



港華燃氣有限公司
Towngas China Company Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1083)

2017

Corporate Social Responsibility Report

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



About this Report

Towngas China Company Limited (“the Company”) hereby presents its fifth Corporate Social Responsibility Report (“Report”). Based on the principles of objectivity, standardisation, transparency and comprehensiveness, this Report discloses the performance of corporate social responsibility of the Group in aspects related to environmental protection, use of resources, employment, product responsibility, community investment, health and safety, training and development, labour standards, emissions control, supply chain management and anti-corruption. This Report has been approved by the board of directors of the Company.

Reporting Period

The Report covers the period from 1st January 2017 to 31st December 2017 as well as the period prior to that where applicable.

Release of the Report

The Corporate Social Responsibility Report of Towngas China Company Limited is published annually. It is released in accordance with the release of its annual report.

Reporting Scope

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

Reporting Reference

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

Data Clarification

Information of 2017 cited in this Report is the final statistical information. If there is any discrepancy of financial information between this Report and the Annual Report, the information in the latter shall prevail. Renminbi is used as the reporting currency in this Report unless otherwise specified.

Access to the Report

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



Contents



01	Chairman's Statement
03	About Us
06	Corporate Governance
10	Corporate Social Responsibility
13	Striving for Innovation
21	Assuring a Safe Gas Supply
35	Quality Service Shaped by MasterCraft Spirit
41	Building a Greener Home
49	Driving Talent Development
59	Caring for Our Community
67	Major Accolades
69	Outlook
71	Appendix
76	Feedback



Chairman's Statement

2017 marked the 20th anniversary of Hong Kong's return to China. Over the years, harnessing state-of-the-art technology from around the world, and its rich experience in operation and management, Towngas China endeavours to expand its business footprints with a goal to raise the bar in the industry and gas safety, and to contribute in aspects, such as environmental protection and the community. We are a testimony to China's rapid growth in city gas, safeguarding energy security as the country is going green.

City gas business experienced a striking boom last year prompted by the recovery of China's economy, more vibrant business activities, a considerable growth in international oil prices and an increasing concern in environment and air quality. Various official policies delivered by authorities, such as the "13th Five-Year Plan for Natural Gas Development" and "Opinions on Accelerating the Use of Natural Gas" specified natural gas as the main energy source, signaling the country's support for the development of its consumer market. During the year, Towngas China seized the opportunity and stood fast on innovation and environmental protection to expand its business in clean energy, provided gas safety, diversified the business and achieved steady growth.

As a bellwether in city gas, Towngas China leveraged the market potential in line with the Government's push for "coal-to-gas", "gas for coal" and "connect every village" projects, expediting the coverage of gas supply in both the cities and village areas so as to improve air quality. The Group is also attuned to the market, accelerating distributed energy projects, and works with national and international professional organisations to generate strategic technical solutions. Gaining a dominant foothold in the market, the Group has executed a number of projects, creating a new growth area for the business. Catering to a rising expectation for the quality of life, the Group launched the upscale Mia Cucina brand for kitchen cabinets, gas insurance items for gas incidents and other extended products and services. We continued with the "Growth=Innovation×Implementation" (G=i×i) formula to encourage our employees to innovate, and be enterprising in putting their ideas to test, constituting the foundation for the company to move forward. As a result of the hard work of all our employees, the Group attained significant growth in 2017, with the number of

households served exceeding 11.77 million as the gas pipeline network stretching over for 40,000 kilometres. In an exciting development, the total gas sales volume continued to rise with a double digit gain posted in the year.

Gas safety and quality service are the bloodline and corporate DNA of Towngas China, underlining the entire operation. Disciplined by the “Safety First” motto, we have formulated and published around 90 technical and management guidelines, establishing the systems in ensuring the quality of piped gas and facilities. We also set up the Safety Committee headed by the top management and conducted regular safety inspections as well as implemented monthly safety inspections by general managers to ensure gas safety is guaranteed in a standardized and accountable manner. In pursuit of excellence, we have been promoting the corporate culture of “Three Courtesies” and “MasterCraft” across the Group to reinforce our total quality management to enhance the concept of quality service and installation technique among our front-line staff so as to bring a superb experience to our customers. Under the Group, all service units have rolled out the “Three Courtesies” programme in their daily operation to promote the spirit of “Three Courtesies”. We endeavour to achieve craftsmanship according to the “four characteristics”, “two requirements” and “six standards” specified in the spirit of “MasterCraft”. We advocate first-rate skillset and a meticulous attitude in accomplishing craftsmanship. As the safety standard has improved, incidents of level four and above have declined year by year, while customer satisfaction has improved.

Towngas China strives to expand its share in the city gas market, ensure gas safety and reliability, and provide quality and heart-warming service while proactively undertakes corporate social responsibility to make contribution to the community. In 2017, we introduced “The Most Beautiful Voices, The Most Inspirational People” contest to acknowledge the spirit of selfless contribution, spreading positive energy to the community. Over the year, the “Gentle Breeze Movement” which is a programme set up to support education was expanded to Yangjiang, Guangdong and Yangxin, Shangdong respectively. The sixth “Firefly Centre” was also established in Anqing, Anhui to improve education in the rural areas. Turnout from staff, their families and the customers at the annual low-carbon activity series, “Towngas China Environmentalism”, and the “Rice Dumplings for the Community” were overwhelming.

Towngas China strives to be an excellent corporate citizen. We conduct our business as guided by the overarching directions of environmental protection and community contributions. This is our fifth Corporate Social Responsibility Report, concluding our work and results in the area in a systematic and objective way. With this, we hope to strengthen communication and exchange with our stakeholders. We remain open to monitoring and suggestions from the public. Towngas China will continue to press forward under the “Past Beaconing Future” philosophy, committed to progress and driven to do more for the community in conjunction with our stakeholders to embrace a better future for the earth.

Chan Wing Kin, Alfred
Chairman and Executive Director
Towngas China Company Limited
Managing Director

The Hong Kong and China Gas Company Limited



19 March 2018

About Us

Company Profile

Towngas China Company Limited (Stock Code: 1083, “Towngas China”) is listed on the Main Board of The Stock Exchange of Hong Kong Limited. It is a subsidiary of The Hong Kong and China Gas Company Limited (Stock Code: 0003, “HKCG”) primarily engaged in the public utility business in the People’s Republic of China. Its core business includes the sales and distribution of piped gas, such as provision of piped gas, construction of gas pipelines, the operation of city gas pipeline networks, the operation of refilling stations for natural gas vehicles, and the sale of gas appliances.

With a scientific management model, sophisticated technology, a culture of quality service and stringent regulations and standards, the Group is able to deliver reliable, efficient, safe and clean energy to its customers. The Group relentlessly builds on its strength in the residential, industrial and commercial segments, as well as the automobile gas market. It is also actively expanding its business in the distributed energy projects, facilitating the development of the green economy. Towngas China has become one of the largest city gas operators in mainland China.

As at the end of 2017, Towngas China had a total of 108 project companies spanning 19 provinces/autonomous regions/municipalities in mainland China, including Anhui, Fujian, Guangdong, Guizhou, Hebei, Heilongjiang, Hunan, Hubei, Jiangsu, Jiangxi, Jilin, Liaoning, Shandong, Sichuan, Yunnan, Zhejiang, Guangxi, Inner Mongolia and Chongqing. The Group’s gas pipeline network stretched for 43,539 kilometres, total gas sales volume was 8,417 million cubic metres and turnover amounted to HK\$ 8,760 million.

The Directors of Towngas China as at the date of this Report are

Executive Directors:

Chan Wing Kin, Alfred (Chairman)

Wong Wai Yee, Peter (Chief Executive Officer)

Ho Hon Ming, John (Company Secretary)

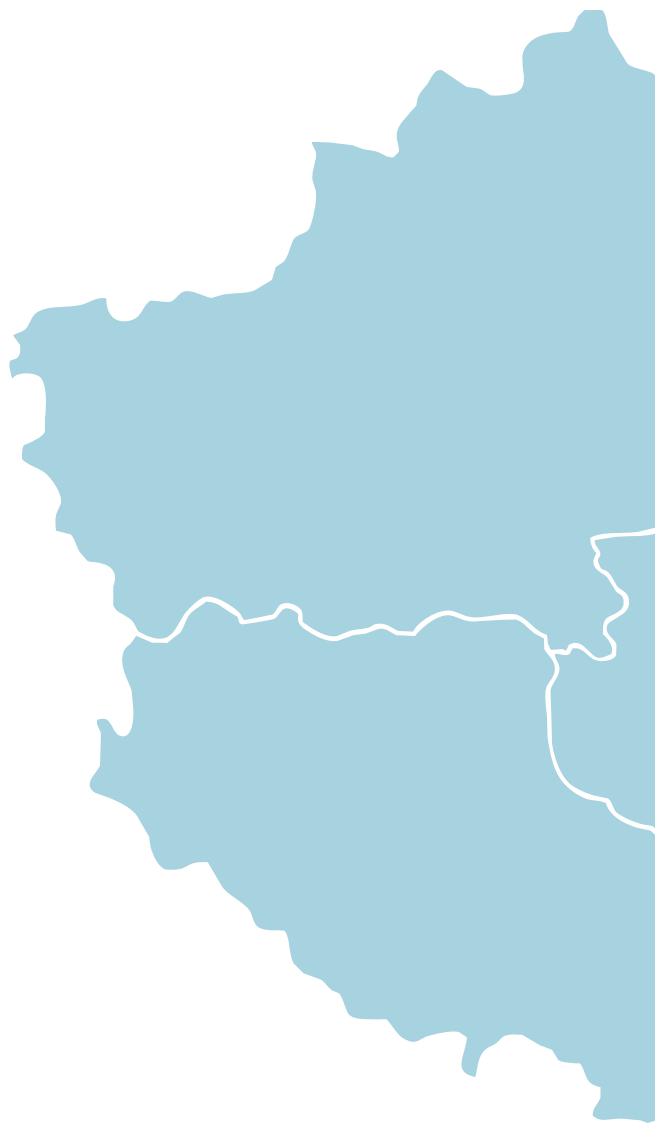
Kee Wai Ngai, Martin (Chief Operating Officer)

Independent Non-executive Directors:

