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T O W N G A S  
C O R P O R A T E  
I N F O R M A T I O N

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2013

ENVIRONMENTAL  
SAFETY & HEALTH  
OPERATIONAL & FINANCIAL  
INFORMATION



煤氣  
Towngas

# FOREWORD

The Hong Kong and China Gas Company Limited (Towngas), in its endeavour to enhance the transparency of its operations and services, publishes this Corporate Information Booklet 2013.

Supported by charts, the Booklet presents an update of the Company's accomplishments across a wide spectrum of activities which range from an annual business and operational review to its financial status.

Prominent in the Booklet is information on the Company's Safety measures and practices. These include prompt response to emergency incidents as well as proactive efforts to maintain gas safety at customers' homes and enhance their knowledge of gas safety.

Towngas is also well aware that liaison with customers is a priority issue. Hence, complementary with the 24-hour Customer Service Hotline, the Customer Focus Team serves as an effective direct communication channel between the Company and its customers.

Furthermore, the Company has achieved high performance in its "green policy" to ensure an environmentally-friendly operation.

However, Towngas does not intend to be complacent. Instead it will continue to seek further improvement and provide the people of Hong Kong with even better and more value-for-money service.

For enquiries, please contact our Corporate Communications Department at 2963 3483.

# CONTENTS

## PART I OPERATIONAL INFORMATION

<b>1. Annual Business Review</b>	<b>5-9</b>
(a) <i>Hong Kong Gas Business Profit</i>	
(b) <i>Sales and Marketing</i>	
(c) <i>Serving Our Customers</i>	
(d) <i>The Gas Infrastructure</i>	
(e) <i>Towards a Sustainable Future</i>	
(f) <i>Empowering Our People</i>	
<b>2. Safety</b>	<b>10-15</b>
(a) <i>Customer Safety</i>	
(b) <i>Occupational Safety and Health</i>	
(c) <i>Gas Production Plants Safety</i>	
(d) <i>Network Safety</i>	
(e) <i>Charts on Emergencies, Safety Inspections and Safety Promotion</i>	
<b>3. Service Pledge</b>	<b>16-17</b>
(a) <i>Results of 2013</i>	
(b) <i>Service Pledge for 2014</i>	
<b>4. Customer Liaison</b>	<b>18-19</b>
(a) <i>Customer Focus Team</i>	
(b) <i>Customer Service Hotline and Emergency Hotline</i>	
(c) <i>Bill Inserts to Customers</i>	
(d) <i>Number of Customers' Compliments and Complaints</i>	
<b>5. Efficiency (Products and Productivity)</b>	<b>20-21</b>
<b>6. Charges</b>	<b>21</b>
(a) <i>Monthly Maintenance Charge</i>	
(b) <i>Fuel Cost Adjustment</i>	
<b>7. Fuel Mix Percentage</b>	<b>22</b>
<b>8. Towngas Concession Schemes</b>	<b>22</b>

# CONTENTS

## **PART II ENVIRONMENTAL PROTECTION**

<b>1. Environmental Promotional Programmes</b>	<b>23</b>
<b>2. Environmental Training and Education Programmes</b>	<b>23</b>
<b>3. Environmental Achievements</b>	<b>23</b>
<b>4. Environmental Performance</b>	<b>23-26</b>
(a) <i>Environmental Performance Table</i>	
(b) <i>Emission Level of Gas Production Plants for 2013</i>	

## **PART III FINANCIAL INFORMATION**

<b>1. Consolidated Income Statement</b>	<b>27</b>
<b>2. Consolidated Balance Sheet</b>	<b>28-29</b>
<b>3. Auditors' Report</b>	<b>30</b>
<b>4. Directors' Emoluments</b>	<b>31</b>

### 1. Annual Business Review

Since 1862, our operations in Hong Kong have set the benchmark in terms of service, operational excellence, engineering and safety. We remain committed to innovation, to broadening the scope of our activities and expanding our horizons to retain our leading position in our home market.

The local economy continued to grow moderately in 2013. Tourism, restaurant and hotel sectors, all still benefiting from an increase in the number of inbound tourists, continued to prosper. As a result, commercial and industrial gas sales achieved good growth in 2013. However, as the average temperature in the first quarter of 2013 in Hong Kong was slightly higher than the same period in 2012, residential gas sales were affected. Overall, total volume of gas sales in Hong Kong for the year increased slightly by approximately 0.7 per cent to 28,556 million MJ whereas appliance sales increased by approximately 3.3 per cent, both compared to 2012.

#### *(a) Hong Kong Gas Business Profit*

The volume of gas sales rose by 0.7 per cent in 2013, while our customer base further expanded to a total of 1,798,731 accounts, an increase of 22,371 over the previous year. In April 2013, we adjusted our standard gas tariff by HK1 cent per megajoule, an increase of 4.6 per cent, with a commitment to no further increase in the following two years. Net profit after tax from sales of town gas in Hong Kong for the year 2013 amounted to HK\$2,597.8 million.

#### *(b) Sales and Marketing*

Buoyed by Hong Kong's tourism boom, which stimulated the catering and hotel industries, and a widespread desire to use cleaner fuels, our gas supply to commercial and industrial businesses remained strong, particularly in the industrial sector where we saw growth of 21 per cent in gas sales. We have been actively promoting the conversion and application of diesel into town gas, a low-carbon, highly efficient fuel, while also providing businesses with incentives and technical solutions to facilitate the change. During the year, we succeeded in acquiring a number of major new customers such as commercial launderers, food processing facilities, crematoriums, etc and will continue to develop these markets by working closely with our customers to offer a complete energy solution tailored to their requirements.

As part of the Hong Kong Government's plan to upgrade public swimming pools in the territory, we won a number of contracts to provide water heating services. The programme will leverage our expertise in energy-efficient and green gas water heating systems to serve the general public.

In addition, Towngas contributed to phase one of the Government's "Pilot Scheme on Community Care Service Voucher for the Elderly". We provided licensed non-governmental organisations (NGOs) with subsidised appliances and favourable maintenance contracts to support their work with elderly citizens in need. While offering an additional business opportunity, we also relished the chance to fulfill our corporate social responsibility.

On the residential front, we sold a total of 244,000 appliances in Hong Kong – a sign of customer confidence in the quality of our products and services. Sales were also enhanced by our marketing efforts throughout the year. For the first time, we participated in the 47th Hong Kong Brands and Products Expo 2012 – 2013, showcasing the Group’s historical development together with a wide range of appliances and merchandise. Our efforts not only won us the “Best Booth Design Award” but also resulted in encouraging appliance sales.

Our kitchen appliance range was further expanded with the introduction of Scholtès. This upmarket European brand offers a complete range of kitchen appliances complemented by the Towngas quality service package for a thoughtfully premium experience. Since its launch, the brand has been well received by the market. Feedback from customers has been superb with regards to the quality of the products, our superior installation service and level of after-sales care.

