

Risk Factors

Towngas China continues to expand across mainland China. To ensure growth, Towngas China constantly analyses the risks we encounter every day, allowing us to prepare for whatever we may face while maintaining our dedication to sustainable and environmentally sound practices.

Business Environment

Following the decision of Britain's exit from the European Union and the US presidential election, the fluctuating global economic situation is causing associated uncertainties to prevail in the business environment. In addition, mainland China's rapid economic growth has slowed to a more moderate pace as a result of contracting exports, overcapacity and weak industrial output. These, together with the global warming effect, may gradually lower the regional energy demand. However, the need to mitigate air pollution through clean energy and the demand for housing to support urbanisation will continue to rise.

The mainland China market faces competition from direct sales by dominating upstream gas companies, as well as liquefied natural gas (LNG) and alternative energy suppliers. Volatility of energy prices and government policy changes (whether political, legal, regulatory, environmental or competition-related) may further impact our operations. Therefore, our strategy to cope with such business risks is crucial to the prolonged success of the Group.

Measures taken include remaining prudence in capital investments whilst enhancing productivity and cost effectiveness in all aspects of our operations. In addition, close credit monitoring is also reinforced to manage default risks.

Furthermore, Towngas China is continually exploring new applications for gas in mainland China. Close communication is also maintained with operational partners and government for prominent support.

Reliability of Gas Supply

Towngas China continues to pursue new sources of piped gas supply. In addition, to increase the diversity of gas suppliers and broaden our access to LNG, we are continuing to evaluate the feasibility of developing LNG receiving and regasification terminal in the coastal regions which will enable us to have access to a range of competitive LNG supplies directly from the international market and help minimize supply risks. Furthermore, LNG storage facilities are in place to ensure a reliable source of supply in natural gas.

Reliable gas transmission is achieved through a sophisticated Supervisory Control and Data Acquisition (SCADA) system, which monitors and controls our pressure-regulating stations and network. Comprehensive training is provided to operational staff while asset management systems are also deployed. Contingency plans, with regular practice drills, prepare us for events impacting customers and the public.

Distribution Network Safety

It is among our top priorities to prevent any major leakages or explosions in our pipelines, networks and storage facilities. In the event that our critical facilities or related infrastructure suffer physical harm from, e.g. third party damage, security threats or extreme weather events such as severe typhoons, flooding or landslides, the resulting safety incidents and interruption to service may have a significant legal, financial and/or reputational impact on the Group.

To mitigate these risks, Towngas China conducts regular reviews of all operating procedures and implements strategies tailored to addressing such risks. Our total quality management system covers all critical transmission, distribution and storage facilities, and ensures assets are well managed according to international standards with external certifications. Furthermore, Towngas China maintains adequate insurance coverage against any property damage and financial loss.

Information Security

Our business operations rely on information technology systems. Any critical system failure, leakage or loss of sensitive information could have unfavourable material consequences for the Group. Towngas China adopts different protective measures to manage data loss, monitor suspicious cyber activities and regularly assess security by having third parties to identify any system enhancement areas. While contingency plans with regular drills are in place to counter system failures, group-wide staff awareness programmes on cyber-security and sensitive information handling are implemented to properly safeguard against increasing information security threats.

Health and Safety

Minimising occupational health and safety risks is crucial to the operation of Towngas China. Incidents such as serious accidents or the outbreak of a communicable disease could cause injury, loss of life and operational disruption, resulting in huge recovery costs, litigation and reputational damage.

To mitigate and contain those risks that are either directly or indirectly under our control, we actively encourage the reporting and monitoring of hazards and potential problems at all levels.

Comprehensive guidelines and established measures ensure that the safety performance of Towngas China conforms to the highest industry standards, whilst our thorough safety management system, certified for compliance with international standards, is reviewed and updated regularly to ensure that the relevant issues are properly managed. Moreover, to maintain a perpetual, comprehensive and effective culture of safety, Towngas China provides staff and contractors alike with systematic professional, technical and safety-related training.