Cheng Mo Chi, Moses

Li Man Bun, Brian David

Kwan Yuk Choi, James





Corporate Statements

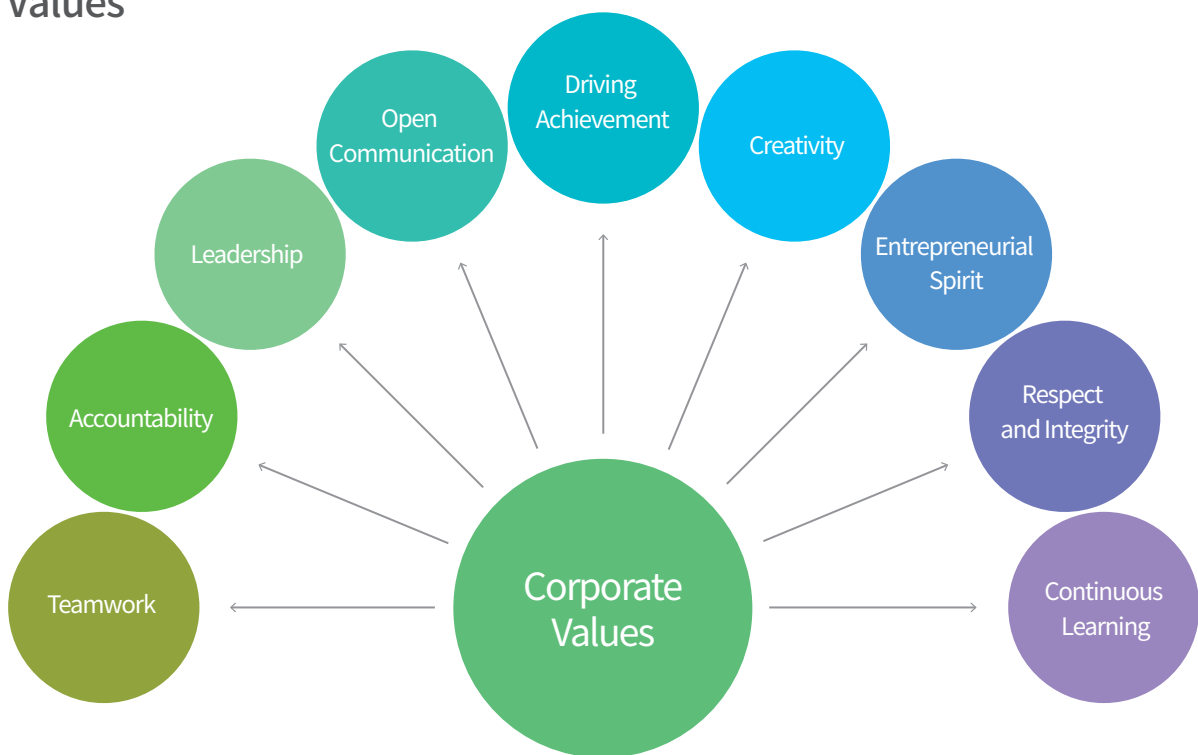
Vision

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

Mission

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

Values

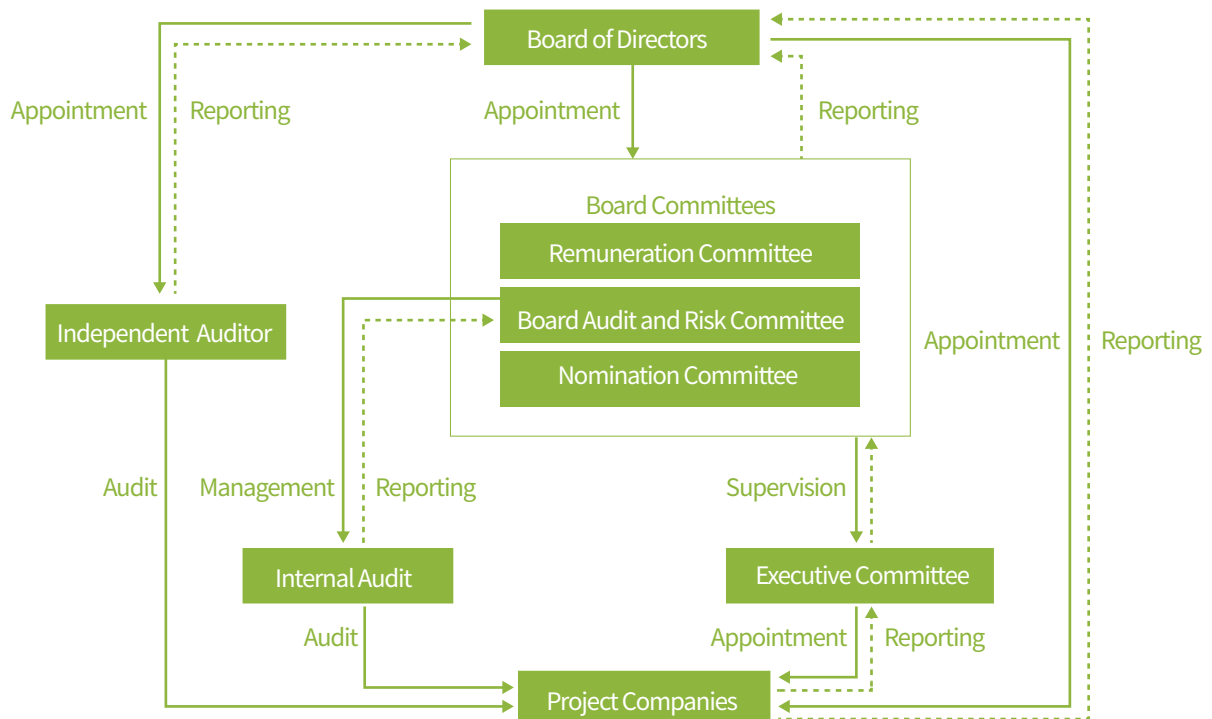


Corporate Governance

Board of Directors

The board of directors is the paramount managing organisation of Towngas China. Led by the Chairman, the board oversees the overall strategy, policy and corporate governance. The board has four Executive Directors - Mr. Chan Wing Kin, Alfred (Chairman), Mr. Wong Wai Yee, Peter (Chief Executive Officer), Mr. Ho Hon Ming, John (Company Secretary) and Mr. Kee Wai Ngai, Martin (Chief Operating Officer), and three independent non-executive directors – Dr. Cheng Mo Chi, Moses, Mr. Li Man Bun, Brian David and Mr. Kwan Yuk Choi, James. The board is supported by three committees, namely the Remuneration Committee, Board Audit and Risk Committee and Nomination Committee.

Towngas China Corporate Governance Structure



In accordance with the relevant laws and regulations, and the articles of association, the Group appointed directors and supervisors with professional qualifications to project companies. The Group's development strategies were conveyed timely through board meetings and were thus carried through by project companies accordingly. During the year, more than 100 project companies successfully convened their annual and interim board meetings according to their articles of association as coordinated by the Group.

Consolidating the newly arising needs of the Group, Towngas China is dedicated to reinforcing a structured corporate governance system and work flow optimisation. In 2017, we published "Guidelines on Interim Report of the Board of Directors of Towngas Group(2017)", amended the "Handbook of Appointment of Directors and Supervisors of Towngas Group (2017)" and "Templates for Board Papers of Towngas Group (2017)".



Case study: Chan Wing Kin, Alfred, Managing Director of HKCG was named "The CEO of the Year 2017"

Chan Wing Kin, Alfred, Managing Director of HKCG, Chairman and Executive Director of Towngas China, was conferred "The CEO of the Year 2017" by China Newsweek. The award recognised his bold, reform-seeking and innovative management style, as well as his achievements in delivering steady growth for the company and diversifying the business. Chan's relentless dedication in raising higher standards in safety, service and innovation, and his devotedness in corporate social responsibility has also earned him the honour. Since 2009, China Newsweek has produced "People of the Year" list to acknowledge individuals or organisations which have made tremendous contribution to the advancement of China.



Corporate Risk Management

During the year, Towngas China continued to fully implement the “Enterprise Risk Management System”, in which project companies were required to carry out regular corporate risk self-assessment. At the group level, we established the “Risk Management Committee for Mainland Public Utilities”, composed of members from the Group’s top management team and various departments. In parallel, the project companies set up the “Risk Management Committee for Project Companies”. These committees put corporate risk assessment into action so as to boost their risk control capabilities and to make sure the corporate risk management plan can be implemented in a systematic and effective manner. In 2017, 22 project companies were selected for a survey on their corporate risk management and control measures taken to gauge their risk management capabilities.

Aspects Covered in Corporate Risk Self-Assessment



Legal Risk Management

In accordance with the nation’s rule of law strategy and our objective to uplift the Group’s corporate governance standards, we have designed our own legal risk management model and establish a system to prevent, control and evaluate legal risks.

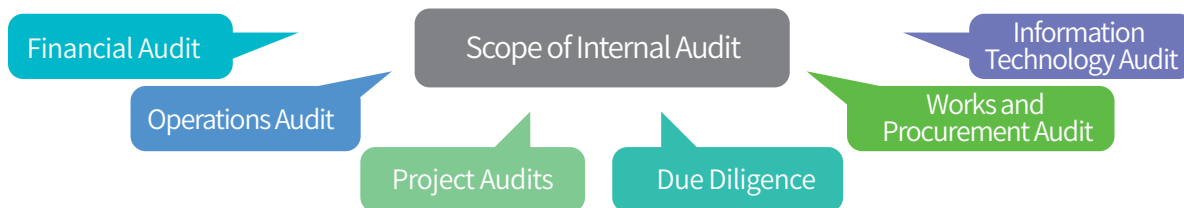
We have arranged legal professionals who work closely with the front-line staff and engaged qualified legal consultants in different regions. We also organise internal training and formulate guidelines to ensure the Group’s business comply with the laws and regulations, and the requirements of law enforcement authorities to effectively prevent and reduce legal risks.


In view of the industry-specific characteristics and business process of public utilities, the Group has introduced a well-established legal risk assessment system and reporting protocol on major risks. We have also compiled a list of legal risk assessment items and measurable standards for the project companies to identify, control and resolve legal risks, and notify the Group’s top management and board of directors in case of a major legal risk. We monitor our corporate legal environment thoroughly and timely. We also keep our staff informed of the latest policies, case studies and how the regulations are interpreted by the “Towngas China Legal Affairs Quarterly Journal” to help project companies and their staff understand the law, follow the law and comply with the law so that the Group can operate safely, orderly and effectively.


The Group has appointed a designated team of legal counsel to follow up closely on all development stages and process of new projects, to ensure that all legal risks are under control from the beginning, all legal works are consistent, and all legal records are documented properly.

Internal Audit

The Group's internal audit department conducts comprehensive reviews of business activities, the appropriateness and effectiveness of risk management through established systems and regulations. On average, the department conducts an auditing exercise on a project company every three years. It may also undertake various auditing exercises within a year or over a number of years on project companies based on their specific situation and results of risk analysis.




 Launched 47 audit projects

 Followed up on the implementation of the recommendations raised in 27 audit reports

In 2017

 Assisted project companies to set up or refine 69 rules and regulations

 Provided annual audit reports to the audit committees of 9 project companies

Ethical Control in Business

We uphold the principles of law-abiding and fairness and issued the “Towngas China Code of Conduct”. The objective is to foster a healthy working environment and to ask our employees to stick to integrity and honesty in professional ethics. They also have to be loyal, upright, fair and just in exercising their duties in order to provide quality services and protect the public interest.

