bank Loans and Overdrafts	24	(42.8)	(10.8)
		<u>(679.6)</u>	<u>(716.8)</u>
<b>Net Current Assets</b>		<u>1,919.1</u>	<u>1,140.0</u>
<b>Total Assets Less Current Liabilities</b>		<u>13,494.8</u>	<u>12,922.2</u>
<b>Non-Current Liabilities</b>			
Customers' Deposits		(848.5)	(839.6)
Deferred Taxation	25	(6.9)	(13.8)
Deferred Liabilities	26	(48.0)	(42.9)
		<u>(903.4)</u>	<u>(896.3)</u>
<b>Net Assets</b>		<u>12,591.4</u>	<u>12,025.9</u>
<b>Capital and Reserves</b>			
Share Capital	27	1,422.7	1,300.9
Share Premium	28	3,907.8	4,037.1
Reserves	29	5,952.0	5,491.0
Proposed Dividend	29	1,308.9	1,196.9
		<u>12,591.4</u>	<u>12,025.9</u>

Approved by the Board of Directors on 5th March 2003

**Lee Shau Kee**  
Director

**Lee Hon Chiu**  
Director

The notes on pages 59 to 84 form part of these accounts.

# Consolidated Cash Flow Statement

for the year ended 31st December 2002	Note	2002		2001	
		HK\$ M	HK\$ M	HK\$ M	HK\$ M
<b>Net Cash Inflow from Operating Activities</b>	34		<b>3,012.7</b>		3,140.2
<b>Investing Activities</b>					
Receipt from Sale of Fixed Assets			1.0		1.2
Purchase of Fixed Assets			(653.2)		(606.3)
Payment for Properties under Development			(34.3)		(2.8)
Increase in Loans to Associated Companies			(367.9)		(274.9)
Repayment of Loans from Associated Companies			237.7		406.2
(Increase)/Decrease in Investments in Associated Companies			(24.1)		3.7
Increase in Investment in a Jointly Controlled Entity			(26.4)		–
Increase in Loan to a Jointly Controlled Entity			–		(1,265.0)
Repayment of Loan from a Jointly Controlled Entity			0.1		1,100.0
Sale of Investments in Securities			1,051.4		1,358.0
Purchase of Investments in Securities			(828.5)		(2,225.0)
Proceeds received in respect of Ma Tau Kok South Development			380.5		–
(Increase)/Decrease in Time Deposits over three months			(502.2)		2,400.9
Interest Received	35		143.0		336.6
Dividends Received			48.9		35.0
<b>Net Cash (Used in)/Inflow from Investing Activities</b>			<b>(574.0)</b>		1,267.6
<b>Financing</b>					
Shares Repurchased	29		(291.4)		(4,361.8)
Repayment to a Minority Shareholder	36		(50.1)		(3.7)
Capital Injection by a Minority Shareholder	36		4.0		–
Increase in Bank Loans	36		766.3		1,013.5
Repayment of Bank Loans	36		(364.7)		(917.9)
Interest Paid	35		(34.5)		(68.8)
Dividends Paid	29		(1,872.8)		(1,815.2)
<b>Net Cash Used in Financing Activities</b>			<b>(1,843.2)</b>		(6,153.9)
<b>Increase/(Decrease) in Cash and Cash Equivalents</b>			<b>595.5</b>		(1,746.1)
<b>Cash and Cash Equivalents at 1st January</b>			<b>1,547.2</b>		3,293.3
<b>Cash and Cash Equivalents at 31st December</b>			<b>2,142.7</b>		1,547.2
<b>Analysis of the Balances of Cash and Cash Equivalents</b>					
Cash and Bank Balances			71.4		120.5
Time Deposits up to three months			2,079.6		1,437.5
Bank Overdrafts			(8.3)		(10.8)
			<b>2,142.7</b>		1,547.2
<b>Analysis of Net Cash Balances</b>					
Balances of Cash and Cash Equivalents			2,142.7		1,547.2
Time Deposits over three months			792.3		290.1
Bank Loans			(1,739.7)		(1,338.1)
			<b>1,195.3</b>		499.2

The notes on pages 59 to 84 form part of these accounts.

## Consolidated Statement of Changes in Equity

<i>for the year ended 31st December 2002</i>	Note	2002 HK\$ M	2001 HK\$ M
Total Equity as at 1st January, as previously reported		<b>17,416.7</b>	20,293.3
Effect of adopting SSAP 34	29	<b>(216.1)</b>	(216.1)
Total Equity as at 1st January, as restated		<b>17,200.6</b>	20,077.2
Impairment on a Property under Development	29	<b>(1,407.1)</b>	–
Share of Revaluation (Deficit)/Surplus of an Associated Company	29	<b>(105.1)</b>	117.7
Net (Losses)/Gains not recognised in the Profit and Loss Account		<b>(1,512.2)</b>	117.7
Profit Attributable to Shareholders for the year	29	<b>3,087.0</b>	3,182.7
Shares Repurchased	29	<b>(291.4)</b>	(4,361.8)
Dividends Paid	29	<b>(1,872.8)</b>	(1,815.2)
Total Equity as at 31st December		<b>16,611.2</b>	17,200.6

The notes on pages 59 to 84 form part of these accounts.

# Notes to the Accounts

## 1. Principal Accounting Policies

### (a) Basis of Preparation

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

The Group has adopted the following new and revised Statements of Standard Accounting Practice ("SSAPs") which became effective on 1st January 2002:

SSAP 1 (Revised)	:	Presentation of Financial Statements
SSAP 15 (Revised)	:	Cash Flow Statements
SSAP 34	:	Employee Benefits

Upon the adoption of SSAP 1 (Revised) and SSAP 15 (Revised), certain presentational changes have been made.

On the first time adoption of SSAP 34 and pursuant to the transitional provisions prescribed in the accounting standard, the Group has chosen to recognise the entire transitional liabilities of HK\$216.1 million, arising from the change in accounting policy for the retirement schemes retrospectively against the opening balance of the unappropriated profits and the liabilities have been carried in the balance sheet as Deferred Liabilities. Certain comparatives have also been restated accordingly. For details, please refer to Note 26 to the accounts.

