

## Review of Operations

In 2019, the global geopolitical instability, continued uncertainties in mainland China's macro-economy arising from the China-US trade disputes, as well as the downside pressures faced by the mainland's economic development, especially in terms of reduction in the manufacturing industry's export orders due to adverse external factors, have had an impact on the growth of Towngas China's gas sales volume.

Although the global economy continues to face challenges, the Chinese Government is determined to promote green development and build a beautiful China. Thus, it is actively advancing its "coal-to-gas" conversion policy, targeting to position natural gas as the main source of energy, by continuously promoting the transformation of energy use, and increasing the proportion of natural gas. These moves are bringing ongoing growth opportunities for the pipeline natural gas market.

Throughout the year, the Group closely monitored the changes and opportunities emerging in the natural gas market in mainland China. While adhering to our market penetration strategies, we provided customers with more efficient energy services with the in-depth development of our integrated energy services and distributed energy projects. The total number of Towngas China's projects has increased to 127 so far, comprising city-gas supply, distributed energy, gas pipeline network construction, operation of vehicle gas refilling stations, together with the sale of household gas appliances and other extended businesses. The Group's overall gas sales recorded a double-digit increase during the year, up 11% to 11,120 million cubic metres, of which industrial and commercial gas sales accounted for 8,553 million cubic metres, an increase of 12% on 2018. In addition, residential gas sales amounted to 2,489 million cubic metres, and the equivalent of 78 million cubic metres of natural gas sales was recorded for distributed energy projects.



Our vision is to be Asia's leading clean energy supplier and quality service provider, with a focus on innovation and environmental friendliness. Adhering to our mission to improve the environment and provide our customers with reliable, efficient, safe and clean energy, we are committed to ensuring gas supply, improving efficiency, and extending gas applications.

With regard to upstream gas sources, we have been steadily expanding our LNG imports. This has given us the opportunity to fully leverage the storage capacity of the Jintan Gas Storage owned by our parent company, HKCG. It has also provided the supplementary gas supplies necessary for peak-shaving capacity in winter while lowering our gas-sourcing costs. In the midstream sector, we have been proactively driving construction to facilitate inter-connection between the Jintan Gas Storage and the pipeline network of the Group, in addition to expanding investment projects on LNG receiving stations on a continuous basis. In the downstream sector, our industrial and commercial market development strategy has been upgraded with a view to offering customers a diverse range of energy services and efficient energy utilisation options. TCEI, a subsidiary of the Group, also established the "Tsinghua-Towngas China Joint Research Centre for Regional Integrated Energy Planning Technology" in conjunction with Tsinghua University in April 2019. The research centre will help us maintain and consolidate our leading position in integrated energy services.

In December 2019, the 3,000-kilometre China-Russia East-Route Natural Gas Pipeline commenced its gas transmission operations, and the first year supply would be 5 billion cubic metres. According to initial plans, the project will be completed in 2023, and the maximum capacity can reach 38 billion cubic metres a year. This will greatly facilitate the increase of our upstream gas sources for city-gas projects in northeastern China. Building on this platform, Group companies are making every provision for the transmission of Russian gas to China – these include full penetration of the gas market together with ongoing communications with both existing and new customers. The official transmission of Russian gas to China will facilitate the Group in expanding its customer base while resolving the problem of insufficient gas supply for existing customers. Regional consumption of natural gas is expected to show rapid growth.