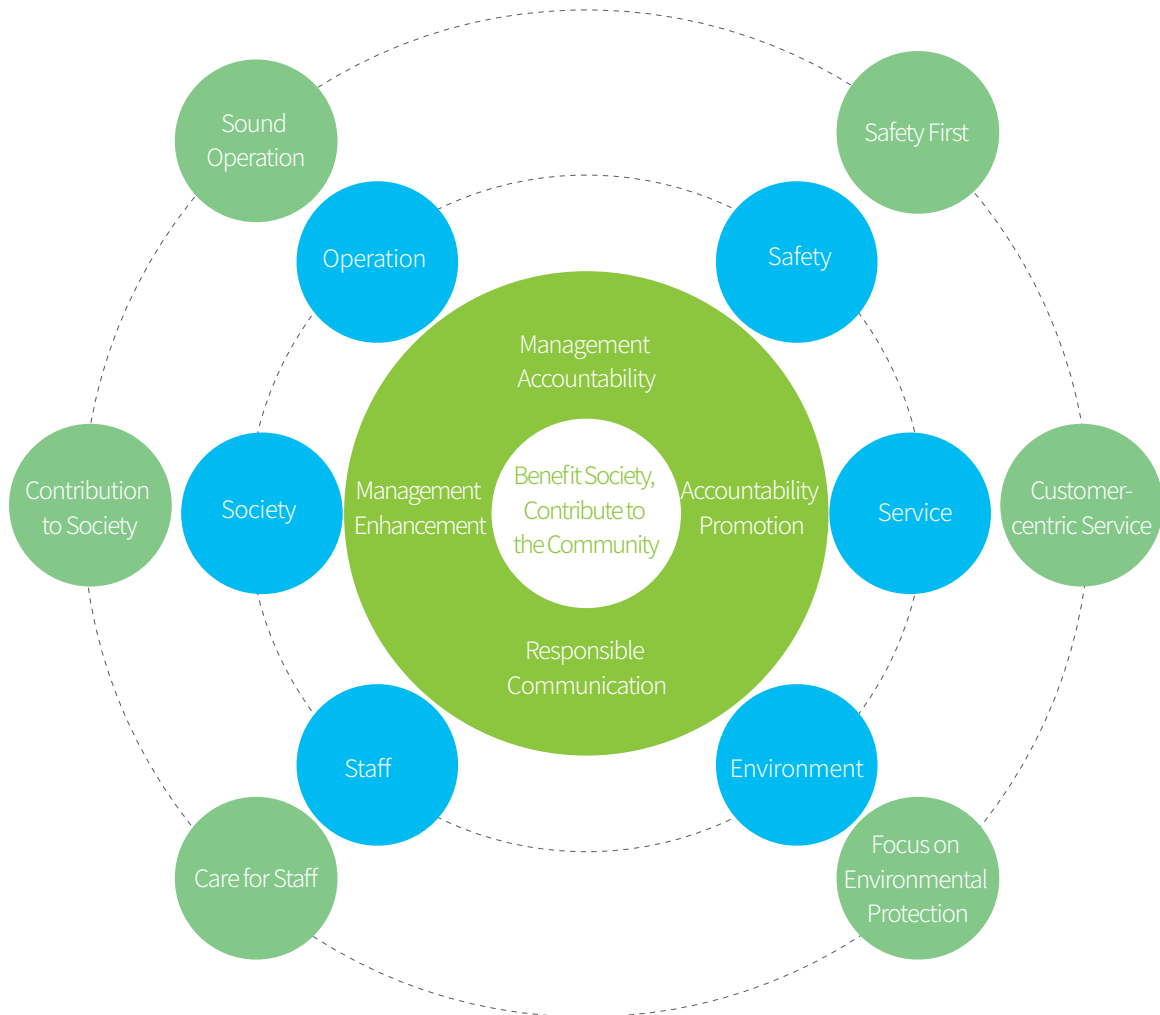
All staff in the Group was asked to participate in the training sessions on the “Towngas China Code of Conduct” and sign a declaration statement to report potential conflicts with the Company’s rules and regulations. In 2017, there were no incidents of bribery, extortion, fraud or corruption litigation involved with employees within the Group.

Corporate Social Responsibility

Principle of Corporate Social Responsibility

Actively participating in community services to benefit society, Dedicating effort to protect the environment to contribute to the community.





Model of Corporate Social Responsibility





We strive to carry out corporate social responsibility in aspects encompassing operation, gas safety, quality service, environmental protection, talent development and contribute to the community. We boost our competitiveness and influence while cultivating an eco-system for a sustainable development for the economy, society and environment.

Corporate Social Responsibility Communication

Stakeholder Engagement

Stakeholders	Corporate Ethics	Communication Actions
 Shareholders	<ul style="list-style-type: none"> • Diversified Business • Sustained Profitability • Effective Risk Management 	<ul style="list-style-type: none"> • Expedited distributed energy projects • Regular update on business performance • Improved legal and safety management mechanism
 Customers	<ul style="list-style-type: none"> • Provide Quality Services • Ensure Gas Supply Safety • Respond to Feedback Timely 	<ul style="list-style-type: none"> • Promoted “Three Courtesies” and “MasterCraft” spirit among staff • Conducted network safety enhancement and regular safety checks • Initiated the “Prefabrication Scheme” • Set up a web-based customer service centre and service hotline
 Government	<ul style="list-style-type: none"> • Legal Operation • Promote Industry Development • Facilitate Economic Development 	<ul style="list-style-type: none"> • Organised professional and compliance training • Promoted the “Towngas China Code of Conduct” • Participated in the development and amendment of national or industry standards • Enhanced gas storage infrastructure to ensure a stable gas supply
 Environment	<ul style="list-style-type: none"> • Supply clean energy • Promote environmental activities • Efficient use of resources 	<ul style="list-style-type: none"> • Spearheaded “connect every village” and “connect every town” businesses • Formulated the “Guidelines on Environmental Management” • Launched “Towngas China Environmentalism” activities

Stakeholders	Corporate Ethics	Communications
 <p>Employees</p>	<ul style="list-style-type: none"> • Safeguard legitimate rights and interests • Provide development space • Protect Occupational Health and Safety • Build Corporate Culture 	<ul style="list-style-type: none"> • Developed “Towngas Group Employee Handbook” • Provided “Dual Career Tracks” and “Talent Ladder Scheme” • Launched the “Engineering Graduate Training Scheme” • Organised safety education training and competitions • Encouraged employees to participate in “Superior Quality Service ” and “Total Quality Management” programmes • Held “The Most Beautiful Voices in the Group” contest
 <p>Community</p>	<ul style="list-style-type: none"> • Focus on Education in Rural Areas • Care for the Under-privileged • Foster Positive Energy 	<ul style="list-style-type: none"> • Carried out the “Gentle Breeze Movement” and “Firefly Project” to support under-resourced students • Organised caring initiatives such as “Rice Dumplings for the Community” • Launched “The Most Inspirational People in the Group 2017” Contest • Organised “Cooking for Mom – Bauhinia National Little Chef Cooking Contest 2017”

找2017年港华

感谢的人

颁奖典礼

集团公 分办：
射：华 行悦悦

陈永修



Striving for Innovation



Award Presentation Ceremony of “The Most Inspirational People in the Group 2017”

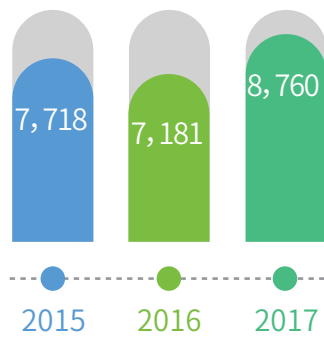
To foster solidarity and positive energy, Towngas China debuted “The Most Inspirational People in the Group 2017” contest. The event saw a keen competition with 81 employees from 53 project companies vying for the award. Ten contestants were granted the recognition by a panel of judges selected from independent authoritative organisations. The prize presentation ceremony was held in Wuhan in September 2017. Managing Director of HKCG, Chairman and Executive Director of Towngas China, Chan Wing Kin, Alfred attended the event, putting a ribbon sash over the winner while presenting the trophy and certificate to the winners.

Financial Performance

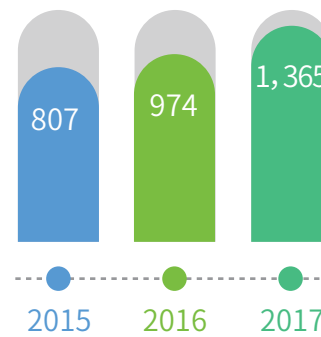
Bolstered by the macro-economic recovery, the national push for clean energy, a rebound of the competitiveness of natural gas prices as well as the record-high boom of natural gas consumption in mainland China, the overall business of Towngas China enjoyed a sound growth in 2017.

During the year, Towngas China posted a revenue of HK\$8,760 million. The basic earnings per share amounted to HK\$49.87 cents with the final dividend of HK\$15 cents per share. The after-tax profit attributable to shareholders amounted to HK\$1,365 million, representing a year-on-year increase of 40%. In 2017, Towngas China recorded a total gas sales volume of 8,417 million cubic metres, representing a year-on-year increase of 18%.

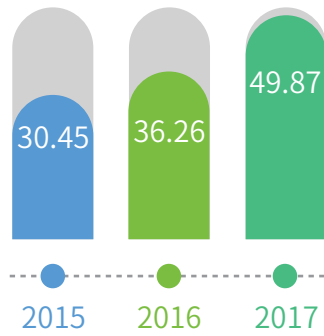
Turnover
Unit: HK\$' M



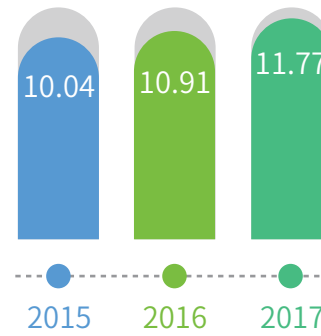
Profit after taxation attributable to shareholders
Unit: HK\$' M



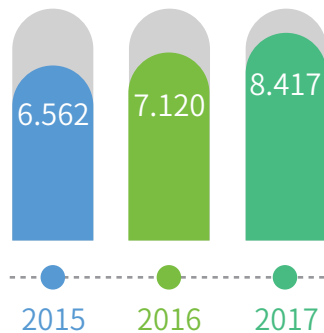
Earnings Per Share
Unit: HK\$ cents



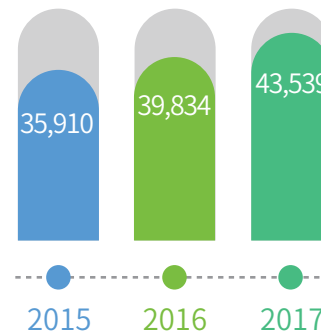
Number of customers
Unit: Million



Gas Sales Volume
Unit: Billion cubic metres



Length of Pipeline Network
Unit: Kilometres



Innovative Management

As an established public utility company, Towngas China remains steadfast with our management philosophy while keeping pace with the fast-changing world. In 2017, we continued with the “Growth=Innovation x Implementation” (G=ixi) promotion to drive innovation and push for bringing pioneering ideas to fruition. The Group has deepened the “Total Quality Management” (TQM) philosophy in aspects, ranging from project investment, engineering construction, market development, safe operation and quality services to cost control. As we strived to take our business forward, we formulated 12 management objectives - greening of the industry, safety accountability, management effectiveness, personalised service, tightened corporate governance, team collaboration, standardisation of craft, craftsmanship in production, efficient production, ideation, product innovation and imagining.



Case Study: Chan Wing Kin, Alfred was named “The 100 Best-Performing CEOs in the World” again in 2017 by Harvard Business Review

Chan Wing Kin, Alfred, Managing Director of HKCG, Chairman and Executive Director of Towngas China was named “The 100 Best-Performing CEOs in the World” in 2017 for the third year in a row by Harvard Business Review. The award stipulates stringent selection criteria under which the performance of CEOs is evaluated by the total shareholder return and increment in market capitalisation of their respective companies, as well as their contribution in environment, corporate social responsibility and corporate governance.

	COUNTRY HONG KONG	START YEAR 1997	INDUSTRY UTILITIES
	INSIDER ✓	MBA ✗	FINANCIAL RANKING 91
	SUSTAINALYTICS RANKING 202	CSR/HSB RANKING 493	

Diversified Business Portfolio

Building on the Strength

Riding on our strength in clean energy, Towngas China expanded the “coal-to-gas” projects in the cities, tapping the market potential in various traditional segments from household, industry to automobile, injecting vibrancy to the development of the city-gas market. The Group has also expanded and strengthened the gas pipeline network and boosted the capacity of gas storage so as to raise the standard of a safe and stable supply. In 2017, the Group attained a double-digit growth in gas sale, while maintaining a steady increase in both the number of customers and pipeline networks.

Developing Integrated Energy business

In response to China's energy policy, Towngas China spearheaded a comprehensive business strategy with a focus on natural gas distributed energy and centralised heating to provide customers with overall solutions in industrial distributed energy stations, commercial distributed energy systems and centralised heating, as well as a professional and safe one-stop service solution.

