



煤氣
Towngas

Sustainability Summary Report 2008



TotalCaring
Award
全面關懷大獎 2007/08

Introduction

Believing that corporate social responsibility (CSR) and sound governance provide the route to long term success, we publish a Sustainability Report on-line every year, detailing our full range of activities in this direction. Our Towngas Sustainability Report 2008 provides detailed information of our activities and achievements from 1 January 2008 to 31 December 2008 and is available at www.towngas.com. However, if you would simply like to take a brief look at our goals, achievements and future targets, this Summary Report provides a general overview of our environmental, safety and social highlights for the year.



Our Vision

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

Our Mission

To provide our customers with a safe, reliable supply of gas and the caring, competent and efficient service they expect, while working to preserve, protect and improve our environment.



Contents

01 Major 2008 Achievements	04 Protecting the Environment	12 Review of 2008 Targets
02 Our Sustainability into the Future	07 Improving Health and Safety	13 Future Targets
	09 Our Social Responsibilities	14 Key Statistics



Major 2008 achievements

- As one of the first organisations to endorse the “**Carbon Reduction Charter**” initiated by the Hong Kong Government, we completed our first carbon audit in Hong Kong and successfully certified our in-house carbon inventory accounting procedures to ISO 14064-1 Standards.
- We launched a **concession scheme for single parent families** and an estimate of 38,000 single parent households would be eligible for the scheme.
- We achieved a best safety record for 2008 with a **record-low Injury Industrial Accident Frequency Rate (AFR)** of 0.24 with 12 industrial accident injuries in our Hong Kong operations. This represents a decrease of 25% over 2007.
- In addition to integrating our asset management and risk management under a high-level Corporate Safety and Quality Management Steering Committee, we adopted a **risk-based quality assurance approach** for key supplies and issued a **CSR Code of Practice for Suppliers**.
- Increasing our diversification into more eco-energy and coal-based chemical industries, we commissioned our **first coalbed methane liquefaction plant** and compressed natural gas filling station in mainland China.
- We achieved **ISO 14001 certification** for our JVs in Suzhou as well as **OHSAS 18001 certification** for ECO Environmental Investments Limited, Maanshan ECO Auto Fuel Company Limited and JVs in Yixing, Maanshan, Guangzhou, Changzhou and Suzhou.
- In partnership with four leading gas utilities on the mainland, we initiated the development of a **polyethylene gas pipeline integrity assurance system model** for China’s gas utility industry.
- We commenced **safety audits** for Towngas China Company Limited (TCCL) and completed the second round of these audits for Hong Kong China Gas Investments Limited (HCIL). We also completed and distributed a **Standard HSE Manual** together with **Corporate Risk Management Guidelines** for all JVs.
- We met the target to have 80% of managerial staff in HCIL’s JVs’ Risk Management Department as **certified safety engineers**.
- We continued to win a number of awards in Hong Kong and mainland China including the **2008 Hong Kong Awards for Industries: Productivity and Quality Grand Award** as well as the **Total Caring Award**.



Our Sustainability into the future



Ongoing sustainability is only possible with responsible and ethical corporate practices. We therefore benchmark ourselves against the highest international standards, meeting, and often surpassing, relevant legislation and Codes of Practice. This commitment forms the cornerstone of our corporate, environmental and social activities.

facilitate two-way communication of our strategic direction between the Group and our JV companies in mainland China. This new platform not only strengthens communication with regard to our vision, goals and strategies across the mainland, it also provides significant input in the formulation of business decisions.

Corporate Governance

Our Board of Directors, the highest governance body within Towngas, is responsible for maintaining sound and effective internal controls to safeguard both the Group's assets and shareholders' interests. Four Board Committees – the Audit Committee, Remuneration Committee, Investment Committee of the Retirement Schemes and Treasury Committees – oversee the Group's business and support the Directors in their activities.

We also comply with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31st December 2008.

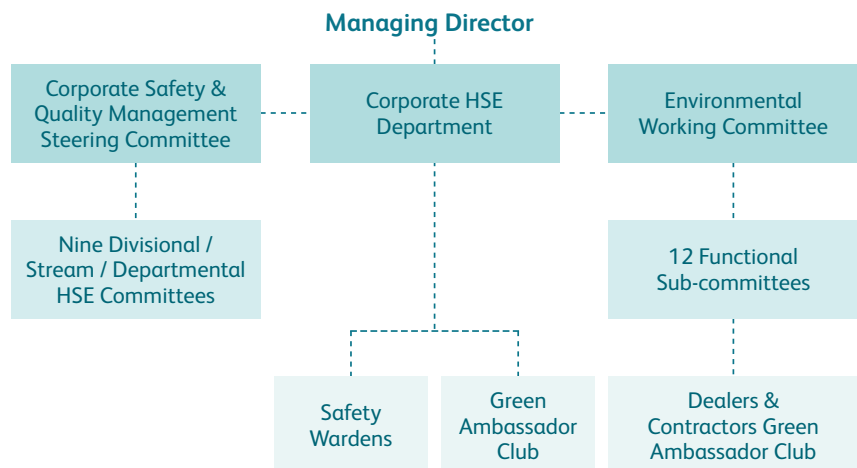
During the year, we established a Strategic Development Circle to

HSE and Risk Management

In 2008, we combined our Corporate Health, Safety and Environment (HSE) Policy, providing the framework for the development of guidelines with regard to environmental protection, health and safety.