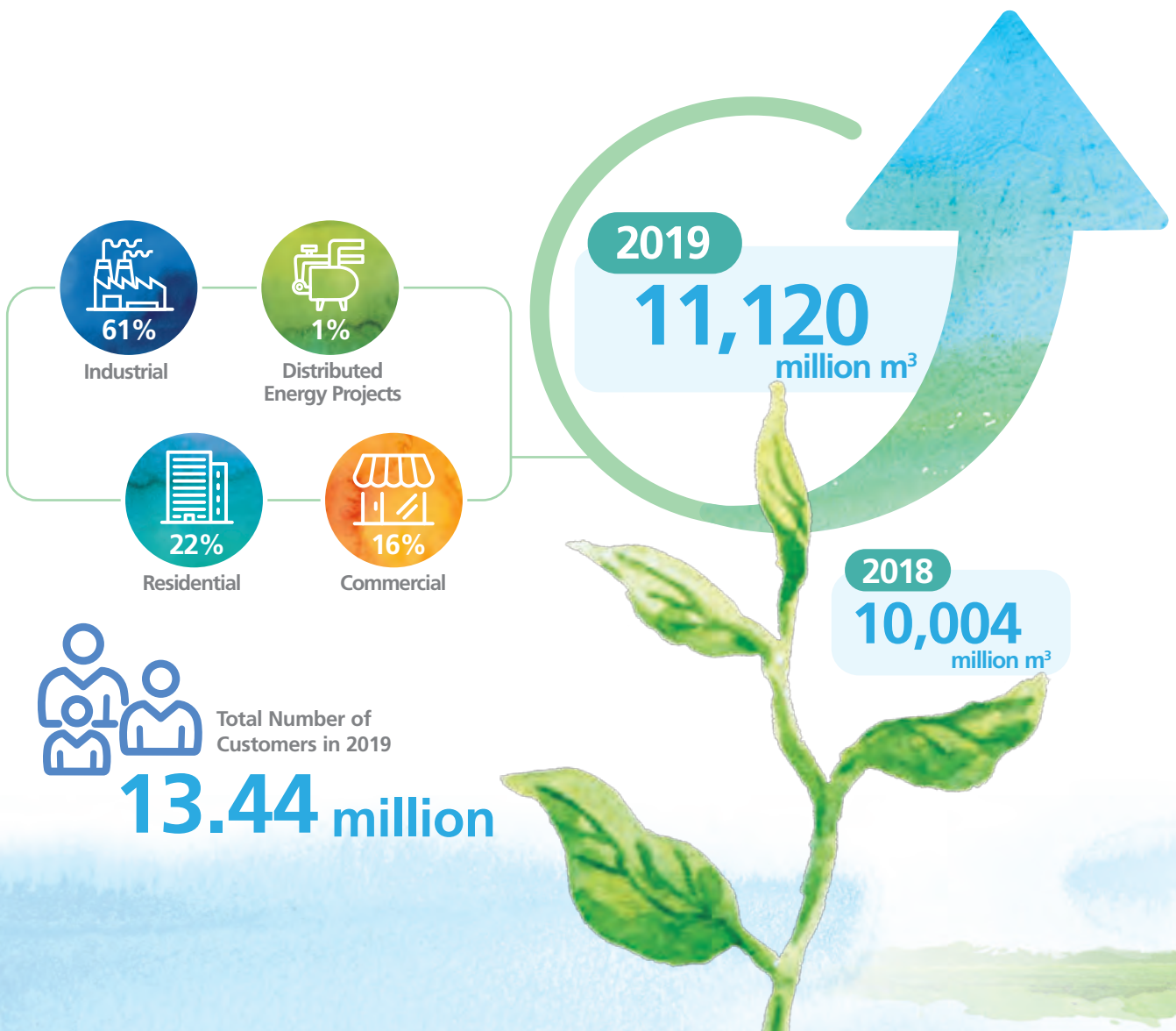
The launch ceremony of peak-shaving gas from the Towngas Jintan Gas Storage was hosted in Shanghai Petroleum and Natural Gas Exchange in 2019. As the first gas storage product to be traded in China, it facilitates the market-oriented reform of peak-shaving storage facilities while providing plentiful gas supply assurance for Towngas China.

## Review of Operations

### Sales of Piped Gas

In 2019, the Group's total piped gas sales volume grew by 11% to 11,120 million cubic metres. In particular, industrial gas sales increased by 13% to 6,790 million cubic metres, accounting for 61% of total gas sales; commercial gas sales increased by 9% to 1,763 million cubic metres, representing 16% of total gas sales; residential gas sales rose by 5% to 2,489 million cubic metres, accounting for 22% of total gas sales; and the equivalent of 78 million cubic metres of natural gas sales was recorded for distributed energy projects, accounting for 1% of the Group's total gas sales. The total number of customers rose to 13.44 million, representing a year-on-year increase of 810,000 in number of customers.

Our business has covered 21 provinces, municipalities and autonomous regions so far. In addition to transmitting and distributing safe and reliable energy, we supported the national "coal-to-gas" conversion policy, actively encouraging industrial and commercial customers to adopt natural gas, which is a cleaner option as compared to traditional energy sources. In recent years, we have also made every effort to expand the distributed energy market. This not only provides industrial and commercial customers with more efficient energy, but also reduces environmental pollution.



## Development of New Projects

We added a city gas project in the eastern coastal area of Laoshan district, Qingdao city in Shandong province, to our portfolio during the year. The project, located in an area that is planned for development into an international standard cluster that will integrate healthcare, rehabilitation, leisure, ecological and vacation facilities. Designed to be an international travel destination targeting the Northeast Asian market, it is also being zoned as a clean energy supply area. The project will expand our regional synergies, hand-in-hand with our two other city gas projects located in Qingdao city.