In 2017, we put into operation several distributed energy projects, such as Snow Brewery in Xindu District in Chengdu City, Sichuan Province, and the Luoshanhu Resort in Guilin City, with the total gas consumption reaching nearly 100 million cubic metres. Towngas China Energy Investment (Shenzhen) Limited ("TCEI") also commenced operation, putting into effect a number of projects, including heat and power cogeneration as well as regional heating and heat supply in industrial areas. The total natural gas consumption is expected to reach 3.5 billion cubic metres by 2022. SCEI Distributed Energy Systems Co., Ltd. also signed eight investment (cooperation) agreements during the year. Two of the projects are located outside Sichuan Province – the distributed energy project in the Economic and Technological Development Zone in Jinghai District, Tianjin City, and the Eton Solvay natural gas distributed energy project.



Expanding Product and Service Offerings

Towngas China offers a wide range of household gas appliances and extended services, helping families to build a smart and comfortable lifestyle. The Bauhinia brand under the Group carries various high-quality, safe and green gas appliances, ranging from stoves, water heaters, combi-boilers to dryers. Its smart heating control system and mobile app have also proved to be popular among customers. While the upscale kitchen cabinet brand, Mia Cucina, enriches its Total Kitchen Solution by offering bespoke kitchen design as well as premium kitchen appliances, our extended services further enhance the cooking experience of those who seek the quality of life.



Quality that ensures Safety and Reliability

“Bauhinia” strictly complies with the requirements of “Domestic Gas Cooking Appliances” (GB16410-2007), “Domestic Gas Instantaneous Water Heater” (GB6932-2015) and “Town Gas Appliances Sales and After-sales Service Requirements” (GB25503-2010). We strive to work hard on product research and development, manufacturing, and sales and services to ensure product safety and reliability.

In 2017, the defect rate of Bauhinia gas appliances was 0.01%. There was no recall of products owing to safety reasons. The product quality and service standard are well recognised and trusted by customers.



“Outstanding Enterprise for Trusted Product and Service Quality in China 2017” named by the China Association for Quality Inspection



“Top 10 After-sales Service Providers in China” awarded jointly by the China General Chamber of Commerce, China Foundation of Consumer Protection and National Product After-sales Service Assessment Committee

Supplier screening	The Group upholds stringent standards in ensuring that suppliers' services, integrity and products are of top quality.
Product Research and Development	All products have to undergo dual testing by national quality supervision and inspection authorities as well as Guangzhou Towngas Technology Centre which is recognised by the laboratory of the China National Accreditation Service for Conformity Assessment.
Production and Sale	Provides quality reassurance throughout the entire process of production and sale through sample-testing, defect rate control and sales data analysis.
After-sale service	Feedback collection: Customers are able to report possible issues related to the quality of products for professional assessment, repair or replacement.
	Product Replacement: If defect is found, the batch of products concerned will be recalled and returned to the manufacturer. Customers will be provided with a replacement of a qualified product of the same model.
	Quality optimisation: The Group undertakes thorough study and analysis on products, and works closely with suppliers to find ways to improve the quality of our products.

Respect and Protect Intellectual Property Rights

Protecting intellectual property rights is of great importance as the Group continues to enhance its innovation prowess and competitiveness. The Group takes active measures to effectively uphold and safeguard intellectual property rights while preventing infringement. It has issued "Guidelines on Patent Application" for its project companies and promoted the use of chosen patented inventions within the Group.

In the meantime, the Company conducts surveys, audits and related training on legitimate software authorization each year, we explicitly state in the business contracts with suppliers that the products and services involved do not implicate any act of infringement and they should strictly observe the terms mutually on confidentiality and authorized use in order to protect their intellectual property rights and interests.



Case study: "Towngas Group Innovations Collection"

The national invention patent, which forms an important part of the Company's intellectual property rights, has enhanced the innovation capability and core competitiveness of Towngas China. Through the publication of the "Towngas Group Innovations Collection", which highlights some of the patented inventions, the Company has not only facilitated technical exchange among its project companies, but also helped transform innovation achievements into productivity, promoting broad participation of its staff in active innovation.



Corporate Social Responsibility in Supply Chain

Towngas China requires its suppliers to obtain ISO9000 certification to ensure product quality, and prefers suppliers with outstanding performance in corporate social responsibility. Suppliers should abide by the ethical, social and environmental terms stated in the "CSR Code of Practice for Suppliers" issued by HKCG (the parent company of Towngas China), and submit their self-evaluation reports on regular basis. Towngas China also randomly picks suppliers for onsite inspections on their corporate social responsibility activities in undertakings every year.

The Group has received "Self-Evaluation Report on Corporate Social Responsibility in 2017" from 122 key suppliers.



Case study: Supplier Management Conference

In March 2017, the Group and its suppliers held a management meeting, which had nearly 300 participants, including the Company's personnel from the departments of procurement, engineering, customer service, human resources and so on, as well as representatives of the suppliers. The participants shared their views under the theme of "The Group's Environmentally-friendly Procurement and Implementation of Corporate Social Responsibility". The suppliers were asked to actively fulfill their corporate social responsibility, put emphasis on environmental protection and serve the local communities as they work with Towngas China to achieve quality management, automation and informatisation.



During the year, Towngas China engaged **170** suppliers







Assuring a Safe Gas Supply



Strengthen Supervision of Infrastructure Safety

Safety Supervision of Stations

Depending on the construction status, the Group sends professionals to new plant sites to provide technical support, carry out inspections, suggest solutions to existing problems and follow up on rectifications. The new stations must also undergo strict multi-departmental inspections before being formally put into operation. At the same time, the "Maintenance Procedures for the Equipment and Facilities at Plant and Station" have been in force within the Group to encourage project companies to carry out preventive management of the equipment and facilities at gas plant and station, ensuring safe and efficient operation of the plants and stations.

During the year, the Group inspected and evaluated 36 operating stations, with a focus on checking the conditions and management of the equipment and facilities in the stations so as to improve operation safety and reliability.

Quality Control of Engineering Projects

In response to the Total Quality Management initiative vigorously pursued by the Group in recent years, each project company of Towngas China applies the "Checklist of Project Quality Monitoring Items" as well as the Polyethylene-Pipeline Project Quality Assurance (PEQA) system in the engineering process to continuously strengthen quality assurance of projects. In 2017, the Group carried out unannounced PEQA inspections and training for 16 project companies to further improve the quality of polyethylene pipe construction.

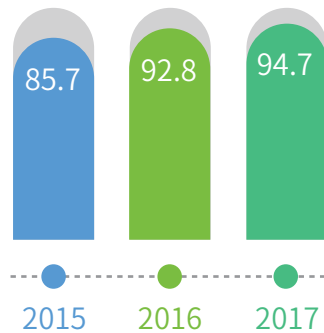
Towngas China invents and promotes the use of advanced mobile engineering applications. With the help of information technology, the Company effectively supervises work units to strengthen self-inspection and enhance management efficiency. The authenticity and timeliness of onsite records have also improved, fully meeting the Group's quality standards. In 2017, 15 project companies were connected online to use the mobile engineering apps. To be qualified as an engineering supervisor of the Group, one must obtain the national occupational qualification on supervision and be trained by the supervisory engineers from the Hong Kong and China Gas Training Institute. The Company continues to strengthen the training of workers. In 2017, an examination for work managers was conducted on the Weixin platform, with more than 2,800 managers obtaining the pass mark.

Underground Pipeline Network Security

Towngas China relies on point-to-point, extensive and long underground pipelines to deliver natural gas to customers. As such, secure underground pipeline networks are crucial to the safety of gas supply. The Company actively adopts measures such as pipeline network inspection, investigation of hidden troubles and pipeline network replacement to effectively eliminate the risk factors while enhancing the reliability and integrity of underground pipeline networks. A study on smart pipeline network has also started to strengthen safety management.

In order to ensure the safety of underground pipeline networks, Towngas China keeps replacing the grey cast iron pipes with polyethylene pipes that are flexible and resistant to corrosion.

Cumulative replacement rate of grey cast iron pipes Unit: %



Case study: Smart Gas Network Management Conference

In April 2017, the "Smart Gas Network Management Conference" opened in Suzhou. The event was jointly held by the Institution of Gas Engineers & Managers, Far East District Section (IGEM FEDS) and Towngas China, and co-organized by China Gas Association and Towngas Engineering Academy. More than 200 experts from various disciplines gathered together to discuss and shared their knowledge and experience in smart pipeline network management with a view to setting a benchmark of "smart pipeline network" for China's city gas supply, building a smart and safe city gas distribution system and effectively protecting the lifeline of China's energy supply.



Prefabrication Scheme

Towngas China implemented the “Prefabrication Scheme” to centralize the manufacturing of gas pipes in factories, where specialised, standardized and large-scale productions can be carried out to fundamentally eliminate potential safety hazards. This improves the safety management of city gas supply and guarantees a high quality of gas engineering works. Through its "spirit of craftsmanship" characterized by patience, devotion and perseverance, Towngas China has so far set up and put into operation prefabrication factories in, among others, Maanshan, Changchun, Qiqihar, Qingyuan and Taian, ensuring safety for millions of households.



Establish Safety Standards

In order to further enhance the safety compliance of LNG point-to-point supply, standardize the Group's safety management of LNG tanker trucks, and enhance its emergency response capability, Towngas China has issued “Guidelines on Standardized Construction of Small Transitional LNG Gasification Station” and “Guidelines on LNG Tanker Truck Emergency Response”.

Besides, the Bauhinia brand took the lead in the gas industry to provide guidelines in the “Handbook on the Techniques for Designing and Constructing Bauhinia Heating System” on the correct design and construction of heating systems, which help protect the safety of customers and reduce heating costs.



In view of the numerous standards and rapid technological changes in the natural gas industry, Towngas China has spent one year to develop the "Towngas China Information Service Platform of Technical Standards", which is a comprehensive technical information platform for its project companies and design institutes, providing information on national standards and the Group's standards, alongside product information inquiries, technical advice and other services. The information collected by the platform covers the technical standards and specifications of the gas industry. As the functional settings are more in line with the operational requirements of the companies, the platform can better promote the requirements of the Group's standards and have them implemented in time, while helping the companies in continuous learning and technical exchange.



While the Group continues to improve its standards, it also actively takes part in the compilation and revision of relevant standards and specifications on both the national and industry levels, sharing with the industry its rich experience and leading technologies to improve its influence in the gas industry and promote a healthy development of the industry. In 2017, Towngas China was invited to participate in the compilation and revision of 8 national or industry specifications and provide advice and suggestions on the revision of 14 national and industry standards.

Participate in the compilation and revision of national or industry specifications

1	"Code for Design of City Gas Engineering"
2	"Code for Design of Urban Liquefied Natural Gas (LNG) Supply Stations"
3	"Code for Design of City Gas Transmission and Distribution Engineering"
4	"Code for Construction and Acceptance of City and Town Gas Distribution Works"
5	"Code for Pressure Piping – Public Utility Piping"
6	"Technical Specifications for Polyethylene (PE) Gas Pipeline Engineering"
7	"Metal Valve for Gas Transmission"
8	"Technical Guidance for Application of Gas-fired Heating and Hot Water Combi-boiler"

Provide advice and suggestions on the revision of national or industry specifications

1	"Quality Assessment Procedures and Test Rules for Gas-Burning Appliances"
2	"Units and Symbols for City Gas Measurement"
3	"Technical Specifications for Application of Gas-fired Heating and Hot Water Combi-boiler"
4	"Gas Odorant Concentration Monitor"
5	"Supply-exhaust Pipe for Heating Appliances"
6	"Electro-magnetic Emergency Shut-off Valve for Gas"
7	"City Gas Application Technology Order with Dimethyl Ether"
8	"Technical Specification for Application of Gas-fired Space Heater"
9	"Technical Specification for Appraisal and Transformation for Urban Underground Pipe Network"
10	"Technical Specification of Seismic Inspection and Repair for Urban Underground Pipeline"
11	"Canned Rotor Type Circulator for Heating Appliance"
12	"Closed Expansion Tank with Built-in Filter"
13	"Technical Specification for Leak Assessment of City Gas Piping System"
14	"Rules of Energy Efficiency Measurement and Test for Household Gas Cooker"

Organize Comprehensive Safety Inspection

Regional Safety Inspection

During the year, the Safety Committee of the Group conducted inspections in the northeastern and northern regions of China to evaluate the results of the Group's effort over the past decade in organising the "Safety Year" campaign. The committee demanded various safety measures remain in place to ensure safety of gas supply.