The Mia Cucina line of high-end kitchen cabinets has enjoyed pleasing growth. With our high quality products and proactive levels of end-to-end service delivery, it has been widely adopted by local property developers for bulk installations in new residential developments. Compared to 2012, overall sales have grown by 63 per cent as market awareness continues to gain momentum.

### **(c) *Serving Our Customers***

Technology has offered us a number of exciting and innovative ways to enhance the service we offer our customers. In 2013, we broadened our call centre communication channels to include multimedia and social media. We also began disseminating SMS reminders to customers prior to their appointments, reminding them of their service time and providing them with the technician’s contact number. This small gesture is one more way we aim to enrich our communication with our customers and is an extension of our “5-Heart” caring service programme, which was launched in 2012.

Hand-in-hand with technology developments, the mobile revolution is enabling us to reduce our reliance on paper. Equipped with mobile devices to replace traditional forms, this technology enables our frontline technicians to conduct inspections in a paperless fashion, and will soon be implemented across all maintenance calls in order to provide our customers with the relevant information in a timely manner. The move to mobile will save approximately one million pieces of paper a year, mostly in the form of records and orders.

In 2013, we implemented an innovative method to replace aging water heaters without the need to erect scaffolding. The specially-designed kits reduce the cost of installation, are more efficient and enhance work safety by eliminating the need for the construction and use of elevated work platforms.

Our commitment to innovation also manifested at a retail level as we applied QR codes across our outlets and on marketing materials to offer our customers a simple way to access an in-depth range of products and service information. This year marked our first foray into e-commerce with the launch of the Towngas Shop ([www.towngas.com](http://www.towngas.com)).

towngasshop.com). The site has been designed to meet the needs of customers who prefer to shop online and offers a convenient way to purchase some of our most popular health and beauty, eco-friendly and cooking-related lifestyle products with a door-to-door delivery service.

During the year, the Towngas Cooking Centre moved to Lee Theatre in Causeway Bay and introduced a new concept: the KIDchen, an inspiring space that encourages children to enjoy flame cooking with their parents. With new and spacious practical and demonstration classrooms, the Towngas Cooking Centre remains a cornerstone of our commitment to ignite the passion of flame cooking in Hong Kong.

#### ***(d) The Gas Infrastructure***

Creativity is one of Towngas' key organisational values and one that drives innovation in our gas supply infrastructure projects. This year, our team developed several leading technologies that will help enhance our efficiencies. The first, a Smart Pipe, offers a cost-efficient way to repair corroded service branches from the main riser that crosses building walls without the need to erect scaffolding. This minimises the impact of time, cost and disruption to customers. The second, named the Quadricopter Inspector, saves time and manpower by performing aerial inspections of exposed gas pipes on slopes, bridges or otherwise difficult to access locations.

The upgrade of our Ma Tau Kok plant is also underway. Natural gas will replace naphtha as part of the feedstock for the production of town gas. This is more economical and also emits fewer polluting elements into our atmosphere, providing tangible environmental benefits.

In addition to modernising our network and infrastructure, Towngas is also committed to expanding the piped gas network in Hong Kong. To this end, we are working on pipelines to support the future development and expansion of South East Kowloon and the North East New Territories. The extension of this network is expected to serve a combined population of over 260,000 in the future.

At a service level, we focused on encouraging our customers to replace ageing gas pipes when renovating their estate properties – a successful campaign that saw pipe replacement grow 33.8 per cent compared to 2012. Replacing ageing pipes is a critical part of our mission to provide a safe and reliable gas supply throughout Hong Kong.

#### ***(e) Towards a Sustainable Future***

As a responsible energy company, we aim to provide our customers with quality products and services while minimising any impact of our operations on the environment. To this end, we were proud to be one of the first local companies to commit to the Environment Bureau's Energy Saving Charters on Indoor Temperature and No Incandescent Light Bulbs. This will complement our current efforts to reduce our carbon footprint, for which we were awarded the CarbonCare® Label, which recognises a 5 per cent reduction in office-related carbon emissions.

In 2013, we continued to participate in and support a series of initiatives organised by green groups, including the annual Tree Planting Challenge organised by Friends of the Earth (HK), Green Power's liberal studies programme entitled "Waste to Energy", WWF's annual "lights-out" Earth Hour initiative, Greeners Action's Lai See Packet Reuse and Recycle Programme and Hong Kong Green Day organised by the Green Council. Moreover, we were the exclusive sponsor of the World Green Organisation's Food Waste Reduction Pilot Scheme and one of the first corporations to join the organisation's Green Office Awards Labelling Scheme (GOALS) Programme, sharing our green office best practices through workshops and media interviews.

In order to promote green cooking, we completed a study examining the carbon footprint of gas stoves and developed a series of eco-friendly cooking tips to help customers not only save on fuel costs but also protect the environment by reducing carbon emissions.

#### **(f) *Empowering Our People***

At Towngas, we believe that healthy, happy and motivated employees are the key to our success. As a result, we are committed to nurturing our people and providing them with a pleasant and harmonious workplace. As part of our continuing efforts to promote a family-friendly environment, this year we opened a dedicated mother and baby room to support breastfeeding mothers returning to work.

We also organised a number of activities designed to boost the well-being of our employees. One such initiative was the Healthy Living Every Day campaign. Promoting a balanced diet alongside physical and mental well-being, the programme included informative health talks, health checks and smoking cessation seminars, while particularly keen employees took part in marathon race and stairs climbing competition to boost their fitness.

In addition to meeting the needs of current employees, we also reached out to our retirees by forming the Towngas Buddy Club. Offering retirees a way to participate in regular social activities and continue socialising with former colleagues, the Club organised two well-attended events for its members in 2013.

To cope with the rapid expansion of our business, we make every effort to build a skilled and sustainable workforce. As such, we equip our employees with essential management, leadership and technical training to enable them to excel.

Our Towngas Engineering Academy (TEA) aims to develop qualified professionals equipped with industry-leading safety, service and technical skills. During the year, TEA offered a total of 142,675 man-hours of training. To sustain our premier position and nurture a solid foundation of knowledge, the apprenticeship training course offered in Hong Kong has been extended from one year to two years, with graduates qualifying for a full Registered Gas Installer licence.

The passion, interest and engagement of our employees drive Towngas' lively continuous learning culture. In 2013, our Continuous Professional Development Committee



organised 3,171 hours of additional training covering the latest engineering, safety, and information technology developments alongside professional growth, healthy living and quality management.