In addition to focusing on the gas business, we continued to actively explore potential business opportunities for distributed energy. During the year, the Group sets up eight additional distributed energy projects, including initiatives in Maanshan Economic and Technological Development Zone South District and the Dangtu Economic Development Zone Northern District in Anhui province; the Fengnan Lingang Economic Development Zone in Tangshan city in Hebei province; the Xinmi Yinji International Tourism Resort, Zhengzhou city in Henan province; Shenzhen Gas Building, Shenzhen city in Guangdong province; Wangcun Industrial Zone in Songyang county, Lishui city in Zhejiang province; the Changzhou Photovoltaic Industrial Park in Jiangsu province; and a sale of electricity and energy project in Anhui province. These projects are expected to generate natural gas consumption of up to 400 million cubic metres in five years' time, creating regional synergies with our gas and distributed energy projects in neighbouring areas with respect to our market, gas sourcing and other strategic policies.

In addition, the Group had also added a distributed energy project in early 2020. The project is located in the Eastern Park of Tongling Economic and Technological Development Zone in Anhui province. This project is the fourth distributed energy project established by the Group in Anhui province, laying a sound foundation for the Group's business development in 2020. Together with our previously established projects, the Group currently holds 19 distributed energy projects.

We also established U-Tech Guang Dong, an engineering construction and project management company, and invested in Liaoning Clean Energy Group Co., Ltd. during the year. Providing a platform for the development of our project work construction business, U-Tech Guang Dong will be able to swiftly integrate resources from among the Group's construction companies whilst speeding up the development of project companies, in addition to also enhancing our efficiencies in construction management.



## Review of Operations

### Industrial and Commercial Markets

As indicated in the “Development Report of Domestic Oil and Gas Industry in 2019”, the consumption of natural gas in mainland China for the entire year of 2019 was more than 300 billion cubic metres, an increase of almost 10%. In fact, the consumption of natural gas has been on the rise in China since 2010, showing that natural gas has steadily become the main energy source to support the country’s vigorous development.

The State Council of China promulgated the “Three-Year Action Plan to Win the Battle for a Blue Sky” in 2018, determined to accelerate the development of clean energy before the end of 2020. A major push under this initiative is to adjust the current energy structure, not only through promoting applications that replace coal with gas for industrial and commercial appliances, but also improving the efficiency of energy use by way of controlling energy consumption and intensity. Seizing the opportunities brought about by this national development strategy and taking advantage of our solid business foundations, we actively promoted distributed energy solutions featuring high energy efficiencies in 2019, while encouraging customers to implement “coal-to-gas” conversions for their boilers. Together with the development of new industrial and commercial customers in the gas consumption market, we were able to inject significant growth momentum to the Group.

### New Opportunities Brought by the China-Russia East-Route Natural Gas Pipeline

Northeastern China has frequently suffered from the problems of insufficient gas supply. At the community level, heating appliances used in the winter are mostly fuelled by coal, and clean energy usage rates are relatively low. As the China-Russia East-Route Natural Gas Pipeline commenced gas transmission in December 2019, it is expected to provide sufficient and stable gas supply for the region. Due to this new and abundant source of natural gas supply, we have proactively approached real estate developers to discuss how natural gas-driven boilers can be used to solve the environmental problems caused by coal-fired community heating.

Adhering to the operating policies of our parent company, HKCG, Towngas China has made the transformation from our original business model of merely engaging in gas transmission and distribution to providing customers with extended packages that allow them to enjoy one-stop gas supply services. We handle the entire process, from the installation of industrial and commercial appliances to gas supply and ongoing maintenance. In terms of industrial and commercial appliances, we have accumulated extensive experience in the implementation of industrial furnaces and boiler conversions, central self-ignition air-conditioners and radiation heating, in accordance with the nation’s “coal-to-gas” conversion principles. Now with sufficient gas sources and our ongoing preparations for gas transmissions on the China-Russia East-Route Natural Gas Pipeline, our gas sales are expected to go up.



## Distributed Energy

Towngas China has been actively investing in distributed energy projects since 2015. During the year we have vigorously promoted the project development of our distributed energy systems and have launched eight new projects. In addition, the Group had also added a distributed energy project in early 2020. The project is located in the Eastern Park of Tongling Economic and Technological Development Zone in Anhui province. This project is the fourth distributed energy project established by the Group in Anhui province, laying a sound foundation for the Group's business development in 2020. Together with the projects established previously, we currently have a total of 19 distributed energy projects.



The Group invested a great deal of effort in exploring the distributed energy market in order to provide its industrial and commercial customers of all professions with more efficient energy services including the production headquarters of an international cosmetics brand pictured. Here, the water vapour generated by natural gas boilers is used for production line's heat supply, container sanitisation and hot water replacement.

Distributed energy systems enjoy wide applications. In addition to industrial parks, they can also be extended to commercial complexes, public buildings and residential premises. The Group collaborated with power plants and large-scale production factories to recycle residual heat.

Inaugurated in 2017, TCEI is principally engaged in the development of distributed energy and heating supply projects. It also provides energy planning and energy conservation consultation services for the Group's project companies. During the year, TCEI confirmed a number of new projects in the provinces of Anhui, Hebei, Henan, Guangdong, Zhejiang and Jiangsu.



