

THE HONG KONG GAS BUSINESS



The stylish new CURVA series of cabinets from Mia Cucina, our premium kitchen solutions brand



Made substantial home cooking market gains with Mia Cucina and Scholtès, our high-end kitchen solutions brands

Hosted the international gas industry event – Gas Information Exchange in the Western Pacific Area (GASEX) Conference and Exhibition

Launched Cook for Love marketing campaign

AN ENERGISED UTILITY



Since 1862, we have continually set the benchmark in Hong Kong in terms of service, operational excellence, engineering and safety. We are devoted to providing our customers with safe and reliable energy, and to broadening the scope of our activities through ongoing innovation. As we look to retain our leading position in our home market and expand our horizons, we will continue to be guided by our core corporate values of integrity and total quality management.

Our Residential and Commercial Activities

Our Hong Kong business continued to grow steadily throughout 2014. The volume of gas sales rose by 1 per cent, while our customer base further expanded to a total of 1,819,935 accounts, an increase of 21,204 over the previous year.

Despite a slowdown in local consumer spending, the restaurant and hotel sectors – benefiting from continuous growth in the number of inbound tourists – continued to progress well during the year. As a result, commercial and industrial gas sales increased in 2014.

Our efforts to support businesses in the switch from diesel to town gas for both economical and environmental reasons also continued to reap rewards. The hospital sector enjoyed growth of 5.7 per cent, mainly due to a diesel-to-gas boiler conversion



Ocean Park’s Shark Mystique attraction utilises our energy-efficient gas-fired absorption chiller to control the water temperature of the aquarium.



project at Yan Chai Hospital and North Lantau Hospital being operational for its first full year.

The government and industrial sectors showed outstanding performance, with volume growth of more than 6 per cent and 4 per cent respectively. This was mainly due to gains from newly commissioned heated public swimming pools, gas absorption chillers and gas desiccant dehumidifiers being introduced to theme parks, newly acquired laundry clients, and the expansion of a food factory.

Two major contracts were secured in 2014. A new facility due to open in 2016 at the Yuen Long Industrial Estate will see business from an existing laundry client double. The phase two absorption chiller at a theme park in Lantau will

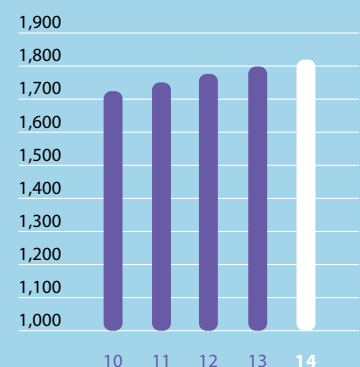
We staged Asia-Pacific's biennial GASEX Conference and Exhibition in Hong Kong, promoting the exchange of information on developments and innovation across the gas industry. Focused on the theme of "Advancing the Gas Value Chain", this year's exhibition attracted about 100 exhibitors from around the world, with more than 500 industry professionals attending.

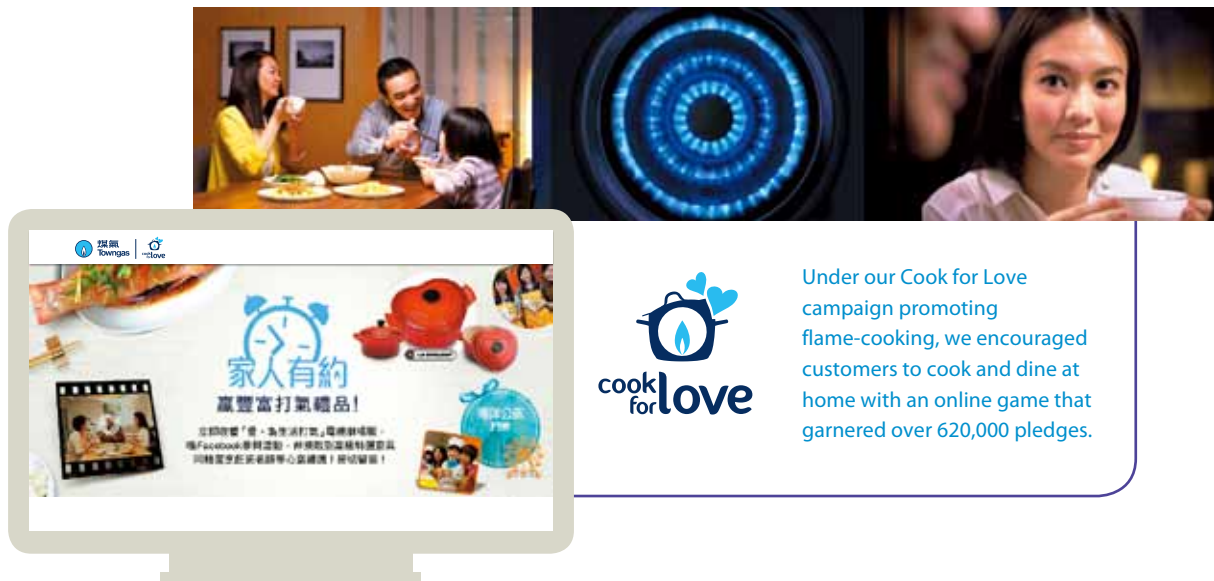
be operational in 2015, and a new on-site hotel will open in 2017, representing a significant uplift in gas sales.

