



港華燃氣有限公司
Towngas China Company Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1083)



環保生活每一天
Go Green Every Day



Go Green Every Day

Towngas China Sustainability Report 2018



To be Asia's leading clean energy supplier and quality service provider, with a focus on innovation and environmental-friendliness.



About This Report

Since 2013, Towngas China Company Limited (“the Company”) has published sustainability reports annually, based on the overarching principles of objectivity, standardisation, transparency and comprehensiveness, to proactively report on the sustainability goals and results of specific actions undertaken by the Company to its stakeholders and the public as a way of fostering mutual understanding and communication. To further enhance communication with stakeholders and reflect stakeholders’ concerns objectively, Towngas China has engaged the Business Environment Council, a professional third-party consulting firm, to evaluate the Company’s disclosures on sustainability matters. We had also invited all suppliers, staff and charitable organisations that work closely with the Group on sustainability projects to participate in online surveys anonymously in our bid to identify critical factors that may impact the Group’s sustainability and to obtain their valuable opinions and suggestions.

Reporting Period

This Report covers the period from 1 January 2018 to 31 December 2018 as well as the period prior to that where applicable.

Release of the Report

The Sustainability Report of Towngas China Company Limited is published annually. It is released at the same time as the annual report of the same year.

Reporting Scope

This Report covers information from Towngas China Company Limited and its project companies in mainland China. For presentation purposes, terms including “Towngas China Company Limited”, “Towngas China”, “Towngas”, “the Group”, “the Company”, “we”, “us”, “our” etc. are used herein.

Editorial References

- Appendix 27 “Environmental, Social and Governance Reporting Guide” in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
- G4 Sustainability Reporting Guidelines by Global Reporting Initiative
- “Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-CSR 4.0)” by Chinese Academy of Social Sciences
- “ISO 26000 - Guidance on Social Responsibility” by International Organisation for Standardisation

Data Clarification

Data for the year of 2018 quoted in this Report shall be the final statistical information. For financial data, please refer to the Towngas Annual Report 2018 concurrently issued by the Group. All monetary amounts mentioned in this Report shall be referenced in Chinese Renminbi (RMB) unless otherwise specified.

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Access to the Report

This Report is made available in three formats, namely print, electronic and mobile. To obtain a printed version, please call (86) 0755-2151 5056. The electronic version can be downloaded from the official websites of Towngas China at www.towngaschina.com or www.towngas.com.cn. For the mobile version, please scan the following QR code:



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Towngas

Hall of Innovation

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Message from the Chairman

In the 40 years since the reform and opening up of China, rapid socioeconomic developments have bolstered an increasing need for natural gas. Towngas China brought in advanced technologies and its wealth of management experiences to train and nurture a large number of professionals and enhance industry service standards. The Company has become both a participant as well as a driving force in the development of the city gas industry. At present, the city gas industry in mainland China has become the most marketised industry within the municipal public utilities sector.

2018 was a boom year for the natural gas market. Consumption of natural gas maintained its strong growth momentum on the back of macroeconomic stability in mainland China as gross domestic product (GDP) crossed the RMB90 trillion milestone for the very first time. There have been continued escalation of oil and gas sector reforms and bonus disbursements, and further developments in the prevention and control of air pollution promulgated by the Three-Year Action Plan to Win the Battle for a Blue Sky and other environmental protection policies. In the face of opportunities and challenges, the Group is united as one and dedicated to ensuring that safety comes first while maintaining reliable gas supply. We have been proactive in our efforts to develop various gas markets including expansion of gas supply coverage in village areas, promoting developments under the “coal-to-gas” project, and providing clean energy heating options. We are committed to the comprehensive utilisation of energy resources so as to realise a steady annual growth in total gas sales volume. Concurrently, the Group will extend its sustainable development by leveraging on our distinctive advantage – a massive customer base. The Company achieved an annual sales volume of 770,000 units for our Bauhinia brand of gas appliances. Our gas dryers enjoyed immense popularity with customers after their introduction into different environments such as schools, hotels and community groups. Other business lines, including the Company’s upscale kitchen cabinet brand Mia Cucina, also saw major breakthroughs in providing customers with quality gas-fuelled lifestyle experiences. We foresee boundless potential in the future demand for city gas in mainland China. The Group will be actively seeking out business opportunities, expanding through viable diversification of businesses and continuing to drive sales and performance.

The key to the development of our businesses lies in meeting and exceeding customer expectations as well as providing people-oriented services. The “Three Courtesies” culture has been instilled in our staff as a workplace guideline and standard. Our staff engages and interacts with hundreds of millions of customers every year and has won them over with quality service. We will continue to elevate service standards across every aspect of the business. By fusing the “MasterCraft spirit” with the unique traits of the gas industry, Towngas China seeks to

establish itself as a premium lifestyle brand by encouraging its technical staff to continually improve their skills and pursue excellence. At the same time, we have improved our online customer service platform and increased the number of features to provide our millions of account users with a more convenient and efficient web service. During the year, the Group held the second MasterCraft Contest and the Three Courtesies Service with a Smile Ambassador Competition, which showcased the technical expertise and high service standards of our frontline employees while promoting our corporate spirit of Total Quality Management, which includes MasterCraft excellence as well as the Three Courtesies culture.

Towngas China upholds its philosophy of “benefitting society and contributing to the community” through its corporate social responsibility (CSR) initiatives and efforts to encourage active staff participation in these programmes. The Group has established a Sustainability Committee comprising multiple senior management executives to oversee the Company’s sustainability matters and to ensure that all project companies endorse operational strategies aligned with the Group’s vision of sustainable growth. Currently, more than 95% of our project companies have established Towngas Volunteer Service Teams that are growing by the day. These volunteers have carried out community programmes such as “Rice Dumplings for the Community” and “Towngas Low-Carbon Life” to foster the spirit of harmonious communities and contribute toward the promotion of environmental awareness. In 2018, the Group’s flagship charity programme Towngas Gentle Breeze Movement extended educational aid to Baotou city of the Inner Mongolia autonomous region and Changting county of Fujian province. We also sponsored the establishment of the seventh Firefly Centre in Luliang county of Yunnan province and contributed to the development of educational initiatives for the local community.

We are proud of the Group’s accomplishments across its various sustainability efforts. This is the sixth Sustainability Report issued by Towngas China. It details the major groundwork undertaken by Towngas China to carry through with our promises on corporate social responsibility and corporate sustainability in the past year. It also acts as a channel for our stakeholders to objectively and holistically understand the sustainability efforts undertaken by Towngas China. We hope that this will strengthen our communication with investors, and welcome all feedback and suggestions from our stakeholders so that we can move forward on the Group’s sustainability agenda together.

Chairman and Executive Director

Towngas China Company Limited

Managing Director

The Hong Kong and China Gas Company Limited

19 March 2019

A handwritten signature in black ink, appearing to read "Alan Chan", is positioned to the right of the printed name and titles.



Specialist Review

The 2018 Towngas China Sustainability Report is the sixth report disclosing Towngas China's work on corporate social responsibility. This year's report has been renamed to reflect a visionary unity of corporate social responsibility with sustainable development, and demonstrates to stakeholders Towngas China's tireless pursuit of sustainable development.

Comprehensive corporate governance – Towngas China has established a stringent Sustainability Committee to collect relevant views as well as implement appropriate measures and follow-up. As a coordinator overseeing the Group's sustainability development issues, the committee highlights the Group's commitment to state-of-the-art, comprehensive sustainable development governance.

Across-the-board implementation – Through its structured content, in-depth case studies and objective statistical analysis, the Report discloses the Group's exploration and efforts in the fields of economy, safety, service, environment, staff and social responsibility. As a public utility, Towngas China takes up its responsibility in earnest by taking tangible action.

Promoting industry development – Towngas China has dedicated in-depth efforts in mainland China's natural gas market by taking part in the construction of coal-to-gas infrastructure and the promotion of distributed energy systems, in a bid to provide green energy to fuel social development. At the same time, Towngas China is committed to innovation, introducing world-leading safety management experience and technology while setting industry service standards through the core values of courtesy, ingenuity and integrity, contributing immensely to China's city-gas industry development.

I look forward to seeing Towngas China reach new heights through enhancing its safety management, service capabilities, and corporate social responsibility, thereby gaining more momentum for sustainable corporate development.

Chairman of China Gas Association

Liu Heming

19 March 2019

A handwritten signature in black ink, reading '刘贺明' (Liu Heming).

About Us

Company Profile

Towngas China Company Limited (Stock Code: 1083, “Towngas China”) is listed on the Main Board of The Stock Exchange of Hong Kong Limited (SEHK). It is a subsidiary of The Hong Kong and China Gas Company Limited (Stock Code: 0003, “HKCG”) primarily engaged in the public utility business in mainland China.

The core business of Towngas China includes the sale and distribution of piped gas in mainland China, such as the provision of piped gas, construction of gas pipelines, operation of city gas pipeline networks, operation of refilling stations for natural gas vehicles and sale of gas appliances. As at the end of 2018, Towngas China had a total of 116 project companies spanning 20 provinces/autonomous regions/municipalities in mainland China, including Anhui, Fujian, Guangdong, Guangxi, Guizhou, Hebei, Heilongjiang, Hubei, Hunan, Jilin, Jiangsu, Jiangxi, Liaoning, Inner Mongolia, Shandong, Sichuan, Shanghai, Yunnan, Zhejiang and Chongqing. The Group’s gas pipeline network stretched for 47,602 kilometres, gas sales volume totalled 10,004 million cubic metres and turnover amounted to HK\$11,787 million.

With a focus on innovation and environmental-friendliness, Towngas China is committed to customer-centric service and endeavours to provide our customers with a safe, reliable supply of energy and the caring, competent and efficient service they expect, while working to preserve, protect and improve our environment, reinforce our talented workforce, develop business diversity and become Asia’s leading clean energy supplier and quality service provider.

Towngas China Board of Directors

Alfred Chan Wing-kin

Martin Kee Wai-ngai

Peter Wong Wai-yee

John Ho Hon-ming

James Kwan Yuk-choi

Moses Cheng Mo-chi

Brian David Li Man-bun



Corporate Philosophy

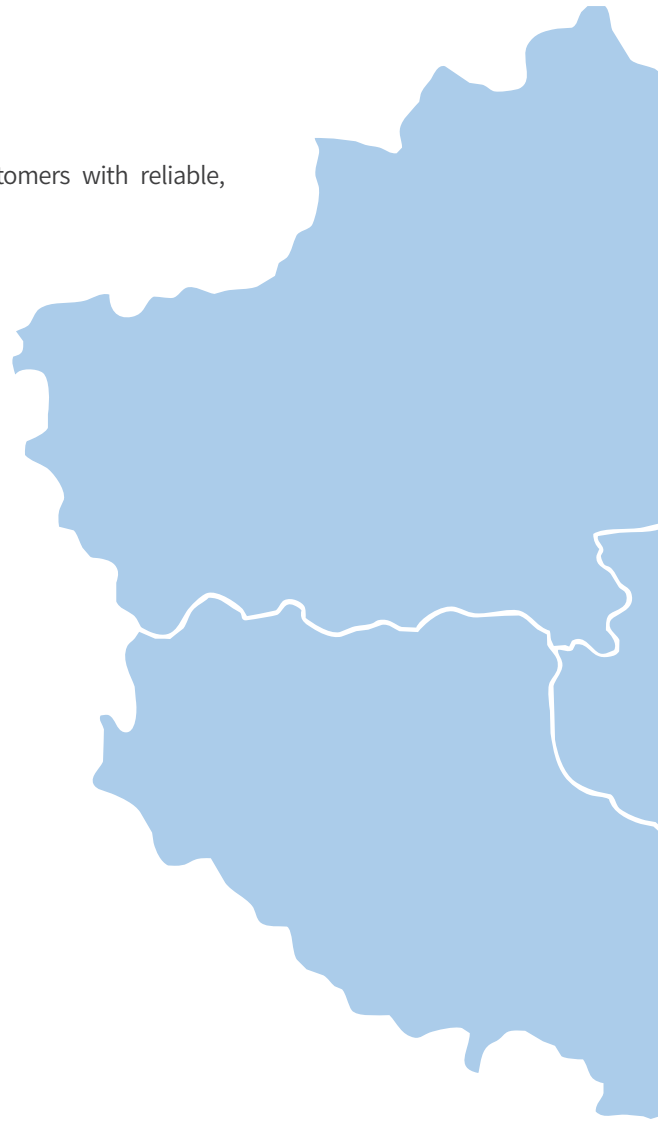
Vision

To be Asia's leading clean energy supplier and quality service provider, with a focus on innovation and environmental-friendliness.