In response to the national energy policy of driving coal-to-gas conversion, the Group encourages customers to modify their coal-fired equipment. The cogeneration plant pictured uses water vapour generated by natural gas boilers to heat cold water and supply heating to residential properties as well as corporations, thus reducing environmental pollution.

## Coal-to-Gas Boiler Conversions

In line with the State's environmental protection policy, we encourage customers to use natural gas for newly built large-scale industrial and commercial appliances and implement "coal-to-gas" conversions for existing appliances. In 2019, the Group's "coal-to-gas" boiler projects contributed 1,760 million cubic metres to the overall gas sales volume, an increase of approximately 40% over last year.

## Review of Operations

### New Industrial and Commercial Application – C-Tech Laundry

Riding on the back of our cumulative experience in operating integrated energy services and customer networks, we established a laundry service brand, C-Tech Laundry, in 2019. Using low-pollution natural gas transmitted and distributed by the Group, and a central sewage recycling treatment system, C-Tech Laundry uses advanced automation equipment to provide customers with professional laundry services. The entire process conforms to the principles of high efficiency and low pollution as it significantly reduces water and electricity consumption.

In 2019, C-Tech Laundry established factories in the cities of Chengdu, Guilin and Shaoguan. These factories are expected to commence operations in the first half of 2020 and will contribute about 4 million cubic metres of gas sales each year.

### Commercial Hot Water Systems

In response to customer needs, we have been a first-mover, seizing opportunities in the commercial hot water systems market since 2017. The installation of more than 1,800 systems have cumulatively contributed approximately 16 million cubic metres in gas sales. The systems are widely accepted by venues like hotels, gyms and leisure clubs. The number of hot water systems sold and installed in 2019 increased more than 200% over the previous year.



During the year, the Group launched commercial laundry business in Guilin city to provide professional laundry service to hotel customers.

Committed to providing customers with professional and caring services, we made a breakthrough in the operational model of our hot water systems. In 2019, we installed a hot water system with solar panels for a school in Fusui county, Guangxi Zhuang Autonomous Region, allowing for the combined usage of both natural gas and solar energy, a renewable energy, in the heating process for hot water. Not only does this reduce energy costs, it also contributes to environmental protection.



Commercial use natural gas water heating systems are one of the Group's innovative applications in recent years. Hot water at 50 degree Celsius generated by gas heaters is stored at thermal insulated water tanks then pumped to school dormitories to supply hot bathing water.

## Residential Market

As at 31 December 2019, the number of our residential customers exceeded 13.3 million, an increase of 6% over last year. During the year, we added nine new customer centres to our portfolio, bringing the total number of our customer centres nationwide to 160. These centres handle all gas-related business for our customers, ranging from making appointments for stove installation and safety inspections to payment services. During the year, the residential market accounted for 22% of the Group's annual gas sales, an increase of 5% over the previous year.

"Corporate Integrity Year" was our management theme for 2019. Driving the Group's integrity, it promoted the culture of manners, etiquette and politeness, referred to as the "Three Courtesies". It encouraged our front-line staff to better grasp every opportunity to provide professional and excellent services during contact with our customers.

In addition to requiring employees to meet rigorous service standards through our corporate culture, we have regularly implemented our "Flying Dandelion Programme" which was first introduced in 2013. The programme trains front-line staff through internal trainers using classroom communication, scenario simulation exercises and competitions. Our aim is to encourage staff to strive for excellence in the provision of services at all times.

During the year, we engaged a third-party consultation agency to conduct a nationwide customer satisfaction survey. The results showed that we have differentiated ourselves from many other public utilities (such as water, electricity and transportation organisations) with the highest customer satisfaction score, confirming the positive results of our service training systems.



Committed to the customer-first principle, the Group now has a total of 160 customer centres across the country, with nine new centres set up during the year in a bid to provide high-quality and caring services.



## Review of Operations

### Bauhinia Gas Appliances

Bauhinia has kept pace with the times since its establishment in 2005. From sales platforms and product styles to function and structure, we have continuously made improvements, working to provide our customers with the highest quality products and service experience. It has thus become the preferred choice of customers and brand sales figures have continued to rise. For example, Bauhinia sold the remarkable amount of more than 115,000 sets of embedded gas stoves in 2019 alone.

With growing spending power and improved quality of life for people in mainland China, Bauhinia is striving to produce innovative products, while maintaining both safety and practicality. To this end we launched our first “smart appliances” during the year.

We will be installing signal receivers in home appliances such as gas water heaters, cook tops, stoves and range hoods. This will allow for the transmission of information to customers in real time through cloud technology. Customers can also check the usage status of the relevant products anytime, anywhere through a mobile phone application. The application also has a reminder function, which significantly reduces the risks of customers forgetting to turn off an appliance, thereby further improving usage safety. Going forward, we will continue to conduct research and development and move towards innovations and initiatives such as our “smart appliances”. This will enhance the customer experience as they enjoy a more convenient and safer service.