Placing a strong emphasis on accountability and transparency, we ensure open and easy access to information on the Group. In addition to our annual report and corporate websites, we publish a Corporate Information Booklet, providing information on our environmental, safety and health, operational and financial activities. A strict internal Code of Conduct that covers bribery and corruption, equal opportunities, fair dealing, freedom of association and conflicts of interest ensures sound business and ethical operations.

HSE Management Structure





Our Corporate Health, Safety and Environment (HSE) Policy

Under our HSE Policy, we pledge to conduct our operations in a manner which poses no risk to the health, well-being and safety of our employees, contractors, customers and the public-at-large, as well as to make every effort to protect the environment.

We therefore strive to

Ensure health and safety at work, and to minimise HSE risks

Achieve a zero accident rate as well as a high standard of environmental care through continuous improvement

Eliminate HSE hazards in our operations, applications and services

Carry out necessary HSE assessments for all major projects and to conduct regular HSE audits in our operations



Promote HSE awareness and consciousness among employees, contractors and business associates through education and training

Achieve full compliance with all relevant legislation

Use environmentally-friendly materials and technologies, promote economic recycling of materials and conserve resources

With the support of the Corporate Safety and Quality Management Steering Committee and Environmental Working Committee, our HSE performance is coordinated, monitored and controlled by our Corporate HSE Department, which also provides HSE support to our JVs on the mainland. In each JV, the Safety and Risk Department reports directly to the General Manager, ensuring that safety and risk management are given the highest priority. With the implementation of the PAS 55 Asset Management System in Hong Kong, we introduced a new Corporate Risk Management Manual. In 2008, we took a further step forward, issuing this Manual to our JVs on the mainland together with the conducting of regional workshops and crisis management drills.

The Corporate Safety and Quality Management Steering Committee, chaired by the Executive Director and Chief Operating Officer, is responsible for the direction and development of our risk-based asset management approach, as well as the regular review of the Group's asset-related risks.

The safety and quality of our assets are measured, monitored and benchmarked against our international peers through 30 key performance indicators (KPIs). These KPIs, together with key statistics, such as serious gas incidents and corporate business risks, are reviewed on a quarterly basis by senior management and every six months by the Steering Committee.

International Management Standards

We apply international standards throughout our operations, taking social and environmental responsibility for our activities without compromising the quality of our services. With Management System Certifications that cover every aspect of quality, safety and the environment (ISO 14064-1, PAS 55, OHSAS 18001, ISO 14001, ISO 9001 and GB/T28001 among others), these activities ensure regulatory compliance, enhance employee awareness, systemise daily practices and, most important of all, boost strategic planning for sustainable development across the Group.

Stakeholder Engagement

The trust of our stakeholders is crucial to our sustainability. We therefore maintain close communications through regular visits and meetings, participation in professional bodies and local community events, self-initiated liaison groups such as our Customer Focus Team and District Council Focus Teams, as well as targeted newsletters and publications, such as the Sustainability Report. An enhanced understanding enables the better alignment of our policies to their aspirations and expectations.

This culture of openness and accessible communication has also taken root in our mainland JVs. About 60 of them have set up Customer Focus Teams and most of them have also initiated local community programmes, establishing a dialogue to build trust and understanding with the communities that they serve.



Clean Energy

The very nature of our core business – gas – puts us in a natural position to promote the use of clean energy. In Hong Kong we have done so by introducing natural gas as a major feedstock. On the mainland, we fulfill this role by making clean energy more accessible and by exploring cleaner ways of utilising conventional fuels such as coal.

Town Gas Production in Hong Kong – The Greater Use of Natural Gas

In 2008, we continued to upgrade our infrastructure, installing additional air compressors at our plant in Tai Po, to support the use of dual feedstock, naphtha and natural gas. In 2008, we enhanced our Advanced Process Control System at the Tai Po Plant to further optimise the use of natural gas in our operations. We have also commenced conversion of our supporting gas plant at Ma Tau Kok, set for completion in 2011, to use natural gas feedstock.

The Use of Landfill Gas in Hong Kong

We continue the use of landfill gas from two landfill sites (Shuen Wan and NENT) as heating fuel in the town gas production process. The benefits are twofold: not only does it provide a new source of energy which reduces the consumption of naphtha, it also cuts the emission of greenhouse gases significantly by reducing flaring of the gas at the landfill sites. Our usage of these gases means that every year, CO₂ emissions are reduced by up to

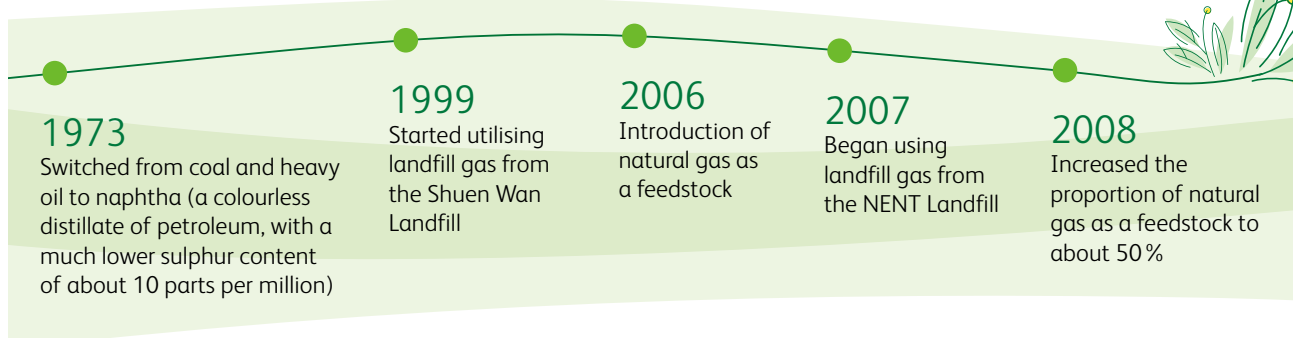
around 139,600 metric tonnes while about 50,000 metric tonnes of naphtha are saved. In view of these positive figures, we are now working on using landfill gas from yet another landfill, in conjunction with the government and the landfill operator.