Mission

Whilst improving the environment, we are also providing our customers with reliable, efficient, safe and clean energy.

Values



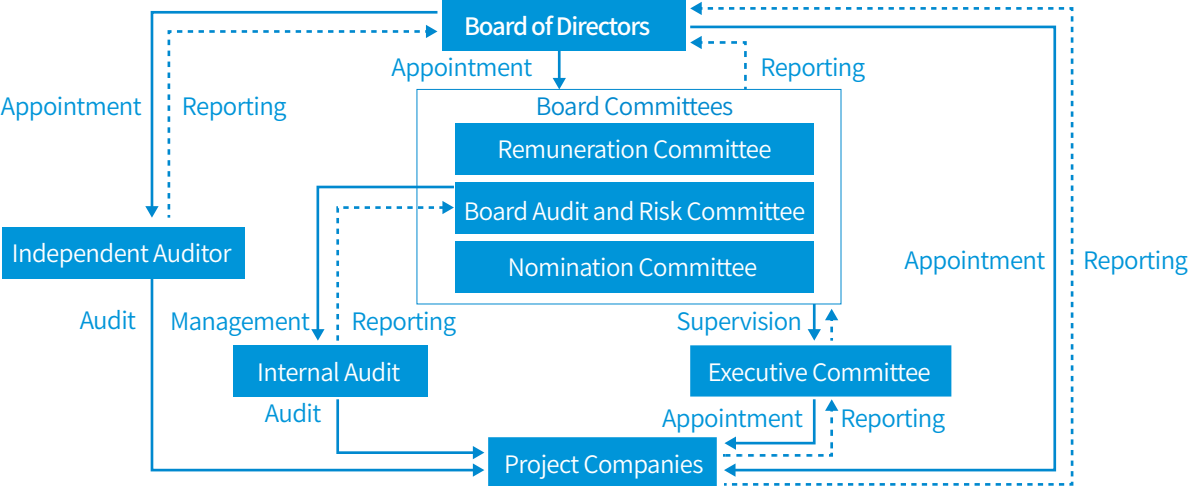


Corporate and Sustainability Governance

Corporate Governance

As the central body in the Group’s corporate governance structure, the Towngas China Board of Directors ensures that its development strategies align with the long-term interests of all shareholders. The Board is supported by three specialised committees, namely the Remuneration Committee, Board Audit and Risk Committee, and Nomination Committee. Members of the Board include four executive directors – Mr. Alfred Chan Wing-kin (Board Chairman), Mr. Peter Wong Wai-yee (Chief Executive Officer), Mr. John Ho Hon-ming (Company Secretary) and Mr. Martin Kee Wai-ngai (Chief Operating Officer), and three independent non-executive directors – Dr. Moses Cheng Mo-chi, Mr. Brian David Li Man-bun and Mr. James Kwan Yuk-choi.

Towngas China Corporate Governance Structure



In 2018, Towngas China led more than 100 project companies to convene annual and interim board meetings. All key resolutions passed at board meetings were subsequently followed up by relevant regional offices and corresponding departments at the Group to ensure that board resolutions were effectively and thoroughly executed and implemented.

To support the board directors in their supervisory duties, the Group conducted interactive forums for the board and supervisory committees, and provided classes taught by experts and training on industry and general knowledge to offer them professional networking and training in order to perform their respective duties and ensure a thorough understanding of the Group’s development strategies and policy requirements.

During the year, the Group continued to revise and compile the “Handbook of Appointment of Directors and Supervisors of Towngas Group (2018)” and “Templates for Board Papers of Towngas Group (2018)” in our bid to reinforce a structured corporate governance system.



Case Study

Managing Director of HKCG and Chairman and Executive Director of Towngas China Company Limited, Mr. Alfred Chan Wing-kin, amongst list of “The 100 Best-Performing CEOs in the World” for the fourth consecutive year

Issued by the respected Harvard Business Review, “The Best-Performing CEOs in the World 2018” takes into account the overall financial performance ranking and the ranking of two sets of ESG (environmental, social and governance) criteria based on financial indicators computed using total shareholder returns and growth in market values as well as non-financial ESG principles. Board Chairman and Executive Director of Towngas China Limited, Mr. Alfred Chan Wing-kin, made the list at number 58, the highest rank achieved by the leader of a public utility company in Hong Kong, to become the first corporate executive in Hong Kong to be honoured with this accolade for the fourth year running. His innovative management style has led the Group to consistently deliver exceptional results and spearheaded the construction of public utility facilities and development of the city gas industry.



Sustainability Governance

Towngas China established the Sustainability Committee in 2018, led by Executive Director and Chief Operating Officer Mr. Peter Wong Wai-ye and a team of senior management executives. The committee convenes biannually and facilitates the Board of Directors in supervising all matters pertaining to sustainability in the company and its subsidiaries, including but not limited to: health and safety, environmental protection, operational procedures, relationships with employees, customers and suppliers, and management practices such as participation in communities, striving to push forth the Group’s sustainability agenda through innovative means.



Corporate Risk Management

Towngas China set up the “Risk Management Committee for Mainland Public Utilities” and the “Risk Management Committee for Project Companies” to evaluate the Group’s Top Ten Risk Assessment Items. The Group was able to establish an effective risk management system based on valid grounds to bolster our risk resistance.

Through the inclusion of self-assessments on major corporate risks and relevant risk monitoring markers in board papers, project companies were able to implement effective controls on major risk items based on risk assessments on respective operations. As a result, project companies were better poised for sustainable, healthy and stable development.



Case Study

Conducting “Corporate Risk Assessment Reinforcement Training” workshops

To effectively reflect the Company’s risk levels and objectively evaluate risk impacts on the Company, the Group coordinated with regional offices during the year on organising Corporate Risk Assessment Reinforcement Training workshops. More than 260 employees from a total of 75 companies participated in this training programme. The goal of this training programme was to further improve on the production management risk assessments in project companies.



Legal Risk Management

To improve our legal mechanisms, provide professional legal assistance and avoid potential legal risks, the Group has assigned a frontline legal counsel to each region and engaged professional legal consultants to organise staff training. In addition, we compile and publish a Towngas China Legal Affairs Quarterly Journal to enhance legal awareness across the board with our employees and companies, so as to ensure full compliance with state-mandated legal requirements for all of the Group's businesses.

Concurrently, the Group has established a holistic legal risk assessment system and reporting protocol on major risks. We have compiled a list of legal risk assessment items and measurable standards to closely monitor the legal risks and controls for new project developments so that the Group and its project companies can identify, control and resolve potential legal risks in a timely and effective manner.

Internal Audit

The Group's Internal Audit Department conducts audit risk analyses on the Company's businesses and management in an independent and objective manner using scientific methods. The Department expeditiously monitors implementation of audit recommendations to ensure that the Company's operational activities are compliant with all rules, guidelines, standards and criteria as prescribed by the Company. As a result, the Company's operational efficiency is enhanced.

As at December 2018, the Group had 34 project companies with established corporate audit committees or internal audit departments.



In 2018



Launched **43** audit projects



Followed up on the implementation of recommendations raised in **29** audit reports



Assisted project companies to establish and optimise **65** rules and regulations



Provided annual audit reports to the audit committees of **15** project companies

Controls in Business Ethics

The Company has issued a “Towngas China Code of Conduct” and organises regular courses for all employees to ensure that all operational activities of the Company are in full compliance with the law and moral ethics. Our employees are expected to be law-abiding, compliant, incorrupt and honest in the course of their work.

In accordance with the requirements set out in the Towngas China Code of Conduct, all employees sign a declaration statement annually to report any potential conflict with the Company’s rules and regulations. Concurrently, the Company has put in place confidential communication channels and whistleblowing mechanisms to encourage and facilitate our staff in reporting any inappropriate behaviour. All reported information is handled in a timely, objective, fair and cautious manner.

Towngas China pledges to maintain good corporate governance and places great importance on the spirit of accountability and a high level of transparency. This is our way of protecting the needs of our stakeholders and reinforcing stakeholder confidence in the Group. To fulfil this promise, the Group has established a Whistleblowing Policy that encourages our staff and all stakeholders of the Group, including customers, contractors, suppliers, creditors and debtors, to report any inappropriate behaviour, malpractice and misdeed within the Group. Further details on this policy can be found on the Corporate Governance page of the Group’s official website.

(Website: <https://www.towngaschina.com/en/About-Us/Corporate-Governance>)

In 2018, there were no incidents of bribery, extortion, fraud or corruption litigation involving employees within the Group.

Supply Chain Management

On the premise of compliance with product quality requirements and having passed on-site evaluations, Towngas China will prioritise suppliers with outstanding corporate social responsibility (CSR) track record in our vendor selection process. We will also conduct on-site CSR inspections on randomly selected suppliers, and we ask that our suppliers conduct regular self-inspections and adhere to clauses relating to ethics, social responsibility and environmental protection as provisioned in the Corporate Social Responsibility (CSR) Code of Practice for Suppliers set out by HKCG (the parent company of Towngas China). Additionally, the Group had revised the Basic Requirements for Towngas Group Suppliers in 2018 and we ask that our suppliers follow the principles of voluntariness, equality, fairness and integrity, and abide by the laws and business ethics.

During the year, the Group had received the “2018 CSR Self-Evaluation and Feedback Report” from 110 key suppliers. Concurrently, to encourage suppliers in their adoption of efficient on-site management tools (including the six aspects of organisation, storage, cleanliness, standardisation, cultivation and safety, also known as “6S”), the Group also held the “2018 Towngas Group Meeting with Supply Partners: Discussing and Promoting 6S” and invited 139 representatives from 75 suppliers to participate in discussions on environmental improvements, safe operations and boosting efficiency.

In 2018, the top five suppliers of the Group constituted less than 30% of its annual operating expenditure.