To seize the opportunities arising from growing spending power in mainland China, Bauhinia revamped its products during the year and launched “smart appliances” featuring the application of new technology while striking a balance between safety and practicality.

## Gas Dryers

Since their launch in 2016, gas dryers have established an excellent reputation. They have the advantages of drying clothes quickly as well as offering large capacities, more effective sterilisation and better fabric softening during the process. Annual sales figures are growing, with more than 17,000 units sold in 2019. During the year, large-scale promotion campaigns targeting three major regions – eastern, southern and southwestern China – were launched. These activities will help boost sales in these regions in the long term. In October 2019, Bauhinia also held a large-scale product promotion conference in Nanjing city, Jiangsu province. Contracts have been confirmed with participating real estate developers to install gas dryers in their well-decorated apartments in five real estate projects.



During the year, the Group launched large-scale promotional campaigns in eastern, southern and southwestern China for the gas dryer which offers antibacterial effect and gentle care to clothes to keep them clean and soft. Sales totalled over 17,000 units in 2019.

## Gas Water Heaters

During the year, Bauhinia launched three types of “zero cold water gas water heaters”. These products provide 16- and 20-litre per minute options to meet the different needs of customers. The idea of “zero cold water” is to preheat the cold water in the pipe in advance based on customers’ usage habits, so that hot water is instantly available upon turning on the tap. This reduces the waiting time for hot water and improves the customer’s usage experience significantly.

## Dual-Usage Gas Stoves Providing Heat and Hot Water

Due to their compact size, dual function of providing heat and hot water based on customers’ needs, as well as attractive price-performance ratio, our dual-usage gas stoves have always been a popular choice for residential customers. To allow customers to experience these quality features for themselves before making a purchase, Bauhinia added special experience zones in some of our customer centres during the year. In terms of business promotions, the brand launched an exclusive home design simulation software, facilitating sales staff to quickly tailor a suitable sales plan according to the customer’s needs. In 2019, more than 22,000 dual-usage gas stoves were sold.



Boasting space efficiency, environmental friendliness and energy conservation, the dual-usage gas stove launched by the Group caters for customers’ needs for both gas heating and hot water. It has enjoyed immense popularity with a sales record exceeding 22,000 units during the year.

# Review of Operations

## Extended Services

### Towngas Lifestyle

Towngas Lifestyle is committed to building a useful and reliable service platform. To this end, it provides Group companies with cloud service solutions, including technological development of, and consultation on, electronic commodity platforms. In addition to its smart phone-based business management platform, Towngas Lifestyle also provides extended services such as kitchenware, green cooking ingredients and gas insurance services for customers.

In 2019, Towngas Lifestyle and its platforms received a series of international certifications: Towngas Lifestyle obtained ISO 20000 Information Technology Service Management System Certification and ISO 27001 Information Security Management System Certification; six platforms – Gas Business Management System, Bauhinia Mall, Towngas Lifestyle Membership Scheme, Towngas Lifestyle Family Cuisine, Towngas China Virtual Customer Centre (VCC) Platform, and Gas Service Manager – also received their software copyright certification.



The Towngas Lifestyle platform has provided our customers with a wide array of gas services as well as kitchenware and green foods.

### Virtual Customer Centre (VCC) Platform

In order to enable customers to enjoy convenient gas services, we launched our VCC in 2016. The following year, we further upgraded the system, expanding its coverage to project companies so that customers can also pay gas bills and make appointments for installation and maintenance services through this online platform.

As at 31 December 2019, 58 Towngas China project companies had joined the VCC platform as service providers, covering over 6,900,000 customers, with membership rising to more than 3,400,000. In addition to logging onto the VCC platform through the desktop application, customers can also search and follow the WeChat public account "Towngas Lifestyle" (港華名氣家) to gain access to gas services and purchase ingredients for cooking.



VCC platform allows customers to pay bills and make appointments for installation and maintenance services anytime, anywhere. It has gradually become one of the main channels for customers to access gas services.