### (b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

### (c) Subsidiaries

Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

Investments in subsidiaries are stated in the accounts of the Company at cost less provision, if necessary, for any impairment, plus amounts due from/to the relevant companies.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

## 1. Principal Accounting Policies (continued)

### (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 and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, investments in associated companies are stated at cost less provision, if necessary, for any impairment. The results of the associated companies are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

### (e) Jointly Controlled Entities

A jointly controlled entity is a joint venture whereby 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 results of the jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, investments in jointly controlled entities are stated at cost less provision, if necessary, for any impairment. The results of the jointly controlled entities are 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 arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries, associated companies and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences arising therefrom 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 and accumulated impairment. Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their estimated useful lives. The capitalised costs in respect of capital work in progress include direct materials, direct labour costs, subcontracting costs and other direct overheads.

## 1. Principal Accounting Policies (continued)

### (g) Fixed Assets (continued)

Properties under development are investments in land and buildings in which construction work has not been completed and which, upon completion, management intends to hold for investment purposes. These properties are carried at cost or valuation which include development expenditures incurred, capitalised interest and other direct costs attributable to the development less any impairment. On completion, the properties are transferred to investment properties.

Depreciation of fixed assets is calculated on a straight-line basis to write off the cost or valuation less accumulated impairment 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	Over unexpired terms of the leases
Capital Work in Progress	No depreciation
Properties under Development	No depreciation
Vehicles, Office Furniture and Equipment	5 – 10 years
Compressors	10 years
Production Plant	10 – 25 years
Meters and Installation	20 years
Risers, Gasholders, Office, Store and Buildings	30 years
Gas Mains	40 years

During the year, the Directors have reviewed the useful lives of risers, meters and computer system development and considered it appropriate to revise their estimated useful lives as follows:

Risers	from 15 to 30 years
Meters	from 15 to 20 years
Computer system development	from 5 to 10 years

This represents a change in accounting estimates and the Group's depreciation charge for the year was reduced by approximately HK\$59.8 million.

Effective from 1st January 1994, no further revaluations of the Group's land and properties under development have been carried out. The Group places reliance on paragraph 80 of SSAP 17, "Property, Plant and Equipment", which provides exemption from the need to make regular revaluations for such assets.

The carrying amounts of fixed assets are reviewed at each balance sheet date to assess whether their recoverable amounts have declined below their carrying amounts. If there is any indication that a fixed asset is impaired, the recoverable amount of the relevant asset is estimated and where relevant, an impairment is recognised to reduce the asset to its recoverable amount. Such an impairment is recognised in the profit and loss account except where the asset is carried at valuation and the impairment does not exceed the revaluation surplus for the same asset, in which case it is treated as a revaluation decrease.

Profit or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the asset is transferred to retained earnings and is shown as a movement in reserves.

## 1. Principal Accounting Policies *(continued)*

### **(h) Investments in Securities**

Investments in securities represent equity and debt securities. Securities which are intended to be held on a continuing basis and for an identified long-term purpose are classified as investment securities. Securities not classified as investment securities are classified as trading securities.

#### ***(i) Investment Securities***

Investment securities are stated at cost less any provision for impairment.

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 impairment is recognised as an expense in the profit and loss account. The impairment is written back to the profit and loss account when the circumstances and events that led to the write-downs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

#### ***(ii) Trading Securities***

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from changes in fair values of trading securities are recognised 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 recognised in the profit and loss account as they arise.

### **(i) Properties under Development for Sale**

Properties under development for sale are stated at the lower of carrying amount and net realisable value. Carrying amount includes the fair value of the land at the date of transfer from properties under development previously included in fixed assets and development expenditures incurred, capitalised interest and other direct costs attributable to the development.

Net realisable value represents the estimated selling price as determined by reference to prevailing market conditions, less the estimated costs to be incurred in completing and selling the property.

### **(j) Inventories**

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

### **(k) Accounts Receivable**

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

### **(l) Cash and Cash Equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

## 1. Principal Accounting Policies *(continued)*

### (m) Deferred Taxation

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

### (n) Revenue Recognition

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

### (o) Operating Leases

Leases where substantially all the risks and rewards 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 periods.

### (p) 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 capitalised 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.

### (q) Employee Benefits

- (i) Salaries, bonuses and paid annual leave are accrued in the year in which the associated services are rendered by employees to the Group.
- (ii) The Group operates a number of defined contribution and defined benefit retirement schemes and the assets of the schemes are held separately from those of the Group in independently administered funds. The retirement schemes are funded by payments from employees and by the Group, taking into account the recommendations of independent qualified actuaries.

#### *Defined contribution retirement schemes*

The Group contributes to a defined contribution retirement scheme and Mandatory Provident Fund schemes which are available to salaried employees. The Group's contributions to these retirement schemes are calculated as a percentage of the employees' basic salaries or relevant income and are expensed as incurred. No forfeited contributions have been utilised by the Group to reduce the existing contributions.

## 1. Principal Accounting Policies (continued)

### (q) Employee Benefits (continued)

#### *Defined benefit retirement schemes*

The Group also operates two defined benefit retirement schemes. The workmen retirement scheme provides benefit to employees based on final salary and the local employees provident scheme provides benefit based on fixed contributions with a guaranteed return.

The Group's net obligation in respect of the defined benefit retirement schemes is calculated separately for each scheme using the projected unit credit method. The costs of providing scheme benefit are charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with advice of the actuaries who carry out a full valuation of the schemes annually. The benefit obligation is measured as the present value of the estimated future benefit that employees have earned for their service in the current and prior years using interest rates of government bonds which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, are recognised over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefit becomes vested.

### (r) Provisions and Contingent Liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

## 2. Turnover

The Group's principal activity is the production, distribution and marketing of gas and related activities in Hong Kong which accounts for more than 90 per cent of the Group's turnover and trading results. Accordingly, no segmental analysis is presented. Turnover comprises the following:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$ M</b>	<b>HK\$ M</b>
Gas Sales before Fuel Cost Adjustment	<b>5,792.9</b>	5,690.3
Fuel Cost Adjustment	<b>(126.2)</b>	(29.2)
Gas Sales after Fuel Cost Adjustment	<b>5,666.7</b>	5,661.1
Equipment Sales	<b>857.6</b>	897.2
Maintenance and Services	<b>231.3</b>	221.0
Other Sales	<b>122.4</b>	78.1
	<b>6,878.0</b>	6,857.4