Towngas China engaged a total of 184 suppliers in 2018

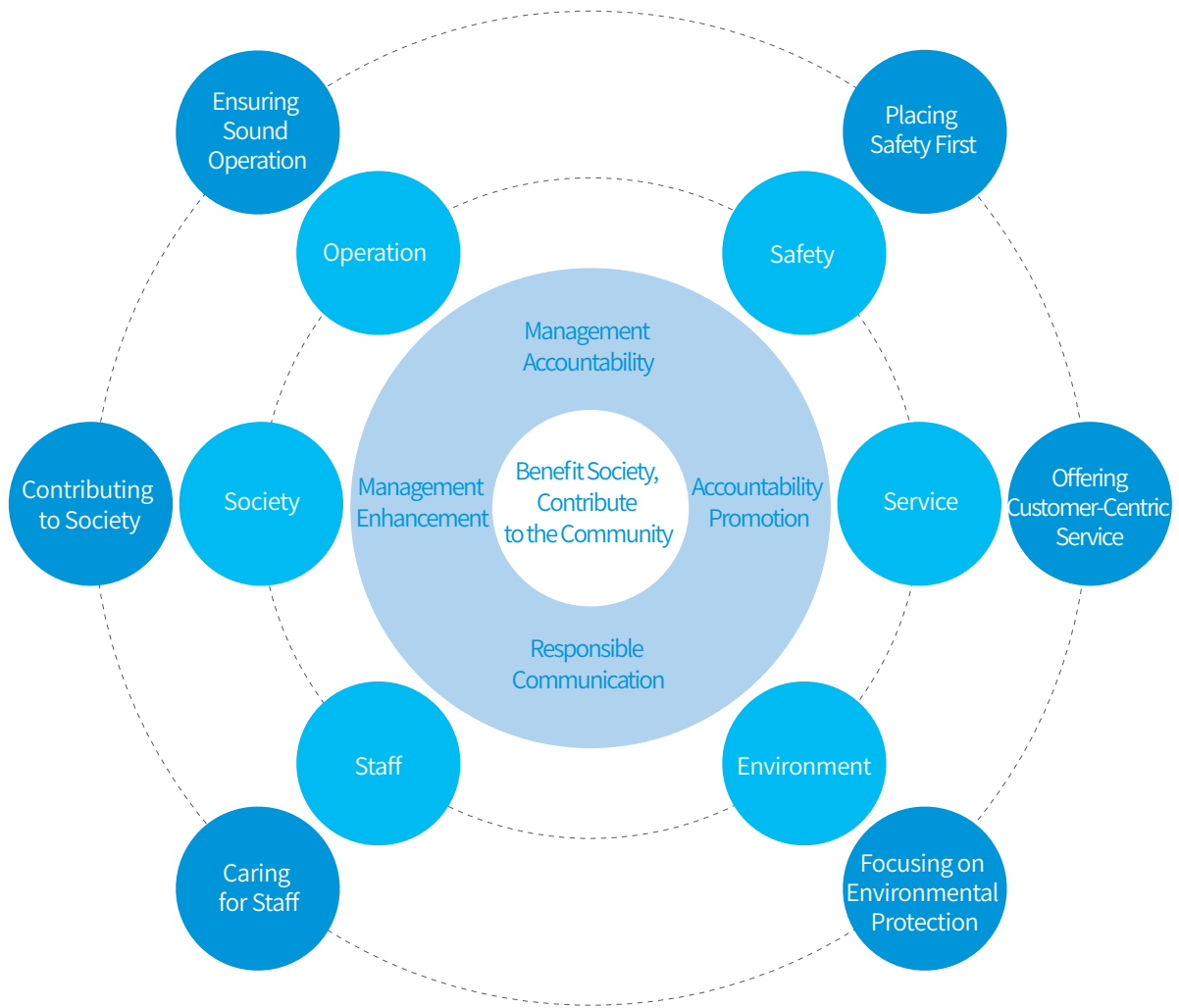
171 suppliers were domiciled in mainland China primarily supplying polythene (PE) products, gas appliances, measuring gauges, standpipes, steel pipes and anti-corrosion products, pressure regulating products, copper valves, valves for pipe networks etc.

13 were overseas suppliers mainly supplying products such as valves for pipe networks and detectors

Managing Corporate Social Responsibility

Corporate Social Responsibility Philosophy

Actively participating in community service to benefit society; dedicating efforts to protect the environment and contribute to the community.



Corporate Social Responsibility Communication

During the year, the Company established a Sustainability Committee with the goal of reinforcing directions on the Group's sustainability efforts. The Committee routinely reviews the achieved results and assesses present risks of sustainability projects, and proposes strategic revisions and sets future targets based on the status quo.

To further enhance communication with stakeholders and reflect stakeholders' concerns objectively, Towngas China has engaged the Business Environment Council, a professional third-party consulting firm, to evaluate the Company's disclosures on sustainability matters. We had also invited all suppliers, staff and charitable organisations that work closely with the Group on sustainability projects to participate in online surveys anonymously in our bid to identify critical factors that may impact the Group's sustainability and to obtain their valuable opinions and suggestions.

We analysed responses from the Stakeholder Engagement Surveys and identified 32 projects associated with the Group that we need to pay attention to. The results were categorised according to corresponding business units and their impact on the environment. This has helped us to formulate an information disclosure mechanism and yielded suggestions for improvements, the details of which will be covered in a latter section of this Report.

Stakeholders' evaluation of Towngas China

Wang Ke

Shanghai Aerospace Blue Flame Volunteers' Association Secretary-General,
Shanghai Fiorentini Marketing Manager

During our business collaboration, we fully experienced the heavy emphasis Towngas China places on corporate social responsibility. The Company has strict requirements on quality, safety and environmental-friendliness for their products, and monitors suppliers' implementation of and standards for social responsibility. As their supplier, we are happy to work together with Towngas China in fulfilling our collective corporate social responsibility.



Exceptional Management Bolsters Sustainable Performance



Stakeholders' evaluation of Towngas China

Peter Wong Wai-ye

Executive Director and Chief Executive Officer
Towngas China Company Limited
Executive Director and Chief Operating Officer - Utilities Business
The Hong Kong and China Gas Company Limited

With innovation and environmental protection at its core, Towngas China is committed to the promotion of clean gas energy and maintaining a safe gas supply. Placing our customers first, we offer a quality, comfortable gas-fuelled lifestyle to our patrons. With superb and stable management and operations, we strive for coordinated, sustainable corporate, social and environmental development and attain quality and sustainable growth in our operations.

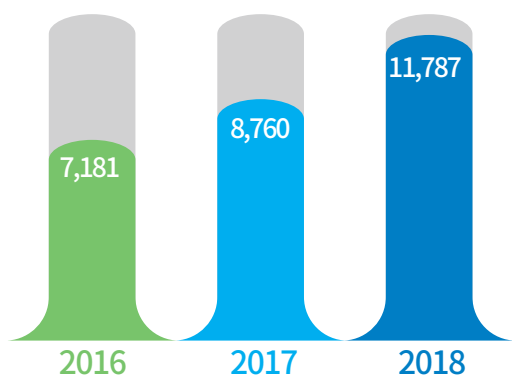


Financial Performance

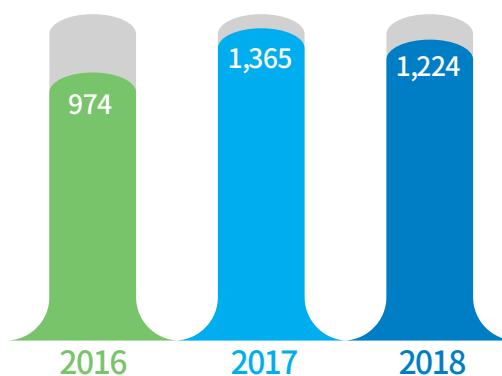
In 2018, the natural gas market in China flourished and rose to rank third in global natural gas consumption, driven by steady macroeconomic stability, continued escalation of oil and gas sector reforms and further strengthening of environmental policies.

During the year, Towngas China saw steady growth with 10,004 million cubic metres of piped natural gas sold, which was an increase of 19%, with turnover hitting HK\$11,787 million, which was an increase of 35%. The basic earnings per share amounted to HK 43.89 cents, with final dividend of HK 15 cents per share. The after-tax profit attributable to shareholders amounted to HK\$1,224 million.

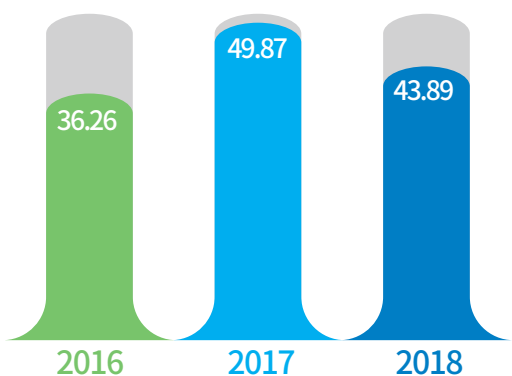
Turnover Unit: HK\$' M



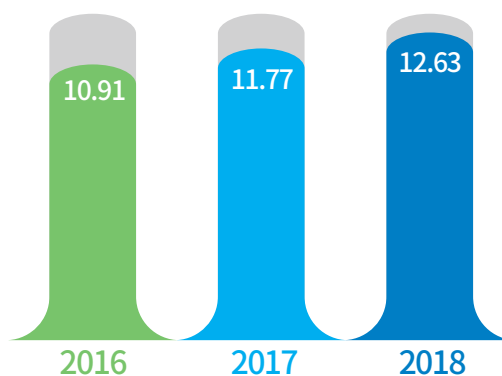
After-Tax Profit Attributable to Shareholders Unit: HK\$' M



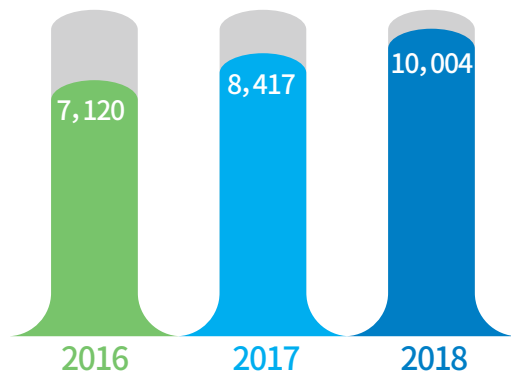
Earnings Per Share Unit: HK cents



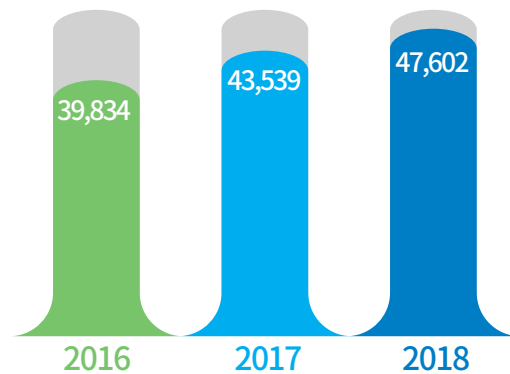
Number of Customers Unit: Millions of Households



Gas Sales Volume Unit: Million cubic metres



Length of Pipeline Network Unit: Kilometres



Diversified Business Portfolio

Provision of Green and Clean Energy

During the year, Towngas China kept to the strategy of steady progression, continuing to tap on the potential of natural gas markets ranging from household and commercial gas consumption to clean energy heating options and coal-to-gas projects, while actively exploring the use of natural gas as a raw material for power generation and fuelling of vessels and vehicles. The Group maintained a double-digit growth rate in gas sales volume for the year, continuing to provide green energy to fuel societal developments.

In 2018, the Group further invested in distributed energy and launched a project located in Guilin city of the Guangxi Zhuang autonomous region (GZAR) – our first collaboration with a biotechnological company. Other than the construction of distributed energy systems, we also harnessed landfill gas for our customers from waste matter such as waste water. Almost 30% of the landfill gas collected was used to produce energy and we were able to supply high-efficiency energy while concurrently realising the Group’s “waste-to-energy” goal.

Incepted last year, Towngas China Energy Investment Limited (TCEI) acts as the Group’s investment arm for integrated energy projects in mainland China. Focusing on the investment on and building of distributed energy projects, the subsidiary achieved a breakthrough in 2018 and established projects in northern, eastern, and southern China. With more projects due to be completed in the future, we anticipate that the Group will garner an even larger market share in the distributed energy sector moving forward.