During the year, we welcomed a further 20 graduates to our Hong Kong graduate trainee and ECO management trainee programmes. At the senior management level, two project management courses were held alongside a course in Leading Others, attended by over 350 supervisors who completed more than 5,000 hours of training. In addition, 18 managers from Hong Kong and mainland China completed an 18-month accelerated programme as part of the Corporate Towngas Leadership Competencies Scheme, designed to support the next stage of their career. Furthermore, for the sixth year running, 36 senior managers attended the week-long Tsinghua University Executive Development Programme (EDP) to keep abreast of the latest developments on the mainland.

We organised four EDPs in 2013 in partnership with various universities across mainland China, which involved 158 executives. Our Developing Learning Champions for Joint Venture Companies Programme was honoured to receive the American Society for Training and Development's "Excellence in Practice Citation (2012)". This programme aims to develop the leadership and creative skills of participants drawn from our mainland projects and, to date, has involved 1,500 employees.

Internal exchange is vital to build and enhance our corporate culture across the Group. In 2013, 523 colleagues from outside Hong Kong joined us to share experiences and best practices. Towngas Telecom also held a number of workshops to share and align strategy across the business.

In addition to technical, management and leadership competencies, we have focused on cultivating our employees' soft skills with courses on grooming, etiquette and service. Over 300 employees participated in our newly-launched Courtesy Campaign. Further activities are planned for 2014, all designed to build on our strong foundation of courteous and professional etiquette.

## 2. Safety

### *(a) Customer Safety*

Our concern for safety underpins everything we do. We understand the need to educate and inform the public on the safe and responsible use of gas products and services. In 2013, we held 12 safety exhibitions, maintaining our long-standing and well-proven methods of taking our safety message direct to consumers. As always, appliance safety was a high priority: We conducted more than 1,020,000 Regular Safety Inspections of gas facilities in customers' homes. This safety driven programme has proved extremely popular with our customers.

### *(b) Occupational Safety and Health*

Maintaining the highest standards of health and safety, we arranged safety trainings and safety and health measures for our staff and contractors. During the year, there were 12 industrial accidents, resulting in an Accident Frequency Rate of 0.25.

Driving a culture of safety and improving emergency procedures internally, we held a number of joint fire exercises with the Fire Services Department. These exercises helped ensure that our emergency response team would work closely with the Fire Services Personnel in the operations.

Taking this message to our employees and contractors, we organised the Health, Safety and Environment (HSE) month for more than 2,500 staff and contractors. Activities such as HSE Day, Corporate Visits and Experience Sharing, HSE Forum, HSE Display Board Exhibition were organised. Contractor Safety Programmes such as Site Safety Improvement Scheme Competition, HSE Slogan Competition and Contractor HSE Forum were organised. These activities not only brought in highly positive responses, they also raised greater awareness of occupational safety and health. Also, a number of HSE trainings were organised including "HSE forum" and mass communications with contractors to further improve their HSE awareness.

During the year, we won OSH Annual Report - Gold Award and Safety Performance Award in the 12th Hong Kong Occupational Safety & Health Award Competition organised by the Occupational Safety & Health Council.

### *(c) Gas Production Plants Safety*

We have strong confidence in the safety, reliability and management systems of our Tai Po and Ma Tau Kok gas production plants. Both plants were designed and built by reputable international project contractors, based on proven engineering and chemical processes. Manned by competent and experienced operation and maintenance crews, the two gas works did not have even one interruption to the gas supply since the first day they were commissioned. On this basis, our Company's supply reliability continues to be one of the best in the utilities and reached a level of 99.992% in 2013.

Our Company exerted great efforts in safeguarding the conditions and availability of the two gas plants. Ma Tau Kok gas production plant has over 36 years' safe and reliable

production history, while Tai Po plant is equipped with modern computer control systems and sophisticated instruments, and the plant has been running stably for 27 years. Both sites implement strict work rules and procedures to control various high risk operations, with robust backup from automatic alarms and safety interlocks. A high degree of emergency response preparedness is achieved by a wide range of fire-fighting facilities, well trained response teams and frequent emergency drills. Our standards of safety control compare most favourably with other major utilities in Hong Kong and overseas.

Towngas abides by all legal requirements and cooperates fully with the various government departments responsible for enforcing stringent surveillance to the plants.

The Accident Frequency Rate of gas production plants has always been maintained at a low level, with about 0.73 case per 100,000 man hours. Nonetheless, in pursuit of the target of zero accidents, the plant management proactively reviewed the root causes of each incident and implemented every practicable preventive measure. No major gas emergency has happened in the plants for many years.

As a long term strategy, Towngas will continue to develop various hazard controls and risk mitigation measures to maximise the safety of its employees, the plants' neighbourhood and the plants themselves, guaranteeing 100% reliability in the whole lifetime of the plants.

#### **(d) Network Safety**

Ensuring network safety, we continue to monitor and enhance our pipeline infrastructure with an active maintenance and rehabilitation programme. Rigorous trench inspections and leakage surveys continue and the introduction of better equipment and technology also provide invaluable support in the maintenance of safety standards.

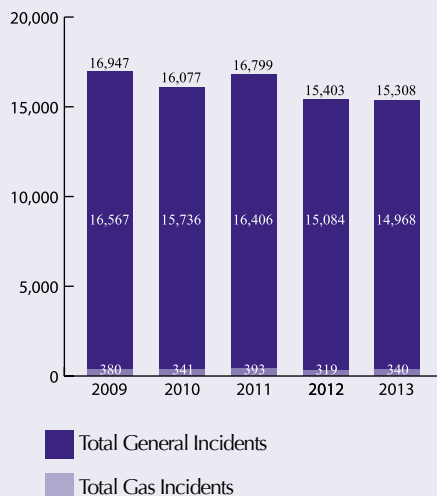
Emergency vehicles equipped with computers are now used in the handling of any gas emergency and the use of new laser methane detectors for leakage surveys, as well as advanced detectors which check the condition of the coating on steel pipes, were also introduced during the year.

Despite the fact that our activities and appliances meet stringent international standards, we continue to make every effort to enhance their safety even further. We continue to check our pipes rigorously by sophisticated leakage survey from anywhere between six times a year to once a year to ensure their integrity.

We also augmented the number of trench inspections of third party excavation sites to circumvent damage to nearby Towngas pipelines. In 2013, about 174,048 trench inspections covering 13,675 active sites were made.

## (e) Charts on Emergencies, Safety Inspections and Safety Promotion

### (i) Number of Urgent Reports



Urgent Reports refer to incidents which require Towngas personnel to attend immediately, whether the incident is gas-related or not.

