




# THE MAINLAND UTILITY BUSINESSES

Upwards Momentum



119 city-gas projects  
with gas sales reaching  
**13.4 billion** cubic metres

Sales of Bauhinia appliances  
reached **650,000** units,  
an increase of 30 per cent

The first city-gas supplier to  
invest in an **underground  
gas storage** project in  
mainland China

## THE MAINLAND UTILITY BUSINESSES

As we look towards the future of the energy sector, the increasing significance of mainland China to our operations is clear. The market for clean energy is buoyed by the country's on-going economic development, urbanisation and investments in infrastructure as well as a determination to improve the environment. As a respected public utility and energy provider, we are well positioned to make the most of promising developments as they arise and are actively pursuing a range of projects and investments in the country.

### Our City-gas Operations

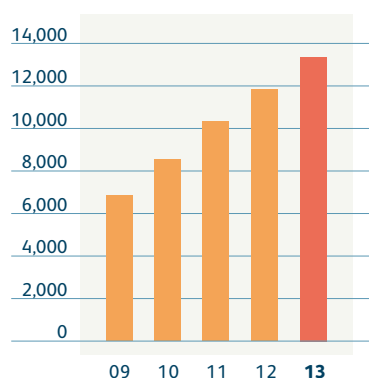
In mainland China, the energy market remains buoyant, supported by a strong industrial and manufacturing base, solid infrastructure and sound logistics. Both environmental considerations and a desire for clean-burning energy are feeding the country's increasing appetite for natural gas.

To capitalise on this demand, we are pursuing a strategy of sustainable growth through strong partnerships and a complete commitment to safety, service, product and engineering excellence.

In 2013, our city-gas operations enjoyed another year of strong growth. We welcomed 15 new

city-gas ventures to our business, bringing the total to 119 in 20 provinces, autonomous regions and municipalities. Our sales volume increased by 13 per cent to reach 13.4 billion cubic metres. Our network comprises 68,067 kilometres of gas pipes, serving 17.29 million customer accounts.

### China Joint Ventures Gas Sales (million m<sup>3</sup>)



Natural gas torches are used to cut machine tools by a large-scale manufacturer in Jinan.





Including a midstream transmission network, our new city-gas project in Hangzhou is expected to achieve an annual gas sales of 1,000 million cubic metres in three years.

The Chinese government is implementing an on-going policy to develop rural areas and promote urbanisation. With the number of metropolitan inhabitants topping 700 million – more than half of the population – and the progressive shift to cleaner fuels, we believe that these measures will stimulate domestic demand for property, utilities and consumer goods, which will place our city-gas business in an advantageous position. As the use of natural gas widens, we will seize opportunities to meet the increasing demand for this essential resource.

Despite China's 2013 measures to cool down the nation's real estate environment, the Group recorded a continuous increase in new residential installations. Natural gas utilisation is still low, representing 5.9 per cent of the nation's total primary energy consumption. Despite the lower GDP growth forecast, we expect to see gas consumption expand at

15 per cent across mainland China in the coming years.

### Midstream Facilities

Our goal to become a leader in the region's energy market advanced again in 2013 as we expanded our midstream business and became the first city-gas supplier to invest in an underground gas storage project in mainland China.

Our midstream natural gas projects in the country include the Guangdong LNG Receiving Terminal project, natural gas pipeline projects in Anhui province, in Hebei province and in Hangzhou, Zhejiang province; natural gas extension projects in Jilin and Henan provinces as well as midstream pipeline project located in Wafangdian, Dalian, Liaoning province. While helping the Group develop its downstream city-gas markets, these midstream projects generate good

returns and in 2013, the overall gas sales grew 22 per cent to 3.1 billion cubic metres compared to 2012.

Located in Jintan, Jiangsu province, our underground natural gas storage facility repurposes the cavern of a former salt mine in order to store natural gas throughout the year. This facility will help us to manage our inventory of gas to mitigate supply bottlenecks during peak seasons and to meet downstream demand. Not only is this expected to offset supply-demand imbalance, but there is also the potential to trade with other suppliers and expand our gas supply network in mainland China.

### Water Supply and Wastewater Operations

One of the Group's core strengths is managing and operating utility businesses. Leveraging the similarities between natural gas and

water supply – location, brand, connections, technical skills and service – our water supply and wastewater operations business in mainland China is managed and run by Hong Kong & China Water Limited (Hua Yan Water). Our portfolio currently comprises six projects including water supply projects in Wujiang, Jiangsu province and in Wuhu and Maanshan, Anhui province; an integrated water supply and wastewater project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Jiangsu province.