The Use of Natural Gas and Eco Energies in Mainland China

With 71 piped city-gas JVs and midstream ventures consisting of high pressure natural gas pipelines on the mainland, we have played an important



Developments in fuel feedstock and heating fuel



role in helping the country migrate from a coal to a gas economy. This widespread use of gas instead of diesel or coal is helping to build clean cities.

We are also exploring other clean energy opportunities. In December 2008, we commissioned Phase 1 of China's first large-scale commercial coalbed methane (CMB) liquefaction plant in Shanxi Province. In September, we commissioned compressed natural gas (CNG) filling stations in Shaanxi Province, providing clean fuel for up to 250 heavy duty trucks a day. This CNG will hasten the switch to low-emission vehicles from the more traditional diesel-operated versions.

In view of the vast reserves of coal on the mainland, we are exploring opportunities with regard to the production of methanol and dimethylether (DME) which can be used as alternative transportation fuels to gasoline and diesel. Based on the gasification of coal, it enables much cleaner use of the fuel. In 2008, plans commenced for a coal-based chemical project in Erdos, Inner Mongolia, and studies also began for the development of a methanol production plant using coke gas as feedstock. In Fengcheng, Jiangxi Province, we have also signed an agreement to invest in a coal mining project and are studying the feasibility of participating in a coal mine coking plant.

Conserving Resources

Our Carbon Footprint

In 2008, we joined the government's "Green Hong Kong • Carbon Audit" programme as one of its first "Carbon Audit • Green Partners". We also endorsed the "Carbon Reduction Charter", pledging to implement carbon audits in our premises and to undertake carbon reduction measures.



We accordingly completed carbon inventory accounting procedures and the first carbon audit for our Hong Kong operations. Developed in line with the government's "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removal for Buildings in Hong Kong", our carbon inventories were verified under ISO 14064-1 specifications. Looking forward, we will conduct a carbon inventory accounting every year and will also be extending this practice to our JVs on the mainland.

Saving Electricity

In 2008, the greater use of natural gas in our feedstock required the operation of more air compressors, leading to a slight increase in the overall consumption of electricity. Meeting this challenge, we continue to ensure overall energy efficiencies in the gas production process. We explore every possibility to reduce electricity consumption, promoting energy efficient behaviour and the installation of energy efficient facilities. For example, when Tonggas Telecom expanded its data centre in 2008, green features similar to those used in our data centre at headquarters were incorporated. We are also adopting these green features in the eco-friendly data centre to be established by our new telecommunications JV in Shandong Province.

Clean Air and Water

In view of the CO₂, SO_x and NO_x emissions released in the gas production process, we continue to upgrade the emission removal facilities in our production plant and to introduce cleaner feedstock. These efforts have been so successful that we are able to maintain our emission levels well below our licensing limits. Similarly, improved compressors in the cooling water system as well as the use of reverse osmosis technology in our water treatment plant, save some 0.2 million m³ of fresh water a year. On the mainland, since our activities involve the transportation of natural gas or other clean energies, the emission of pollutants such as CO₂, SO_x and NO_x are minimal.

Waste Management

We apply the 5Rs principle (**Replace, Reduce, Reuse, Recover** and **Recycle**) in virtually all our operations. In 2008, we increased the types of used materials collected for recycling or reuse in Hong Kong to 20. Abandoned service pipes and fittings as well as abandoned aquaknect hoses were added to the current list ranging from paper, metal drums and spent catalyst to spent laser toner cartridges, computers and polystyrene foam as well as retired safety helmets, used gas appliances and retired uniforms, among others.

Our Green Partnerships

Our Customers

We provide a wide range of appliances in more than 200 models offering a number of eco-features such as high energy efficiency as well as environmentally-friendly materials, processes and packaging, helping our customers to be environmentally-friendly while saving on their gas bills. In 2008, we launched a high efficiency inner flame built-in hob model, which improves energy efficiency by 5.8% compared to conventional versions. In the commercial and industrial market, we introduced a new high efficiency condensing water heater pack with efficiency of up to 94%, 10% higher than the most efficient model in 2007. A new heat recovery feature also improves energy efficiency in our steam cabinets, raising efficiency to over 80% in 2008.

On the mainland, we are happy to report that all our Bauhinia domestic water heaters meet the mandatory minimum 'Grade 3' requirement of 84%, which came into force in June 2008. We are now working towards launching heaters which will meet the Grade 1 energy efficiency level of 96% in 2009.¹

¹ Efficiency measurement in China is based on net calorific value while measurement in Hong Kong is based on gross calorific value.