Out of the 15,308 Urgent Reports received in 2013, only 340 were Gas Incidents. Gas Incidents are town gas-related and are classified according to any of the following situations:

- Reported by Police or Fire Services Communication Centre
- Uncontrolled gas escape (which cannot be ascertained that it can be stopped by turning off the meter control cock)
- Incidents involving injury to a person, whether fatal or non-fatal
- Incidents involving explosion or fire damage to property
- Supply defects

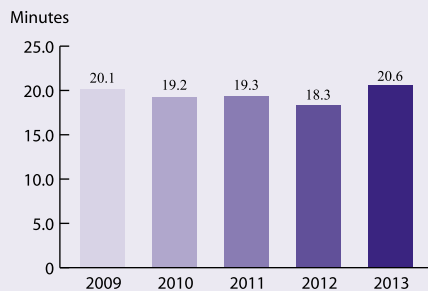
### (ii) Number of Major Gas Emergencies



Out of the 340 Gas Incidents in 2013, 12 cases were Major Gas Emergencies.

\* Nature of "Major Gas Emergency" is defined in the Gas Safety Ordinance.

### (iii) Average Response Time for Gas Incidents



The promptness of Towngas' response to emergencies has achieved a world class standard and we will strive to continue improving the level of promptness in the coming year.

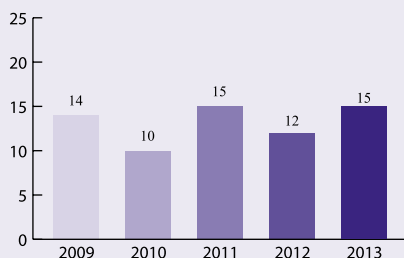
#### *(iv) Number of Fatal Gas Accidents*

Year	2009	2010	2011	2012	2013
No. of Accidents	0	0	0	0	0

\* *Suicide cases are not included.*

With Towngas' efforts to promote gas safety and respond promptly to emergencies, the number of fatal accidents from gas emergency incidents has remained at an exceptionally low level throughout the past five years.

#### *(v) Number of Incidents Involving Third Party Damage*



Towngas has been able to keep the third party damage in a relative low level. The number of third party damage was 15 in 2013.

#### *(vi) Trench Inspection*

##### **Total number of active sites inspected in 2013**

Island	Kowloon	New Territories	Total
4,495	4,585	4,595	13,675

To minimise third party damage to its network facilities, Towngas emphasises close coordination with concerned parties in any excavation work that may subject its pipelines to possible damage. Apart from provision of alignment drawings and safety advice for the third parties, the Company organises safety talks for the construction industry. In 2013, a total of 502 contractor personnel attended our safety talk sessions. Besides, the Company is possibly the only local utility to proactively send its technicians to work at sites to ascertain the alignment of its facilities for maximum safety.

### (vii) Number of Leakage and Pipeline Surveys

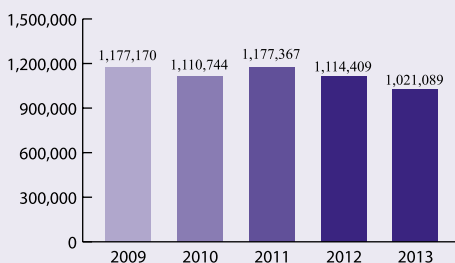
Type of pipelines	Frequency of leakage surveys
Transmission pipelines: - All HP & IPB mains	At least once a year
Distribution pipelines: - PE or steel pipes over or enclosed within structures - Medium pressure ductile iron pipes or all galvanized iron pipes - Low pressure ductile iron pipes - Others	At least twice a year At least six times a year At least three times a year At least once a year

HP – High Pressure    IPB – Intermediate Pressure B    PE – Polyethylene

Under the Company's rigorous leakage survey programme, our qualified technicians perform regular inspections on our different types of gas pipes with the help of advanced instruments – including Flame Ionization Detectors (FID) and Combustible Gas Indicators (CGI). With these sensitive instruments, very low level traces of gas seepage can be detected and rectified before they develop into reported gas escapes. Considering these surveys as effective precautions against major gas escapes, we conduct more leakage and pipeline surveys than our foreign counterparts every year.

As a result of the stringent and proactive leakage survey and trench inspection programmes, the number of public reported gas escape incident in network was only 0.020 per km per year in 2013. Even if minor seepages located by the sensitive leakage survey were also included, the number was 0.10 per km per year only, much lower than the figures in many other similar metropolitan cities.

### (viii) Number of Regular Safety Inspections



Towngas has taken proactive measures to maintain gas safety at customers' homes by initiating on-site safety inspections of their gas installations and external service risers at regular intervals of 18 months.

### *(ix) Number of Sub-standard Appliances Upgraded*

Towngas encourages customers to upgrade their sub-standard appliances through various educational and promotional programmes. In 1999, we introduced a discount scheme to encourage customers to upgrade their water heaters and cooking appliances. In 2013, 105 Flueless (Sink) and Open-flued water heaters were upgraded.

### *(x) Number of Safety Exhibitions and Safety Talks*

Towngas has been widely recognised for its continuing efforts in promoting home safety. Safety talks and safety exhibitions are major channels through which Towngas enhances the public's awareness and improves their knowledge of gas safety. In 2013, we organised 12 safety exhibitions and 5 safety talks in housing estates and elderly centres. Information panels were exhibited and information booklets on gas safety were delivered.

### *(xi) Industrial Safety Performance of Employees*



Towngas is committed to providing a safe and healthy environment for its employees. From 2009 to 2013, there have been less than 1 injury accident per 100,000 working hours. Towngas continuously provides training on occupational safety to employees with the aim of further reducing the occurrence of accidents.

### 3. Service Pledge

Initiated in 1994, the Towngas Service Pledge has set high targets in major customer service areas: reliability of gas supply, safety, service attitude, the speed and convenience of service, appointments and complaint handling. Towngas has performed well in the past 19 years and pledges to continue improving its service and to set higher targets to ensure customers get the best possible levels of service.

#### (a) Results of 2013

	<b>Results</b>
<b>Reliability</b>	
• Uninterrupted gas supply (over 99.99%)	99.992%
• In case of supply interruption on account of maintenance or engineering work (3 days prior notification)	100%
• Restoration of gas supply within 12 hours	100%
<b>Safety</b>	
• Emergency Team arrived on site within 30 minutes	95.84%
<b>Appointments</b>	
• Availability of maintenance and installation services within 2 working days	Average 1.13 day
<b>Speed and Convenience</b>	
• Customer Service Hotline (calls answered within 4 rings)	94.06%
• Connect or disconnect gas supply within 1 working day (upon customer's request)	100%
• Deposit refunded at Customer Centres (2 hours after disconnection of gas supply) (upon customer's request)	100%
<b>Service Quality</b>	
• Efficiency <sup>1</sup>	8.79
• Courteous and friendly attitude <sup>1</sup>	8.80
<b>Handling Suggestions</b>	
• Reply within 3 working days	100%
• Resolution, or a statement of when the matter will be resolved, within 2 weeks	100%

<sup>1</sup> The result was based on monthly surveys conducted from January to December 2013 by an independent research company. Our target is to exceed a score of eight out of ten.