We also played an important role in the food and beverage market. In view of manpower shortages, a growing problem in the restaurant trade, we introduced a series of state-of-the-art, labour-saving automated applications, ranging from an auto-tossing gas wok range to a smart meat roaster, an auto gas deep fryer and a smart claypot rice

Number of Customers

Company (Thousand)





cooker. In addition, we sponsored the Taste of Hong Kong Awards, in which the assessment board invited mystery diners to appraise high quality restaurants around the city.

With the reputation for superior quality, Towngas' high-end kitchen solutions brands, Mia Cucina (kitchen cabinets) and Scholtès (kitchen equipment) are targeted at high-end retail customers and property developers for bulk installation. In 2014, we introduced CURVA, a new range of stylishly-designed, curved-lined cabinets well-suited to spatially-restricted Hong Kong homes on account of their smooth angles.

We put a great deal of effort into promoting flame cooking. During the year, a marketing campaign

themed "Cook for Love" was launched to encourage cooking and dining at home. This included a TV commercial and various online promotions, both of which received enthusiastic feedback from the public across different age groups. In December, we also sponsored a cookery TV programme featuring celebrities and renowned chefs preparing food by using Mia Cucina and Scholtès products. Looking forward, we will continue to promote our brand offering under the "Cook for Love" umbrella theme, whilst further exploring social media channels and enhancing our product range at retail level to create more customer touch-points and nurture all-round engagement.

Our Flame restaurant at Towngas Avenue in Tsim Sha Tsui began offering wedding with celebrant service in 2014. The venue's romantic setting, overlooking Victoria Harbour, and its flexible catering set-up make it perfect for parties and banquets. Moreover, our Cooking Centre in partnership with Disciples Escoffier Asia, one of the world's premier gastronomic societies, organised the Escoffier Diploma in Culinary Arts programme for cooking lovers.

A Commitment to Customer Service

Technology has afforded us a number of exciting and innovative ways to enhance our service. Our Customer Service Hotline Centre is now powered by a state-of-the-art

call management system with enhanced functionality that embraces a wide range of voice and digital channels.

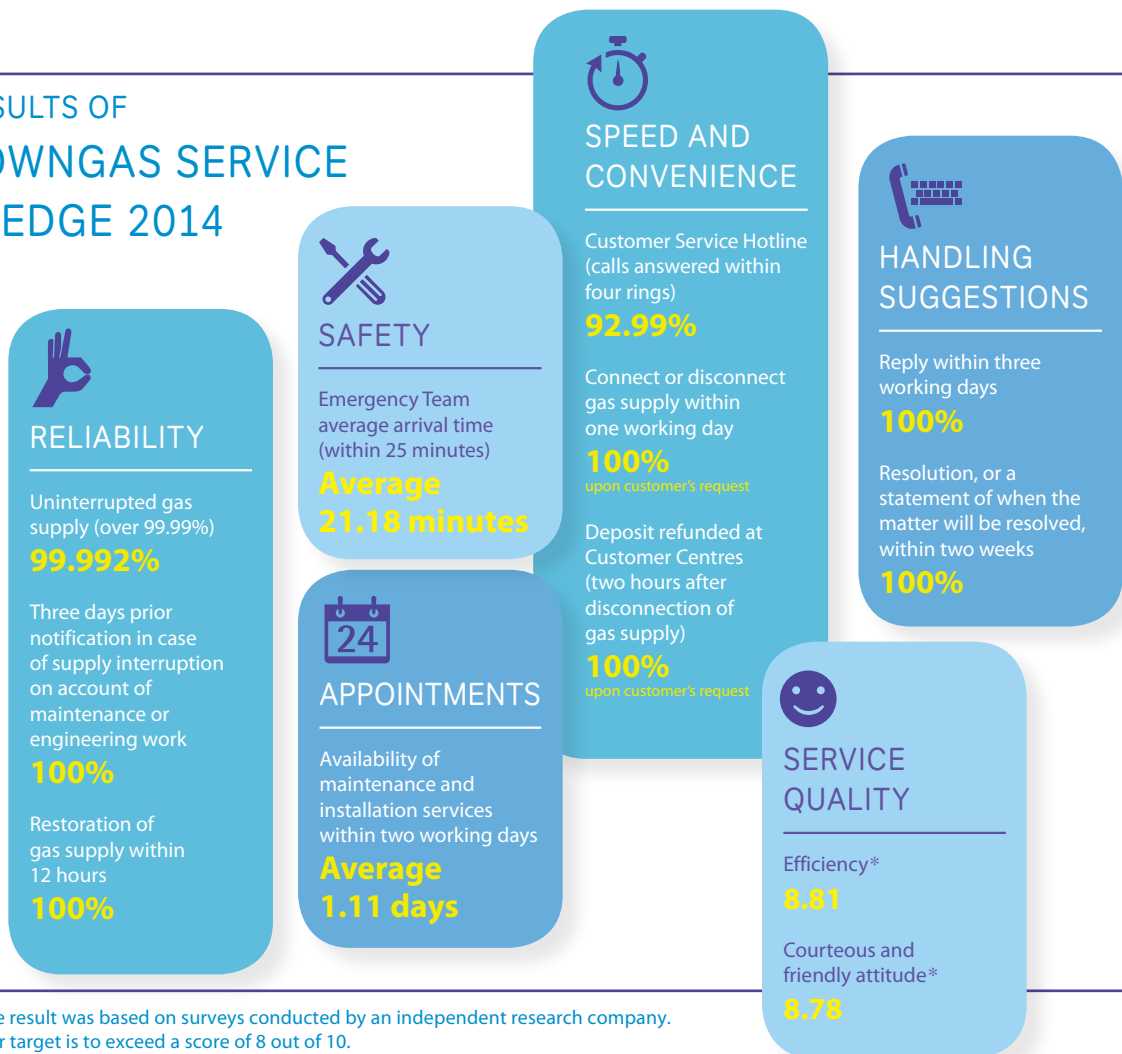
Improving the productivity of our inspection services is another way to ensure gas system integrity. In 2014 we rolled out our new 360-degree Total Riser Solution for inspections of gas risers attached to high-rise