Our Partners and Suppliers

In 2008, about 960 employees, dealers, contractors and family members, participated in a number of seminars and eco tours, green hikes and tree planting events, to raise environmental consciousness. The Green Ambassadors Club for Contractors and Dealers also raises awareness among our contractors and works with them to translate this awareness into practice. In 2008, contractors were encouraged to participate in our waste recycling programme, starting with waste streams most closely related to their operations such as retired safety helmets, batteries and unused hand tools.

During the year, we revised our Purchasing Policy, introducing a CSR Code of Practice for Suppliers which spells out our expectations with regard to environmental protection and related matters. Since 2007, our pipelining and installation contractors have also been required to submit Environmental Management Plans (EMP), which specify the environmental management strategy, applicable legal requirements, emergency response procedures as well as non-conformance and complaint handling procedures with regard to their projects.

The Public and Our Community

In 2008, we began the development of a carbon footprint calculator and an educational website on low carbon living, which will be launched in 2009.

We also participated in Friends of the Earth (HK)'s "Power Smart" contest and "Dim It! 6.21 Lights Out" campaign. In the former, we pledged to lower electricity consumption during the hottest months of the year. In the

latter, we switched off all unnecessary decorative lighting at our premises and production plants for an hour in the evening of 21 June, to promote energy conservation and awareness of light pollution.

Our active waste reduction, recycling and green purchasing policies won us the Environmental Protection Department's "Gold Wastewi\$e" award for the seventh year running. During the year, we also sponsored Friends of The Earth (HK)'s e-Card Design Competition under their "Green Christmas" programme, supported the Environmental Protection Department's "Source Separation of Domestic Waste – Model Family Competition" and shared our experiences in a green purchasing forum organised by the Green Council.

Over 30 JVs participated in our first nation-wide environmental awareness programme

In the PRC, with a "no-plastic bag" policy in full force and riding on the public awareness generated by the "Green" Beijing Olympics, we held a reusable shopping bag design competition among our JVs. The winning designs were then used by the individual companies to produce environmentally-friendly bags promoting green message.



Improving health and safety



The Gas Infrastructure

Under PAS 55 Asset Management System, we use a more systematic and vigorous approach in managing our gas infrastructure, monitoring gas safety through our asset-related key performance indicators (KPIs) and our comprehensive risk register. We also completed our first PAS 55 surveillance audit in July 2008. Rigorous trench inspections took place with the inspection of over 15,500 sites and 7,400 km of leakage surveys were carried out on our underground pipelines with the support of new and more up-to-date technology. In 2008, we integrated to our daily operation with the use of mobile mapping system on our emergency vehicles, the use of laser methane detector at remote or inaccessible locations and the use of Direct Current Voltage Gradient on assessing our high pressure pipelines. Rejuvenating the gas network, we have also completed the replacement of some 150 km of medium-pressure ductile iron pipes.

As a result of these activities, the total number of 2008 gas seepage incidents stood at 0.167 per km of underground network, 9% lower than in 2007.

On the mainland, the advanced alarm and monitoring systems continue to manage and maintain the safety performance of the infrastructure. In 2008, we enhanced the system,

installing the Supervisory Control and Data Acquisition (SCADA) gas network security monitoring system in more JVs and in new additions to the Group.

A major initiative was the formation of the Polyethylene (PE) Materials User Alliance in March 2008, together with four leading mainland gas utilities, to develop a PE gas pipeline integrity assurance system model. Though PE pipes are extensively used in the gas transportation process, this technology is still relatively new on the mainland. In view of our Hong Kong experience and our role as one of the first to introduce PE technology into the country, we were responsible for developing supplier prequalification and quality assurance guidelines, which together with

guidelines on material specifications, will be endorsed for implementation in 2009.

Customer Safety

Customer safety is an absolute in our business. Therefore, we comply with the most stringent international gas safety standards and also carry out regular gas safety inspections in residential premises, every 18 months in Hong Kong and every 12 months on the mainland. The regular inspections include checking pipeline conditions and identifying appliances in need of maintenance or upgrading. In 2008, we made over 1.2 million visits in Hong Kong.

Leakage and Pipeline Surveys

Types of Pipelines	Frequency of Leakage Surveys
All high pressure and intermediate pressure mains	At least once a year
Medium pressure ductile iron pipes or all galvanised iron pipes	At least six times a year
Low pressure ductile iron pipes	At least three times a year
Polyethylene or steel pipes over or enclosed within structures	At least twice a year
Others	At least once a year



Occupational Health and Safety

Over the years, our OHS initiatives and practices have been refined with new management tools and programmes. In March 2008, we launched a “Near Miss Scheme” to help raise awareness of situations that could result in injury, damage or illness, with staff being encouraged to share such experiences and report incidents.



We also provide comprehensive information on gas safety by organising safety talks at housing estates and senior citizen centres. In mainland China, we often distribute safety awareness leaflets on inspection visits, while information desks in public areas provide on-site consultations. Further safety initiatives include customer focus groups, “Excellence Service Days” and outreach programmes to schools. Last summer for example, our Yixing JV organised a series of seminars and site visits, promoting gas safety to students, who in turn took the gas safety message to their families and friends.

Regrettably, the harsh 2008 winter resulted in two fatal gas accidents in northeastern China. Although official investigations confirmed that the cause of these accidents was outside our control, we feel the urgent need to raise customer awareness of their own roles and responsibilities in ensuring gas safety. We have accordingly taken steps to pull intelligence together across our JVs to develop an approach that will strengthen and promote greater customer safety.