## **(b) Service Pledge for 2014**

Towngas pledges to continue improving our service and to set higher targets, aiming at providing our customers with best possible service. The new Pledge has become effective from January 2014, and the annual reporting on performance results will be announced in January 2015.

<u>Pledges</u>	<u>Target</u>
<b>Reliability</b>	
• Uninterrupted gas supply	- Over 99.99%
• In case of supply interruption (on account of maintenance or engineering work)	- 3 days prior notification
• Restoration of gas supply	- Within 12 hours
<b>Safety</b>	
• Emergency Teams	- Arrive on site within 30 minutes
<b>Appointments</b>	
• Availability of maintenance and installation services	- Within 2 working days
<b>Speed and Convenience</b>	
• Customer Service Hotline	- Calls answered within 4 rings
• Connect or disconnect gas supply	- Within 1 working day
• Deposit refunded at Customer Centres	- 2 hours after disconnection of gas supply*
<b>Service Quality</b>	
• Efficiency	- 8 or above out of a total score of 10
• Courteous and friendly attitude	- 8 or above out of a total score of 10
<b>Handling Suggestions</b>	
• Written comments or suggestions	- Reply within 3 working days
	- Resolution, or a statement of when the matter will be resolved, within 2 weeks

\* To enjoy this service, residential customers are advised to inform us of their request for refunds at the time of making cap-off service appointment. The maximum refund amount is HK\$2,000.

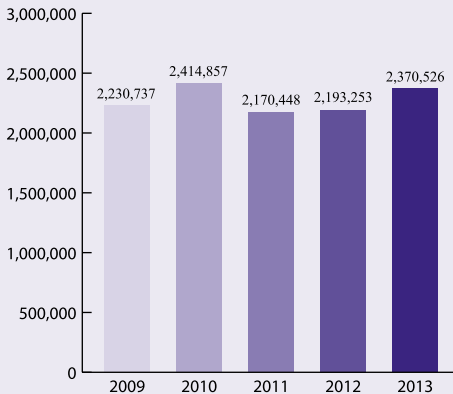
## 4. Customer Liaison

### (a) Customer Focus Team

Since its inception in 1993, the Customer Focus Team has provided an effective communication channel between Towngas and its customers. It is a key factor in ensuring that our services meet customer expectations. The Team, comprising managers from customer related departments, visits two public or private housing estates every month. Issues related to Towngas service, gas safety, bill payment and gas appliances are discussed at the meetings. Comments from customers contribute greatly to the improvement of Towngas products and services. In 2013, the Customer Focus Team made 24 visits to its customers.

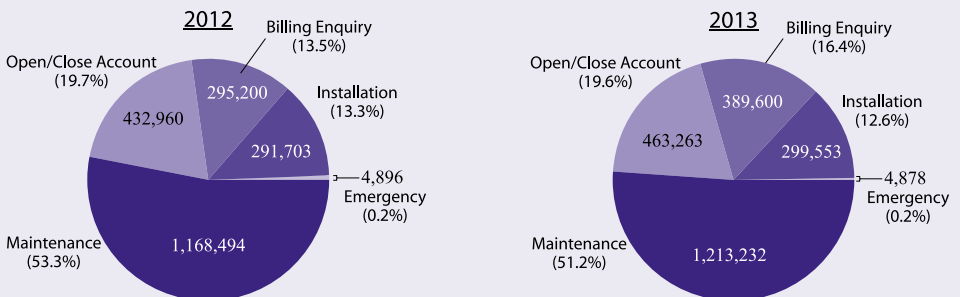
### (b) Customer Service Hotline and Emergency Hotline

Number of Incoming Calls



The public can always keep in touch with Towngas through its Customer Service Hotline (CSH) and Emergency Hotline. The CSH – 2880 6988 – provides a convenient one-stop service for customers to enquire about and arrange the full range of Towngas services. The Emergency Hotline – 2880 6999 – operates around the clock, and responds to emergency calls immediately.

Number of Incoming Calls by Categories:



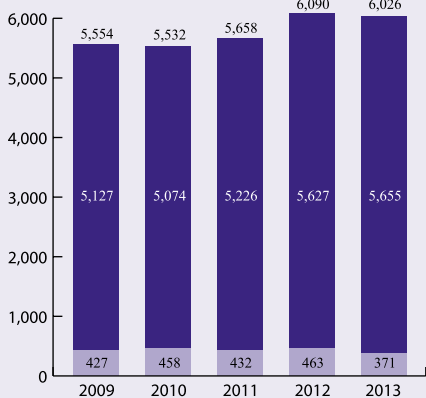
The largest category of incoming calls to the CSH and Emergency Hotlines is maintenance, representing 51.2% of total calls in 2013 while other categories include open/close account, billing enquiry, installation and emergency.

**(c) Bill Inserts to Customers**

A bill insert, which comes with the bi-monthly gas bill, is an effective means to keep our customers informed. In 2013, a total of 20 information leaflets on various topics were sent to customers. The topics of these leaflets were mostly related to Towngas services and products, including special offers on appliance, Towngas Avenue, Towngas Cooking Centre, Mia Cucina, green and health products, etc as well as gas safety and energy saving tips.

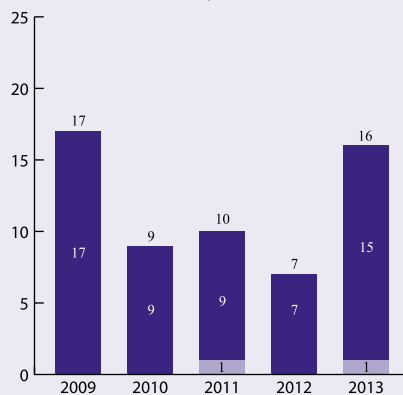
**(d) Number of Customers' Compliments and Complaints**

Number of Customers' Compliments



■ Written Compliments  
 ■ Verbal Compliments

Number of Customers' Complaints



■ Written Complaints  
 ■ Verbal Complaints

Delivering high quality customer service has always been a Towngas priority. We are more focused than ever on the continuous enhancement of customer satisfaction by providing superior quality service. As a result, there were a total of 6,026 compliments about Towngas' service in 2013, which included 5,655 written compliments and 371 verbal compliments.

Regarding the number of customer complaints, Towngas received a total of 16 complaints in 2013 (15 written complaints and 1 verbal complaints). With 1,798,731 customers as at 31 December 2013, the ratio is 1 complaint per 112,421 customers. Towngas is committed to taking proactive measures to improve product quality and the service attitude of its frontline staff.

## 5. Efficiency (Products and Productivity)



In 2013, Towngas continued to devise and implement measures to maintain high cost-efficiency without compromising the quality of our services to customers. In addition to bring down the costs of spare parts of gas appliances through vigorous research and development efforts, we have further promoted the use of information technology to attain a higher level of automation throughout our operations.