### 3. Operating Profit before Returns on Investments

	Group	
	2002 HK\$ M	2001 HK\$ M
Turnover	6,878.0	6,857.4
Less Expenses:		
Stores and Materials Used	(1,803.3)	(1,868.4)
Manpower Costs (Note 6)	(709.2)	(693.4)
Depreciation	(415.4)	(457.3)
Other Operating Items	(565.8)	(633.0)
Operating Profit before Returns on Investments	<u>3,384.3</u>	<u>3,205.3</u>

### 4. Interest Expense

	Group	
	2002 HK\$ M	2001 HK\$ M
Interest on Bank Loans and Overdrafts	34.8	49.7
Interest on Customers' Deposits	0.9	16.2
	<u>35.7</u>	<u>65.9</u>
Less: Amount Capitalised	(30.9)	(42.0)
	<u>4.8</u>	<u>23.9</u>

### 5. Profit before Taxation

	Group	
	2002 HK\$ M	2001 HK\$ M
Profit before Taxation is stated after crediting and charging the following:		
Crediting:		
Dividend Income from Equity Securities		
– Listed	47.8	33.4
– Unlisted	1.1	1.6
Interest Income from Debt Securities		
– Listed	59.8	63.9
– Unlisted	9.6	21.8
Exchange Gain	1.5	15.5
Net Realised and Unrealised Gains on Investments in Securities	21.6	133.3
Charging:		
Cost of Inventories Sold	2,125.5	2,199.8
Depreciation	415.4	457.3
Operating Lease Rentals – Land and Buildings	22.8	20.6
Auditors' Remuneration	2.0	1.9
Net Loss on Residential Maintenance (Note)	0.3	0.1
Note		
<b>Analysis of Net Loss on Residential Maintenance:</b>		
Residential Maintenance Revenue	(159.8)	(151.6)
Less Expenses:		
Salaries and Wages	89.2	86.6
Other Operating and Administrative Expenses	70.9	65.1
Net Loss	<u>0.3</u>	<u>0.1</u>

## 6. Manpower Costs

	Group	
	2002 HK\$ M	2001 HK\$ M
Salaries and Wages	615.7	604.6
Pension Costs – Defined Contribution Retirement Schemes	12.5	11.2
Pension Costs – Defined Benefit Retirement Schemes	81.0	77.6
	<u>709.2</u>	<u>693.4</u>

## 7. Directors' and Senior Management's Emoluments

### (a) Directors' Emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2002 HK\$ M	2001 HK\$ M
Fees	1.6	1.6
Salaries, Allowances and Benefits in Kind	10.4	10.7
Performance Bonus	10.9	10.4
Contributions to Retirement Scheme	5.0	5.0
	<u>27.9</u>	<u>27.7</u>

Number of directors whose emoluments fell within:

Emoluments Band (HK\$ M)	2002	2001
0 – 1.0	8	8
8.0 – 8.5	1	1
8.5 – 9.0	1	2
9.0 – 9.5	1	–

During the year, the independent non-executive directors of the Company received directors' fees of HK\$0.4 million (2001: HK\$0.4 million) and gas allowances of HK\$0.3 million (2001: HK\$0.3 million).

### (b) Five Highest Paid Individuals

The above analysis includes three (2001: three) individuals whose emoluments were among the five highest in the Group. Details of the emoluments payable to the remaining two (2001: two) individuals are as follows:

	2002 HK\$ M	2001 HK\$ M
Salaries, Allowances and Benefits in Kind	3.2	3.8
Performance Bonus	3.2	3.3
Contributions to Retirement Scheme	1.2	1.2
	<u>7.6</u>	<u>8.3</u>

Number of individuals whose emoluments fell within:

Emoluments Band (HK\$ M)	2002	2001
3.0 – 3.5	1	–
4.0 – 4.5	1	2

## 8. Taxation

	Group	
	2002 HK\$ M	2001 HK\$ M
Hong Kong Profits Tax is provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year	489.2	476.9
Deferred Taxation (Note 25)	(6.9)	(6.9)
	<u>482.3</u>	<u>470.0</u>

Deferred taxation amounting to HK\$35.5 million for the year (2001: HK\$24.3 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\$2,729.7 million (2001: HK\$2,622.6 million).

## 10. Dividends

	Company	
	2002 HK\$ M	2001 HK\$ M
Interim, paid of HK 12 cents per ordinary share (2001: HK 12 cents per ordinary share)	682.9	633.6
Final, proposed of HK 23 cents per ordinary share (2001: HK 23 cents per ordinary share)	1,308.9	1,196.9
	<u>1,991.8</u>	<u>1,830.5</u>

At a meeting held on 5th March 2003, the directors declared a final dividend of HK 23 cents per ordinary share for the year ended 31st December 2002. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2003.

## 11. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$3,087.0 million (2001: HK\$3,182.7 million) and the weighted average of 5,690,976,905 shares in issue (2001: 6,003,779,119 shares\*) after adjusting for the bonus issue and shares repurchased during the year.

\* Adjusted for bonus issue in 2002.

## 12. Fixed Assets

	Land HK\$ M Note (a)	Properties under Development HK\$ M Note (b)	Buildings, Plant, Mains & Other Equipment HK\$ M Note (c)	Total HK\$ M
<b>Group</b>				
Cost or Valuation				
At 1st January 2002	1,810.1	3,093.0	11,484.2	16,387.3
Additions	10.4	11.6	672.1	694.1
Transfer to Buildings, Plant, Mains & Other Equipment	–	(91.3)	91.3	–
Impairment (Note 29)	–	(1,407.1)	–	(1,407.1)
Transfer to Properties under Development for Sale (Note 17)	–	(1,409.4)	–	(1,409.4)
Disposals	(0.2)	–	(27.1)	(27.3)
At 31st December 2002	1,820.3	196.8	12,220.5	14,237.6
Accumulated Depreciation				
At 1st January 2002	257.8	–	4,266.9	4,524.7
Charge for the year	37.5	–	377.9	415.4
Disposals	–	–	(26.7)	(26.7)
At 31st December 2002	295.3	–	4,618.1	4,913.4
Net Book Value				
At 31st December 2002	1,525.0	196.8	7,602.4	9,324.2
At 31st December 2001	1,552.3	3,093.0	7,217.3	11,862.6
<b>Company</b>				
Cost or Valuation				
At 1st January 2002	1,771.9	–	10,911.6	12,683.5
Additions	–	–	453.8	453.8
Disposals	–	–	(23.0)	(23.0)
At 31st December 2002	1,771.9	–	11,342.4	13,114.3
Accumulated Depreciation				
At 1st January 2002	255.0	–	4,191.2	4,446.2
Charge for the year	36.7	–	351.0	387.7
Disposals	–	–	(22.9)	(22.9)
At 31st December 2002	291.7	–	4,519.3	4,811.0
Net Book Value				
At 31st December 2002	1,480.2	–	6,823.1	8,303.3
At 31st December 2001	1,516.9	–	6,720.4	8,237.3

## 12. Fixed Assets (continued)

### Note (a): Land

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

	Group HK\$ M	Company HK\$ M
Items stated at:		
Cost	260.3	211.9
1993 Valuation	1,560.0	1,560.0
	<u>1,820.3</u>	<u>1,771.9</u>

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 value basis. The carrying amount of the assets of the Group and the Company would have been HK\$94.2 million (2001: HK\$96.3 million) had they been carried at cost less accumulated depreciation.