Reflecting our commitment in this direction, our industrial accident rate per 1,000 employees is very low compared to overall figures in Hong Kong. In 2008, we recorded 4.1 accidents per 1,000 employees, against the Labour Department’s Industrial Accident Rate of 27.2 accidents. 2008 was also a record year with our lowest accident rate in the past 27 years. The occupational Injury Industrial Accident Frequency Rate (AFR) was 0.24 with 12 recorded cases of industrial accidents causing an injury, representing a decrease of 25% against 2007.

Transferring this expertise to our mainland businesses, we have established an excellent track record for safety in our mainland operations. A number of JVs have obtained their OHSAS 18001 Occupational Health and Safety Management System certification, while others have won a number of regional and national fire and safety awards.

In April 2008, we issued our Standard HSE Management Manual to JVs for the development of their own tailored HSE systems. The Manual’s

procedures and instructions are based on the internationally recognised OHSAS18001:2007 standard. Five regional workshops were organised to familiarise staff with the documentation and system requirements, with over 200 HCIL and TCCL employees attending these events. We also issued Corporate Risk Management Guidelines, supported by regional emergency response and crisis management drills.

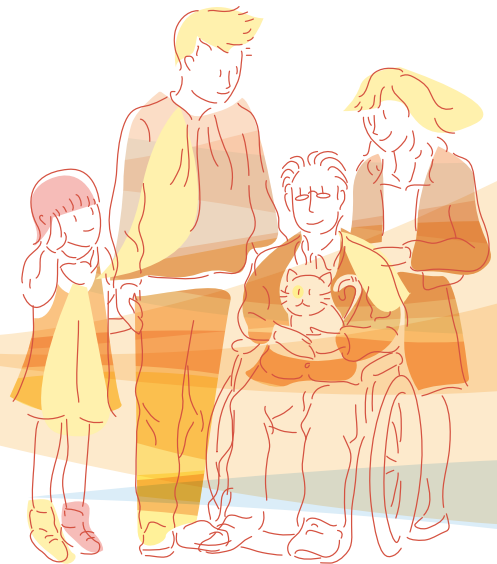
During the year, we achieved a major target – 80% of HCIL JVs having risk management department manager with certified safety engineer qualification. The same requirement will also apply to TCCL. In July 2008, we commenced our first round of safety and risk management audits for TCCL. We also completed the second round of audits for HCIL with highly encouraging results – the number of JVs receiving an “Excellent” rating jumped from one in the first round to eight in the second, while the number of “Goods” grew to 19 from 12.

Fostering exchanges around the world, we continue to invite external stakeholders to our safety programmes. In March, a delegation from the Hong Kong Fire Services Department, China Hong Kong Fire Protection Association and the Hong Kong and Malaysia Chapters of The Institution of Fire Engineers visited our JV in Suzhou. Chinese government officials, senior representatives from the Hong Kong Fire Services and Business Environment Council also joined our 2008 Annual Safety and Risk Management Workshop in November.





Our social responsibilities



Empowering Our Employees

At the end of December 2008, our workforce consisted of 2,324 employees in Hong Kong, including 1,922 in the core gas business, and over 30,000 on the mainland. In Hong Kong, the overall employee turnover rate was 7.7% while an average of five sick-leave days were taken per employee in 2008.

Improving the work-life balance of our employees in Hong Kong, we introduced a five-day work week in 2008. (A five-day work week has been the norm in mainland China.) Around 52% of our employees now enjoy this benefit. We will also commence a new paternity leave policy with eligible "fathers" being able to take three days' leave upon the birth of their children.

Employees in Hong Kong also enjoy a subsidy for the purchase of a voluntary medical insurance policy on top of our regular medical scheme for three consecutive years. In addition to

providing wider medical coverage, it also raises awareness of the need for health care and medical planning. As a positive lifestyle measure, policy holders will continue to benefit from this scheme even if they leave the Group. As at December 2008, 2.8% of our employees had joined this scheme.

A pleasant and harmonious work environment is only possible if it is free from discrimination, whether sex, age, religion, marital status, family status or any health disabilities or conditions. We thus adhere strictly to our equal opportunity policy, which has been in place since 1995.



Our Sports and Recreation Club continues to organise work-life balance programmes, including package tours, festive carnivals, sports and leisure events as well as interest clubs. About 5,500 employees and family members join these activities every year. Similarly, cross-regional recreational events, ranging from football, badminton, cooking to singing contests, enhance mutual cooperation and team spirit between employees in Hong Kong and our JVs on the mainland.

Growing Our People

Building on the Towngas Leadership Competency (TLC) model and enhancing our talent pool, we launched TLC+, a talent acceleration development programme. Twenty-five participants (1.3% of our employees in Hong Kong) were selected to undergo an 18-month "acceleration" programme focusing on individual development to prepare them for higher managerial responsibilities. At the end of the year, they had attended the special executive programme at the Tsinghua University in Beijing, while six have taken on enlarged roles. We have also drawn up plans to identify top talent in our workforce throughout the Group. Those who successfully complete the programme enjoy a fast-tracked career, moving more quickly up the corporate ladder. Over 300 talented individuals are expected to complete this programme in the next five years.