These measures, together with a range of other initiatives, resulted in a 0.1 per cent increase in productivity in 2013, which is measured in terms of number of customers served by each employee. In 2013, each Towngas employee served 915 customers, and town gas sales averaged 14.5 TJ per employee. Towngas will continue to seek ways to ensure our customers receive the best and most cost-effective service.

A new brand, Scholtès, has been introduced to our residential kitchen appliance. The appliances under this new brand are not only elegant but also energy efficient. Scholtès multifunction ovens and dish washer belong to Class A or A+ of European Union Energy Label. The washing machine and fridge are granted Grade 1 under the Hong Kong's Energy Efficiency Labelling Scheme.

In November 2013, EMSD extended the Voluntary Energy Efficiency Labelling Scheme to domestic gas cooking appliances. All our domestic gas cooking appliances covered under the scheme meet the thermal efficiency requirement. The registrations are now in progress and it is expected to be completed in 2014.

For commercial kitchens, we developed new flue ducts for our wok ranges and stockpots so that the flue gas can be extracted away from kitchen more effectively. It helps to save energy on the kitchen ventilation system and to reinforce the cool-kitchen environment.

In addition, our pioneering activities in the use of landfill gas (LFG) have also been gaining momentum. First diversifying into this area at the Shuen Wan Landfill, the use of this renewable energy grew exponentially with the commissioning of our North Eastern New Territories LFG utilisation project in 2007. In 2013, accounting for about 2 per cent of our production fuel, our aim is to grow this resource to 10 per cent. Extending these activities to the South Eastern New Territories landfill site, the planning and design of a connection pipeline is currently under review. The use of LFG not only cuts carbon emissions released into the atmosphere, our consumption of naphtha also fell by around 10,000 tonnes in 2013. These savings alone translate into the planting of some 1.3 million trees.

## 6. Charges

In addition to the gas charge, which is calculated based on customers' gas consumption, Towngas levies a fixed Monthly Maintenance Charge on residential customers which entitles them to reliable, efficient and comprehensive repair and maintenance services for all their gas appliances and installations. Towngas also adjusts the gas charge through a Fuel Cost Adjustment mechanism to reflect fluctuations in fuel prices.

### (a) Monthly Maintenance Charge

The Monthly Maintenance Charge (MMC), which has been frozen at HK\$9.5 since 1998, covers the labour charges for appliance maintenance and repairs, on-demand appliance check-ups, regular safety inspection whereby customers' gas appliances, gas installation pipes and external service risers are inspected by our fully-qualified, registered gas technicians at regular intervals of 18 months, and the 24-hour Customer Service Hotline. Towngas conducted more than 577,000 on-demand maintenance works and more than 1,020,000 Regular Safety Inspections in customers' homes in 2013.

However, MMC does not include the costs of replacing spare parts, rubber hose, stainless-steel braided flexible hose or corrugated stainless steel tube for appliances, nor the costs of repair or replacement of gas installation pipes and external service risers, appliance disconnection and reconnection, or gas meter accuracy testing. To provide our customers with maximum protection, 24-hour emergency services are rendered free-of-charge.

### (b) Fuel Cost Adjustment

The fuel cost adjustment calculation is based on gas consumption and each month's fuel costs. For every complete multiple of HK\$1 by which the effective feedstock cost\* rises above (or falls below) the equivalent of HK\$1,420 per kilolitre of naphtha, the charge for gas will be increased (or reduced) at the rate of HK0.004 cents per MJ.

Customer saved a total of \$1,840 million fuel cost adjustment in 2013 with the using of natural gas in producing town gas.

\* Effective feedstock cost is the weighted average cost (based on energy content) of different feedstock used for production of town gas.

## 7. Fuel Mix Percentage

In 2013, fuel mix in terms of percentage of naphtha, natural gas and landfill gas used as feedstock is as follows:

Feedstock	Percentage
Naphtha	45%
Natural Gas	53%
Landfill Gas	2%

## 8. Towngas Concession Schemes

Seeking to make a difference for some of the disadvantaged groups in society, we have launched four concession schemes to provide these groups in Hong Kong with additional service benefits. Under the concession schemes, beneficiaries may enjoy a 50% discount off basic gas tariff on the first 500 MJ (around 10.4 units) of town gas consumed, waiver of monthly maintenance charge, initial charge and security deposit, as well as free appliance maintenance and spare parts.

Towngas Concession Schemes	Qualified Applicants *
Concession Scheme for the Elderly	Applicants should be aged over 60 years, living alone or with other qualified senior citizens and living in self-care quarters within public housing estates, or qualified for the Comprehensive Social Security Assistance Scheme (CSSA).
Concession Scheme for People with Disabilities	Applicants should be receiving, or living with a direct family member who is receiving CSSA, and is classified as "100% Disabled" or "Requiring Constant Attendance" under CSSA.
Concession Scheme for Single-parent Families	Applicants should be single-parent family households receiving CSSA under the single-parent category.
Concession Scheme for Low Income Families	Applicants or his/her family member has a regular job income which is taken into account in the assessment of CSSA entitlement. (The "Notification of Successful Application" or "Notification of Revision of Assistance" bears the item of "LESS NET EARNINGS" indicated in two consecutive months of the CSSA payment period.)

\* All applicants should be registered Towngas account holders.

In 2013, the overall average amount of annual savings per beneficiary customer under the Towngas Concession Schemes was \$515.

## ENVIRONMENTAL PROTECTION

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Our “Sustainability Report” has already clearly elaborated our sustainability strategies and set out the targets and standards that we encourage all employees, contractors and suppliers to work towards. Being a responsible public utility, we persistently put efforts to protect the environment and ensure sustainable development. Our well-established waste management practices have been extended to include the collection and recycling of retired domestic appliances, commercial and industrial appliances, spare parts, gas meters, obsolete rechargeable batteries and glass etc. We reduce, reuse and recycle more than 20 items since the programmes introduced in 2002.

### 1. Environmental Promotional Programmes

We continue to offer our proactive support to green groups and government-led environmental protection programmes. In 2013, we were the exclusive sponsor of the World Green Organisation’s Food Waste Reduction Pilot Scheme. Also, we sponsored and participated the annual “Green Power Hike” and “Waste to Energy” liberal study programme organised by Green Power, “No Air-con Night” and “Green Sense Walkathon” organised by Green Sense, “Lai See Packet Reuse and Recycle Programme” organised by Greeners Action, the “Green Riders” and “Green Leaders Bloc” organised by the Conservancy Association, the “Tree Planting Challenge” and “Water Challenge” organised by Friends of the Earth (HK), the “Earth Hour” – a worldwide Light off event and the “Walk for Nature at Mai Po” organised by WWF and the “Hong Kong Green Day” organised by the Green Council.