(ii) The Net Book Value of Land is analysed as follows:

	Group HK\$ M	Company HK\$ M
Held in Hong Kong:		
On medium term leases	1,465.6	1,465.6
On long term leases	14.6	14.6
Held outside Hong Kong:		
On medium term leases	44.2	–
On long term leases	0.6	–
	<u>1,525.0</u>	<u>1,480.2</u>

### Note (b): Properties under Development

On 2nd August 2002, the Group entered into a development agreement with Henderson Land Development Limited and its subsidiaries (collectively "Henderson") in connection with the Ma Tau Kok South property development project. Under the development agreement, Henderson paid to the Group a sum of HK\$380.5 million (Note 17) and participates in the property development with an entitlement to receive 27 per cent of the future net sales proceeds of the residential portion of the development.

The property site was revalued by two independent valuers, Chesterton Petty Limited and DTZ Debenham Tie Leung Limited as at 31st July 2002 at HK\$1,592.0 million. With reference to these valuations, the Group recognised an impairment of HK\$1,407.1 million (Note 29) which was charged against the properties revaluation reserve.

The amount of HK\$1,409.4 million (Note 17) attributable to the residential portion of the development was transferred from fixed assets to properties under development for sale under current assets. The amount of HK\$196.8 million attributable to the commercial portion was included in fixed assets which are held by the Group for long-term investment purpose.

The analysis of Cost or Valuation of Properties under Development is as follows:

	Group HK\$ M
Items stated at:	
Cost	4.8
1993 Valuation, less impairment	192.0
	<u>196.8</u>

## 12. Fixed Assets (continued)

### Note (c): Buildings, Plant, Mains and Other Equipment

	Buildings, Plant & Equipment HK\$ M	Mains & Risers HK\$ M	Meters & Installations HK\$ M	Capital Work in Progress HK\$ M	Total HK\$ M
<b>Group</b>					
Cost					
At 1st January 2002	3,867.8	5,692.6	1,209.0	714.8	11,484.2
Additions	100.8	42.2	95.6	433.5	672.1
Transfers from Capital Work in Progress	34.9	163.2	–	(198.1)	–
Transfer from Properties under Development	91.3	–	–	–	91.3
Disposals	(24.1)	–	(3.0)	–	(27.1)
At 31st December 2002	4,070.7	5,898.0	1,301.6	950.2	12,220.5
Accumulated Depreciation					
At 1st January 2002	1,915.3	1,705.7	645.9	–	4,266.9
Charge for the year	182.5	135.5	59.9	–	377.9
Disposals	(23.8)	–	(2.9)	–	(26.7)
At 31st December 2002	2,074.0	1,841.2	702.9	–	4,618.1
Net Book Value					
At 31st December 2002	1,996.7	4,056.8	598.7	950.2	7,602.4
At 31st December 2001	1,952.5	3,986.9	563.1	714.8	7,217.3
<b>Company</b>					
Cost					
At 1st January 2002	3,638.9	5,430.7	1,207.0	635.0	10,911.6
Additions	64.3	10.8	90.6	288.1	453.8
Transfers from Capital Work in Progress	–	117.8	–	(117.8)	–
Disposals	(20.3)	–	(2.7)	–	(23.0)
At 31st December 2002	3,682.9	5,559.3	1,294.9	805.3	11,342.4
Accumulated Depreciation					
At 1st January 2002	1,873.9	1,672.0	645.3	–	4,191.2
Charge for the year	168.1	123.5	59.4	–	351.0
Disposals	(20.2)	–	(2.7)	–	(22.9)
At 31st December 2002	2,021.8	1,795.5	702.0	–	4,519.3
Net Book Value					
At 31st December 2002	1,661.1	3,763.8	592.9	805.3	6,823.1
At 31st December 2001	1,765.0	3,758.7	561.7	635.0	6,720.4

## 13. Subsidiaries

	Company	
	2002 HK\$ M	2001 HK\$ M
Unlisted Shares, at Cost	1,810.1	1,810.1
Amounts due from Subsidiaries	4,364.1	4,418.5
	6,174.2	6,228.6
Amounts due to Subsidiaries	(3,466.7)	(3,341.1)
	2,707.5	2,887.5

The principal subsidiaries of the Company are shown on pages 83 to 84 of the accounts.

## 14. Associated Companies

	Group		Company	
	2002 HK\$ M	2001 HK\$ M	2002 HK\$ M	2001 HK\$ M
Share of Net Assets	98.2	177.2	–	–
Loans to Associated Companies	2,441.6	2,283.0	501.0	587.7
	2,539.8	2,460.2	501.0	587.7

Loans to associated companies are mainly 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 2002 are listed below:

Name	Note	Issued Share Capital/ Registered Capital	Percentage of the Group's Equity Interest	Place of Incorporation/ Operation	Principal Activity
Lane Success Development Limited	(i)	10,000 shares of HK\$1 each	45	Hong Kong	Property Development
Primeland Investment Limited	(ii)	95 shares of US\$1 each	32	British Virgin Islands/ Hong Kong	Investment Holding
GH-Fusion Limited	(iii)	200 shares of US\$1 each	50	British Virgin Islands	Investment Holding
Suzhou Industrial Park Hong Kong and China Gas Company Limited		RMB 44.0 million	45	People's Republic of China ("PRC")	Gas Production and Sales
Qingdao Dong Yi Hong Kong and China Gas Company Limited		RMB 12.1 million	50	PRC	Gas Production and Sales
Zibo Lubo Gas Company Limited		RMB 50.0 million	25	PRC	Gas Production and Sales

### Notes

- The Group holds a 45 per cent interest in Lane Success Development Limited whose principal activity is the development of King's Park Hill project. The property development project is a joint development with Henderson Land Development Limited and has been completed for sale.
- The Group has an effective interest of 15 per cent in the Airport Railway Hong Kong Station project through its 32 per cent interest in Primeland Investment Limited. The project, which includes office, commercial and hotel properties, is being developed in phases up to 2005.
- The Group holds a 50 per cent interest in GH-Fusion Limited which has a wholly owned subsidiary in the PRC for the manufacturing of polyethylene fittings for gas and water pipe systems.