Creating a Comfortable Gas-Fuelled Lifestyle

The Group offers an array of safe and reliable gas appliances as well as an extended and diversified suite of services to satisfy our customers' pursuit of a quality, comfortable, gas-fuelled lifestyle.

Our Bauhinia brand has rolled out various gas appliances, ranging from stoves, water heaters, combi-boilers to clothes dryers, that are strictly compliant with state regulations such as “Domestic Gas Cooking Appliances” (GB16410-2007), “Domestic Gas Instantaneous Water Heater” (GB6932-2015), “Gas-Fired Heating and Hot Water Combi-Boilers” (GB25034-2010) and “Town Gas Appliances Sales and After-Sales Service Requirements” (GB25503-2010). Our upscale kitchen cabinet brand Mia Cucina incorporates fashion elements with culinary masterpieces to create integrated built-in smart kitchens. With extended services like shopping for healthy ingredients and the supply of premium kitchen appliances, Mia Cucina is set to bring a brand-new culinary experience to our customers.

In 2018, our Bauhinia brand of gas appliances continued improving not just on product quality but also on service standards as well, registering a mere 0.01% defect rate and zero incidences of safety recall.



“Hong Kong Top Brand”
Conferred by: Hong Kong Brand Development Council



“Trusted Quality Product in China”
Conferred by: China Association for Quality Inspection



“China National Hardware Association Gas Appliances Branch Council Member”
Conferred by: China National Hardware Association



“Caring Social Enterprise Award”
Conferred by: Guangdong Gas Appliance Association

Recognition for participation in the drafting of an industry standard - “Professional Standard for Gas Appliance Installation and Maintenance Technicians”

Conferred by: China National Hardware Association

Supplier Screening	The Group upholds stringent standards in ensuring that suppliers’ services and products are of top quality.
Product Research and Development	All products have to undergo dual testing and approval by national quality supervision and inspection authorities as well as Guangzhou Towngas Technology Centre which is recognised by the laboratory of the China National Accreditation Service for Conformity Assessment.
Production and Sales	Provides quality reassurance throughout the entire process of production and sales through sample-testing, defect rate control and sales data analysis.
After-Sales Service	Feedback collection: Customers may report possible issues related to the quality of products for professional assessment, repair or replacement.
	Product replacement: If defects are found, the batch of products concerned will be recalled. Refund/exchange will be made in accordance with relevant state regulations.
	Quality optimisation: The Company undertakes thorough study and analysis on our products and works closely with suppliers to find ways of improving the quality of our products.

Respect and Protect Intellectual Property Rights

The Group conducts surveys, audits and related training on legitimate software authorisation for information management staff at our subsidiaries each year, to promote the use of legitimate software within the Group and its project companies.

In addition, for Towngas China’s collaborations with external suppliers, the contractual clauses covenanted with suppliers expressly state that products and services supplied are not subject to any infringement implications, and that both parties shall endeavour to protect the intellectual property rights and interests of software and integrated systems owned by the other party. Both parties are to strictly adhere to non-disclosure agreements and the permissible scope of usage as mutually covenanted in the contract.

Reinforcing Safety Management



Stakeholders' evaluation of Towngas China

Ma Changcheng

Deputy Secretary-General of China Gas Association

Upholding the importance of a human-oriented approach as well as respect for life, Towngas China takes part in industry associations' safety enhancement work and formulating national and industry standards. It is also a key advocate of regular on-site household safety checks. Through their combined efforts, Towngas China and its fellow city-gas enterprises have effectively ensured the safe supply of city gas as well as the public's increasing gas safety awareness and the industry's healthy development.



Infrastructural Safety Standards

Towngas China actively participates in the compilation and revision of relevant standards and specifications at the national, industry and corporate levels, sharing with the industry its rich experience and leading technologies to promote healthy development of the city gas industry.

In 2018, Towngas China participated in the compilation, revision as well as provision of expert opinions on 11 national and industry standards.

Participation in the compilation, revision or provision of opinions on national standards

“Code for Design of City Gas Engineering”

“Standards for Indoor City Gas Construction Works and Quality Inspections”

“General Principles of Gas and Heating Appliance Structures”

Participation in the compilation and revision of or provision of opinions on industry standards:

“Technical Standards for Laying Fibre Casing Pipe in Gas Pipeline”

“Technical Specifications for Compress-Type Carbon Steel Pipeline Engineering”

“General Technical Requirements for Non-Household Smart Gas Meters”

“Technical Specifications for Application of Integrated Stainless Steel Pipes for City Gas Transmission”

“Domestic Gas-Fired Heating and Hot Water Combi-Boilers”

“Evaluation of Energy Efficiency Measurement and Test for Gas-Fired Heating and Hot Water Combi-Boilers”

“Professional Standards for Gas Appliance Installation and Maintenance Technicians”

“General Guidelines on Kitchen Safety for Food and Beverage Industry”

At the same time, the Group drafted and published many standards and guidelines throughout the year to promote the standardisation of construction works and businesses conducted by its project companies.



Strengthen Safety Management

Quality Control of Engineering Projects

The Group asks that its project companies set up independent quality assurance (QA) departments or cross-departmental QA teams to bolster the quality assurance of engineering projects. At the same time, the Group continued to promote the use of the “Checklist of Project Quality Monitoring Items” and the “Polyethylene-Pipeline Project Quality Assurance System” (PEQA) to maximise the quality of its polyethylene pipeline projects. In 2018, the Group conducted unannounced PEQA inspections and training for 15 of its project companies.

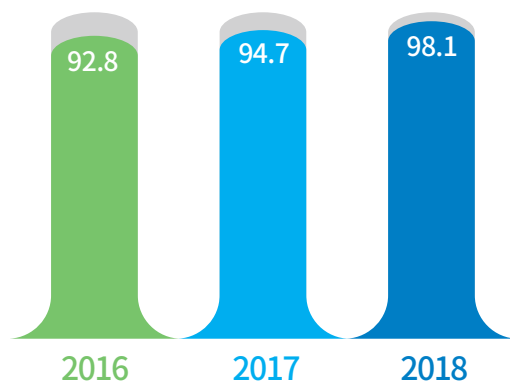
During the course of the year, the Group enthusiastically adopted mobile technologies for application in engineering projects. Frontline operations staff in the engineering and supervisory teams were given relevant access to enable smooth implementation of quality assurance and safety standards, further standardisation of on-site operations and enhanced monitoring of engineering projects. We are increasingly seeing results, and this initiative has also reinforced the Group’s control over the engineering and project supervisory teams. In 2018, we had 82 project companies take up the Group’s mobile engineering application, and more than a million site photographs of our engineering projects have been uploaded.

Underground Pipeline Network Security

Underground pipeline networks are critical arteries of city gas and crucial to the safe supply of natural gas to households. Towngas China has continually revamped and enhanced its underground pipeline networks by replacing all grey cast iron pipes with anti-corrosion steel pipes and PE pipes which possess better mechanical characteristics and higher corrosion resistance. This is the foundation of our promise to supply gas through stable and safe channels.

At the same time, we use the latest detection equipment and techniques to monitor and test for potential risks in our pipeline networks arising from factors like humidity, corrosion or damage caused by external forces due to their underground location. To ensure the safety and reliability of our underground pipeline networks, we expeditiously conduct routine pipeline inspections and resolve hidden risks relating to the safety of our underground pipeline networks.

Grey Cast Iron Pipes Cumulative Replacement Rate Unit:%



Innovative Management

Towngas China established the Towngas Management System-Safety Operation Management (TMS-SOM) asset management system to better manage the equipment and facilities in use at our project companies, including equipment accounting, managing information systems, testing and monitoring protocols, management of inspections, maintenance works, repairs and rectifications. To date, some 68 project companies have connected with our TMS-SOM system and detailed data on almost 28,000km of pipelines and 300 stations have been uploaded to the system so as to build a strong base for safe operations.

Concurrently, Towngas China is working with professional dog training facilities to make use of the animals' keen sense of smell which can detect gas leaks of as little as 1ppb of tetrahydrothiophene (THT, a type of gas odour additive). We hope to be able to pinpoint precise locations of any gas leaks through the use of this collaborative technique. At present, the training of dogs to specifically detect gas leaks has entered its final phases. The first group of trained dogs is expected to be deployed in 2019 and will be assisting in the detection of on-site gas leakages and inspection of key pipelines.



Implementing Safety Measures

Regional Safety Inspections

In 2018, the Group organised a series of safety campaigns with the theme of “Boosting Safety Confidence”. This is in line with our corporate mission to always place safety first and ensure safe gas supply by promoting a culture of innovation and the “MasterCraft spirit”.



Mr. Alfred Chan Wing-kin (2nd from right), Managing Director of HKCG and Chairman and Executive Director of Towngas China, attending the Regional Safety Inspections

Led by Mr. Peter Wong Wai-yee, Executive Director and Chief Operating Officer - Utilities Business of The Hong Kong and China Gas Company Limited and Executive Director and Chief Executive Officer of Towngas China Company Limited, members of the Group’s Safety Committee and relevant regional general managers headed to the Anhui-Jiangxi and southeastern regions from 27 to 30 May and from 10 to 11 September to conduct onsite safety inspections, including safety checks at LNG stations of many project companies, ventilation works at residential households, revamping works on underground pipeline networks and applications of distributed energy, and to experience using our gas-powered clothes dryers.



Corporate Safety Inspections

During the year, the Group conducted multiple general manager (GM) inspections and cross-inspections by GMs of project companies to raise the Group's level of safety and risk management and reduce operational risks. GM inspections were based on 17 items on the General Manager Inspection Items list, including regular customer-centric safety inspections, operations and maintenance of our pipeline networks, station safety management, occupational safety and health and corporate risk self-assessment, amongst others.

12 GM inspections

2 inter-company GM cross-inspections were conducted



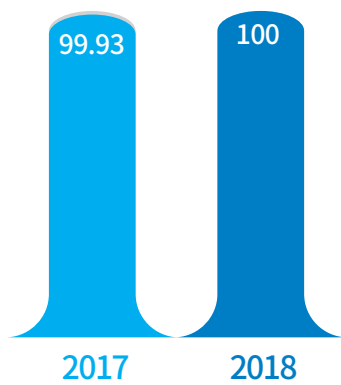
Indoor Safety Inspection and Promoting Safety Awareness

Since 2003, Towngas China has led the industry in conducting regular household safety inspections for residential users. This has contributed to the discovery of any hidden risks and the follow-up of rectification works. It also allowed staff to communicate directly with end users on safety awareness in the use of gas appliances, which helps to boost household gas safety and reduce the number of gas incidents.

Towngas China has been actively promoting gas-related safety awareness campaigns across communities, schools and industrial zones throughout the course of the year. Our goal is to educate users on gas-related knowledge and the proper use of gas appliances and equipment so as to protect their lives and property.