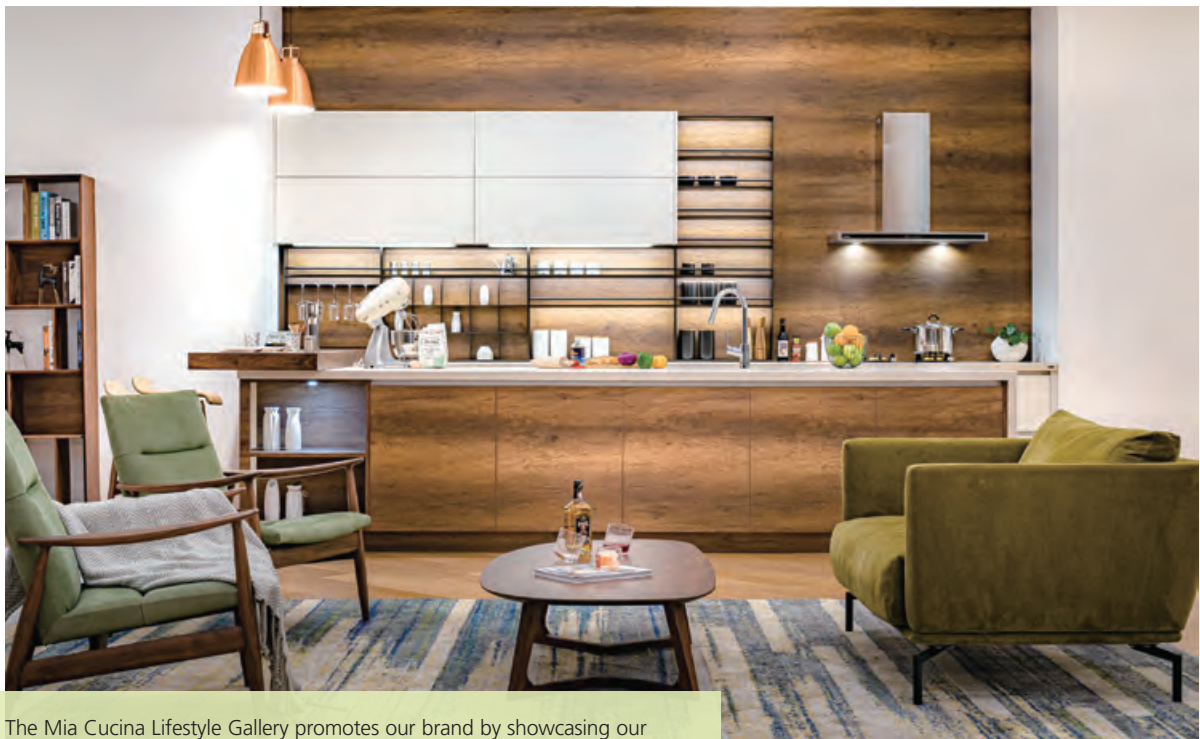
## Gas Insurance Business

In addition to supplying safe energy and top-quality gas appliances to hundreds of thousands of households, we have collaborated with insurance agencies to introduce comprehensive domestic gas insurance policies, with a view to providing customers with comprehensive services and protection. As at 31 December 2019, our gas insurance business has been rolled out to 63 project companies.

## Mia Cucina

Thanks to the increasing demand for attractive and well-decorated apartments, our Mia Cucina kitchen cabinets, which have great storage capacities despite occupying a relatively small space, have become a highly popular choice for customers. Since 2016, the brand has provided professional kitchen cabinet design services and products for newly completed large-scale residential projects, earning a top-notch reputation in the industry. The service provides a total one-stop solution, handling cabinet design, installation and after-sales services to build customer confidence.

A well-designed kitchen is the soul of a home. Mia Cucina fulfils its philosophy of “The Kitchen with You in Mind” through offering bespoke and meticulous kitchen designs to accommodate customers’ needs and cooking preferences. Ensuring total product quality, the surface material of our kitchen cabinets are made of high-grade materials imported from Europe, suitable for Asia’s humid environment and with strong load capacities. The kitchen cabinets are thus both of the highest quality and more durable. During the year, we set up a total of nine display areas, presenting stylish kitchen cabinets hand-in-hand with ergonomic work areas to provide customers with kitchen design inspirations.



The Mia Cucina Lifestyle Gallery promotes our brand by showcasing our upscale Italian kitchen cabinets and the latest household products for the public to experience first hand.

## Review of Operations

### Safety and Risk Management

Safety is one of the most important elements for a public utility. Towngas China is committed to providing safe and reliable city gas to the general public. To this end, we have established a sound safety and risk management framework internally. This includes a dedicated department to follow up on safety inspection results and manage business risk. Thanks to our efforts in the elimination of hidden dangers, in 2019, we recorded a decline of approximately 25% in the number of accidents as compared to last year. There was only one liability accident. This means that we have successfully achieved remarkable improvements in our safety records.

Under the leadership of our Company's Chairman, Mr. Alfred Chan Wing-kin, we conduct large-scale regional safety inspections every year. In 2019, Mr. Chan, together with Mr. Martin Kee Wai-ngai, Executive Director and Chief Operating Officer of Towngas China, led members of the Safety Committee in a number of safety inspections on our business operations in northern China. They inspected local gas facilities, stations and industrial and commercial equipment, and also carried out accident simulations. The results of these inspections show the relevant work and operations meet the Group's stringent safety standards. The department responsible for safety and risk also analyse the performance demonstrated in these inspections, communicate with the relevant project companies and follow up with suggestions for any necessary improvements. Moreover, designated departments also hold annual safety operation workshops to share the inspection results with a view to further improving their safety performance.