## 15. Jointly Controlled Entities

	Group	
	2002 HK\$ M	2001 HK\$ M
Share of Net Assets	26.2	–
Loan to a Jointly Controlled Entity	215.4	208.7
	<b>241.6</b>	<b>208.7</b>

The Group has a 50 per cent interest in a residential development project at Sai Wan Ho which is held through Yieldway International Limited. The project is a joint development with Henderson Land Development Limited and is expected to be completed in 2005. The loan to a jointly controlled entity is due from Yieldway International Limited and it is unsecured, interest bearing and has no fixed terms of repayment.

Particulars of the jointly controlled entities as at 31st December 2002 are listed below:

Name	Issued Share Capital/ Registered Capital	Percentage of the Group's Equity Interest	Place of Incorporation/ Operation	Principal Activity
Yieldway International Limited	2 shares of HK\$1 each	50	Hong Kong	Property Development
Zibo Hong Kong and China Gas Company Limited	RMB 56.0 million	50	PRC	Gas Production and Sales

## 16. Investment Securities

	Group		Company	
	2002 HK\$ M	2001 HK\$ M	2002 HK\$ M	2001 HK\$ M
Debt Securities (Note a)	1,059.8	887.2	–	–
Equity Securities (Note b)	592.1	603.0	63.9	69.7
	<b>1,651.9</b>	<b>1,490.2</b>	<b>63.9</b>	<b>69.7</b>
Market Value of Listed Investments	<b>1,682.3</b>	<b>1,868.6</b>	<b>58.1</b>	<b>74.7</b>
Notes				
<b>(a) Debt Securities</b>				
Unlisted	89.6	11.8	–	–
Listed – overseas	970.2	875.4	–	–
	<b>1,059.8</b>	<b>887.2</b>	<b>–</b>	<b>–</b>
<b>(b) Equity Securities</b>				
Unlisted	–	5.8	–	5.8
Listed				
Hong Kong	589.2	594.3	63.9	63.9
Overseas	2.9	2.9	–	–
	<b>592.1</b>	<b>603.0</b>	<b>63.9</b>	<b>69.7</b>

## 17. Properties under Development for Sale

Properties under development for sale represent the residential portion of the Ma Tau Kok South property development project which was transferred from properties under development during the year (Note 12 b).

	Group 2002 HK\$ M
Transfer from Properties under Development	1,409.4
Additions	22.7
	<u>1,432.1</u>
Less: Proceeds received	(380.5)
At 31st December 2002	<u>1,051.6</u>

## 18. Inventories

	Group		Company	
	2002 HK\$ M	2001 HK\$ M	2002 HK\$ M	2001 HK\$ M
Stores and Materials	247.4	253.6	221.1	234.6
Work in Progress	357.3	259.2	354.8	258.6
	<u>604.7</u>	<u>512.8</u>	<u>575.9</u>	<u>493.2</u>

At 31st December 2002, the amount of stores and materials of the Group and the Company carried at net realisable value amounted to HK\$145.7 million (2001: HK\$141.5 million).

## 19. Debtors and Payment in Advance

	Group		Company	
	2002 HK\$ M	2001 HK\$ M	2002 HK\$ M	2001 HK\$ M
Trade Debtors (Note)	953.9	888.8	912.5	859.0
Other Debtors and Receivables	254.4	153.9	201.2	31.8
Payment in Advance	15.4	12.4	12.2	7.6
	<u>1,223.7</u>	<u>1,055.1</u>	<u>1,125.9</u>	<u>898.4</u>

### Note

The Group has established credit policies for different types of customers. The credit period offered for trade debtors ranges from 30 to 60 days. These are subject to periodic review by management. As at 31st December 2002, the aging analysis of the trade debtors, net of provision, was as follows:

	Group		Company	
	2002 HK\$ M	2001 HK\$ M	2002 HK\$ M	2001 HK\$ M
0 – 30 days	798.5	785.8	780.6	765.0
31 – 60 days	51.9	42.0	48.1	40.9
61 – 90 days	23.4	13.5	20.7	13.1
Over 90 days	80.1	47.5	63.1	40.0
	<u>953.9</u>	<u>888.8</u>	<u>912.5</u>	<u>859.0</u>

## 20. 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 as follows:

	Balance at 31/12/2002 HK\$ M	Balance at 31/12/2001 HK\$ M	Maximum Balance Outstanding during 2002 HK\$ M
Alfred Chan Wing Kin	2.4	2.8	2.8
James Kwan Yuk Choi	2.6	3.0	3.0
	<u>5.0</u>	<u>5.8</u>	<u>5.8</u>

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 3 per cent below the best lending rate in Hong Kong during 2002.

## 21. Trading Securities

	Group	
	2002 HK\$ M	2001 HK\$ M
Debt Securities (Note a)	387.3	750.7
Equity Securities (Note b)	40.5	45.9
	<u>427.8</u>	<u>796.6</u>
Notes		
<b>(a) Debt Securities</b>		
Unlisted	270.4	311.2
Listed		
Hong Kong	5.2	66.4
Overseas	111.7	373.1
	<u>387.3</u>	<u>750.7</u>
<b>(b) Equity Securities</b>		
Listed		
Hong Kong	38.9	44.3
Overseas	1.6	1.6
	<u>40.5</u>	<u>45.9</u>

## 22. Time Deposits, Cash and Bank Balances

	Group		Company	
	2002 HK\$ M	2001 HK\$ M	2002 HK\$ M	2001 HK\$ M
Time Deposits up to three months	2,079.6	1,437.5	685.6	216.4
Time Deposits over three months	792.3	290.1	20.0	43.5
	2,871.9	1,727.6	705.6	259.9
Cash and Bank Balances	71.4	120.5	22.4	19.5
	2,943.3	1,848.1	728.0	279.4