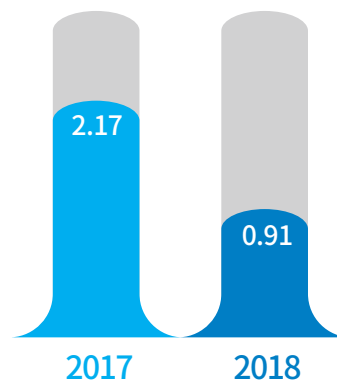
Potential Risks (Class 1)

Rectification Rate Unit:%



No. of Emergency Repairs per 1,000

Households Unit:Cases



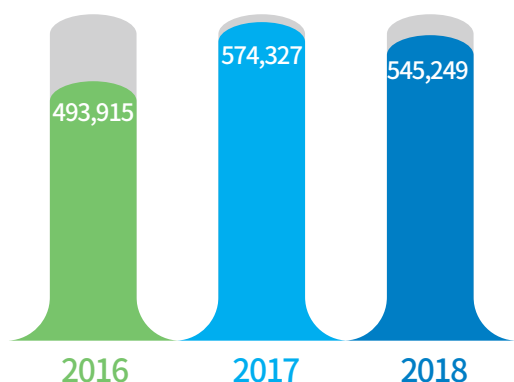
Case Study

Second “Safety Walk” organised by Towngas China

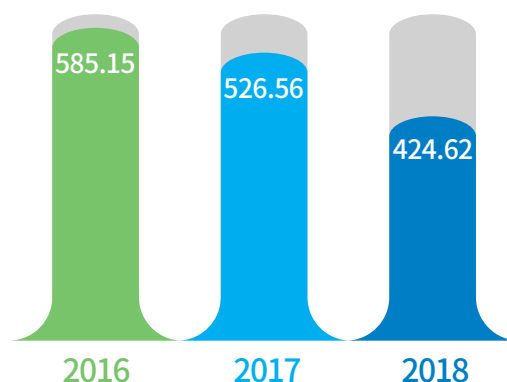
In support of the 17th National “Safe Production Month” to advocate compliance with safety standards during the production process and household gas use, HKCG (parent company of Towngas China) and Towngas China jointly held the second Safety Walk in June. Themed “Walk Ten Thousand Miles, Boost Your Vigour and Practise the Three Courtesies”, the event promotes “taking steps to a better health; stepping up to the frontline on safety consciousness; stepping into nature and living a green lifestyle” in addition to highlighting gas safety awareness and the importance of inspecting gas pipelines, as well as the ‘Three Courtesies’ culture of Towngas China and environmental awareness. With close to 90 project companies taking part, the event attracted nearly 8,200 staff and their family members.



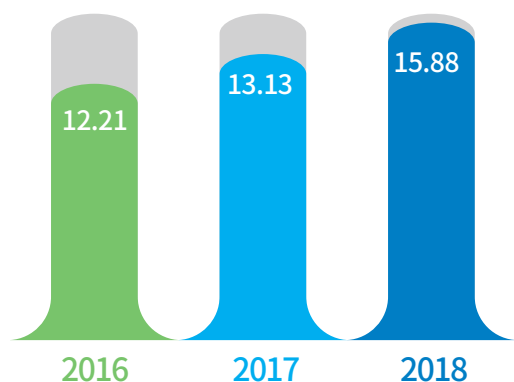
Safety Training Unit:Hours



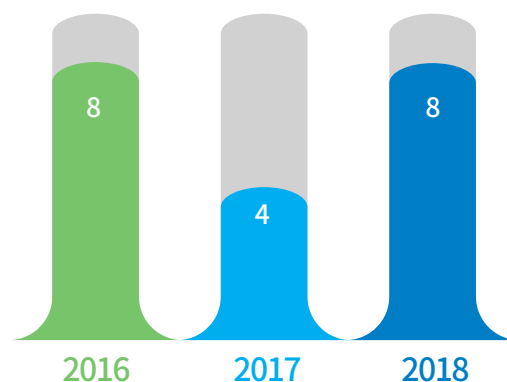
Safety Enhancement Costs* Unit:RMB' M



Safety Promotion Costs Unit:RMB' M

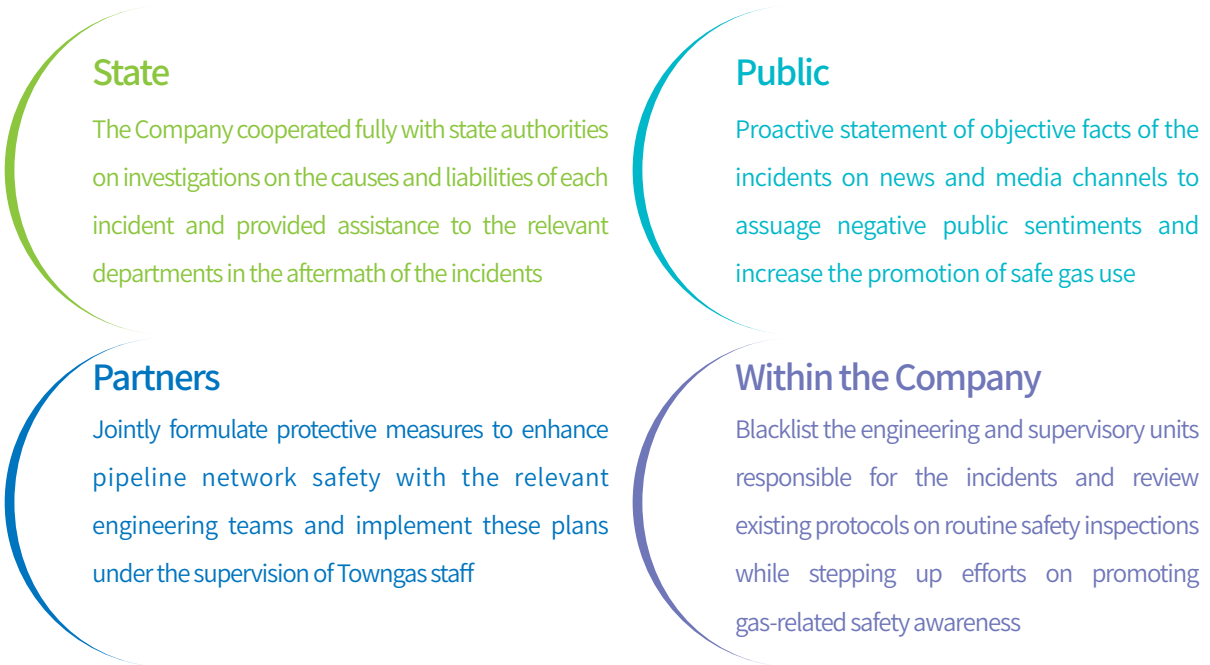


Number of Gas Incidents at Level 4 and Above** Unit:Cases



*Note: Safety enhancement cost was greatly reduced due to the extensive replacement of dilapidated facilities and revamping works on pipeline networks undertaken by project companies in 2017 which resulted in far less facilities requiring replacements and rectification works in 2018.

**Note: The Group had a total of eight gas incidents in 2018. The authorities conducted investigations into these incidents and determined that Towngas China was not responsible for any of the incidents. Out of the eight incidents, six involved fatalities and casualties. Even though the Group was not held liable for these incidents, we rendered assistance to the mainland China rescue units from the onset of all incidents and fully cooperated with the relevant authorities to dispel any public concerns. The details are as given below:



Promoting Safety and Risk Management Audit

At present, the Group has commenced its sixth round of audit in accordance with the 10 safety and risk management items and close to 1,000 inspection stipulations. Concurrently, we have included “Environmental Protection” as an audit item that contributes to the total score and acts as a key constraint condition in our corporate safety and risk audit. This showcases our dedication to strengthening environmental management.

During the course of the year, the Group completed safety and risk management audits on 42 project companies. From 2017 to 2018, a total of 74 project companies were audited. The overall results were encouraging, with 33 audited project companies scoring above 90 to receive an “Excellent” grade, an increase of 16 companies compared with the last round of audits conducted between 2015 and 2016.



Fostering a Deeply Rooted Culture of Service and Standards



Stakeholders' evaluation of Towngas China

Shu Dan

2018 Service with a Smile Ambassador, Customer Service Centre,
Xingyi Hong Kong & China Gas Company Limited

As a frontline customer service staff of Xingyi Hong Kong & China Gas Company Limited, I try my very best to offer the best service to our customers at my job every day. It gives me joy to interact with and receive feedback from our customers. Moving forward, I shall endeavour to fulfil my responsibility with even greater passion and positivity, and communicate Towngas China's warm service culture.



Improving the Customer Service Platform

Towngas China continues in its efforts to improve its online customer service platform VCC (Virtual Customer Centre) and has created multiple channels, including an official WeChat public account, an official company website, AliPay mobile applications etc., to make it convenient and easy for customers to top up value, pay bills or shop for products online, or access other gas-related services such as managing accounts or making appointments for technician services online. As at the end of 2018, there were more than 2 million transactions made by account users registered on the VCC platform, testament to its success as a convenient, efficient and widely popular mobile service platform.



Promoting the “MasterCraft Spirit”

Towngas China strongly supports the philosophy of “promoting artisans’ spirit and honing the artisanal culture”. We view the “MasterCraft spirit” as a perfect match with the unique traits of the gas industry and hope to create a premium brand known for quality service by instilling a corporate culture advocating the “MasterCraft spirit”.

During the course of the year, the Group held the second MasterCraft Contest, aimed at boosting the artisans’ spirit among our staff and encouraging them to relentlessly pursue excellence in their skills. The contest tested 20 groups of participants from HKCG (parent company of Towngas China) and Towngas China on their installation skills in four major areas: riser, indoor pipelines, stoves and PE pipes, with judges reviewing their workmanship and asking questions on site. The participants displayed exceptional technical expertise and true artisanal spirit in these simulated settings.



Fostering the Service Culture of “Three Courtesies”

In 2018, Towngas Group continued to advocate the “Three Courtesies” culture, making it one of our work standards for all employees. As a result, the Group’s customer service and work efficiency have improved and the positive influences are felt even in other industries and the society as a whole.

During the year, the Group held the “Three Courtesies Service with a Smile Ambassador” competition revolving around two themes – “Three Courtesies” and “Service with a Smile”, entrenched in the culture of “good manners and good faith”. Twenty-five Towngas frontline staff were selected as Service with a Smile Ambassadors for their outstanding performances. We are confident that our ambassadors will effectively endorse our brand and convey the Towngas China service spirit of “Three Courtesies” to everyone around them, spreading warmth to thousands of households with their professional etiquette and sincere services.



Launched in 2013, the “Dandelion Scheme” is a customer service training system aimed at continuous enhancement of the service standards of our frontline staff. In 2018, the Dandelion Scheme conducted customer service etiquette, skills and management training for its Three Courtesies Service with a Smile Ambassadors, operational staff and other frontline staff of our customer service centres. A total of more than 6,600 staff participated in more than 130 sessions of specialised trainings conducted by 43 elite in-house customer service trainers who had displayed excellent work performance in customer service.



Proactively Responding to Customers’ Needs

Throughout the year, the Group has been working on improving various functions of the Towngas China 24-hour customer service hotline, such as the handling of customer enquiries and complaints and thoroughly instilling the service philosophy of “You Can Hear Our Smile” and “Service with a Smile”. The Group had also compiled the Handbook on Service with a Smile for internal distribution, setting out standard guidelines for our customer service officers on the rules and relevant protocols to follow when dealing with customer enquiries so as to enhance the service quality of our frontline staff. The Group’s head office received 66 cases of customer complaints in 2018 and followed up on each case accordingly.

The Group also collects customer feedback through multiple online and offline channels, including our official websites, WeChat public account and Weibo tweets. It allows us to strengthen communications with our customers and ensure that all feedback is appropriately handled.

Going forward, Towngas China will invest in building a call centre that supports different media for the sharing of resources so as to boost efficiency in handling customer enquiries.



Building an Information Security System

Towngas China places utmost emphasis on the protection of customer information and we have systems and technical resources in place to protect our customers' information.