### 2. Environmental Training and Education Programmes

In recent years Towngas has organised a large number of environmental training and educational activities to promote environmental awareness among our employees and contractors. Programmes conducted in 2013 included the Annual Outstanding Environmental Sub-committee Award, technical visits to Green 18 in Hong Kong Science Park and Hong Kong Organic Waste Recycling Centre. Publication of four issues of the Health, Safety & Environment Bulletin distributed to all employees and our contractors. Green promotional messages were conveyed to employees via email and intranet on regular basis in order to encourage and remind employees to work in line with our environmental policies.

### 3. Environmental Achievements

Towngas was conferred with the “Hang Seng Pearl River Delta Environmental Awards – Silver Award” for 2011/12 presented in 2013 by the Federation of Hong Kong Industries and Hang Seng Bank and the “Green Enterprise Awards 2013” presented by CAPITAL Entrepreneur. Towngas was also one of the first corporations who was awarded the CarbonCare® Label and join the organisation’s GOALS Programme. The “Class of Excellence” Wastewi\$e Label 2013 which the Environmental Campaign Committee conferred upon us for the 12 consecutive years was testimony to our strong commitment to waste reduction.

### 4. Environmental Performance

In 2013, Towngas’ 12 functional environmental sub-committees achieved over 40 environmental objectives. For instance, our “Used Gas Appliance Recycling Programme” is over ten years, and has enabled us to divert around 1,000 tonnes of scrap metal

annually from landfill sites. The revenue generated has been added to our green creativity fund, which is used to foster environmental awareness in the community.

For more details about our environmental performance and targets, the public can access our website to view or download our “Sustainability Report”.

#### **(a) Environmental Performance Table**

*(All legal requirements relating to environmental protection were fully complied with)*

##### **Ozone Layer Protection**

- All of our vehicle air conditioning systems now operate with refrigerant R134A.
- All BCF portable fire extinguishers have been replaced by dry powder extinguishers.
- By 2014, all existing building central air conditioning system will operate with HCFC-free refrigerants.

##### **Air Quality**

- Total NO<sub>x</sub> output was 4.6 kg/TJ of town gas (Annual total of 128,967 kg, equivalent to a daily average of 353 kg).
- Total SO<sub>x</sub> output was 0.02 kg/TJ of town gas (Annual total of 438 kg, equivalent to a daily average of 1.2 kg).
- Total CO<sub>2</sub> output was 12.09 MT/TJ of town gas (Annual total of 339,927 MT, equivalent to a daily average of 931 MT).

##### **Greenhouse Gas Emission**

- Annual total greenhouse gas emissions of 365,981 MT in terms of CO<sub>2</sub> equivalent.

##### **Volatile Organic Compounds (VOC)**

- Estimated annual total VOC emissions was 6.5 kg/TJ of town gas (Annual total of 182,469 kg, equivalent to a daily average of 500 kg).

*\* Before introduction of natural gas feedstock, estimated annual total VOC emissions was 9.83 kg/TJ of town gas (Annual total of 268,242 kg, equivalent to a daily average of 735 kg).*

##### **Water Quality**

- Total waste water output was 4.2 m<sup>3</sup>/TJ of town gas (Equivalent to a daily average of 323 m<sup>3</sup>).

##### **Chemical Waste**

- Total chemical waste output was 1.94 kg/TJ of town gas (Equivalent to a daily average of 150 kg).

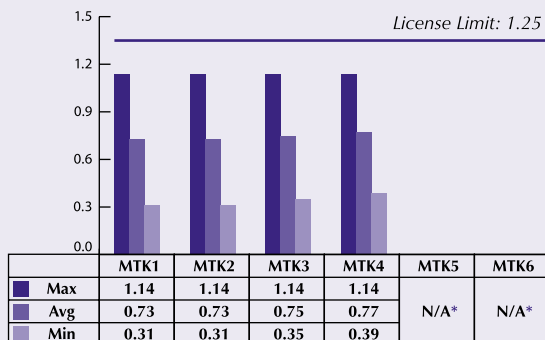
##### **Noise**

- All installations and operations complied with the statutory requirements. No noise abatement notice has ever been received.



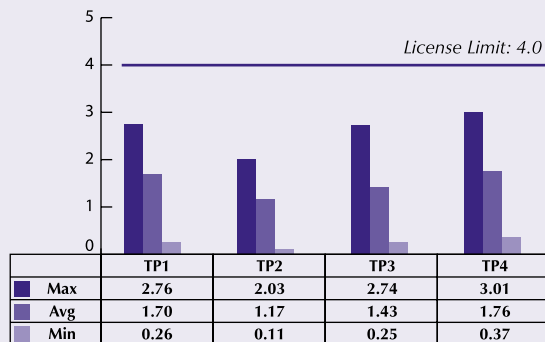
**(b) Emission Level of Gas Production Plants for 2013**

**(i) NOx emission level of Ma Tau Kok (MTK) gas making units (Kg/hour)**

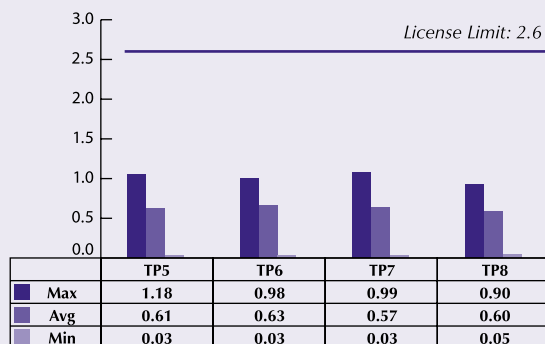


\* MTK5 and MTK6 at cold standby in 2013

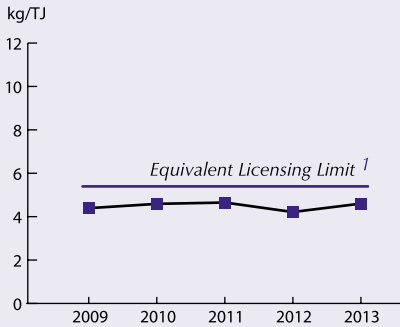
**(ii) NOx emission level of Tai Po (TP) gas making units Phase 1 (Kg/hour)**



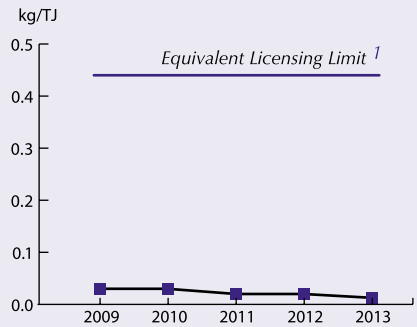
**(iii) NOx emission level of Tai Po (TP) gas making units Phase 2 (Kg/hour)**