The Towngas Leadership Competency (TLC) Model

This model was launched in 2007 to identify our future leaders and meet the rapid expansion and increasing complexities of our business. This model integrates our human resources systems, enabling the development of a comprehensive development plan for individuals. Its success will not only improve our overall capabilities, it will also build a leadership pipeline for the future.



In 2008, we began laying the ground for the expansion of our TLC model onto the mainland. As in Hong Kong, we will select high potential individuals, assisting them in their career planning through the TLC+ programme. So far, over 50 talented individuals have been identified for further assessment. We also introduced a Leadership Mobility Programme in mainland China, identifying candidates capable of taking on greater responsibilities. Five participants completed this programme in 2008 and are now playing an enlarged role in their daily activities. Executive training programmes for senior management are also organised with leading universities in Hong Kong and China with six such programmes being completed in the past three years. Middle management also attend “familiarisation” programmes in Hong Kong to experience the Towngas culture for themselves.

In December 2008, we relaunched our Professional Qualification Policy in Hong Kong, clearly indicating the required professional qualifications for different positions within the Group. This transparency helps employees to determine their career goals and to plan accordingly.

Nurturing future leaders and creating a rewarding and challenging career for university graduates in Hong Kong, we operate a two-year Graduate Trainee Scheme. Since it was established in 1982, around 100 Graduate Trainees have gone through the programme and over 40% of our current executives are graduates of this initiative. Similarly,



over 1,000 gas professionals have been trained in the past 40 years by our Technical Training Centre, under the Gas Fitter Apprentice Training Scheme and Trainee Network Fitter Training Scheme.

On the mainland, the Shandong Training Institute continues to play a pivotal role in raising technical standards, holding 81 classes in 34 categories and training 1,714 employees in 2008. Paving the way for even further improvement, we are consolidating our technical training operations across the Group into a Towngas Engineering Academy (TEA). This new Academy will provide structured and continuous professional training in gas engineering and management for employees and contractors both in Hong Kong and the mainland.

Serving the Community

In reaching out to the community, our focus is on helping others to help themselves with the relevant knowledge, resources and training. We therefore place a special emphasis on social investment programmes, strategic sponsorships and social “sharing and caring” activities.

In Hong Kong, we received several awards including the Total Caring Award organised by Hong Kong Council of Social Service, not only for our general community involvement, but also for our flagship “Cooking for Fun” English classes project for children. At the same time, we expanded our focus to underprivileged groups in general with “social inclusion” as the underlying theme for these activities.



“Towngas Spread the Love” programme

This new initiative was organised in conjunction with the Neighbourhood Advice-Action Council to raise community support for the disabled. A special workshop was arranged for 30 disabled students, who were taught to make mooncakes, which were then presented to athletes in the 2008 Paralympic Games. Cooking classes for disabled students were followed by a cooking competition and a grand finale, where our volunteers teamed up with contestants to prepare a range of festive Christmas dishes to promote the spirit of social inclusion.

“COOK EASY” – In 2007, we formed our first social enterprise in partnership with the Tung Wah Group of Hospitals’ (TWGH) catering service, producing food packs for delivery in Hong Kong. Offering fresh and nutritious pre-prepared ingredients for home-cooked meals, the preparation and assembly of these food packs provide employment for the mentally-handicapped and other disadvantaged individuals. The project had achieved its initial target, selling 10,000 packs by January 2009 and providing 7,534.5 man-hours of work for 10 disadvantaged workers and 29 disabled trainees since operations commenced.



Our Community Service Achievements in 2008 (Hong Kong)

Corporate support through active participation, donations or in-kind sponsorship (Number of programmes)	22
Number of employees participating in Towngas voluntary services	1,040
Number of Towngas Customer Volunteer Team members	133
Number of volunteer activities in which Towngas volunteers participated	163
Number of voluntary service hours (including employees and customers)	37,894
Number of people benefiting from our volunteer services	337,869
Number of rice dumplings made	145,000
Number of mooncakes made	150,000
Number of soup servings distributed	25,730
Number of children attending "Cooking for Fun" English classes	550
Number of households benefiting from Towngas Concession Schemes (all schemes)	39,890

Rice Dumplings for the Community

This annual programme continues to raise funds for the Community Chest while passing on the tradition of wrapping rice dumplings to the younger generation. As part of this programme, our volunteers also visited three primary schools, catering for students with disabilities, and we also sponsored the preparation and wrapping of 145,000 rice dumplings, which were distributed to the needy in the community.

Concession Scheme for Single Parent Families

In January 2008, we extended our concession scheme to single parent families, an estimate of around 38,000 single parent households will be able to benefit from this initiative.

Fair Trade Products

Promoting sustainable and ethical consumption, we introduced a range of certified fair trade products such as tea and chocolates in our 17 retail centres in 2008. We also joined the Fair Trade Association in Hong Kong as a corporate and executive committee member.

On the mainland, over 70% of our JVs have now established their own volunteer teams, carrying out a range of initiatives. Nanjing TCCL, for example, organised sign language courses, enabling customer service staff to reach out to around 100 additional customers.

The 5.12 Sichuan Earthquake

With the tremendous support of our employees and contractors across the Group, we donated around HK\$16 million towards earthquake relief activities. A Steering Committee, with managers from Hong Kong and the mainland, coordinated these relief efforts, while around 150 Group staff, working in teams, delivered food packs, drinking water, tents, bottled gas and appliances, to the affected areas.