All employees must strictly adhere to the "Towngas China Code of Conduct" which stipulates that data relating to customers must be treated with confidentiality to warrant customers' information security. During the year, the Group compiled and updated 13 relevant provisions in accordance with requirements stipulated in the "Personal Information Protection Act" and the "Administrative Measures for the Grading and Protection of Information Security". In addition, we issued the "Towngas Group Corporate IT Management System V2.0" to further bolster the protection and management of information.

Concurrently, we have enhanced our corporate information technology infrastructure to provide encryption of customer information. In 2018, the Group strategically adopted advanced systems management platforms including information security systems such as access gateways and database audits. Our systems are evaluated as Tier 3 under the national information technology security classification.



Leading by Example to Boost Environmental Awareness



Stakeholders' evaluation of Towngas China

Wang Shunzheng

Family of Qingyuan Hong Kong and China Gas Company Limited Employee

As a family member of a Qingyuan Hong Kong and China Gas Company Limited employee, I often take part in the corporate environmental protection activities, such as low-carbon outings, Towngas China Plantation Day and Earth Hour. Through these activities, I've been deeply touched by Towngas China's low-carbon green philosophy, and have begun to adopt more environmentally friendly habits in my daily work and life, in addition to encouraging my friends to take part in environmental protection.



Developing Clean Energy

Towngas China is fully dedicated to advancing the agenda for green and clean energy. With sustainability as our goal, we proactively developed distributed energy systems, boosted energy efficiencies and took great care in protecting and improving the environment as part of our commitment towards social responsibility in our capacity as an energy supplier. At the same time, the Group initiated collaborations with renowned educational institutions to commence comprehensive research on energy resources and to promote technological innovation in support of the country's transition in its use of energy resources.

Case Study

Opening of Tsinghua-Towngas China Regional Joint Research Centre on Comprehensive Energy Planning and Technology

On 3 December 2018, the Tsinghua-Towngas China Regional Joint Research Centre on Comprehensive Energy Planning and Technology was launched. Leveraging on the distinctive advantages of Tsinghua University and Towngas China, the Centre will be conducting comprehensive regional studies on energy planning and key technologies to maximise energy utilisation and conduct research on possibilities of complementing gas with other forms of energy. The goal is to create a win-win for both parties and push energy projects to greater heights.



Green Operations

To meet our goals of improving the environment, reducing our carbon footprint and increasing our energy resources utilisation rates, the Group has compiled the "Environmental Protection Management Guidelines" and added more details to the "Identification and Evaluation of Environment Factors", "Energy Saving (Resources) Management", "Solid Waste Management", "Noise Control", "Exhaust Gas Management" and "Effluent (Liquid Waste) Management". We have also organised regional specialised training on the management of environmental protection to guide the Company on

ways to enhance our corporate management. We strive to improve environmental protection at our project companies in compliance with national laws and regulations set out in the “Environmental Protection Law”, “Law on the Prevention and Control of Water Pollution”, “Law on the Prevention and Control of Air Pollution” and “Law on the Prevention and Control of Environmental Noise Pollution”.

In keeping with national environmental protection policies including the “Law on Conserving Energy” and the “Measures for the Administration of Industrial Energy Conservation”, Towngas China has formulated various corporate energy saving mechanisms. With systems, plans and targets as markers, we conduct regular inspections and training to ensure that energy conservation policies are thoroughly carried out at every stage from production management to product sales, from construction sites to offices and even during transportation.

Throughout the course of the year, there were zero cases of state penalties imposed upon the Group or its project companies arising from emissions issues.

<p>Solid Waste Management Guidelines</p>	<p>Solid waste is classified into general waste and hazardous waste according to its contaminating characteristics. General waste is sub-divided into recyclable and non-recyclable waste. Recyclable waste is sent to professional recycling companies while non-recyclable waste is transported to environmental and hygiene management units or landfills for treatment in accordance with state requirements. For hazardous (harmful) waste, there are clear stipulations on storage requirements and matters of concern. Additionally, it is recommended to maintain a record of waste disposal and statistics categorised by treatment methods, e.g. recycled, landfill treatment, or incinerated.</p>
<p>Exhaust Gas Emission Management Guidelines</p>	<p>Project companies should completely phase out equipment that may potentially cause serious atmospheric pollution. If the operations of a production facility discharge atmospheric pollutants, the facility involved must install dedicated discharge outlets in strict compliance with specifications as stipulated by the State Council’s environmental protection authorities. In addition, the Group’s internal environmental protection department is obliged to monitor, track and maintain original records and statistics of exhaust gas emissions in accordance with state laws and regulations and the “Procedures for Identification and Evaluation of Environment Factors” as the basis for subsequent improvements.</p>
<p>Effluent Discharge Management Guidelines</p>	<p>Project companies must completely discard equipment that causes serious water pollution and comply with the requirements set out in the “General Standards for Discharge of Wastewater”. If project companies need to directly or indirectly discharge liquid pollutants, dedicated discharge outlets must be built in strict compliance with the requirements set out by the State Council’s environmental protection authorities. The companies should also engage authoritative testing organisations to test, monitor and ensure that their industrial wastewater meets national standards and to keep records of effluent discharge and monitored information.</p>

Environment Protection at Construction Sites

In compliance with the requirements provisioned in the “Environmental Impact Assessment Law”, the Group appoints a First Responsible Person at project sites to be in charge of civilised construction and environmental protection during the construction process. We have also outlined clear specifications on civilised construction and responsibilities on environmental protection at project sites in the contracts signed with our contractors and in the job scope descriptions. During the construction process, the Group stringently inspects and monitors the generation of dust, noise and general waste at the site, formulates relevant preventative measures and implements measures expeditiously to eliminate pollution arising from dust, gas and liquid waste. We ensure that the cleanliness levels of our construction sites and rates of progress for our projects are in line with standards set out by the Group.

Eco-Friendly Products

Our gas appliances and gas-related products undergo stringent quality inspections and fully meet all eco-standards. In accordance with “Measures for the Administration of the Restricted Use of the Hazardous Substances Contained in Electrical and Electronic Products”, our products are clearly labelled with disclosures on potentially hazardous substances and environmentally friendly expiry dates so that customers are able to make sense of the relevant product information at a glance.

2018
Product packaging
total weight

771.8 Tonnes

Total plastic weight

77.18 Tonnes

Total paper weight

694.62 Tonnes

2018
Average packaging
weight

1 Kilogram

Promoting a Low-Carbon Lifestyle

The Group encourages all staff and project companies to actively participate in low-carbon and environmentally friendly activities. We believe in disseminating a strong message on co-building a green planet for everyone by adopting a low-carbon and environmentally friendly lifestyle. “Low-Carbon Life” activities organised by Towngas China throughout the year revolved around four main themes - “Towngas China Plantation Day”, “Earth Hour”, “Tips on Clothing, Food, Living and Travel” and “Call for Low-Carbon Innovation”. More than 1,900 people from 80 project companies took part and close to 5,500 trees were planted.



2018 Disclosure of Data on Emissions and Use of Resources

In compliance with regulatory requirements on the disclosure of data on emissions and use of resources and to improve data completeness, the Group has revamped our data collection and statistical methods in 2018 and provided relevant training throughout the year for all of our project companies.

Emissions Data (From Fuel Burning and Vehicles)



Nitrogen Oxide NO_x
17,497 Kilograms

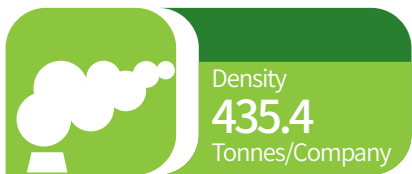


Sulphur Dioxide SO₂
141.4 Kilograms



Particulate Matters PM₁₀
1,154.9 Kilograms

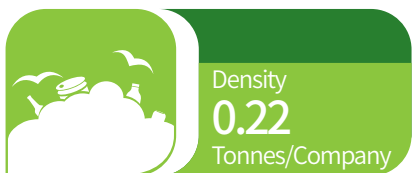
Greenhouse Gas Emissions



Total Amount of Greenhouse Gas Emissions

33,957.7 Tonnes

Total Amount and Density of Harmful Waste Generated



Hazardous/Dangerous Waste (Solids)

17.3 Tonnes



Hazardous/Dangerous Waste (Liquids)

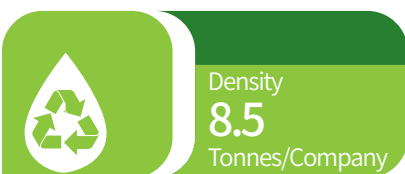
5,936.5 Litres

Total Amount of Non-Hazardous Waste Generated



Non-Hazardous Waste (Solids)

42,995.6 Tonnes



Non-Hazardous Waste (Liquids)

664 Litres

Energy Consumption



Diesel
9,496.2
Gigajoules



Natural Gas
102,556.4
Gigajoules



LPG
83.7
Gigajoules



Coal
0
Gigajoules



Others
52,973.8
Gigajoules



Non-Renewable Energy
Consumption (From Fuel Burning)
165,110
Gigajoules



Electricity Consumption
141,504.4
Gigajoules



Total Energy Consumption
306,614.5
Gigajoules

Total Water Consumption and Density



Water Consumption
312,325.1
Cubic Metres

Nurturing Talent and Boosting Staff Morale



Stakeholders' evaluation of Towngas China

Xu Zhi

Chief Operating Officer, Huang Shan Taiping Hong Kong & China Gas Co., Ltd.

Since joining the Group's Talent Ladder Scheme, I was given the opportunity to receive training at different roles and project companies. In my most recent placement, I took part in the operations and development of the project company with my teammates. Our efforts paid off when we saw dramatic growth in our annual gas supply capacity and the project company turning losses into profit, as well as enhancements to our all-round abilities in a short time.

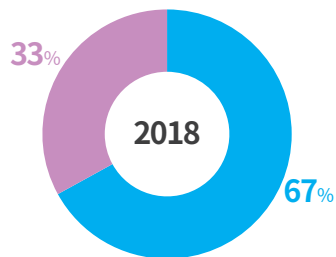


Basic Staffing Information

As at the end of 2018, Towngas China had a total number of 22,241 full-time employees and an annual staff turnover rate of 3.34%

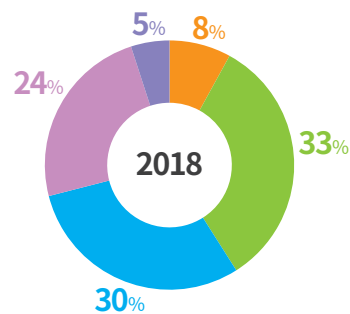
Staff Ratio by Gender

● Male ● Female



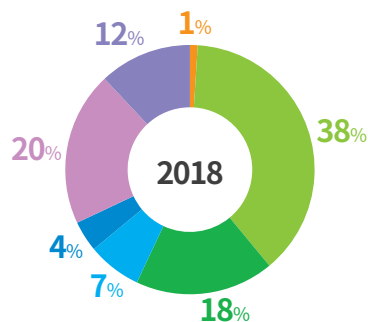
Staff Ratio by Age

● Under26 ● 26-35 ● 36-45 ● 46-55 ● Above55



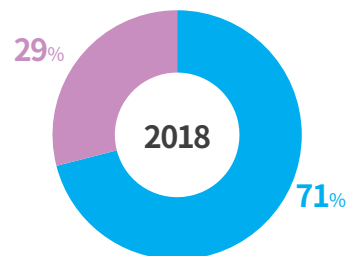
Staff Ratio by Region

● Group Headquarters ● Northeast China Region
 ● Northern China Region ● Anhui-Jiangxi Region
 ● Jiangsu-Zhejiang Region ● Southwest China Region
 ● Southern China Region