## 23. Trade and Other Payables

	Group		Company	
	2002 HK\$ M	2001 HK\$ M	2002 HK\$ M	2001 HK\$ M
Trade Creditors (Note)	118.1	153.5	76.0	121.1
Other Creditors and Accruals	478.6	475.9	402.4	406.4
	596.7	629.4	478.4	527.5

### Note

At 31st December 2002, the aging analysis of the trade creditors was as follows:

	Group		Company	
	2002 HK\$ M	2001 HK\$ M	2002 HK\$ M	2001 HK\$ M
0 – 30 days	104.2	140.5	75.9	119.8
31 – 60 days	3.4	5.1	0.1	1.2
61 – 90 days	2.7	2.1	–	–
Over 90 days	7.8	5.8	–	0.1
	118.1	153.5	76.0	121.1

## 24. Bank Loans and Overdrafts

	Group		Company	
	2002 HK\$ M	2001 HK\$ M	2002 HK\$ M	2001 HK\$ M
Bank Loans	1,739.7	1,338.1	34.5	–
Bank Overdrafts	8.3	10.8	8.3	10.8
	1,748.0	1,348.9	42.8	10.8

## 25. Deferred Taxation

	Group and Company	
	2002 HK\$ M	2001 HK\$ M
At 1st January	13.8	20.7
Transfer to the Profit and Loss Account (Note 8)	(6.9)	(6.9)
At 31st December	6.9	13.8

The deferred taxation balance relates to the timing differences arising from accelerated depreciation allowances.

The potential liability for deferred taxation in respect of accelerated depreciation allowances for which no provision has been made at 31st December 2002 amounted to HK\$809.5 million (2001: HK\$774.0 million).

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

## 26. Deferred Liabilities

	Group and Company	
	2002 HK\$ M	2001 HK\$ M
Defined Benefit Retirement Schemes	48.0	42.9

The Group operates two defined benefit retirement schemes in Hong Kong. The workmen retirement scheme provides benefit to employees based on final salary and the local employees provident scheme provides benefit based on fixed contribution with a guaranteed return. In relation to the local employees provident scheme, the Group is obliged to make good of the deficit in reserve either by way of providing a special contribution or an interest free loan to the scheme. In 2001, the Group advanced an amount of HK\$209.8 million as interest free loan to cover the deficit of the scheme and this was taken into account in arriving at the defined benefit liabilities as at 1st January 2001. The aforesaid interest free loan is repayable to the Company when there is a surplus in reserve arising from the scheme.

The amounts recognised in the balance sheet are determined as follows:

	Group and Company	
	2002 HK\$ M	2001 HK\$ M
Present Value of Funded Obligations	1,623.4	1,387.8
Fair Value of Plan Assets	(1,324.2)	(1,344.9)
Present Value of Unfunded Obligations	299.2	42.9
Unrecognised Actuarial Losses	(251.2)	–
Liability in the Balance Sheet	48.0	42.9

The pension plan assets include the Company's ordinary shares with a fair value of HK\$34.7 million (2001: HK\$29.6 million).

## 26. Deferred Liabilities (continued)

The amounts recognised in the profit and loss account were as follows:

	Group and Company	
	2002 HK\$ M	2001 HK\$ M
Current Service Cost	80.2	77.6
Interest Cost	96.4	87.0
Expected Return on Plan Assets	(95.6)	(87.0)
Total	81.0	77.6

The actual negative return on plan assets was HK\$59.4 million (2001: HK\$143.1 million).

Movement in the liability recognised in the balance sheet:

	Group and Company	
	2002 HK\$ M	2001 HK\$ M
At 1st January	42.9	42.9
Total Expense – as shown above	81.0	77.6
Contribution Paid	(75.9)	(77.6)
At 31st December	48.0	42.9

The principal actuarial assumptions used were as follows:

	2002 %	2001 %
Discount Rate	5.5	7.0
Expected Rate of Return on Plan Assets	6.0	7.0
Expected Rate of Future Salary Increases	3.5	5.0

## 27. Share Capital

	Ordinary Shares of HK\$0.25 each			
	Number of Shares		Nominal Value	
	2002	2001	2002 HK\$ M	2001 HK\$ M
Authorised:				
At 1st January and at 31st December	10,000,000,000	10,000,000,000	2,500.0	2,500.0
Issued and Fully Paid:				
At 1st January	5,203,724,444	5,137,585,155	1,300.9	1,284.4
Bonus Issue (Note 28)	517,350,544	513,758,515	129.3	128.4
Repurchase of Shares	(30,219,000)	(447,619,226)	(7.5)	(111.9)
At 31st December	5,690,855,988	5,203,724,444	1,422.7	1,300.9

By an ordinary resolution passed on 9th May 2002, the issued share capital was increased by way of a bonus issue by applying HK\$129,337,636 charging to the share premium account in payment in full at par of 517,350,544 shares of HK\$0.25 each on the basis of one new share for every ten shares held on 26th April 2002. These shares rank pari passu with the existing shares.

## 28. Share Premium

	Group and Company	
	2002 HK\$ M	2001 HK\$ M
At 1st January	4,037.1	4,165.5
Less: Bonus Issue (Note 27)	(129.3)	(128.4)
At 31st December	<u>3,907.8</u>	<u>4,037.1</u>