Following the rapid expansion of the mainland Chinese economy, demand for clean water has grown steadily. A natural complement to our city-gas business, our water supply and wastewater operations concurrently enjoyed another successful year as annual sales of city-water increased by 5.5 per cent to 414 million tonnes.

Respected for our reliability and high quality service, we have been able to forge close ties with provincial and local authorities. In 2013, we won contracts covering two new water supply projects in Anhui province, including Zhengpugang Xin Qu in Maanshan and the starting area of Jiangbei Concentration Zone in Wuhu. We are now in a good position to

capture more quality city-water projects in other provinces.

### Serving Our Customers

As a Group, we take pride in our one-stop service model and make great efforts to cultivate a friendly and caring service mindset among all our employees. Improving our processes and nurturing a “customer-oriented” culture is one of our top priorities and we constantly strive to better our service with new caring initiatives.

To complement our service excellence, we expanded our network of customer service centres by 15 in 2013 for a total of 215 in 80 cities. The centres, many of which have undergone a modern facelift and now feature our new design concept “Sunlight, Happiness, Home”, offer our customers a truly inviting one-stop experience.

To further monitor, review and standardise our level of customer service, we conducted a mystery shopping study across the country covering our customer service centres, hotlines and on-site visits. In 2013, our satisfaction ratings improved by 8 per cent compared to 2012, showing a steady upward trend in the level and consistency of our service.

We were pleased to have our efforts recognised when we received the “Best Customer Services in China Award 2012 – 2013” from the China

Association of Trade in Services, the China Information Industry Association and the China Customer Service Committee.

Our Bauhinia appliance brand forms part of Towngas’ all-round commitment to superior quality and safety. Complemented by a professional after-sales service, this approach has proved popular with our customers. Since its launch in 2005, Bauhinia has a sales record of over 2 million units across 70 cities, driving customer recognition of our brand throughout the country. In 2013, sales reached 650,000 units, an increase of 30 per cent from the previous year.



Our television series titled “A Journey of Flame Cooking and Chinese Cuisine” showed how to prepare a variety of local dishes from different cities across mainland China.

Leveraging our “Peace of Mind” positioning, we not only encouraged customers to replace outdated appliances with special discounts but also launched a 24-episode television show to promote flame cooking, which broadcasted on five provincial TV stations and key online video platforms.

During the year, we also patented a cost-effective, high-efficiency gas burner, which attained the Grade A national energy efficiency standard and won a number of industry awards. Our glass-ceramic hob was also named one of China’s “Top 10 Innovative New Gas Appliances” by the China National Hardware Association.

Efficient service delivery is impossible without integrated knowledge management. Our core values of leadership and creativity enable our people and our organisation to excel in this field. This is particularly evident in our deployment of IT solutions, including our Towngas Customer Information System (TCIS) Private Cloud, which provides our businesses in mainland China with a unified and convenient cloud-based customer information and billing system. The cloud reduces the need for on-site IT support while standardising processes and enabling our teams to deliver an enhanced customer experience based on timely, reliable and consolidated customer information.



We opened China’s first inland LNG fuelling station for vessels on the Yangtze River in Nanjing, Jiangsu province.

In 2013, our TCIS Private Cloud received the “Best Deployment of Emerging Technology” in the IT Excellence Awards, recognising our progressive and effective use of information technology.

### A Proactive Approach to Safety

At Towngas, the safety of the public, customers and our employees is the highest priority. This safety mindset drives our stringent safety programmes, guidelines, training, drills and related exercises. We are determined to protect every one of our stakeholders and maintain the Group’s hard-earned position as a health and safety leader.

In mainland China, the “Year of Safe Operation” campaign represents an aspect of our

proactive approach to safety. The campaign, which was first launched in Xi’an in 2008, has been successfully rolled out across different areas of the Group’s operations on a yearly basis and helps us to identify and promptly address key risk areas in the locations in which we operate. To promote safety and risk management, we arranged various photo, leaflet design and essay writing competitions focused on reinforcing the Group’s core safety measures.

At the Group level, our senior managers make a public commitment to uphold our safety standards with direct involvement in safety processes and procedures at our monthly Group Safety Committee Meetings. The safety and risk management audits and General Manager Monthly Safety

Inspection Programme continue to play important roles in the Group's safety and risk management system. During the year, we also began to implement a cross joint venture General Manager Safety Inspection Programme within each region so as to encourage experience sharing between different businesses. This depth of engagement positively reinforces our "safety-first" culture.

Furthermore, forums on safety and risk management, engineering practices and customer service were organised for newly-established businesses to bring them up to speed on the quality standards demanded by the Group, as well as to establish qualification requirements for engineering supervision personnel. We also organised experience sharing visits for safety and risk management personnel from our mainland businesses, providing opportunities for them to learn, share and discuss important safety issues.