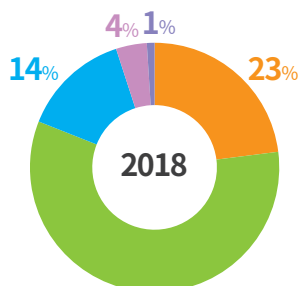
Staff Turnover Rate by Gender

● Male ● Female



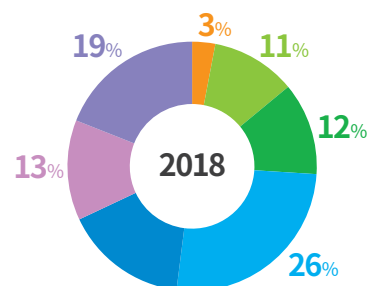
Staff Turnover Rate by Age

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 ● 46-55 ● Above55



Staff Turnover Rate by Region

● Group Headquarters ● Northeast China Region
 ● Northern China Region ● Anhui-Jiangxi Region
 ● Jiangsu-Zhejiang Region ● Southwest China Region
 ● Southern China Region



Protection of Employee Rights

Towngas Group upholds the principles of fairness, transparency and openness in our recruitment process and has formulated stringent guidelines on recruitment procedures. We offer an array of staff welfare benefits and protection, as set out in the “Towngas China Staff Handbook”. The document clearly outlines all rights and obligations of our staff, including provisions on remunerations and termination of employment, recruitment and promotions, working hours, holidays, equal opportunities, diversity and anti-discrimination policies. The Group firmly stands against child labour and forced labour and strictly complies with national laws and regulations stipulated under the “Labour Contract Law”. We warrant to protect all legitimate rights and interests of our employees in accordance with the law.

In 2018, all employees hired by Towngas Group were 100% covered by employment contracts and social insurance. No incident of discrimination on the basis of gender, ethnicity, age, health etc. was lodged throughout our recruitment process, nor were there any cases of forced labour or illegal hiring of child labour.

During the course of the year, the Group was never meted any penalty by competent authorities or cases of breach on occupational safety and health.

Social Security	Pensions, Medical, Unemployment, Maternity and Work-related Insurance, and Housing Provident Fund.
Commercial Insurance	Accidental Death Disability, Accidental Healthcare, Hospitalisation Allowances, Critical Illness, Maternity-related Insurance.
Leave and Holidays	Statutory Public Holidays in China, Paid Annual Leave, Full-pay Sick Leave, Work Injury Leave, Medical Leave, Full-pay Examination Leave, Special Leave (Marriage Leave, Maternity Leave, Paternity Leave, Compassionate Leave)
Other Benefits	Telecommunications Subsidies, Festive Benefits, Recreational Activities, Company Training

Nurturing and Developing Talents

Industry-Academic Cooperation to Nurture Talents

Towngas China is always seeking to enhance cooperation with education institutions and explore different modes of industry-academic cooperation to offer training in professional skills. Our goal is to nurture and train exceptional talent in this field.

The Master of Engineering Management from the University of Technology Sydney is one example where Towngas China and the University of Technology Sydney jointly offered an advanced curriculum in the engineering profession. During the course of the year, seven students from the Southern China, Anhui-Jiangxi and Northern China regions participated in continual learning in Hong Kong and Suzhou and graduated with master’s degrees in Engineering Management.

In 2018, the Shandong Hong Kong and China Gas Training Institute partnered with Jiangsu Urban and Rural Construction College, Guangzhou Traffic and Transportation Vocational School, Shandong Urban Construction Vocational College and Wuhan School of Gaseous Thermodynamics to launch the “Training on Demand for Frontline Staff” programme. A total of 75 students were enrolled and 106 interns were placed on corporate training, while 60 graduates of the programme found employment with Towngas China or our project companies, supplying the Group with professionally trained talent to support our development.

Case Study

Towngas China partnered with the University of Science and Technology Liaoning to establish an educational centre for industry-academia-research cooperation

On 23 October 2018, the University of Science and Technology Liaoning and Towngas China officially launched an educational centre and kick-started “industry-academia research” cooperation. Acting as a platform for practical application of what was taught, Towngas China provided guidance for students through internships and final-year research projects. Concurrently, a total number of 64 graduates from the University of Science and Technology Liaoning entered the work force with various project companies under Towngas China, bringing what they have learnt in school to the Group and helping to bolster gas industry development.



Diversified Career Paths for Nurturing Talent

The Group provides employees with more choices for career growth and development through vertical promotion in ranks, lateral transitions in career tracks and the flexibility and fluidity in moving between key positions. During the year, the Group’s Corporate Human Resources (HR) Department executed the dual career tracks programme and organised specialised “Towngas Group Human Resources Best Case Study Exemplary Learning Journey” exchange forums. The HR department organised systematic talks that included role plays and FAQ sessions to HR personnel from more than 10 project companies across the country. Aimed at elevating the standards of HR management, these activities ensured that professional talents received full support for long-term career development with the Company.



Talent Ladder Scheme Maximising Potential

Through our Talent Ladder Scheme, Towngas China has recruited outstanding employees to partake in the Group's major projects. The scheme produces a constant supply of senior management talent for the Company's long-term development. Till date, the Group has assigned over 60 Talent Ladder members to over 100 support positions.

The Group also established talent training programmes like the "Regional Elites Scheme" and "University Students Nurturing Scheme" and trained a total of 80 industry professionals. Through participation in internal and external talent development schemes, employees of our project companies have been effectively motivated to take passionate ownership of their work and unleash their fullest potential.

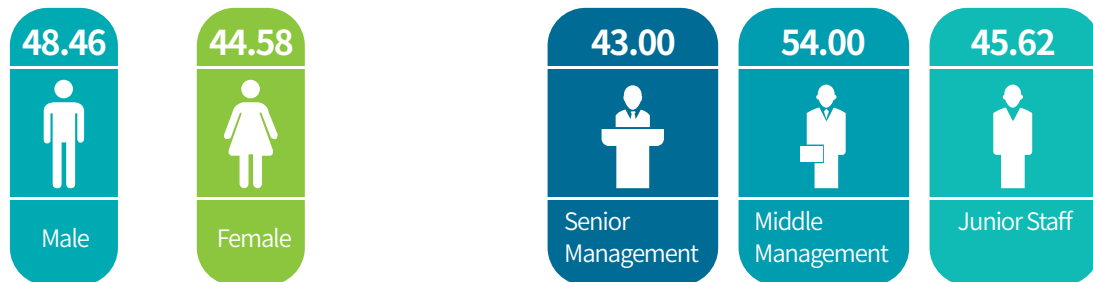
Mentorship Programme

In May 2018, the Group introduced the Towngas Management Programme, a concept borrowed from its parent company HKCG, to provide talent training for its regional businesses while supporting the Group's long-term developments. To date, we have trained 22 certified mentors, developed four mentorship training curricula and conducted courses for 80 staff members.

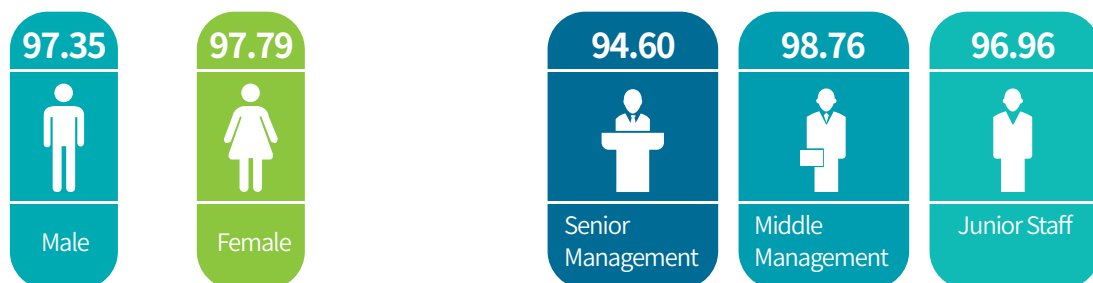
Full Launch of eLearning

In 2018, the Group's eLearning platform offered close to 190 online training courses covering a range of topics including corporate management, management skills, corporate culture, professional skills and safety and risks etc. Our eLearning platform has become an important resource for staff independent learning. There are currently 17,000 users registered on the platform and over 100,000 cumulative learning hours clocked. Project companies can even conduct orientation training for new hires and skills training via this platform.

Per Capita Learning Hours by Gender Unit:Hours Per Capital Learning Hours by Staff Type Unit:Hours



Ratio of Trained Staff by Gender Unit:% Ratio of Trained Staff by Staff Type Unit:%



Occupational Health and Safety

In 2018, the Group compiled three eLearning training courses and corresponding assessments, namely “Helping Yourself When Stuck in Lifts”, “Three Minute CPR Training” and “Corporate Risk Assessment”, to standardise Tier 3 safety education training and assessment materials for the Group’s project companies. At the same time, the Group promoted safety awareness education through multiple channels over the course of the year, clocking an estimated 545,000 hours in staff training on safety and environmental protection.

Under the guidance of the Group’s Safety Committee, Towngas China launched the “Don’t Turn a Blind Eye” competition to seek out hidden risks in pictures. Our goal is to advocate an attitude of “Don’t Turn a Blind Eye” when it comes to safety matters, in line with the Group’s work protocols. The activity encouraged staff to engage in finding and eliminating hidden risks so as to foster greater safety awareness among our staff and bolster safety levels for the Company’s operations on the whole.

During the course of the year, a total of 14 companies under the Group obtained the OHSAS 18001 certification for occupational health and safety management.

Indicator	Unit	2017	2018
Work-related deaths	Person(s)	1	0
Proportion of work-related deaths	%	0.0052	0
Work days lost due to occupational injury	Day(s)	607	274
Accident rate per 1,000 employees	Person(s)	0.31	0.15

Corporate Culture Development

“Warming Hearts” Campaign

Towngas China has always been dedicated to creating a heart-warming corporate culture that conveys its corporate values of “courtesy, ingenuity and integrity”. To enhance employees’ understanding of the Company and to foster a greater sense of care and warmth, the Group launched the “Warming Hearts” campaign - coffee sessions to welcome and connect with new hires.



Staff Group Travel

During the year, the Group adopted the approach of letting employees plan staff group travels. This encouraged staff to actively participate in recreational activities that promoted a warm home-like corporate culture.



Towngas Scholarships for Employees' Children

The Group continued our “Scholarship Scheme for Employees’ Children” during the year to motivate children of our employees to study hard and develop their talent. In 2018, the Group received a total of 16 eligible applications from 11 project companies. Upon comprehensive evaluation, four applicants were selected as recipients of the annual scholarship while 12 received special prizes.



Remembering Our Roots and Taking Action on Corporate Social Responsibility



Stakeholders' evaluation of Towngas China

Huang Xingyuan

Fundraising and Promotion Specialist, Shenzhen Association
for Families with Persons with Intellectual Disabilities

In our charity collaboration with Towngas China in 2018, we found that Towngas China's volunteers had a relatively good understanding of the welfare industry, and they were enthusiastic participants of various activities. The volunteers demonstrated compassion, understanding, care and warmth in their interaction with children with special needs and their families, which made for a lovely, special day for them.



Guided by our philosophy of “Benefitting Society, Contributing to the Community”, Towngas China and our project companies have been proactively taking action towards its corporate social responsibility.