## 29. 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 2002	4,538.5	3,820.0	136.7	2,386.6	10,881.8
Effect of adopting SSAP 34	—	—	—	(216.1)	(216.1)
At 1st January 2002, as restated	<u>4,538.5</u>	<u>3,820.0</u>	<u>136.7</u>	<u>2,170.5</u>	<u>10,665.7</u>
Profit Attributable to Shareholders	—	—	—	3,087.0	3,087.0
Impairment (Note 12 b)	(1,407.1)	—	—	—	(1,407.1)
Share of Revaluation Deficit of an Associated Company	(105.1)	—	—	—	(105.1)
Shares Repurchased	—	—	7.5	(291.4)	(283.9)
2001 Final Dividend proposed	—	—	—	1,196.9	1,196.9
2001 Final Dividend paid	—	—	—	(1,189.9)	(1,189.9)
2002 Interim Dividend paid	—	—	—	(682.9)	(682.9)
At 31st December 2002	<u>3,026.3</u>	<u>3,820.0</u>	<u>144.2</u>	<u>4,290.2</u>	<u>11,280.7</u>
Company and Subsidiaries	3,013.7	3,820.0	144.2	4,233.5	11,211.4
Associated Companies	12.6	—	—	56.7	69.3
	<u>3,026.3</u>	<u>3,820.0</u>	<u>144.2</u>	<u>4,290.2</u>	<u>11,280.7</u>
Balance after 2002 Final Dividend proposed	3,026.3	3,820.0	144.2	2,981.3	9,971.8
2002 Final Dividend proposed	—	—	—	1,308.9	1,308.9
	<u>3,026.3</u>	<u>3,820.0</u>	<u>144.2</u>	<u>4,290.2</u>	<u>11,280.7</u>
<b>Company</b>					
At 1st January 2002	1,450.8	3,820.0	136.7	299.6	5,707.1
Effect of adopting SSAP 34	—	—	—	(216.1)	(216.1)
At 1st January 2002, as restated	<u>1,450.8</u>	<u>3,820.0</u>	<u>136.7</u>	<u>83.5</u>	<u>5,491.0</u>
Profit Attributable to Shareholders	—	—	—	2,729.7	2,729.7
Shares Repurchased	—	—	7.5	(291.4)	(283.9)
2001 Final Dividend proposed	—	—	—	1,196.9	1,196.9
2001 Final Dividend paid	—	—	—	(1,189.9)	(1,189.9)
2002 Interim Dividend paid	—	—	—	(682.9)	(682.9)
At 31st December 2002	<u>1,450.8</u>	<u>3,820.0</u>	<u>144.2</u>	<u>1,845.9</u>	<u>7,260.9</u>
Balance after 2002 Final Dividend proposed	1,450.8	3,820.0	144.2	537.0	5,952.0
2002 Final Dividend proposed	—	—	—	1,308.9	1,308.9
	<u>1,450.8</u>	<u>3,820.0</u>	<u>144.2</u>	<u>1,845.9</u>	<u>7,260.9</u>

## 29. Reserves (continued)

	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 2001	4,420.8	7,320.0	24.8	1,896.2	13,661.8
Effect of adopting SSAP 34	—	—	—	(216.1)	(216.1)
At 1st January 2001, as restated	4,420.8	7,320.0	24.8	1,680.1	13,445.7
Profit Attributable to Shareholders	—	—	—	3,182.7	3,182.7
Share of Revaluation Surplus of an Associated Company	117.7	—	—	—	117.7
Transfer (from)/to General Reserve	—	(3,500.0)	—	3,500.0	—
Shares Repurchased	—	—	111.9	(4,361.8)	(4,249.9)
2000 Final Dividend proposed	—	—	—	1,181.6	1,181.6
2000 Final Dividend paid	—	—	—	(1,181.6)	(1,181.6)
2001 Interim Dividend paid	—	—	—	(633.6)	(633.6)
At 31st December 2001	4,538.5	3,820.0	136.7	3,367.4	11,862.6
Company and Subsidiaries	4,420.8	3,820.0	136.7	3,311.6	11,689.1
Associated Companies	117.7	—	—	55.8	173.5
	4,538.5	3,820.0	136.7	3,367.4	11,862.6
Balance after 2001 Final Dividend proposed	4,538.5	3,820.0	136.7	2,170.5	10,665.7
2001 Final Dividend proposed	—	—	—	1,196.9	1,196.9
	4,538.5	3,820.0	136.7	3,367.4	11,862.6
<b>Company</b>					
At 1st January 2001	1,450.8	7,320.0	24.8	369.3	9,164.9
Effect of adopting SSAP 34	—	—	—	(216.1)	(216.1)
At 1st January 2001, as restated	1,450.8	7,320.0	24.8	153.2	8,948.8
Profit Attributable to Shareholders	—	—	—	2,622.6	2,622.6
Transfer (from)/to General Reserve	—	(3,500.0)	—	3,500.0	—
Shares Repurchased	—	—	111.9	(4,361.8)	(4,249.9)
2000 Final Dividend proposed	—	—	—	1,181.6	1,181.6
2000 Final Dividend paid	—	—	—	(1,181.6)	(1,181.6)
2001 Interim Dividend paid	—	—	—	(633.6)	(633.6)
At 31st December 2001	1,450.8	3,820.0	136.7	1,280.4	6,687.9
Balance after 2001 Final Dividend proposed	1,450.8	3,820.0	136.7	83.5	5,491.0
2001 Final Dividend proposed	—	—	—	1,196.9	1,196.9
	1,450.8	3,820.0	136.7	1,280.4	6,687.9

The distributable reserves of the Company at 31st December 2002, comprising general reserve and unappropriated profits, amounted to HK\$5,665.9 million (2001: HK\$5,100.4 million) before the proposed final dividend for the year ended 31st December 2002.

### 30. Contingent Liabilities

Guarantees have been executed in respect of banking facilities and other borrowings as follows:

	Group		Company	
	2002 HK\$ M	2001 HK\$ M	2002 HK\$ M	2001 HK\$ M
Subsidiaries	–	–	3,606.2	3,365.0
Associated Companies	1,050.0	1,082.9	1,050.0	1,082.9
Jointly Controlled Entities	1,199.2	1,200.0	1,199.2	1,200.0
	<u>2,249.2</u>	<u>2,282.9</u>	<u>5,855.4</u>	<u>5,647.9</u>

Save as disclosed above, the Company and the Group did not have any further contingent liabilities as at 31st December 2002.

### 31. Capital Commitments

	Group		Company	
	2002 HK\$ M	2001 HK\$ M	2002 HK\$ M	2001 HK\$ M
Capital expenditure authorised but not brought into the accounts at 31st December	<u>741.3</u>	<u>452.9</u>	<u>399.5</u>	<u>357.0</u>
Of which, contracts had been entered into at 31st December	<u>502.8</u>	<u>194.4</u>	<u>169.1</u>	<u>128.3</u>

### 32. Lease Commitments

At 31st December 2002, future aggregate minimum lease payments of land and buildings under non-cancellable operating leases were as follows:

	Group		Company	
	2002 HK\$ M	2001 HK\$ M	2002 HK\$ M	2001 HK\$ M
Not later than one year	18.7	15.8	17.2	15.2
Later than one year and not later than five years	16.6	10.4	13.5	10.1
Later than five years	0.3	–	–	–
	<u>35.6</u>	<u>26.2</u>	<u>30.7</u>	<u>25.3</u>

### 33. Related Party Transactions

Save as disclosed in notes 12, 14 and 15, there were no other significant related party transactions undertaken by the Company and the Group at anytime during the year.