buildings. This involves a quadcopter that enables inspections to be carried out efficiently without the need for erecting scaffolds, as well as a gondola equipped with stabilisers to scale premises. These systems greatly reduce waiting time and costs as well as improve overall safety by eliminating hazards from working at heights, and their value was recognised as Towngas proudly

gained the Safety Enhancement Programme Silver Award at the 13th Hong Kong Occupational Safety & Health Award.

In addition, we delivered refresher courtesy training for more than 1,100 frontline technicians, contractors and also sales and customer service hotline staff. We accumulated a total of 3,075 learning hours through the

RESULTS OF TOWNGAS SERVICE PLEDGE 2014



programme, a major commitment in our ongoing efforts to enhance our service culture across key areas.

Gas Infrastructure

In 2014, we continued to expand and upgrade our piped-gas network and infrastructure in Hong Kong to serve new and existing customers and enhance supply reliability.

The existing twin 400 mm diameter pipelines from Ma Tau Kok to North Point are being replaced by 450 mm ones. The submarine section of the project, from To Kwa Wan to North Point, is completed and the pipelines are expected to be commissioned by mid-2015.

The pipeline to bring natural gas from Sha Tin, via Beacon Hill Tunnel to Ma Tau Kok is now completed. Moreover, modifications to our Ma Tau Kok plant are also expected to be finished by mid-2015, after which natural gas will replace naphtha as the feedstock for the production of town gas at that plant. This change is expected to yield both economical and environmental benefits.

To enhance supply security in the North West New Territories, a 9 km long pipeline is being constructed along Castle Peak Road to Tai Lam. Targeted to be finished in 2016, work is about two-thirds completed.

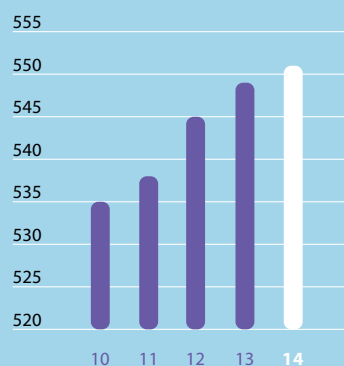
Planning is in progress to cope with the government's future new town developments, and for infrastructure to support MTR Corporation's major railway projects serving new residential areas.

In 2014, Towngas successfully gained ISO 55001 certification, the new ISO standard for asset management. New software was also developed that uses scientific methods to prioritise replacement work on ageing pipelines, based on information regarding their service age, location and operating conditions. Utilising our Geographic Information System, it enhances the asset management of the Company's pipeline network.

Our new self-developed Riser Inspection Quadcopter can conduct a safety inspection on the service riser of a 30-storey building in an hour.



Number of Customers per km of Mains Company



Towngas Network in Hong Kong

