

“Going for Launch” is proving to be an exhilarating journey that is ...

- **EXPANDING OUR VISION**as we increase our footprint through strategic investments in mainland China where we now operate 31 city-gas joint ventures across eight provinces, extending from Guangdong in the south to Jilin in the north, and an area of Beijing. Our well-honed expertise in natural gas supply is helping China's push for cleaner energy. Most of our joint ventures completed the challenging work of converting franchised cities to natural gas in 2005, making us a regional leader in this sphere.
- **DEEPENING OUR COMMITMENT**as we pursue prudent and environmentally-sustainable policies. Modification of our main gas production plant in Hong Kong for intake of more cost-efficient and cleaner-burning natural gas in 2006 is nearly finished, as are facilities to harness more landfill gas to aid conservation of natural resources. On the mainland in 2005, we perceptively installed natural gas backup facilities at relevant operations in anticipation of a winter energy surge and moved to enhance quality of water resources by adding this diversified business to our portfolio.
- **SHARPENING OUR STRATEGY**as we apply innovative thinking to deliver creative business solutions. Imaginative marketing promotions in Hong Kong successfully targeted the hotel trade in 2005, whilst efforts to boost consumer services sparked retail sales. The growth in large mainland China cities and the development of new natural gas applications are opening up good prospects for higher gas consumption. The strong appetite to raise water standards to international levels is also a golden opportunity to exploit the excellent synergies between gas and water, which share similar engineering and management skills, at a time when our trustworthy reputation is creating a unique competitive advantage.
- **DEFINING OUR FUTURE**as we seek to capitalise on China's favourable inward investment policies. With three city-water partnerships now in hand, two in localities with already-established gas ventures, we fully intend to continue to leverage our successful entry into this utility sector in the coming years. Prospects for the water business are immense given an expanding population, rapid urbanisation and rising standard of living all of which rely on efficient distribution of purified tap water and effective sewage waste treatment.
- **ENHANCING OUR PERFORMANCE**as we fan the blue flame and arouse the spirit to excel and win. In stepping out of our comfort zone and seizing the moment, our efforts are transforming the Group from a traditional single-focused utility based in Hong Kong into a sizeable nation-wide multi-business enterprise. Unlocking our potential delivered an all-time high stock performance towards the end of 2005. With a continuing strong balance sheet and an attractive investment horizon on the mainland, we remain confident our trajectory is on the right path to augment future profitability.