Combined, these activities effectively help us uphold the highest standards of safety across the Group. As a result, there has been a significant improvement in accident and safety figures. We are delighted to report that in 2013, the number of serious gas-related incidents fell again by a positive and encouraging 19 per cent.

## Utility Businesses in Mainland China in 2013

	Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
<b>TOWNGAS PIPED CITY-GAS PROJECTS</b>				
<b>Guangdong Province</b>				
Panyu	1994	260	105	80%
Zhongshan	1995	240	96	70%
Dongyong	1998	178	75	82.6%
Shenzhen	2004	—	1,980	26.8%
Chaoan	2007	185	99	60%
Chaozhou Raoping	2011	189	106	60%
<b>Central China</b>				
Wuhan	2003	1,200	420	49%
Xinmi	2009	205	85	100%
<b>Eastern China</b>				
Yixing	2001	246	124	80%
Taizhou	2002	200	83	65%
Zhangjiagang	2003	200	100	50%
Wujiang	2003	150	60	80%
Xuzhou	2004	245	125	80%
Suining	2009	85	34	100%
Fengxian	2009	60	31	100%
Danyang	2004	150	60	80%
Jintan	2006	150	60	60%
Tongling	2006	240	100	70%
Suzhou Industrial Park	2001	600	200	55%
Changzhou	2003	248	166	50%
Nanjing	2003	1,200	600	50%
Fengcheng	2007	206	88	55%
Pingxiang	2009	87	35	100%
Jiangxi	2009	52	26	56%
Zhangshu	2009	86	34	100%
Yonganzhou	2010	100	68	93.9%
Hangzhou	2013	2,988	1,195	24%
<b>Shandong Province</b>				
Jinan East	2003	610	470	50%
<b>Northern China</b>				
Jilin	2005	247	100	63%
Beijing Economic-technological Development Area	2005	111	44	50%
Hebei Jingxian	2011	186	79	81%
<b>Northwestern China</b>				
Xi'an	2006	1,668	1,000	49%
<b>Hainan Province</b>				
Qionghai	2008	110	50	49%

	Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
<b>TOWNGAS MIDSTREAM PROJECTS</b>				
Guangdong LNG	2004	8,595	2,578	3 %
Anhui NG	2005	750	252	27.5 %
Hebei NG	2005	1,560	520	45 %
Jilin NG	2007	360	220	49 %
Suzhou NG	2009	60	40	29 %
Henan NG	2012	125	50	49 %
Jintan NG	2013	180	100	64 %

### WATER PROJECTS

Wujiang	2005	2,450	860	80 %
Suzhou Industrial Park	2005	3,685	2,197	50 %
Wuhu	2005	1,000	400	75 %
Suzhou Industrial Park (Industrial Wastewater Treatment)	2011	550	185	49 %
Maanshan	2013	157	63	100 %
Jiangbei	2013	150	75	100 %

### TOWNGAS CHINA PIPED CITY-GAS PROJECTS

<b>Guangdong Province</b>	Huizhou	Taian	Dalian Changxingdao	<b>Southwestern China</b>
Foshan	Tongxiang	Chiping	Dalian Economic and Technical Development Zone	Ziyang
Shaoguan	Huzhou	Linqu	Anshan	Weiyuan
Qingyuan	Yuhang	Laiyang	Lvshun	Pengxi
Yangdong	Changjiu	Zhaoyuan	Kazuo	Lezhi
Fengxi	Fuzhou	Pingyin	Beipiao	Pingchang
<b>Eastern China</b>	Jiujiang	Feicheng	Wafangdian	Dayi
Nanjing Gaochun	Wuning	Boxing Economic Development Zone	Xinqiu	Yuechi
Dafeng	Xiushui	<b>Hunan Province</b>	Jianping	Cangxi
Maanshan	Yifeng	Miluo	Changchun	Chengdu
Zhengpugang Xin Qu Modern Industrial Zone	Changting	<b>Northeastern China</b>	Gongzhuling	Zhongjiang
Wuhu Fanchang	Jimo	Benxi	Qiqihar	Jianyang
Bozhou-Wuhu Modern Industrial Zone	Laoshan	Chaoyang	<b>Hebei Province</b>	Pengshan
Bowang	Zibo	Tieling	Qinhuangdao	Mianyang
Anqing	Zibo Lubo	Fuxin	Yanshan	Xinjin
Chizhou	Longkou	Shenyang Coastal Economic Zone	Cangxian	Xindu
Tunxi	Jinan West	Yingkou	Mengcun	Mianzhu
Huangshan	Weifang		Shijiazhuang	Qijiang
	Weihai			Guilin
				Zhongwei (Fusui)

### MIDSTREAM PROJECT

Wafangdian NG