On September 10-12 and November 13-15, 2017, Chan Wing Kin, Alfred, Managing Director of HKCG, Chairman and Executive Director of Towngas China, along with Wong Wai Yee, Peter, Executive Director and Chief Operating Officer – Utilities Business at HKCG, Executive Director and Chief Executive Officer of Towngas China, led the Safety Committee members and the regional general managers to conduct safety inspections. They have inspected the safety management of Towngas China's project companies, such as those in Qiqihar, Shandong, Qingdao and so on.





Corporate Safety Inspection

The Group conducted 12 inspections by general managers and two cross-inspections by general managers of project companies, effectively raising the level of safety and risk management in the companies and reducing operational risk.





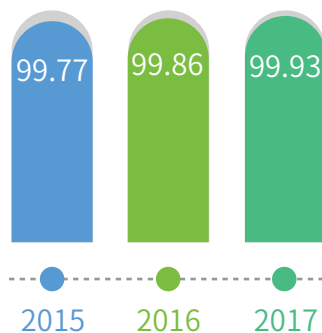
Pipeline Network Inspection

Towngas China actively carries out pipeline network inspection and adopts new detection techniques and equipment, such as vehicle-mounted laser methane detection system and optical detection technology, to improve gas leak inspection efficiency and detection sensitivity as well as preventing third-party damage. In order to lengthen the service life of pipelines, the Company implements integrity management for city gas pipeline network to strengthen the cathodic protection for all the operating and newly-built underground steel pipelines. In 2017, the Group completed pipeline network operation inspections on 19 companies and organized two professional training sessions on cathodic protection technology, effectively improving the safety of the networks and the ability of cathodic protection technicians.

Indoor Safety Inspection

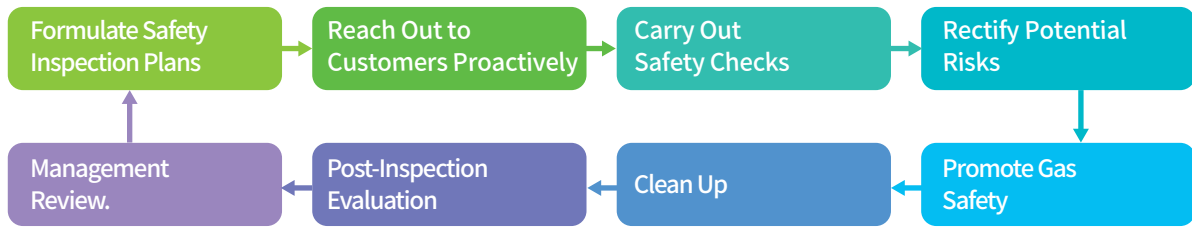
Towngas China regularly inspects indoor gas facilities for customers for free to effectively eliminate potential hazards, assuring safe usage of gas by customers.

Potential risks (Class 1) rectification rate Unit:%



(*Note: The number of emergency repairs per 1,000 households was 2.17.)

Safety inspection steps



Promotion of Gas Safety

Towngas China strives to stay close to the local communities, schools and businesses and organize various activities with rich contents to promote gas safety, raising awareness of customers by enriching their knowledge of safe usage of gas. The Group also conducts annual gas emergency drills to make sure the contingency plans of project companies are scientific and practical, so as to increase their readiness and ability to respond.

In 2017, the Group and its project companies have organized more than 4,000 safety promotion activities for customers and the public.





Case study: Towngas China launched "Safety Walk"

Responding to the national safe work month, the Group called on the project companies to organise the "Safety Walk" activity during the year. The event featured safety knowledge quiz and safe usage of gas promotion, as well as transportation, safety promotion, environmental protection and so on. A total of 3,564 participants, including employees and their families, took part and walked more than 53,100 li, advocating a healthy and green lifestyle.





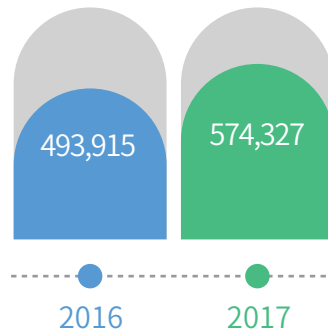
Case study:Wuhu Towngas held natural gas station open day

Wuhu Hong Kong & China Gas Company Limited invited 30 students from the Fanchang Fanyangzhen Chengguan No.3 Elementary School to visit the natural gas station. Staff at the open day, themed "Early Childhood Safety Education Helps Develop Sense of Social Responsibility", introduced to students the general knowledge of natural gas transmission and distribution, as well as the usage and function of various equipment and facilities.



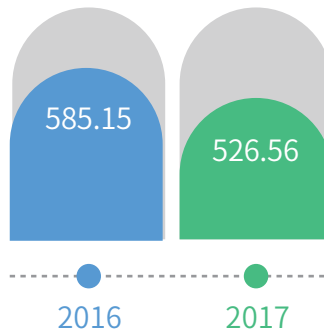
Safety Training

Unit: Hour



Safety Enhancement Costs

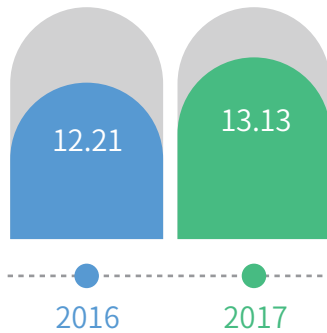
Unit: RMB ' M



(*Note: Safety enhancement cost includes the expenditure on the replacement of dilapidated cast-iron pipes. The cost has come down because some companies have completed the replacement.)

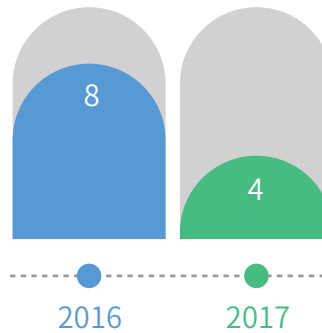
Safety Promotion Costs

Unit: RMB' M



Number of Gas Incidents at Level 4 and Above

Unit: Case



Safety and Risk Management Audit

The Group implemented the safety and risk management audit system every two years since 2006 and has completed five rounds of audit. In 2017, a total of 32 project companies were audited, and "Environmental Protection", which was an item marked separately in the past, now contributes to the total score and has become a key constraint condition in safety risk audit. Moreover, in accordance with the requirements of the Group's Safety Committee, we organized a series of safety operation workshops during the year to discuss the frequently asked questions on safety risk audits, corporate clients' safety reviews, engineering management, material management, incident management, enterprise risk assessment, typical incident analysis and so on. Distinguished project companies were also invited to share their experiences in safety operation management.

Safety and Risk Management Audit







Quality Service Shaped by MasterCraft Spirit



Offering Heartwarming Service Experience

During the year, the Group formally launched the online customer service platform and 18 project companies have connected to it serving their 3.5 million clients. Through the official website and WeChat public account, Towngas Virtual Customer Centre (VCC) offers customised solutions to fulfill the needs of individual companies in delivering differentiated services to their customers. VCC not only makes it convenient for customers to manage their accounts, it also provides customers access to prime kitchenware, selected food ingredients and other benefits of membership.



Case study: VCC won two national awards in 2017

Towngas China's VCC project achieved excellent performance in the first "2017 Outstanding Hybrid Cloud Business Cases and Top 10 Hybrid Cloud Users in China 2017" contest guided by the China Academy of Information and Communications Technology and organized by Open Source Cloud Alliance for Industry (OSCAR). It won two awards for "2017 Top 10 Hybrid Cloud Users" and "2017 Hybrid Cloud Outstanding Business Cases".



Spreading Heartwarming Service Culture

In 2017, the Group continued to advance the “Three Courtesies” culture and its spirit especially among frontline staff, the level of customer service and efficiency has been improving as a result. In early 2017 the Group launched the “Three Courtesies” Service Stars selection, identifying 26 “Stars” of 2016 through evaluating thousands of cases, impromptu speeches and interviews.



Raising the Level of Customer Service

In keeping with its outstanding “Customer-centric” service culture, the Group has set up a unique customer service training system – the “Dandelion Scheme”, which has discovered and nurtured service talents, enhancing the service concepts and skills of frontline staff.

In 2017, the “Dandelion Scheme” trained 44 elite talents in customer service, held more than 70 training sessions across the county, targeting mainly customer service and management personnel, maintenance technicians, sales and supervisors at customer service centres. Covering etiquette, service skills and management, the training enhanced the participants’ services and skills, raising the overall level of service.



Proactively Responding to Customers’ Needs

Towngas China operates a 24-hour customer service hotline and we treat the motto, “You Can Hear Our Smile”, as a service standard in answering customers’ enquiries and handling their complaints. We promote the concept of “Service with a Smile” and developed a “Handbook on Service with a Smile”, which sets out customer service process to enhance the service quality of frontline staff.

The Group also collects customer feedback through multiple online and offline channels, including phone calls, letters, emails, Weibo, WeChat, official website etc. It allows us to optimise handling procedures and ensure timely and effective feedback. Towngas China hired a third-party organization to conduct mystery shopping survey and customer satisfaction survey at 52 project companies in 2016-2017, focusing on the three areas of “customer service centre”, “hotline centre” and “on-site service”. The organization carried out both covert on-site investigations and telephone surveys. It received almost 7,500 sample surveys and 400 feedbacks which reflected customer expectations and provided an objective assessment of the company’s service quality.



Maintaining Customer Information Security

Towngas China attaches much importance to protecting customers’ privacy and strives to maintain customer information security. It has kept enhancing its information technology infrastructure, providing encryption for all customer information and setting strict limits on visitors’ rights. Treating customer information as confidential, the “Towngas China Code of Conduct” requires employees to maintain strict confidentiality of customer information. Any misuse of customers’ personal data is forbidden.



Building a Greener Home



Supplying Green Energy

In line with its mission, “Whilst improving the environment, we are also providing our customers with reliable, efficient, safe and clean energy”, Towngas China has actively promoted clean energy, stepping up peak-load capacity and the “coal-to-gas” conversion, as well as driving the “connect every town” and “connect every village” projects, in support of the government’s campaign for a blue sky.



Case study: The first “connect every village” piped gas project in Jinan City

In the morning of October 19, 2017, Shandong Jihua Gas Co., Ltd. completed the first piped gas to village project in Jinan city, spanning 14.3 kilometres from Zhonggong to Xiuchuan linking 24 villages with more than 3,000 households. It is an important part of this “connect every village” project, capable of saving at least 6,000 tonnes of coal used for heating and enabling Jinan to replace coal with clean gas in wintertime.



Environmental Protection at Construction Sites

Towngas China pays attention to energy saving, environmental protection, and incorporates the green concept in its engineering projects.

Taking initiative in site selection planning, Towngas China carries out survey and study to meet the requirements of overall urban planning and national standards, and tries to combine engineering projects as much as possible to minimize the use of land resources. To reduce the impact on residents’ daily lives, the company engages in prior communication with residents on construction projects to address their concerns in a timely manner and makes adjustments to plans.

