



THE HONG KONG GAS BUSINESS
Energising Lives

 **Scholtes**



Won the **Innovation and Creativity Grand Award** at the 2013 Hong Kong Awards for Industries

Gas sales in the industrial sector grew by **21 per cent**

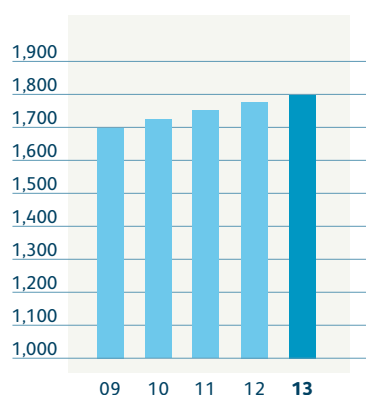
Saved about **one million** pieces of paper after adopting mobile devices for service inspections

THE HONG KONG GAS BUSINESS

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

Number of Customers

Company (Thousand)



Our Residential and Commercial Activities

The Hong Kong business continued to grow steadily throughout 2013. The volume of gas sales rose by 0.7 per cent, while our customer base further expanded to a total of 1,798,731 accounts, an increase of 22,371 over the previous year.

Faced with rising operational expenses and manpower costs, in April 2013, we adjusted our standard gas tariff by HK1 cent per megajoule, an increase of 4.6 per cent, with a commitment to no further increase in the following two years.



Renowned French chef and celebrity were invited to demonstrate the product features of Scholtès, a premium kitchen appliance brand from Europe at our grand launch event.



A leading manufacturer of traditional Chinese cakes and pastries adopts our high efficiency appliances.

Buoyed by Hong Kong's tourism boom, which stimulated the catering and hotel industries, and a widespread desire to use cleaner fuels, our gas supply to commercial and industrial businesses remained strong, particularly in the industrial sector where we saw growth of 21 per cent in gas sales. We have been actively promoting the conversion and application of diesel into town gas, a low-carbon, highly efficient fuel, while also providing businesses with incentives and technical solutions to facilitate the change. During the year, we succeeded in acquiring a number of major new customers such as commercial

launderers, food processing facilities, crematoriums, etc and will continue to develop these markets by working closely with our customers to offer a complete energy solution tailored to their requirements.

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

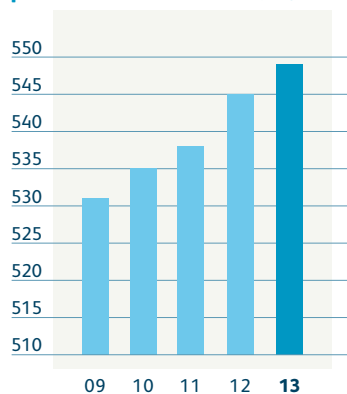
In addition, Towngas contributed to phase one of the Government's "Pilot Scheme on Community Care Service Voucher for the Elderly". We provided licensed non-governmental organisations (NGOs) with subsidised appliances and favourable maintenance contracts to support their work with elderly citizens in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

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



We won the “Innovation and Creativity Grand Award” at the 2013 Hong Kong Awards for Industries for our proprietary invention, the Laparobot. A testament to our innovative culture, this tool was developed in-house to remotely inspect and repair underground pipes.

Number of Customers per km of Mains Company



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

The Mia Cucina line of high-end kitchen cabinets has enjoyed pleasing growth. With our high

quality products and proactive levels of end-to-end service delivery, it has been widely adopted by local property developers for bulk installations in new residential developments. Compared to 2012, overall sales have grown by 63 per cent as market awareness continues to gain momentum.

A Commitment to Customer Service

Technology has offered us a number of exciting and innovative ways to enhance the service we offer our customers. In 2013, we broadened our call centre communication channels to include

multimedia and social media. We also began disseminating SMS reminders to customers prior to their appointments, reminding them of their service time and providing them with the technician's contact number. This small gesture is one more way we aim to enrich our communication with our customers and is an extension of our "5-Heart" caring service programme, which was launched in 2012.

Hand-in-hand with technology developments, the mobile revolution is enabling us to reduce

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

In 2013, we implemented an innovative method to replace

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

Our commitment to innovation also manifested at a retail level as we applied QR codes across our outlets and on marketing materials to offer our customers a simple way to access an in-depth range of products and service information.

Results of Towngas Service Pledge 2013



RELIABILITY

Uninterrupted gas supply (over 99.99%)
99.992%

Three days prior notification in case of supply interruption on account of maintenance or engineering work
100%

Restoration of gas supply within 12 hours
100%



SAFETY

Emergency Team arrived on site within 30 minutes
95.84%



APPOINTMENTS

Availability of maintenance and installation services within two working days

Average 1.13 day



SPEED AND CONVENIENCE

Customer Service Hotline (calls answered within four rings)
94.06%

Connect or disconnect gas supply within one working day
100%
upon customer's request

Deposit refunded at Customer Centres (two hours after disconnection of gas supply)
100%
upon customer's request



SERVICE QUALITY

Efficiency¹
8.79

Courteous and friendly attitude¹
8.80



HANDLING SUGGESTIONS

Reply within three working days
100%

Resolution, or a statement of when the matter will be resolved, within two weeks
100%

1. The result was based on monthly surveys conducted from January to December 2013 by an independent research company. Our target is to exceed a score of 8 out of 10.