Towngas China set its safety theme for 2019 as "Strengthening Operation and Safety Management".



During the year, Mr. Alfred Chan Wing-kin, the Chairman of the Board, led the Group's management team for a large-scale safety inspection in northern China. Aside from examining the operations, the team also carried out drills as a precautionary measure to eliminate safety hazards.

In June 2019, in response to the "Safe Production Month" initiated by the State, Towngas China, together with our parent company, HKCG, organised a Group-wide event which took place across the country. The HSE Walk campaign was held in our places of operation to promote the industry standards in health, safety and environmental protection established by the Group. A total of 90 project companies took part in this initiative supported by almost 8,800 employees, family members and friends. The event was extremely gratifying as it fully demonstrated Towngas China's team spirit. It had a dual focus: promoting work safety as well as encouraging employees and people from all walks of life to pay attention to their personal health.

## Engineering Quality Management

During the year, we continued to replace the cast iron pipes built in the early years with anti-corrosion steel pipes and polyethylene (PE) pipes featuring high tenacity and corrosion resistance to further guarantee gas supply safety. As of the end of 2019, a total of 2,662 kilometres of pipelines have been renovated. The remaining pipelines yet to be replaced now only account for 1.2% of the total length.

In terms of pipeline maintenance, the repair technology used during the year consisted of engineering intubation to clean the inner wall of existing pipes. Specifically, we inserted smaller-diameter pipes into the pipelines to be cleaned to squeeze out impurities. Compared with the traditional method of ground excavation, this technology requires a smaller construction area and significantly minimises the impact on the surrounding environment. It also avoids the risk of traditional pipeline cleaning devices getting stuck in the process. This pipeline cleaning technology and the related equipment were successfully patented in 2019.

In the spirit of innovation, Towngas China actively seeks different solutions to improve existing engineering processes. In 2019, we used gas sniffer dogs, first introduced by our parent company, HKCG, to establish a sniffer dog training base in Xiamen city, Fujian province. Gas sniffer dogs can identify the unique smell of natural gas in the air and give early warning, which helps improve the efficiency of emergency repair work.

In view of our outstanding performance in the gas industry, Towngas China is invited from time to time to participate in the establishment of national engineering technology standards. In 2019, we participated in the joint formulation of 20 industry standards relating to construction and equipment installation in the fields of city gas and LNG. This reaffirms our leadership in the field of gas engineering safety.



During the year, the Group introduced gas sniffer dogs from its parent company, HKCG, for leak detection to improve the efficiency of emergency repair work which strengthens the safeguarding measures and safety assurance for our gas pipeline network operations.

## Review of Operations

### Human Resources

With our ongoing business growth and development, our need for human resources is on the rise. We continue to invest abundant resources in the training of our people with the aim of providing them with every opportunity for promotion, and to ensure that they will grow with the Group. As at 31 December 2019, the Group had 22,385 employees.

We value the cultivation and development of our employees and, to this end, provide professional training for our people at every rank and level. For example, we offer the "Towngas Management Programme ("TMP")" for outstanding management personnel, so that participants can learn about management philosophies and apply them at the workplace. To ensure that trainees can apply what they have learned, we hold a TMP Leadership Application Contest to facilitate participants to share their experience and learn from each other.

A further initiative is the Talent Ladder Scheme for mid- to high-level employees. Scheme participants take part in different key development projects across the Group and the country to better understand our business operations. This scheme helps us better cultivate sufficient talent reserves for our ongoing needs. Since its launch, more than 70 employees have been trained.

Towngas China has dedicated training institutes at various locations to provide professional training for front-line technicians, internal trainers, professional technicians etc. The training there, conducted in the form of small classes, combines both theory and learning applications to help transform our employees into competent professionals.



The Group values the cultivation and development of our employees and provides training for the staff at every rank and level to ensure that they will grow with the Group.

## Corporate Social Responsibility

As a public utility, Towngas China's business is closely linked to people's daily lives. Committed to ensuring safe gas supply in line with the highest industry standards and being responsible to customers, we provide support to disadvantaged groups in an effort to shoulder our corporate social responsibility (CSR). Under this initiative, we hope to live out our CSR spirit by actively participating in public welfare activities to contribute to our community, protecting our environment and providing better care to the underprivileged.

In 2018, our Environmental, Social and Governance Committee (formerly named as "Sustainability Committee") consisting of our senior management members was formed. The Committee monitors the performance and effectiveness of our participation in public welfare programmes and environmentally friendly activities, in order to turn "contributing to society" into an intrinsic part of our corporate culture whilst making the best use of resources for the maximum benefit of the beneficiaries.