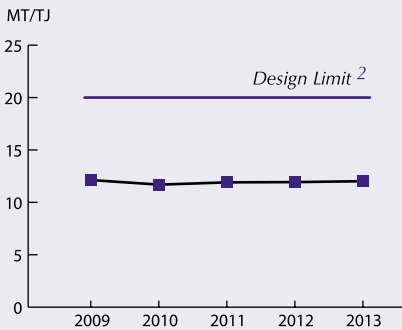
#### (iv) NOx emission level



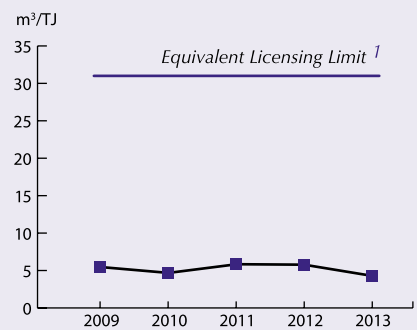
#### (v) SOx emission level



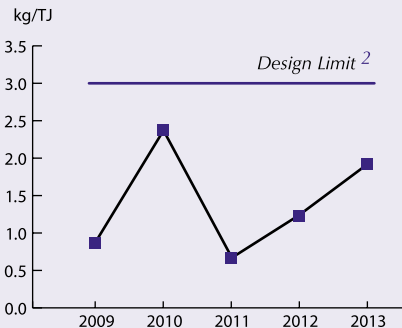
#### (vi) CO2 emission level



#### (vii) Waste water output



#### (viii) Chemical waste output



1 "Equivalent Licensing Limit" (kg/TJ) OR m<sup>3</sup>/TJ) = "Weighted average of actual licensing limit" (kg/hr or m<sup>3</sup>/hr) ÷ production rate of the plants for the year 2013 (TJ/hr).

2 As there is no Licensing Limit for the discharge level, we apply the design limit of our production plants as a reference point for the emission level.

## FINANCIAL INFORMATION

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### 1. Consolidated Income Statement

for the year ended 31st December 2013

	<b>HK\$'M</b>
Revenue	28,245.9
Total operating expenses	<u>(21,546.3)</u>
	6,699.6
Other gains, net	965.0
Interest expense	(925.7)
Share of results of associates	1,389.1
Share of results of joint ventures	<u>1,282.8</u>
Profit before taxation	9,410.8
Taxation	<u>(1,655.2)</u>
Profit for the year	<u>7,755.6</u>
Attributable to:	
Shareholders of the Company	6,853.8
Non-controlling interests	<u>901.8</u>
	<u>7,755.6</u>
Dividends	<u>3,345.9</u>
Earnings per share – basic and diluted, HK cents	<u>71.7</u>

### Analysis of Net Loss on Residential Maintenance under the Fixed Monthly Maintenance Charge

for the year ended 31st December 2013

	<b>HK\$'M</b>
Residential maintenance revenue	194.0
Less expenses:	
Manpower costs	(117.1)
Other operating and administrative expenses	<u>(96.2)</u>
Net loss	<u>(19.3)</u>

## 2. Consolidated Balance Sheet

as at 31st December 2013

	HK\$'M
<b>Assets</b>	
<b>Non-current assets</b>	
Property, plant and equipment	45,450.9
Investment property	646.0
Leasehold land	1,551.4
Intangible assets	5,253.3
Associates	17,015.1
Joint ventures	8,939.0
Available-for-sale financial assets	2,937.3
Derivative financial instruments	421.4
Retirement benefit assets	66.3
Other non-current assets	2,425.8
	<u>84,706.5</u>
<b>Current assets</b>	
Inventories	2,383.1
Trade and other receivables	6,567.6
Loan and other receivables from associates	116.5
Loan and other receivables from joint ventures	1,664.7
Loan and other receivables from non-controlling shareholders	157.2
Financial assets at fair value through profit or loss	661.3
Time deposits over three months	1,289.3
Time deposits up to three months, cash and bank balances	8,849.0
	<u>21,688.7</u>
<b>Current liabilities</b>	
Trade and other payables	(11,272.3)
Amounts due to joint ventures	(596.6)
Loan and other payables to non-controlling shareholders	(274.2)
Provision for taxation	(896.4)
Borrowings	(6,222.3)
	<u>(19,261.8)</u>
<b>Net current assets</b>	<u>2,426.9</u>
<b>Total assets less current liabilities</b>	<u>87,133.4</u>

## 2. Consolidated Balance Sheet (Continued)

as at 31st December 2013

	HK\$'M
<b>Non-current liabilities</b>	
Customers' deposits	(1,233.4)
Deferred taxation	(4,711.3)
Borrowings	(24,401.1)
Loan payables to non-controlling shareholders	(22.1)
Asset retirement obligations	(29.2)
Derivative financial instruments	(365.8)
	<u>(30,762.9)</u>
<b>Net assets</b>	<u>56,370.5</u>
<b>Capital and reserves</b>	
Share capital	2,389.9
Share premium	2,861.0
Reserves	42,418.0
Proposed dividend	2,198.7
Shareholders' funds	<u>49,867.6</u>
<b>Non-controlling interests</b>	<u>6,502.9</u>
<b>Total equity</b>	<u>56,370.5</u>

### 3. Auditors' Report

(Extract from The Hong Kong And China Gas Company Limited Annual Report 2013 Page 77)  
TO THE SHAREHOLDERS OF THE HONG KONG AND CHINA GAS COMPANY LIMITED  
(incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of The Hong Kong and China Gas Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 78 to 183, which comprise the consolidated and company balance sheets as at 31st December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### ***Directors' responsibility for the accounts***

The directors of the Company are responsible for the preparation of consolidated accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the consolidated accounts give a true and fair view of the state of the affairs of the Company and of the Group as at 31st December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

#### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 19th March 2014

#### 4. Directors' Emoluments

for the year ended 31st December 2013

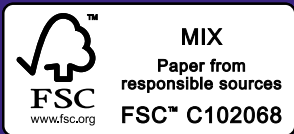
The aggregate amounts of emoluments payable to directors for their service on the Board of the Company during the year are as follows:

	<b>HK\$'M</b>
Fees	2.1
Salary, Allowances and Benefits in Kind	9.9
Performance Bonus	28.5
Contributions to Retirement Scheme	8.3
	<hr/>
	48.8
	<hr/>

Number of directors whose emoluments fell within:

<u><b>Emoluments Group (HK\$'M)</b></u>	
0.0 - 0.5	7
2.5 - 7.5	2
36.5 - 37.0	1

The above remuneration paid to directors of the Company also represents the amount of short-term employee benefits of HK\$40.5 million (2012: HK\$44.8 million) and post-employment benefits of HK\$8.3 million (2012: HK\$8.1 million) paid to the Group's key management during the year ended 31st December 2013. There were no other long-term benefits, termination benefits and share-based payment paid to the Group's key management during the year (2012: nil).



香港中華煤氣有限公司  
The Hong Kong and China Gas Company Limited  
June 2014    [www.towngas.com](http://www.towngas.com)