Equipped with Mia Cucina height-adjustable kitchen cabinets, Towngas KIDchen at our new cooking centre offered more workshops for parents and children to share the joy of flame cooking.

This year marked our first foray into e-commerce with the launch of the Towngas Shop (www.towngasshop.com). The site has been designed to meet the needs of customers who prefer to shop online and offers a convenient way to purchase some of our most popular health and beauty, eco-friendly and cooking-related lifestyle products with a door-to-door delivery service.

During the year, the Towngas Cooking Centre moved to Lee Theatre in Causeway Bay and introduced a new concept: the KIDchen, an inspiring space that encourages children to enjoy flame cooking with their parents. With new and spacious practical and demonstration

classrooms, the Towngas Cooking Centre remains a cornerstone of our commitment to ignite the passion of flame cooking in Hong Kong.



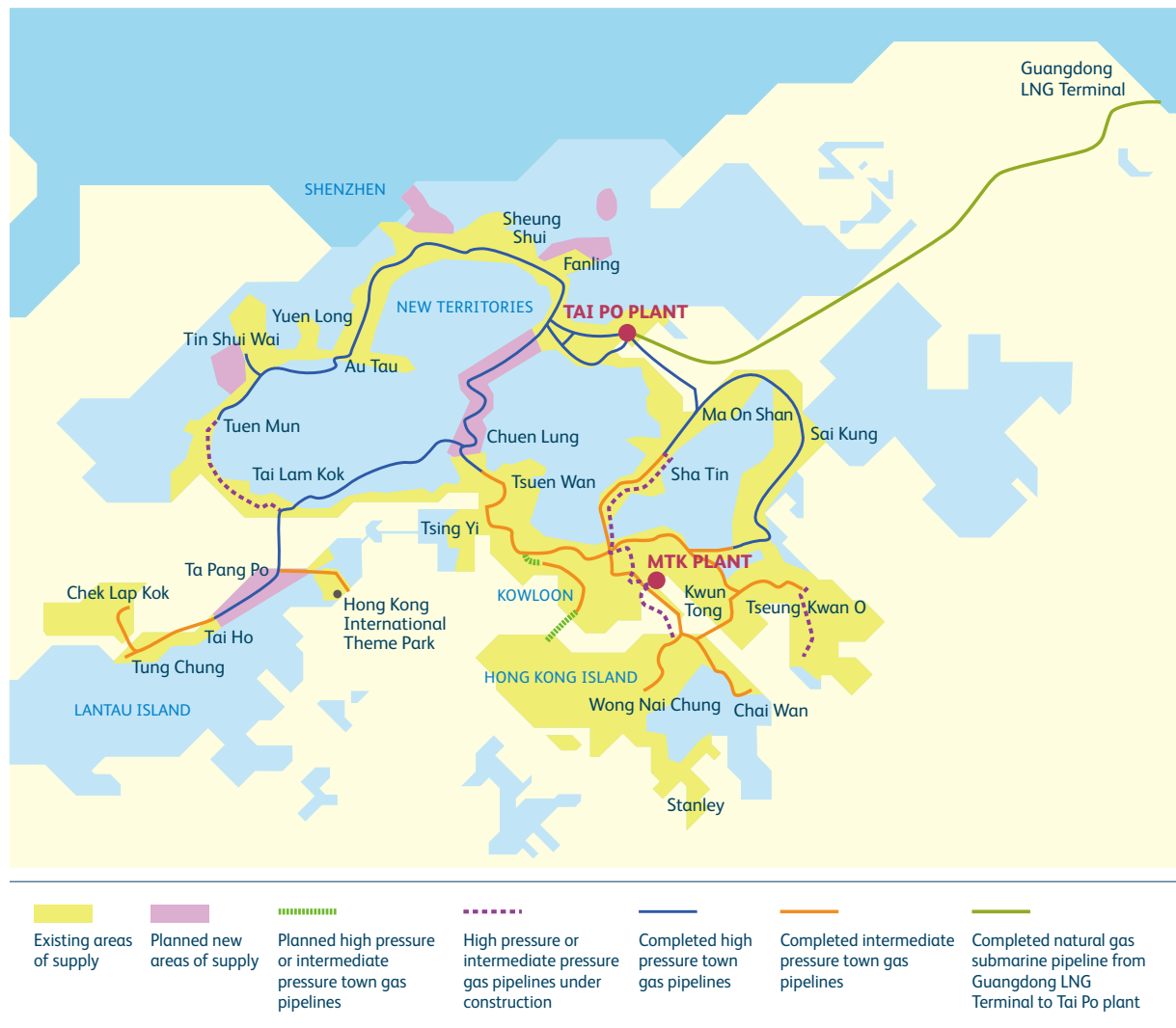
To cope with the Government's development of South East Kowloon, we relocated a twin submarine pipeline between To Kwa Wan and North Point.

Gas Infrastructure

Creativity is one of Towngas' key organisational values and one that drives innovation in our gas supply infrastructure projects. This year, our team developed several leading technologies that will help enhance our efficiencies.

The first, a Smart Pipe, offers a cost-efficient way to repair corroded service branches from the main riser that crosses building walls without the need to erect scaffolding. This minimises the impact of time, cost and disruption to customers. The second, named the Quadricopter Inspector, saves time and manpower by performing aerial inspections of exposed gas pipes on slopes,

Towngas Network in Hong Kong



bridges or otherwise difficult to access locations.

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

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

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