The Group sets out the requirements for civilized construction and responsibility for environmental protection in its contractor agreement. The project manager is the first responsible person. During the construction process, the company inspects and monitors the generation of dust, noise and general waste at the site, and implements timely measures to prevent air, water and noise pollution, besides site clearance and cleaning work.

The Group has always encouraged innovation and adopted feasible technical measures to ensure environmental protection. It promotes the use of innovative equipment such as PE pipe connection auxiliary tools, multi-purpose remote control excavator and electric dredger to protect the environment of the construction site while effectively reducing workers' labour intensity and enhancing efficiency.

Emphasis on Eco-friendly Products

In strict compliance with “Measures for the Administration of the Restricted Use of the Hazardous Substances Contained in Electrical and Electronic Products”, Bauhinia sets out in the manuals of all products the names and quantities of potential hazardous substances, so users know the deadline for using each product in an eco-friendly way. All Bauhinia products are double-tested by national quality supervision and inspection authorities and Guangzhou Towngas Technology Centre (approved by the China National Accreditation Service for Conformity Assessment) to ensure that they meet eco-standards.

To avoid the use of products beyond expiry dates, Bauhinia marks in Chinese in a conspicuous position on all products the manufacturing dates to let customers know exactly the safe consumption period for each product.

2017
Product Packaging
weight
758.60 Tonnes

Plastic weight
75.86 Tonnes
Paper weight
682.74 Tonnes

2017
Average packaging weight
1 Kilogram

Environmental Protection Activities

During the year Towngas China received overwhelming support from project companies for its series of “Towngas China Environmentalism” low carbon activities. Staff and their families, clients and the public enthusiastically joined the activities, including the “tree-planting” day, Earth Hour, walkathons, green plants exchange, and “WORD environmental-friendly office or life”. More than 5,600 trees were planted for the benefit of the earth.





Implementing Environmental-friendly Policies

To tackle different situations, Towngas China issued the “Environmental Protection Management Guidelines” covering “Identification and Evaluation of Environment Factors”, “Energy Saving (Resources) Management”, “Solid

Waste Management”, “Noise Control”, “Exhaust Gas Management” and “Effluent (liquid waste) Management”. They stipulate detailed policies and management requirements for the purpose of improving the environment, energy saving and emission reduction, pollution prevention and effective use of resources.

In keeping with legal regulations including the Law on Conserving Energy and the Measures for the Administration of Industrial Energy Conservation, we have formulated various policies on energy conservation, under which project companies are required to comply with relevant pieces of legislation, formulate energy saving indicators, carry out inspections on energy saving measures, use environmental-friendly technology and materials, reduce emissions through energy saving policies for production, offices, transportation etc., and to promote recycling to maximise the effectiveness of conservation, and strengthen environmental awareness training among staff, clients and business partners. The Group also requires all project companies to implement annual review of their environmental protection policies, and post the relevant document signed by the company’s General Manager in a conspicuous position to let all staff understand and implement the policies concerned.

By the end of 2017, five project companies under Towngas China obtained the ISO 14000 certification for effective environmental management. During the year, the Group and its project companies were not penalized for any breach of law in relation to emissions.

<p>Solid Waste Management Guidelines</p>	<p>Solid waste is classified into general waste and hazardous waste according to its contaminating characteristics. General waste is sub-divided into recyclable waste and non-recyclable waste. Recyclable waste will be sent to recycling companies and non-recyclable waste to environmental hygiene units or landfills in accordance with local authorities’ requirements. For hazardous (harmful) waste, the guidelines state the storage requirements and matters of concern. There should be waste disposal records and statistics by treatment category, i.e. for recycling, in landfills and incinerators.</p>
<p>Exhaust Gas Emission Management Guidelines</p>	<p>Project companies should completely discard equipment that might cause serious atmospheric pollution. If an operation discharges atmospheric pollutants, they have to install dedicated discharge outlets in strict compliance with the regulations of the State Council’s environmental protection authorities. In addition, the Group’s internal environmental department should monitor, keep statistics and original records on exhaust gas emission in accordance with national laws and regulations and the “Identification and Evaluation of Environment Factors Formula” for further improvement.</p>
<p>Effluent Discharge Management Guidelines</p>	<p>Project companies should completely discard equipment causing serious water pollution and comply with the requirements of the “Integrated Wastewater Discharge Standard”. If project companies have to directly or indirectly discharge liquid pollutants, dedicated discharge outlets must be built in strict compliance with the requirements of the State Council’s environmental protection authorities. The companies should also engage credible testing organisations to monitor and ensure that the industrial effluent meets national standards, and keep records of the effluent discharge and monitoring.</p>

Disclosure of Data on Emissions and Use of Resources

Emissions from fuel burning and vehicles



Nitrogen Oxide NOx

6,960.3 Kilograms



Sulphur Dioxide SO₂

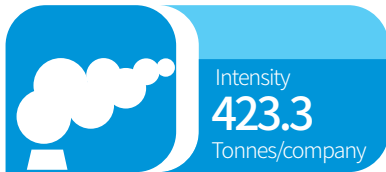
230 Kilograms



Particulate Matters PM₁₀

166.4 Kilograms

Total Amount and Density of Greenhouse Gas Emissions*



Greenhouse Gases

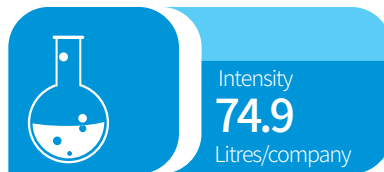
31,747.5 Tonnes

Total Amount and Density of Harmful Waste Generated*



Hazardous/Dangerous Waste (Solid)

15 Tonnes



Hazardous/dangerous Waste (liquid)

5,617.4 Litres

Total Amount and Density of Non-hazardous Waste Generated*



Non-hazardous Waste (Solid)

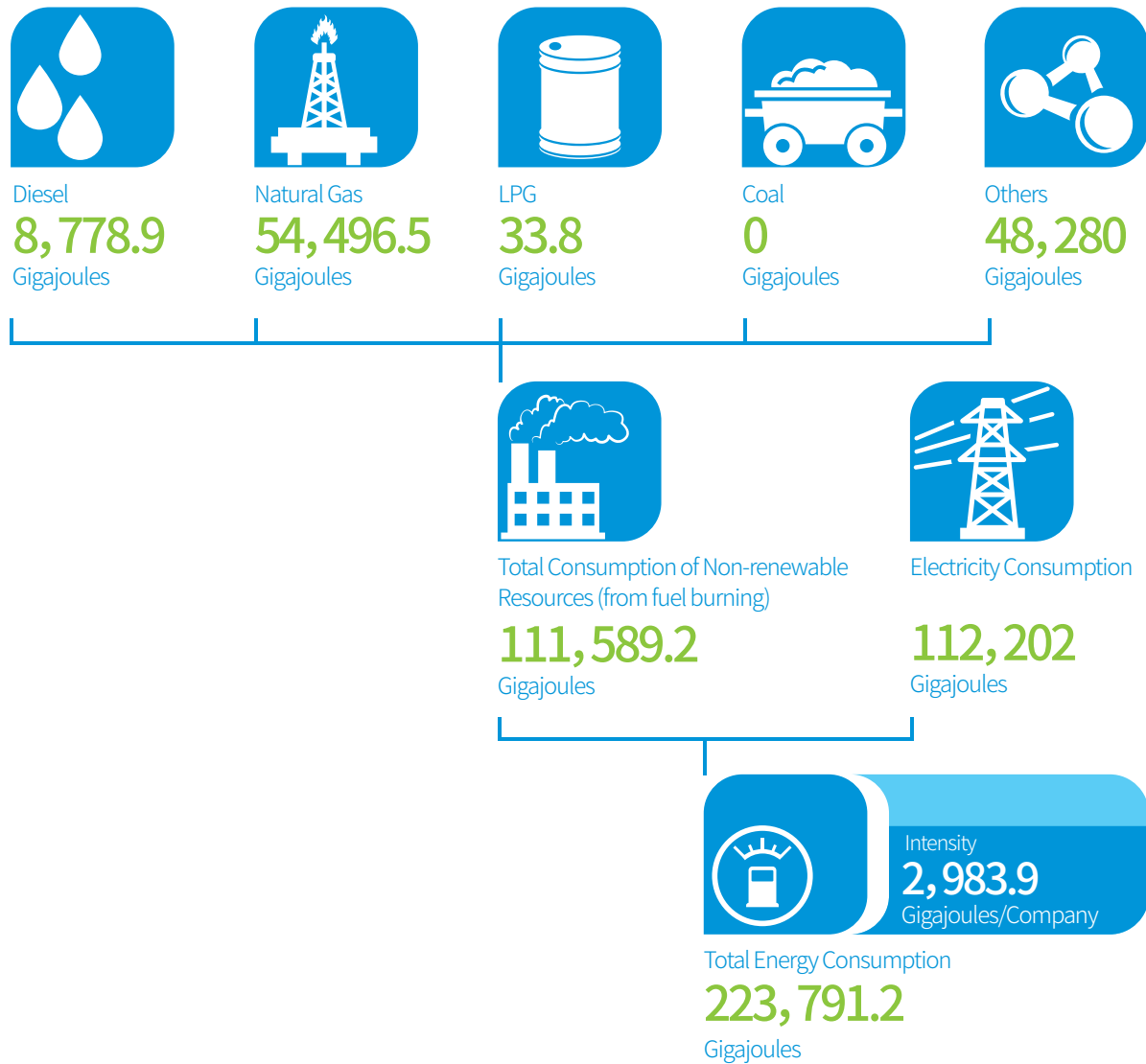
38,098.1 Tonnes



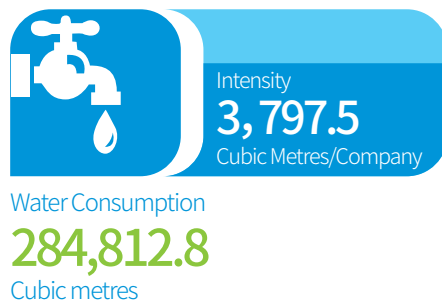
Non-hazardous Waste (Liquid)

1,120 Litres

Total Energy Consumption and Intensity *



Total Water Consumption and Density *



* Note1: A total of 75 project companies, in each of which the Group has more than 51% equity interest, were taken into account.

* Note2: Some data in 2017 were collected using more stringent criteria and thus the same set of data for 2016 is not presented here to avoid confusion.





Driving Talent Development

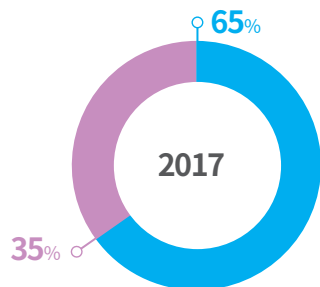


Basic Staffing Information

By the end of 2017, Towngas China had 22,276 employees, all of whom were working full-time. The annual turnover rate was 2.6%.