"Project Warmth" Programme

We supported this Rural Worker Training Programme spearheaded by the Chinese government with a donation, while over 1,000 staff volunteers also conducted field surveys in various provinces to monitor the programme's implementation.

Supply Chain Management

Driving our sustainability, we have a robust supplier selection mechanism.

We also support the Hong Kong Green Purchasing Charter, which we joined as a founding member in 2007. In 2008, we enhanced our processes with a new risk-based approach which assesses suppliers based on the quality of their supplies and the associated risks to safety and gas supply reliability. We also revised our purchasing policy, introducing our CSR Code of Practice for Suppliers, to reflect our working expectations and align ourselves more closely with suppliers who share our CSR values and beliefs. We conducted surveys and factory audits based on this new Code, covering about 80% of the goods and materials purchased by our Hong Kong operations.

In addition to ensuring a fair and competitive ethos in our procurement process, we also encourage our employees to employ environmentally-friendly products and services, and have developed a user-friendly purchase order system in Hong Kong to help individual departments place orders for environmentally-friendly supplies.





Review of 2008 Targets



Issues	2008 Targets	Results
Governance and Management	To develop an HSE Management Manual for Gas-business JVs in mainland China	The Manual was completed and issued to JVs in April 2008. Five regional workshop sessions were organised for safety and risk management staff to familiarise themselves with the system.
	To conduct first round safety and risk management audits for TCCL JVs	18 audits were conducted between July and December 2008. Six outstanding audits are to be completed in first quarter 2009.
Safety	To achieve the certification of 80% of managerial staff in HCIL's Risk Management Departments as certified safety engineers	Over 80% of safety and risk management staff in HCIL JVs qualified as certified safety engineers at the end of 2008.
	To upgrade the Tai Po Plant's Distributed Control System hardware to raise reliabilities and backup capabilities	The new system was successfully installed in October 2008 and is now in use.
	To implement a "Near Miss Scheme"	The scheme was launched in March 2008.
	To implement a "Behaviour-based Safety Programme" for two departments	The programme was implemented for the Customer Service Hotline and Emergency Operation Sections in July 2008.
Environment	To complete the Company's "Carbon Audit"	Carbon inventory accounting procedures and the first carbon audit for our Hong Kong operations were completed in December 2008.
	To enhance the Tai Po Plant's Advanced Process Control System, optimising yield efficiencies from our natural gas operations	The enhanced system was installed in the fourth quarter of 2008, and will be fully functional in early 2009.
	To develop a personal carbon footprint calculator to raise public awareness and concern on the proper use of resources	Development of the carbon footprint calculator was close to completion in December 2008. It will be launched together with an environmental awareness website in 2009.
Employees	To identify and to develop talent under the TLC+ talent acceleration development programme	Candidates from both Hong Kong and the mainland were identified to undergo extensive training. 24% of the participants saw both changes to their job role and enhanced responsibilities.
	To launch a five-day work week programme	Phase 1 of five-day work week programme, covering 52% of Hong Kong's employees, was launched in July 2008.
Community	To study the feasibility of extending the concession scheme to more beneficiary groups	The Concession Scheme for Single Parent Families was launched in January 2008.



Future Targets



Issues

2009 Targets

Medium Term Targets (Two to three years)

Operation and Management	To complete the first round of safety and risk management audits for TCCL JVs	To further enhance the business risk assessment framework for our mainland China businesses
	To launch an HSE Management Manual and audit system for Hua Yan Water	To implement a balanced score card system in all mainland companies
	To align the organisation structure in TCCL JVs, requiring safety and risk management departments to report directly to General Managers	
Safety	To implement a "Behaviour-based Safety Programme" for two more departments	To achieve the certification of all managerial staff in our HCIL joint ventures' Risk Management Departments as certified safety engineers
	To develop strategies to further customers' gas safety awareness in Northeastern China	To further consolidate our safety and risk management system in our mainland operations
	To complete guidelines on supplier prequalification and quality assurance guidelines for PE materials, for adoption by the PE Materials User Alliance	
Environment	To launch energy efficient labels for TGC and SIMPA appliances	To investigate the feasibility of using landfill gas from other landfills in Hong Kong
	To launch a personal carbon footprint calculator and clean energy website to raise public awareness of a low carbon lifestyle	To complete modification work at the Ma Tau Kok Production Plant and associated pipeline construction projects to enable the partial replacement of feedstock with natural gas
	To pilot carbon auditing in two mainland JVs	To carry out carbon audits in all mainland JVs
	To further explore business opportunities to develop coalbed methane and other environmentally-friendly energy sources on the mainland	To launch afforestation schemes in mainland China
Employees	To complete the TLC+ development programme	To foster leadership and entrepreneurial capabilities within Towngas both in Hong Kong and mainland China
	To relaunch our Professional Qualification policy and establish the Towngas Engineering Academy to provide continuous learning and the attainment of professional status	To increase the percentage of employees in designated positions with professional status by 10%
	To review the performance management system to increase the capabilities and productivity of staff	To provide reinforcement training on performance management and relaunch the new system in 2010
	To study and launch family-friendly initiatives that are aligned with market practices to improve employee welfare	To raise employee engagement by conducting employee engagement survey
Community	To continue offering community services to less fortunate groups	To ride on our expertise to explore more opportunities to support social enterprises

Key Statistics

Unit **2008** 2007 2006 2005 2004

BUSINESS

Operations (Company)

