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## GAINING GROUND

**OUR VISION** to be Asia's leading clean-energy supplier came closer to reality in 2003, with the establishment of ten more city piped gas joint ventures in mainland China and the imminent finalisation of three more, bringing our total portfolio to 24. A few of these projects have already adopted natural gas and the remainder will do so within the next few years. By then they will collectively be delivering in excess of 4 billion cubic metres of natural gas a year to escalating numbers of residential, commercial and industrial users.

**OUR COMMITMENT** to be a quality service provider continued apace in 2003. Not only did we launch another appliance brand, SIMPA, to meet the distinctive needs of the local mass market and complement our more exclusive TGC range, we also introduced more value-added services, such as professional design consultants, into our new-look customer centres. At the same time, we gave our mainland joint ventures a leading-edge in customer care excellence by stepping up transfer of expertise in service provision and gas safety. The results speak for themselves in that we are now receiving considerable media publicity and praise for our safety inspection programmes and the noticeable improvement in service efficiency.

**OUR STRATEGY** for sustaining value is to ensure we set, rather than follow, the pace of change. We recognise that innovation is the engine that powers business growth and the key to maintaining our enviable standing within the industry. On the home front, our never-ending drive to release the creativity from which new ideas and thinking emerge and flourish saw our winning two prestigious awards during the year for groundbreaking marketing and customer service concepts. Over the border, this very same innovative spirit is leading the way in bringing new gas applications to rapidly growing urban areas where the need for heated water, space heating and commercial gas cooling systems is generating an expanding gas consumption market.

**OUR FUTURE** is firmly aligned with continuing investment in mainland China gas projects. With the Central Government promoting the use of natural gas and the country being the second largest consumer of energy in the world, potential growth is enormous. To this end, we are actively working to make the Towngas name increasingly well-known by opening customer centres, offering new products and developing our reputation for safety and service. In expanding our portfolio in strategic locations, we are positioning ourselves to exploit China's environmental and strategic imperatives for cleaner air, escalating demand for piped gas and budding appreciation of quality services.

**OUR PERFORMANCE** was therefore determined by two differing economies in 2003. In China, the growing gas distribution market, increasing availability of natural gas and positive Government sentiment towards foreign investors fuelled opportunities which we astutely leveraged. In our Hong Kong market however, deflation, economic downturn and the effect of Severe Acute Respiratory Syndrome impacted sales especially in the restaurant and hotel sector in the first half of the year. Yet by the end of December, following a rapid turn around in the economy, consumer sentiment, and inbound tourists particularly from the mainland, the scene was set for a much more promising and prosperous 2004.

# THE YEAR'S HIGHLIGHTS

	2003	2002	Change %
<b>OPERATING (COMPANY)</b>			
Number of Customers as at 31st December	1,520,166	1,470,738	+3
Number of Customers per km of Mains	510	502	+2
Installed Capacity, thousand m <sup>3</sup> per hour	458	458	–
Peak Hourly Demand, thousand m <sup>3</sup>	472	450	+5
Town Gas Sales, million MJ	27,002	26,641	+1
Number of Employees as at 31st December	1,986	1,989	–
Number of Customers per Employee	765	739	+4
<b>FINANCIAL</b>			
Turnover, HK million dollars	7,289	6,878	+6
Profit attributable to Shareholders, HK million dollars	3,051	3,048*	–
Dividends, HK million dollars	1,975	1,992	–1
<b>SHAREHOLDERS</b>			
Issued Shares, million of shares	5,644	5,691	–1
Shareholders' Funds, HK million dollars	16,482	15,829*	+4
Earnings per Share, HK cents	53.9	53.6*	+1
Dividends per Share, HK cents	35.0	35.0	–
Shareholders' Funds, HK dollars per share	2.92	2.78*	+5
Number of Shareholders as at 31st December	13,268	13,582	–2

\* Adjusted for the revised SSAP 12 "Income Taxes"