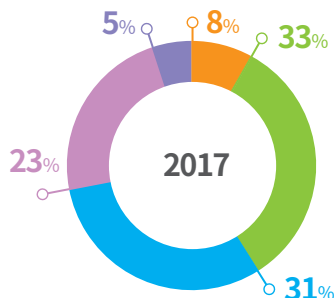
Staff Ratio by Gender

● Male ● Female



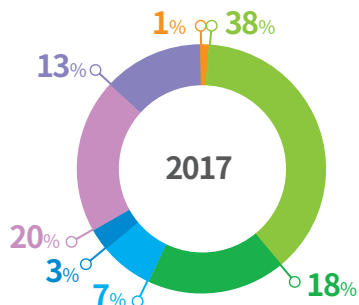
Staff Ratio by Age

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



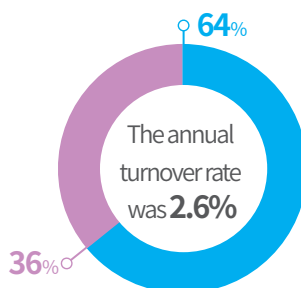
Staff Ratio by Region

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



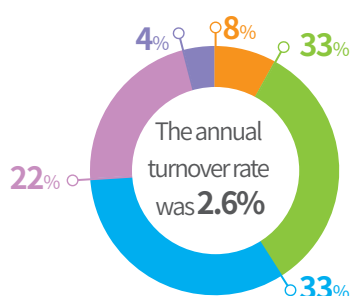
Staff Turnover Rate by Gender

● Male ● Female



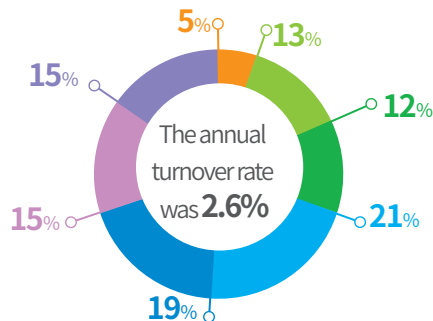
Staff Turnover Rate by Age

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Staff Turnover Rate by Region

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



Promoting Staff Development

Nurturing Talent for the Industry

In 2017, through collaboration with higher education institutions and professional skills training, Towngas China trained up a large number of talents for the industry. Shandong Hong Kong and China Gas Training Institute continued to offer “Training on Demand” for frontline staff, in collaboration with four other institutions - Jiangsu Urban and Rural Construction College, Guangzhou Traffic and Transportation Vocational School, Shandong Urban Construction Vocational College and Wuhan Gas & Heat School. Ninety-nine students were recruited for the course, while 129 others received placement opportunities. A total of 45 people were recruited by Towngas China or its project companies.

Shandong Hong Kong and China Gas Training Institute took up the task of developing and reviewing the questions bank for “gas appliance installation and maintenance technicians” within the Shandong province vocational skills questions bank. It assisted the Shandong Province Gas and Heat Association in organizing the Shandong Gas and Heat Industry Vocational Skills Contest. The Institute also held nine classes of “Continuing Education Training and Assessment for Type III Personnel in Shandong Province Gas Companies”, one class of “Professional Training and Assessment for Type III Personnel in Shandong Province Gas Industry” and one “Teacher Training Class for the Professional Training Course (4th Class) for Practitioners in Gas Enterprises”. The training hours exceeded 28,000 hours, training more than 1,000 practitioners for the industry.



Staff's Career Development

In order to broaden staff's career paths and develop a proactive, responsible and professional attitude, the Group put forward a career development system for staff, by utilising various resources and multiple measures, enabling them to pursue self-improvement and development.

Dual Career Tracks

In 2017, for the sake of staff's professional development, the Group launched the "dual career tracks" scheme and promoted it among project companies. It also compiled the "Towngas Group Dual Track Career Development Guideline and Operating Manual", and developed the online "Towngas Group Dual Tracks Project Courseware (2017)", providing matching operating plans for project companies that are at different stages of management to ensure long-term development of their professional talents.

Talent Ladder Scheme

Every year Towngas China recruits talents internally under a talent development system covering junior to middle and senior level staff. The system produces a constant supply of senior management staff for the company's long-term development. Staff selected by the "Talent Ladder Scheme" will take part or be in charge of major projects, including distributed energy development, key engineering projects, major "coal-to-gas" projects in commercial and industrial sectors, etc. Thus far, the Group has assigned 43 Talent Ladder members to 82 support positions, in preparation for the enterprise's comprehensive and long-term development.

Graduation of the Second Year of the "Engineering Graduates Training Scheme"

The Group's two-year "Engineering Graduates Training Scheme" enhances the up-and-coming engineering staff's level of professionalism in a short period of time. It provides them with comprehensive coaching in gas engineering, through on-the-job training and practice, centralized training, inter-departmental visits and exchanges etc. Since 2013, six young engineers have graduated from the scheme.

Customised Master of Engineering Management from the University of Technology Sydney Class

Another customised "Master of Engineering Management from the University of Technology Sydney Class" - jointly run by Towngas China and the University of Technology Sydney - has begun, following the graduation of the previous cohort. The seven participants come from the southern China region, Anhui-Jiangxi region, northern China region, and will attend sessions in Hong Kong and Suzhou.

Building Regional Talent Bank

The Group supports the development of talent banks in various districts in accordance with regional characteristics; through initiatives such as the Regional Elites Scheme and University Students Nurturing Scheme, provide aspiring staff with access to multiple development paths.

Organising Corporate Cultural Activities

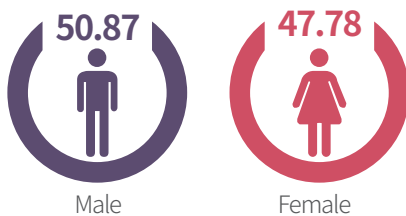
Employees are encouraged to participate in projects and improvement activities such as the Superior Quality Service (SQS) and Total Quality Management (TQM), which are designed to enhance their awareness of the standards and quality of their work. Through these programmes, employees are able to apply their creativity and improve their performance which is instrumental for their career prospects.

Full Launch of eLearning

In 2017, the Group's eLearning platform offered more than 140 online courses covering corporate management, management skills, professional skills, corporate culture etc. It is an important tool for autonomous learning, allowing staff to learn whenever and wherever they want.

Per Capita Learning Hours by Gender

Unit: Hour



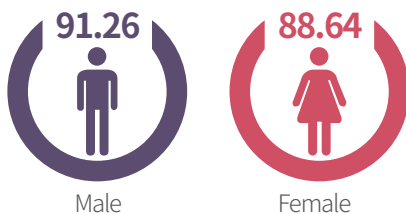
Per Capita Learning Hours by Type of Staff

Unit: Hour



Ratio of Trained Staff by Gender

Unit: %



Ratio of Trained Staff by Type of Staff

Unit: %



Occupational Health and Safety

The Group carried out safety education campaign through various channels such as WeChat, eLearning platform, workshops, HSE toolbox, knowledge contest etc. During the year, staff received about 574,000 hours of safety and environmental protection training. To help project companies implement effective safety training and assessment, the Group compiled and put on its eLearning platform 20 sets of safety training materials together with question banks, such as “Relevant Legal Regulations”, “Fire Safety”, “Basic Gas Knowledge” etc. They largely enhance training effectiveness.

Towngas China also launched a safety education video program called “Don’t Turn a Blind Eye” and the online safety and environmental protection knowledge contest “Be Alert to Dangers and Nip Risks in the Bud”. Through the activities, staff learned about strict enforcement of safety systems, environmental protection, and occupation safety and health.

By the end of 2017, 13 project companies of Towngas China obtained the OHSAS 18001 certification for occupational health and safety management.

Indicator	Unit	2015	2016	2017
Death from Work	People	0	2	1*
Percentage of Death from Work	%	0	0.0089	0.0052
Work Days Lost Because of Occupational Injury	Days	510	1,092	607
Accident Rate per 1000 Employees rate	%	0.33	0.88	0.31

(*Note: In 2017, an employee died in a motorcycle accident during work.)

Protection of Employee Rights

Towngas China has issued the “Towngas Group Staff Handbook” in compliance with national laws and regulations. The document sets forth the protection for staff’s legitimate rights, including remunerations and employment termination, recruitment and promotion, working hours, holidays, equal opportunities, diversity and anti-discrimination measures in the workplace, and other welfare benefits.

Towngas China and project companies comply with the principle of fairness, transparency and openness in recruitment. We formulated stringent guidelines on recruitment procedures, and as stated clearly in the “Towngas Group Staff Handbook”, forced labour and employment of minors under the statutory working age of 16 are strictly prohibited.

In 2017, every member of staff in the Group was fully covered by employment contracts and social insurance. In the recruitment process, there was no incident of discrimination on the basis of gender, ethnicity, age, health etc. Neither were there cases of forced labour or child labour.

Staff Welfare Benefits

Social security	Pensions, Medical, Unemployment, Work-related Injury and Maternity insurance, and Housing Provident Fund
Commercial Health Insurance	Accidental Death or Disability, Accident, Critical Illness and Maternity insurance, and Hospital Allowance
Leave and Holidays	Statutory Public Holidays in China, Paid Annual Leave and Sick Leave, Work Injury Leave, Medical Leave, Full-Pay Examination Leave and Special Leave that includes Marriage Leave, Maternity Leave, Paternity Leave and Compassionate Leave
Other Benefits	Subsidies for Telecommunication Expense, Festive Benefits, Recreational Activities and Company Training

Corporate Culture Development

The Most Beautiful Voices in the Group

To let staff showcase their talent, the Group organized the “2017 The Most Beautiful Voices in the Group” contest that went on for seven months. Employees from across the nation were screened for semi-finals and final, at which winners of the first, runner-up and second runner-up prizes were announced. Apart from providing a platform for performance, the event enriched staff’s lives. Through different renditions of the corporate song “Sunshine and Air”, staff established a stronger sense of identity with the company and its culture.



2017 “Going Out as a Family, Cheer for Love” Parent-child Activity

To foster parent-child bonding and help staff's children understand more about their parents' career, the Group organised the outing entitled “Unlocking the Mystery at Shenzhen Gas Science Museum”. In an interactive way, staff and their children discovered the basic knowledge of gas science, the mystery of the gas world, besides the conveniences and pleasures brought by it.



“Bringing Warmth to Staff’s Families” Mid-Autumn Festival Home Visits

On the eve of the Mid-Autumn Festival in 2017, the Group delivered customized Mid-Autumn hampers to the families of 200 secondees as an expression of care and well wishes from the company and regional offices. It was also a token of gratitude for the families of staff. It was the fourth consecutive year that the company has presented gifts to the staff’s families as a traditional activity at Towngas China.



Staff Group Travel

Meeting staff’s diverse needs, the Group organised various leisure trips that served the purposes of team building, fostering parent-child relationship and travelling. The trips offered various options of activities such as orienteering, hiking, or sightseeing and an outing on a lawn.



Scholarships for Employees’ Children

Out of concern for staff and their families, and to enable staff’s children to contribute to the country through receiving good education, Towngas China launched the Employees’ Children Scholarship Scheme. The Group received 33 applications from 20 project companies. After assessment, seven were awarded scholarships, including one recommended student and 26 receiving merit awards.





Caring for Our Community



With the generous support of project companies, Towngas China has in recent years actively fulfilled its corporate social responsibility, upholding its philosophy of “Benefiting Society, Contributing to the community”. It has implemented various charitable activities, striving to become an even more impactful outstanding corporate citizen.

Towngas China made a charitable donation to the SOS Children's Village in Qiqihar.

In September 2017, during a safety inspection trip at the SOS Children's Village in Qiqihar, China, Managing Director of HKCG, Chairman and Executive Director of Towngas China, Chan Wing Kin, Alfred presented a donation of RMB100,000 worth of supplies and learning materials to the international children's welfare unit. The SOS Children's Village Qiqihar houses 20 families and 200 orphans from various regions.



Gentle Breeze Movement

“Gentle Breeze Movement” is the Group’s flagship charity programme, symbolizing its spread of warmth to the public like a breeze in its role as a corporate citizen. Under the programme, projects are run in more than 10 provinces and cities including Sichuan, Jiangxi, Anhui, Shandong, Guizhou, Liaoning and Guangdong, benefitting more than 6,000 teachers and students. On June 22, 2017, “Gentle Breeze Movement” donated teaching equipment and tools worth about RMB130,000 to Heliao Primary School and Daba Secondary School in Heshan, Yangjiang city in Guangdong province.