Customers as at 31 December	<i>Number</i>	1,672,084	1,646,492	1,622,648	1,597,273	1,562,278
Customers per km of mains	<i>Number</i>	526	526	524	518	516
Employees as at 31 December	<i>Number</i>	1,922	1,919	1,912	1,901	1,954
Average turnover of workforce (Hong Kong gas business only)	<i>%</i>	5.6	6.8	4.39	5.45	4.92
Average turnover of workforce (all Hong Kong staff)	<i>%</i>	7.72	7.68	6.86	6.44	7.86
Installed capacity (Hong Kong Towngas production)	<i>Thousand cubic metres per day</i>	12,260	12,260	12,260	12,050	11,210
Town gas sales (Hong Kong)	<i>Million MJ</i>	27,583	27,041	27,034	27,261	27,137

Financial

Revenue	<i>HK\$ million</i>	12,352¹	14,226 ¹	13,465 ¹	9,351	8,154
Manpower costs	<i>HK\$ million</i>	1,006.2	993.0	854.9	759.0	719.7
Taxation	<i>HK\$ million</i>	592.6	974.3	914.6	628.6	623.0
Dividends	<i>HK\$ million</i>	2,333	2,121	1,928	1,936	1,967

SAFETY AND SOCIAL

Safety (Hong Kong)

Urgent reports – total	<i>Number</i>	18,239	17,976	16,651	17,994	15,561
General incidents	<i>Number</i>	17,745	17,463	16,216	17,657	15,234
Gas related incidents	<i>Number</i>	494	513	435	337	327
Major gas emergencies (including suicide cases)	<i>Number</i>	6	13	17	15	19
Incidents involving third party damage to underground pipes	<i>Number</i>	10	12	13	17	28
Average response time for major gas emergencies and gas related incidents	<i>Minutes</i>	19.9	20.4	19.8	19.6	19.4
Trench inspections	<i>Number of active sites</i>	15,541	14,665	16,201	16,803	16,030
Regular safety inspections – home visits	<i>Number</i>	1,229,128	900,634	890,000	1,073,078	979,170
Community safety exhibitions	<i>Number</i>	12	12	48	22	21
Community safety talks	<i>Number</i>	2	16	46	9	18
In-house safety training	<i>Number of man-hours</i>	14,130	20,908	21,003	18,440	17,794
External staff safety training	<i>Number of man-hours</i>	6,671	5,693	6,019	5,182	1,384



Key Statistics

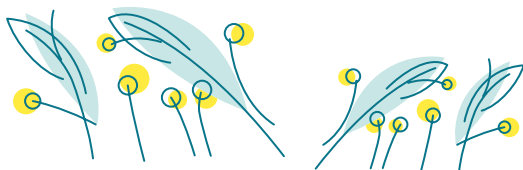
	Unit	2008	2007	2006	2005	2004
ENVIRONMENTAL						
Resource Use / Conservation (Hong Kong)						
Naphtha saved [#]	Metric tonnes	9,960	3,430	3,121	3,733	3,810
Town gas saved [#]	Cubic metres	3,849,776	3,818,419	4,702,154	5,118,653	6,705,940
Water saved [#]	Cubic metres	220,363	214,075	232,215	272,039	261,579
Photovoltaic (PV) panels installed	Square metres	75	75	68	68	64
Grid electricity saved through PV panels	kWh	86,200	86,200	85,000	85,000	80,000
Electricity saved (North Point headquarters and Ma Tau Kok office) [#]	kWh	3,763,818	3,737,070	3,225,452	2,947,278	2,762,046
CO ₂ emissions avoided equivalent to electricity saved (North Point headquarters and Ma Tau Kok office) [*]	Metric tonnes	2,635	2,616	2,258	2,063	1,933
Electricity saved (Tai Po plant) [#]	kWh	1,556,665	3,856,156	3,488,896	1,982,872	1,285,039
CO ₂ emissions avoided equivalent to electricity saved (Tai Po plant) [*]	Metric tonnes	1,090	2,699	2,442	1,388	899
Landfill gas utilisation as heating fuel in gas production	Cubic metres from Shuen Wan	2,528,000	2,716,366	3,492,734	4,141,556	5,144,851
	from NENT SNG	14,381,262	5,390,254 (since May 2007)			
Air Emissions (Hong Kong)						
CO ₂	Daily average in metric tonnes (Metric tonnes per million MJ of town gas)	929 (12.35)	909 (12.33)	1,064 (14.44)	1,404 (15.31)	1,125 (15.22)
NO _x	Daily average in kg (Kg per million MJ of town gas)	342 (4.55)	345 (4.68)	502 (6.82)	610 (8.16)	659 (8.92)
SO _x	Daily average in kg (Kg per million MJ of town gas)	3.6 (0.048)	3.1 (0.04)	2.4 (0.03)	2.7 (0.04)	5.9 (0.08)
Greenhouse gases (Major gas production equipment)	Metric tonnes in terms of CO ₂ equivalent	342,159	333,161	391,062	418,983	413,297
Aqueous Emissions (Hong Kong)						
Wastewater	Daily average in cubic metres (Cubic metres per million MJ of town gas)	493 (6.55)	515 (6.98)	474 (6.44)	622 (8.32)	749 (10.13)



Tell Us What You Think!

Your comments would be very much appreciated, whether on this summary report or our sustainability performance overall.

Simply email us or complete the Feedback Questionnaire included in our Towngas Sustainability Report 2008 at www.towngas.com.



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