 Towngas China has a team of up to **5,600** volunteers

clocking over **92,000** hours of social service work



 investing a total of more than **RMB8.55** million

Towngas Gentle Breeze Movement

contributed in excess of **RMB3.5** million to date



 to provide assistance to **37** schools

Towngas Gentle Breeze Movement

In 2013, the Group started its flagship charity programme, the Towngas Gentle Breeze Movement. Under the programme, various charity and environmentally friendly activities were held and will continue to run on a long-term basis. The range of services provided was also expanded as part of our corporate social responsibility efforts. In the past five years, the Towngas Gentle Breeze Movement has launched initiatives to aid its educational efforts in the provinces of Sichuan, Jiangxi, Anhui, Shandong, Guizhou, Liaoning, Guangdong, Fujian and the Inner Mongolia autonomous region.

On 30 May 2018, the Towngas Gentle Breeze Movement arrived at Xincheng Primary School in Baotou city, Guyang county of the Inner Mongolia autonomous region, with a gift of RMB250,000 worth of teaching facilities. The student dormitories were also refurbished.



On 21 September 2018, the Towngas Gentle Breeze Movement donated necessities to the students of Tongfang Middle School in Changting county of Fujian province and built the “Towngas China Charity Library”. The Group also refurbished the staff room and constructed rain covers for the rooftops in the school and dormitory buildings in a bid to improve the teaching and living environment for the teachers and students.



Rice Dumplings for the Community

In 2018, the Group continued to hold the Rice Dumplings for the Community event to promote traditional Chinese culture and foster harmonious ties with the community. Almost 60 project companies lent their support to this event with close to 1,100 Towngas China volunteers working with schools and welfare organisations to execute the annual charity event. Close to 30,000 dumplings were wrapped and delivered to the underprivileged, benefitting more than 8,000 people.



Cooking for Mom

On 3 September, the fourth “Cooking for Mom - Bauhinia National Little Chefs Cooking Contest”, held over a period of six months, finally wrapped up in Chengdu. ways fo broaden their career paths to promofe the traditional Chinese culture of filial piety, to advocate the spirit of charity and to encourage our youths to actively participate in charitable activities.



Co-Sponsored Firefly Centre

As a platinum partner of the Shanghai Soong Ching Ling Foundation - BEA Charity Fund, Towngas China has actively supported the Firefly Project since 2009. As the first “caring enterprise” to co-sponsor the building of a Firefly Centre, Towngas China has to date funded the construction of seven Firefly Centres in Wenchuan county of Sichuan province, Linqu county, Longkou city and Tai’an city of Shandong province, Hangzhou city of Zhejiang province, Anqing city of Anhui province and Luliang county of Yunnan province.

On 10 October 2018, the seventh Firefly Centre funded by Towngas China held its opening ceremony at Yumaihong Primary School in Luliang county, Qujing city of Yunnan province. Together with the Shanghai Soong Ching Ling Foundation - BEA Charity Fund, the Group donated brand - new computers and classroom desks and chairs as well as 250 “Firefly 60 Backpacks”, five bookshelves and over 1,000 library books to help improve teaching and learning conditions at the school.



Key Awards

Key Awards Attained by Towngas China in 2018:

- 1 The 100 Best-performing CEOs in the World 2018 (Alfred Chan Wing-kin, Towngas China Chairman and Executive Director)
Conferring body: Harvard Business Review

- 2 2018 Top 50 CSR Brands in China
Conferring body: Corporate Citizenship Committee of China Association of Social Workers, China Central Television, Tencent Charity Foundation

- 3 Five-Star Outstanding Corporate Citizen in China 2018
Conferring body: Corporate Citizenship Committee of China Association of Social Workers, China Central Television, Tencent Charity Foundation

- 4 Outstanding Community Project of Corporate Citizen in China 2018 (Towngas Gentle Breeze Movement)
Conferring body: Corporate Citizenship Committee of China Association of Social Workers and Organising Committee of the Annual Conference of Outstanding Corporate Citizens

- 5 CSR China Top 100
Conferring body: CSR China Education Award Committee

- 6 Green Model of the Year Award
Conferring body: 7th China Charity Festival Committee



Outlook

Looking ahead, we expect to see more in-depth oil and gas sectoral reforms and diversification of gas energy suppliers through third-party participation in the construction of infrastructural facilities. These can help to push for greater market competitiveness and more uniform standards for privatised city-gas operations, and, in turn, beneficial conditions for the healthy and sustainable development of the industry. Towngas China will make use of every opportunity to maintain our focus on innovation and environmental-friendliness while providing professional, efficient, safe and clean energy in our pursuit of excellence in becoming a leading green enterprise.

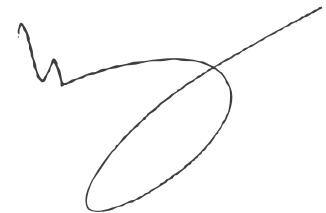
A green and environmentally friendly Towngas China: Presently, the concepts of ecological construction and low-carbon green environment are very much valued, and natural gas has been gradually overtaking other sources of energy to become one of the main forms of modern, clean energy. The natural gas market looks set to continue a positive growth momentum and the total capacity of gas supply in China is forecast to reach 500 billion cubic metres by 2025. Moving forward, Towngas China will extend from simple gas usage in everyday life to centralised winter heating and distributed energy systems. The Group will also be advocating the comprehensive application of natural gas as a raw material for power generation and for fuelling vessels and vehicles. We will strengthen the Company's capabilities and facilities for gas storage and peak shaving, so as to fuel economic growth with boundless green energy.

A safe and sincere Towngas China: "TQM (Total Quality Management) – Strengthening the Management of Operational Safety" and "Corporate Integrity Year" are the Group's respective safety and management themes in 2019. Towngas China is committed to all safety measures and ensures the safety of underground pipeline networks and construction works through innovative management methodologies and technological means. The Company also conducts training courses on gas safety and safety inspections to boost safety awareness on the part of both

our users and our staff. As a public utility enterprise that is closely related to the everyday lives of the general public, integrity and sincerity is the way we conduct our business as a company, and we value our pledge to provide customers with quality service. We hope to touch our customers with our culture of “courtesy, ingenuity and integrity”, and hope to lead by example to improve on the urban culture.

A mutually beneficial growth with Towngas China: Employees are key participants in the sustainable development of Towngas China and we are dedicated to unlocking the fullest potential of our staff by increasing our efforts in the training of talent and recruitment of industry professionals. We will continue to provide our staff with ways to broaden their career paths within the Company as well as continual learning and self-training programmes. We are committed to protecting employee rights and exploring ways to improve remuneration and benefits. At the same time, we will maintain our focus on areas such as building harmonious communities and developing educational initiatives, proactively organising various public service, environmental protection and safety awareness campaigns, and fully exerting our influence as an industry leader to lead and motivate our supply chain partners in carrying out social responsibilities together and achieving mutual benefits and sustainability.

Peter Wong Wai-yee
Executive Director and Chief Executive Officer
Towngas China Company Limited
Executive Director and Chief Operating Officer - Utilities Business
The Hong Kong and China Gas Company Limited



19 March 2019

Appendix

Appendix 27 “Environmental, Social and Governance Reporting Guide” by The Stock Exchange of Hong Kong Limited

■ full disclosure; ■ partial disclosure; — very low relevance with the business or not applicable

		Contents of Indicators		Location in the Report or Explanation	Level of Disclosure
Subject Area	Aspect	Disclosure Indicator			
A Environmental	A1 Emissions	General Disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p>Note:</p> <p>Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</p>	P43-P44	■
		Key Performance Indicator	A1.1 The types of emissions and respective emissions data.	P47	■
			A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P47	■
			A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P47	■
			A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P47	■
			A1.5 Description of measures to mitigate emissions and results achieved.	P43-P46	■
			A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P43-P44	■
	A2 Use of Resources	General Disclosure	<p>Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.</p>	P43-P44	■

Contents of Indicators			Location in the Report or Explanation	Level of Disclosure	
Subject Area	Aspect	Disclosure Indicator			
A Environmental	A2 Use of Resources	Key Performance Indicator	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P48	■
			A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P48	■
			A2.3 Description of energy use efficiency initiatives and results achieved.	P43-P46	■
			A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Towngas China is a gas transmission and distribution enterprise which does not demand large amount of water.	—
			A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	P45	■
	A3 The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	P43-P46	■
			Key Performance Indicator	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P43-P46
B Social Employment and Labour Practices	B1 Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P52-P58	■

Contents of Indicators			Location in the Report or Explanation	Level of Disclosure		
Subject Area	Aspect	Disclosure Indicator				
B Social Employment and Labour Practices	B1 Employment	Key Performance Indicator	B1.1 Total workforce by gender, employment type, age group and geographical region.	P51	■	
			B1.2 Employee turnover rate by gender, age group and geographical region.	P51	■	
	B2 Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		P55	■
			B2.1 Number and rate of work-related fatalities.		P56	■
			B2.2 Lost days due to work injury.		P56	■
			B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.		P55	■
	B3 Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		P52-P55	■
			Key Performance Indicator	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P55	■
				B3.2 The average training hours completed per employee by gender and employee category.	P55	■
	B4 Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		P52	■

Contents of Indicators				Location in the Report or Explanation	Level of Disclosure
Subject Area	Aspect	Disclosure Indicator			
B Social Employment and Labour Practices	B4 Labour Standards	Key Performance Indicator	B4.1 Description of measures to review employment practices to avoid child and forced labour.	P52	■
			B4.2 Description of steps taken to eliminate such practices when discovered.	P52	■
B Social Operation Practices	B5 Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	P13-P14	■
		Key Performance Indicator	B5.1 Number of suppliers by geographical region.	P14	■
			B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P14	■
	B6 Product Responsibility	General Disclosure	Information on: (a)the policies; and (b)compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P21,P45	■
		Key Performance Indicator	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P21	■
			B6.2 Number of products and service related complaints received and how they are dealt with.	P39	■
			B6.3 Description of practices relating to observing and protecting intellectual property rights.	P22	■
			B6.4 Description of quality assurance process and recall procedures.	P22	■
			B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	P39-P40	■
	B7 Anti- corruption	General Disclosure	Information on: (a)the policies; and (b)compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P13	■

Contents of Indicators			Location in the Report or Explanation	Level of Disclosure	
Subject Area	Aspect	Disclosure Indicator			
B Social Operation Practices	B7 Anti- corruption	Key Performance Indicator	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P13	■
			B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P13	■
B Social Community	B8 Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P45-P46 P61-P65	■
		Key Performance Indicator	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P61-65	■
			B8.2 Resources contributed (e.g. money or time) to the focus area.	P61	■

Feedback

Dear readers,

Greetings! Thank you for your interest in the 2018 Sustainability Report of Towngas China Company Limited. To help us enhance our communication with stakeholders and make continuous improvement in our corporate social responsibility performance and future reporting, we sincerely look forward to your valuable opinion and suggestions.

Sustainability Report Committee

Towngas China Company Limited

March 2019

1. Your overall comments on this Report:

Excellent Good Fair

2. Do you think this Report objectively reflects the actual corporate social responsibility performance of the Company?

Yes Fair No

3. What do you think about the clarity, accuracy and completeness of the disclosed information, data and indicators in this Report?

Very high High Fair Low Very low

4. What do you think about the design and layout of this Report?

Excellent Good Fair Poor

5. Which part of this Report interests you most?

Operation Safety Services Environment Staff Charity

6. Which parts of the content of this Report do you think need improvement?

Operation Safety Services Environment Staff Charity

7. Content that you wish to know about but is not disclosed in this Report: _____

8. Your opinion and suggestions in respect of the corporate social responsibility performance of the Company and the reporting: _____



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