On December 28, 2017, “Gentle Breeze Movement” reached Yangxin county, Binzhou city in Shandong province, delivering school uniforms, school bags, computers, audio equipment and all-in-one teaching and learning device to more than 200 primary students there. A library stocked with more than 2,000 books was established to create a favourable learning environment for the students.





Under the Group’s influence, project companies also undertook various community programmes. In September 2017, the main volunteer team in the Eastern region launched the “Towngas China Gentle Breeze Movement – Supporting Education in Songyang” donation campaign, offering teaching materials worth RMB100,000 and more than 40,000 books to Zhongxin Primary School in Dadongba town in Songyang county, Zhejiang province. A “Towngas China Charity Library” was also established there.



Firefly Centre

As a platinum partner of the “Shanghai Soong Ching Ling Foundation – BEA Charity Fund” (“the Charity Fund”) and the first enterprise that named the Firefly Centre together with the Charity Fund, Towngas China has since 2009 actively supported the Firefly

Project, providing desks and chairs, computers and Internet service etc. to needy schools in different poverty-stricken areas. We also organise training for volunteers and teachers in the rural areas. The initiatives help create a favourable and equitable learning environment for students.

On November 1, 2017, the sixth “Firefly Centre” funded by Towngas China opened its doors in Dashi Primary School in Dashi town of Taihu county, Anqing city in Anhui province. Together with the Charity Fund, the Group distributed desks, chairs, computers and Internet service to the school. More than 400 “Firefly 60 Backpacks”, six bookshelves and more than 1,000 books were given in aid for the school.



Rice Dumplings for the Community

Between May and June 2017, Towngas China held the annual “Rice Dumplings for the Community” event to promote the traditional Chinese culture, foster harmonious ties within the community and extend care and support to the underprivileged. Almost 60 project companies took part, wrapping and delivering about 30,000 rice dumplings and festive gifts worth more than RMB330,000 to welfare organisations, needy groups, environmental hygiene workers and constructions workers etc., benefitting more than 9,000 people.



Spreading Positive Energy

The “Cooking for Mom – Bauhinia National Little Chefs Cooking Competition 2017” was held by the Group and the China Children and Teenagers Fund. Alongside the competition, activities, including the “Charity Summer Camp”, donation of “Charity Fund” and “Charity Packs” were organised to enable children in impoverished mountainous regions to complete their education. While promoting “flame cooking” and gas safety knowledge, they nurtured compassion and sense of social responsibility among the youth. In recognition of its outstanding creativity and wide social impact, we were given the Best Charitable Endeavour Award at the 14th China’s Best Corporate Citizen Awards.



Towngas China has a team of nearly **5,100** Volunteers

Spending more than **82,000** Hours in 2017



Serving nearly **100,000** people

The total investment in charitable and environmental projects amounted to more than RMB **6.5** million



Major Accolades

Important Corporate Social Responsibility awards bestowed upon Towngas China in 2017:



1

The CEO of the Year 2017

Mr. Chan Wing Kin, Alfred (Chairman and Executive Director of Towngas China)
Presented by China Newsweek

2

The 100 Best-Performing CEOs in the World

Mr. Chan Wing Kin, Alfred (Chairman and Executive Director of Towngas China)
Presented by Harvard Business Review

3

Outstanding CSR Brand in China 2017

Presented by the Corporate Citizenship Committee of China Association of Social Workers, China Central Television and Tencent Charity Foundation

4

Five-Star Outstanding Corporate Citizen in China 2017


Presented by the Corporate Citizenship Committee of China Association of Social Workers, China Central Television and Tencent Charity Foundation

5


Outstanding Community Project of Corporate Citizen in China 2017

Gentle Breeze Movement
Presented by the Corporate Citizenship Committee of China Association of Social Workers, China Central Television and Tencent Charity Foundation



 **Best Liquidity Management under Treasury Management Awards 2017**
Presented by Standard Chartered Bank

 **2017 Top 10 Hybrid Cloud Users**
Presented by Open Source Cloud Alliance for Industry

 **2017 Hybrid Cloud Outstanding Business Cases**
Presented by Open Source Cloud Alliance for Industry

 **2017 Guangdong Provincial Government Quality Award**
Foshan Gas Group Co., Ltd.
Presented by the People's Government of Guangdong Province

Outlook

In tandem with China's open door policy implemented over the last 40 years, the energy business has undergone a series of comprehensive, deep market reforms. The momentum for improving the air quality has accelerated. It has unleashed an exponential growth in city gas and industry fuel, ushering in a prime period for the natural gas business. This presents both opportunities and challenges for Towngas China in terms of operation, safety, service and corporate social responsibility amidst increasingly higher expectations from the public.

New vision and mission in Green Development - The Group modified its vision, "To be Asia's leading clean energy supplier and quality service provider, with a focus on innovation and environmental-friendliness", and renewed its mission as "Whilst improving the environment, we are also providing our customers with reliable, efficient, safe and clean energy." Stipulating closely to the new vision and mission, and responding to the market, Towngas China will remain committed to the promotion and development of green, clean energy to position the Group as a pioneer in green business, spurring the advancement of green community, society and economy.

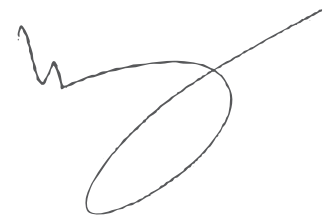
Capture historical momentum, Strive to innovate - Since the open door policy has come into place, the economic and social developments in mainland China are phenomenal. Over the years, Towngas China's rapid growth has been sustained by the strong impetus, thanks to a series of environmental policies and an economy featuring high-quality development. Capitalising on the historical momentum, we build on our core values of "Growth=Innovation×Implementation" and "Total Quality Management" to participate in city gas projects, and develop distributed energy projects, and expand extended services. As a result, the air quality has improved markedly, bringing back the blue sky and fresh air to the people.

Enhanced management and Safe development - As a professional city gas company to facilitate the economic growth of the local markets, Towngas China aspires to achieve the safety management objectives of "safe supply, zero incidents" relentlessly with impeccable system and cutting-edge technology. Going forward,

Towngas China will continue to reinforce our benchmarking quality standard based on the “MasterCraft” spirit, comply with national regulations in infrastructure development. We will utilise advanced technology and measures to ensure safe operation and strengthen professional technical training in safety and skills for our staff. We will also promote gas safety to increase awareness among the public, and to boost health and safety, risk management and contingency mechanism to consolidate the foundation of safety.

Undertake Corporate Responsibility for sustainable development - Grounded in our principle in corporate social responsibility, “Actively participating in community services to contribute to society, Dedicating effort to protect the environment to give back to the community”, we have formulated a thorough management system for corporate social responsibility, and work hard to foster a shared, favourable environment in various aspects, including the economy, environment and society in pursuing a sustainable development. In the past year, we continued to devote ourselves to safe and green energy supply, and spearheaded the “Towngas China Environmentalism” campaign to work with different sectors to protect the environment and care for our homeland. We are mindful of the health, safety and career development of our employees, providing various training to boost the professional skills and service standards, and to offer better quality services and products to our customers. As always, our Group is committed to serving the underprivileged groups and supporting education in the rural areas through annual events such as the “Rice Dumplings for the Community” and “Gentle Breeze Movement”. We take corporate social responsibility seriously and put it into action.

Wong Wai Yee, Peter
Executive Director and Chief Executive Officer
Towngas China Company Limited
Executive Director and Chief Operating Officer – Utilities Business
The Hong Kong and China Gas Company Limited



19 March 2018

Appendix

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

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

		Contents of Indicators		Location in the Report or Explanation	Level of Disclosure
Subject Area	Aspect	Disclosure Indicator			
A Environmental	A1 Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NO _x , SO _x , and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	P45-P46	■
		Key Performance Indicator	A1.1 The types of emissions and respective emissions data.	P47	■
			A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P47	■
			A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P47	■
			A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P47	■
			A1.5 Description of measures to mitigate emissions and results achieved.	P43-P45	■
			A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P46	■
	A2 Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	P46	■

Contents of Indicators			Location in the Report or Explanation	Level of Disclosure	
Subject Area	Aspect	Disclosure Indicator			
A Environmental	A2 Use of Resources	Key Performance Indicator	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P48	■
			A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P48	■
			A2.3 Description of energy use efficiency initiatives and results achieved.	P46	■
			A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Towngas China is a gas transmission and distribution enterprise which does not demand large amount of water.	—
			A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	P44	■
	A3 The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	P43-P46	■
		Key Performance Indicator	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P43-P46	■
B Social Employment and Labour Practices	B1 Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P55-P58	■

Contents of Indicators			Location in the Report or Explanation	Level of Disclosure			
Subject Area	Aspect	Disclosure Indicator					
B Social Employment and Labour Practices	B1 Employment	Key Performance Indicator	B1.1 Total workforce by gender, employment type, age group and geographical region.	P51	■		
			B1.2 Employee turnover rate by gender, age group and geographical region.	P51	■		
	B2 Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		P55	■	
			B2.1 Number and rate of work-related fatalities.		P55	■	
			B2.2 Lost days due to work injury.		P55	■	
			B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.		P55	■	
	B3 Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		P53-P54	■	
			Key Performance Indicator	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).		P54	■
				B3.2 The average training hours completed per employee by gender and employee category.		P54	■
	B4 Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		P55	■	

Contents of Indicators				Location in the Report or Explanation	Level of Disclosure
Subject Area	Aspect	Disclosure Indicator			
B Social Employment and Labour Practices	B4 Labour Standards	Key Performance Indicator	B4.1 Description of measures to review employment practices to avoid child and forced labour.	P55	■
			B4.2 Description of steps taken to eliminate such practices when discovered.	P55	■
B Social Operation Practices	B5 Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	P20	■
		Key Performance Indicator	B5.1 Number of suppliers by geographical region.	P20	■
			B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P20	■
	B6 Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P18, P44	■
		Key Performance Indicator	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P18	■
			B6.2 Number of products and service related complaints received and how they are dealt with.	P39-P40	■
			B6.3 Description of practices relating to observing and protecting intellectual property rights.	P19	■
			B6.4 Description of quality assurance process and recall procedures.	P19	■
			B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	P40	■
	B7 Anti- corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P09	■

Contents of Indicators			Location in the Report or Explanation	Level of Disclosure	
Subject Area	Aspect	Disclosure Indicator			
B Social Operation Practices	B7 Anti- corruption	Key Performance Indicator	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P09	■
			B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P09	■
B Social Community	B8 Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P43-P44 P61-P66	■
		Key Performance Indicator	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P61-P66	■
			B8.2 Resources contributed (e.g. money or time) to the focus area.	P66	■

Feedback

Dear readers,

Greetings! Thank you for your interest in the 2017 Corporate Social Responsibility Report of Towngas China Company Limited. To help us enhance our communication with stakeholders and make continuous improvement in our corporate social responsibility performance and future reporting, we sincerely look forward to your valuable opinions and suggestions.

Corporate Social Responsibility Report Committee

Towngas China Company Limited

March 2018

1. Your overall comments on this Report:

Excellent Good Fair

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

Yes Fair No

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

Very high High Fair Low Very low

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

Excellent Good Fair Poor

5. Which part of this Report interests you most?

Operation Safety Services Environment Staff Charity

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

Operation Safety Services Environment Staff Charity

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

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



You can provide your comments and suggestions on-line by scanning the QR Code.



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