The Group mobilised corporate volunteers to deliver teaching materials to schools in Sichuan province and Heilongjiang province, in support of rural education work.

### Towngas China Gentle Breeze Movement

In 2019, our Towngas China Gentle Breeze Movement programme carried out educational support activities in Pingchang county in Sichuan province and Qiqihar city in Heilongjiang province. Jianshan Primary School and Pingchang Deaf-Mute School in Pingchang county in Sichuan province are both located in remote areas and lack education resources and facilities. As such, we funded the renovation of the canteen at Jianshan Primary School together with the building of new awnings and a new "Towngas China Charity Library". In May, we also mobilised corporate volunteers to deliver teaching materials to the campus, in a bid to improve learning conditions for the students.



Volunteers from the Group set up "Towngas China Charity Libraries" at schools to provide a better schooling environment for students.

Another initiative was taken at Qiankule Primary School in Fularji district, Qiqihar city in Heilongjiang province. The Group's volunteers built two "Towngas China Charity Libraries" and donated a batch of teaching supplies. Corporate volunteers also expanded and renovated a guard room to help the school strengthen its safety management and improve teaching facilities. Exhaust fans and vents were also installed in laboratories to cope with the extreme weather conditions in northern China. These efforts have greatly improved the overall school environment.



## Review of Operations

### Plastic Reduction Campaign

As an advocate of green culture, we carry out a series of activities every year to address environmental issues and encourage staff to make improvements in their daily lives and to take part in volunteer activities during leisure time to contribute to environmental protection. In 2019, the Plastic Reduction Campaign was organised with four major programmes, namely, "Towngas China Plantation Day", "Earth Hour", "Plastic Reduction Movement" and "Environmental Creative Show". Over 80 project companies took part in this year's campaign. With the participation of more than 2,200 corporate volunteers, approximately 6,000 tree seedlings were planted.



Activities such as plastic waste clean-ups were organised to advocate an environmentally friendly lifestyle and encourage staff to reduce plastic use.



"Towngas China Plantation Day" is one of the four main activities of the Group's Plastic Reduction Campaign, with about 6,000 tree seedlings planted.

As part of our efforts to protect the environment with concrete action, our Plastic Reduction Movement encourages employees to reduce the use of plastic in addition to recruiting volunteers to clean up plastic waste. We also held workshops to educate our staff members on how to recycle waste plastic, echoing our development strategy of "turning waste into treasure".

### Rice Dumplings for the Community

Adhering to the tradition of our parent company, HKCG, we invite our corporate volunteers to purchase ingredients for making rice dumplings every year during Dragon Boat Festival. Following that, we work together to prepare rice dumplings for the elderly and those in need in our community using open-flame cooking appliances. In 2019, more than 70 project companies participated in the activity, contributing over 36,700 rice dumplings to the underprivileged.



During the year, the Group continued to head the Rice Dumplings for the Community campaign. With strong support from volunteers of the Group, a total of more than 36,700 rice dumplings were distributed to underprivileged groups.

## Long-Term Development Strategy

Looking back on mainland China's "13th Five-Year Plan for Energy Development", the goals of expanding the supply and use of natural gas and promoting the orderly development of the natural gas industry have by and large been achieved. In signing the Paris Agreement in 2016, China joined hands with other countries to work on the issues of climate change. It is believed that the Chinese Government's determination to conserve energy and reduce emissions remains steadfast. Moreover, the China-Russia East-Route Natural Gas Pipeline, which came into operation at the end of 2019, provides solid support for China's natural gas reserves. Driven by these strong tailwinds, the proportion of natural gas in the country's overall energy consumption is expected to go up, further driving the growth of the city-gas industry.

In the "Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Edition)", the NDRC announced their efforts to promote the further opening-up of the service industry. The reform included the removal of the restriction that gas and heat supply pipelines in cities with a population of more than 500,000 must be controlled by Chinese enterprises. This encourages the Group's investment in the city-gas industry, and Towngas China will enjoy greater flexibility and opportunities in project investment. Furthermore, the establishment of the China Oil & Gas Pipeline Network Corporation, which put the piped business into independent operation, will fuel the long-term development of the oil and gas industry. Downstream city-gas companies like Towngas China will thus have access to adequate supply of gas which will generate growth momentum to the Group's future development.

Towngas China supports the national policy by promoting "coal-to-gas" projects. Since 2016, we have actively developed distributed energy systems with high energy efficiencies. This included the establishment of TCEI to invest in such projects. These efforts have proven effective and have provided strong impetus for the growth of the Group's industrial and commercial segments. In the residential market segment, we will keep abreast of the big data trend, leverage our breakthrough launch of "smart appliances" in 2019, and continue to integrate technological solutions into our products and service platforms, such as the VCC platform, to provide customers with friendly and professional service.