### 34. Reconciliation of Profit before Taxation to Net Cash Inflow from Operating Activities

	Group	
	2002 HK\$ M	2001 HK\$ M
Profit before Taxation	3,581.0	3,656.9
Share of Profits less Losses of Associated Companies	1.2	5.1
Interest Income	(123.5)	(312.3)
Interest Expense	4.8	23.9
Dividend Income from Equity Securities	(48.9)	(35.0)
Depreciation	415.4	457.3
Gain on Disposal of Fixed Assets	(0.4)	(0.2)
Net Realised and Unrealised Gains on Investments in Securities	(21.6)	(133.3)
Increase in Customers' Deposits	8.9	51.0
(Increase)/Decrease in Inventories	(91.9)	91.6
Increase in Debtors and Payment in Advance	(188.1)	(234.8)
Decrease in Housing Loans to Staff	16.9	18.0
(Decrease)/Increase in Trade and Other Payables	(38.3)	17.2
Increase in Deferred Liabilities	5.1	–
Profits Tax Paid Net of Refund	(505.2)	(464.9)
Exchange Differences	(2.7)	(0.3)
Net Cash Inflow from Operating Activities	3,012.7	3,140.2

### 35. Reconciliation of Interest Income and Expense to Interest Received and Paid

	Group	
	2002 HK\$ M	2001 HK\$ M
Interest Income	(123.5)	(312.3)
Decrease in Interest Receivable	(19.5)	(24.3)
Interest Received	(143.0)	(336.6)
Interest Expense	4.8	23.9
Decrease in Interest Payable	29.7	44.9
Interest Paid	34.5	68.8

### 36. Analysis of Changes in Financing During the Year

	Share Capital and Share Premium HK\$ M	Capital Redemption Reserve HK\$ M	Bank Loans HK\$ M	Minority Interests HK\$ M	Total HK\$ M
<b>Group</b>					
At 1st January 2002	5,338.0	136.7	1,338.1	128.7	6,941.5
Net Cash Inflow from/ (Used in) Financing	–	–	401.6	(46.1)	355.5
Transfer to Capital Redemption Reserve	(7.5)	7.5	–	–	–
Injection in form of Fixed Assets	–	–	–	29.3	29.3
Share of Profit	–	–	–	11.7	11.7
At 31st December 2002	5,330.5	144.2	1,739.7	123.6	7,338.0
At 1st January 2001	5,449.9	24.8	1,244.2	50.0	6,768.9
Net Cash Inflow from/ (Used in) Financing	–	–	95.6	(3.7)	91.9
Transfer to Capital Redemption Reserve	(111.9)	111.9	–	–	–
Injection in form of Fixed Assets	–	–	–	78.2	78.2
Share of Profit	–	–	–	4.2	4.2
Effect of Foreign Exchange Differences	–	–	(1.7)	–	(1.7)
At 31st December 2001	5,338.0	136.7	1,338.1	128.7	6,941.5

## Subsidiary Companies

The following is a list of the principal subsidiaries as at 31st December 2002:

Name	Issued Share Capital/ Registered Capital	Percentage of Issued/ Registered Capital Held	Place of Incorporation/ Operation	Principal Activity
Barnaby Assets Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Securities Investment
# Brilliant World International Limited	1,000 ordinary shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment Holding
Danetop Services Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Securities Investment
ECO Energy Company Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	LPG Filling Stations
Hong Kong & China Gas (China) Limited	10,000 ordinary shares of HK\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas Investment Limited	USD 30 million	100	PRC	Investment Holding
Monarch Properties Limited	1,000 ordinary shares 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/ Hong Kong	Investment Holding
Planwise Properties Limited	2,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Property Holding
Prominence Properties Limited	1,000 ordinary shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment Holding
Quality Testing Services Limited	10,000 ordinary shares of HK\$1 each	100	Hong Kong	Appliance Testing
Starmax Assets Limited	90 million ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Property Development
Superfun Enterprises Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Securities Investment
Technology Capitalisation Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
# Towngas Industrial Gas Company Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	Dry Ice and Production of Industrial Gas
# Towngas International Company Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment Holding
# Towngas Investment Company Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	Investment Holding
Towngas Retail Enterprise Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	Café, Restaurant and Retail Sales
# Towngas Technologies Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding

# Direct subsidiaries of the Company

## Subsidiary Companies (continued)

Name	Issued Share Capital/ Registered Capital	Percentage of Issued/ Registered Capital Held	Place of Incorporation/ Operation	Principal Activity
Uticom Limited	100 ordinary shares of HK\$1 each	60	Hong Kong	Development of Automatic Meter Reading System
Upwind International Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Securities Investment
U-Tech Engineering Company Limited	5,500,000 ordinary shares of HK\$1 each	100	Hong Kong	Engineering and Related Businesses
Vast World Limited	1,000 ordinary shares of US\$1 each	100	British Virgin Islands	Securities Investment
Hong Kong & China Gas (Panyu) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Zhongshan) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Guangzhou) Limited	1,000 ordinary shares of HK\$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
Hong Kong & China Gas (Suzhou) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Qingdao) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Yixing) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Guangzhou Science City) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Zibo) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
Hong Kong & China Gas (Taizhou) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment Holding
* Panyu Hong Kong & China Gas Limited	RMB 105.0 million	80	PRC	Gas Production and Sales
* Zhongshan Hong Kong & China Gas Limited	RMB 96.0 million	70	PRC	Gas Production and Sales
* Guangzhou Dongyong Hong Kong & China Gas Limited	RMB 53.3 million	80	PRC	Gas Production and Sales
* Qingdao Zhongji Hong Kong & China Gas Company Limited	RMB 16.7 million	90	PRC	Gas Production and Sales
* Yixing Hong Kong & China Gas Company Limited	RMB 124.0 million	80	PRC	Gas Production and Sales
* Guangzhou Jianke Hong Kong & China Gas Company Limited	RMB 4.8 million	70	PRC	Gas Production and Sales
* Taizhou Hong Kong & China Gas Company Limited	RMB 73.0 million	65	PRC	Gas Production and Sales

\* Sino-foreign Equity Joint Ventures