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Recipe for Success

At the Towngas Cooking Centre, cooking enthusiasts can become expert chefs after completing the prestigious Disciples Escoffier Professional Diploma Programme.



Premium Kitchens

Our premium line of Mia Cucina kitchen cabinets continued to grow in popularity and became the preferred choice of property developers.

Hong Kong Gas Business



A Smarter Meter

With our new Bluetooth-equipped meter, customers can enjoy greater convenience and report their gas meter readings with just one click.

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Hong Kong Gas Business

We endeavour to provide customers with a clean source of fuel as well as high quality appliances and lifestyle products for their homes. Our goal is to create value for the people we serve with innovative solutions that contribute to a better quality of life and a more sustainable future.

Overcoming Challenges

For Towngas and Hong Kong, 2019 was a difficult and challenging year. The global economic environment and trade disputes between mainland China and the US severely affected Hong Kong's import and export sectors as well as logistics businesses. The social conflict incidents that started in June caused a sharp drop in tourist numbers and spending by local residents, adversely affecting commercial and industrial gas

sales. Residential gas sales were also affected as a result of higher average temperatures throughout the year.

During the year, total gas sales amounted to 28,712 million MJ, a drop of 2.8 per cent from the previous year. The number of new customers in 2019 rose by 25,216 accounts to over 1.93 million.

In this adverse business environment, we made a strong effort to keep our costs at a low

but acceptable level while continuing to deliver efficient and courteous service to our customers. Internally, we developed mobility solutions to streamline work processes and lower service operating costs. We also made use of multi-channel purchasing and low-cost substitutes to minimise our material expenses.

With regard to our business growth in the local market, we pursued several avenues such as new property developments,

REKINDLING OUR HERITAGE

On 23rd December 2019, the four historical gas lamps on Duddell Street in Central were ignited once again. After suffering severe damage during Typhoon Mangkhut in September 2018, they were sent to London and faithfully restored to their original condition and have now resumed operation from 6pm to 6am every day. Today, there are 56 modern and heritage gas lamps lighting up various parts of Hong Kong.





Thanks to our gas water heating system, our hotel clients have a more efficient way to heat water for showers, space-heating and swimming pools.

we offered a total application system that incorporates solar panels and gas-fired water heaters to reactivate their gas desiccant dehumidifier. With this system, the indoor air quality of medical centres and clinics in the building will be improved as it allows for precise adjustments in indoor humidity.

While developing the market for gas applications in hospitals, clinics, hotels and other commercial buildings, we have discovered that humidity control is an important factor in improving indoor air quality. Accordingly, our gas desiccant dehumidification system is an attractive solution for eliminating the damp air prevalent in Hong Kong and southern China throughout most of the year.

In the year ahead, we look forward to the new business opportunities arising from the expansion of Hong Kong International Airport. Several developments are under way with this project, including the new T3 terminal, East Hall expansion and AsiaWorld-Expo Phase 2 as well as new hotels, restaurants and shopping centres. All will have massive applications for gas cooking, water heating, absorption chillers and desiccant dehumidification.

a major source of business for us. We have thus been working closely with developers to maximise town gas applications in the project development stage.

In addition, we looked at opportunities to acquire new customers and increase gas consumption in the commercial and industrial (C&I) sector. To that end, we not only promoted the conversion of non-gas applications but continued to diversify beyond the conventional use of gas

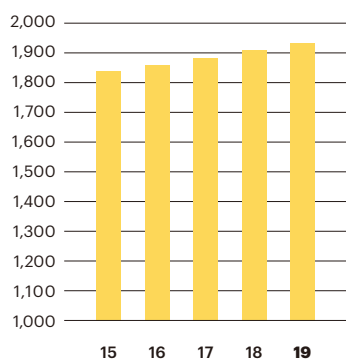
for cooking and heating water into gas applications such as absorption chillers and desiccant dehumidifiers.

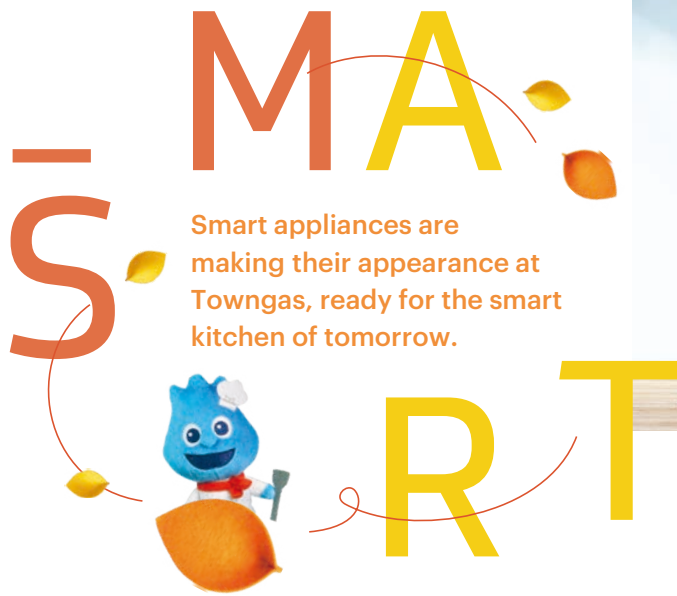
Despite the economic difficulties of the year, we were able to secure new hotel and hospital customers such as Hong Kong Children's Hospital, The St. Regis Hong Kong, Rosewood Hong Kong, and Hong Kong Ocean Park Marriott Hotel, among others. We also saw existing customers, including New China Laundry and A.S. Watson, increase their gas usage. For C&I customers such as Caritas Medical Centre and Shum Wan Laundry, we succeeded in having them replace their diesel boilers with gas boilers, which contributed to additional gas sales and helped to reduce carbon emissions.

Another project we secured during the year was the new H Zentre on Middle Road, the first purpose-built health and wellness hub in Hong Kong. For this customer,

Number of Customers

Company (Thousand)





Smart appliances are making their appearance at Towngas, ready for the smart kitchen of tomorrow.



Our TGC x Hello Kitty built-in hob with an adorable design provides a cooking experience the whole family can enjoy.

A Pioneer of Green Energy

In Hong Kong, we are utilising landfill gas as a renewable source of clean energy. The Alice Ho Miu Ling Nethersole Hospital was our first project based on this technology, with a combined heat and power (CHP) project utilising gas from the North East New Territories Landfill site.

The success of this project has sparked the interest of other hospitals in Hong Kong, and we have been working with the Hospital Authority to include CHP arrangements in the blueprint stage of their new hospital developments.

Product Development and Marketing

Our appliances continued to enjoy widespread acceptance

among customers for their quality, innovative features and the expert backing of our service professionals. In 2019, sales of appliances increased by 2.4 per cent for a total of over 290,000 appliances sold. Our premium line of Mia Cucina kitchen cabinets also continued to grow in popularity with customers, including property developers. In 2019, we sold a total of about 4,400 kitchen cabinets for new property development projects.

In order to provide greater convenience and safety for our customers, we have put considerable resources into our smart kitchen concept. For customers who might leave a cooking appliance unattended, we have designed a model equipped with an add-on device that enables users to turn off the appliance with a mobile app if

they forget to do so, even after leaving home. Another model automatically shuts off if it reaches a high pre-set temperature. In future, we plan to develop more smart appliance models and launch them in the market.

To create added value and provide an exciting new online shopping experience for customers, we will be launching a bonus point loyalty programme in 2020 on our e-commerce platform.

Reputation for Excellent Service

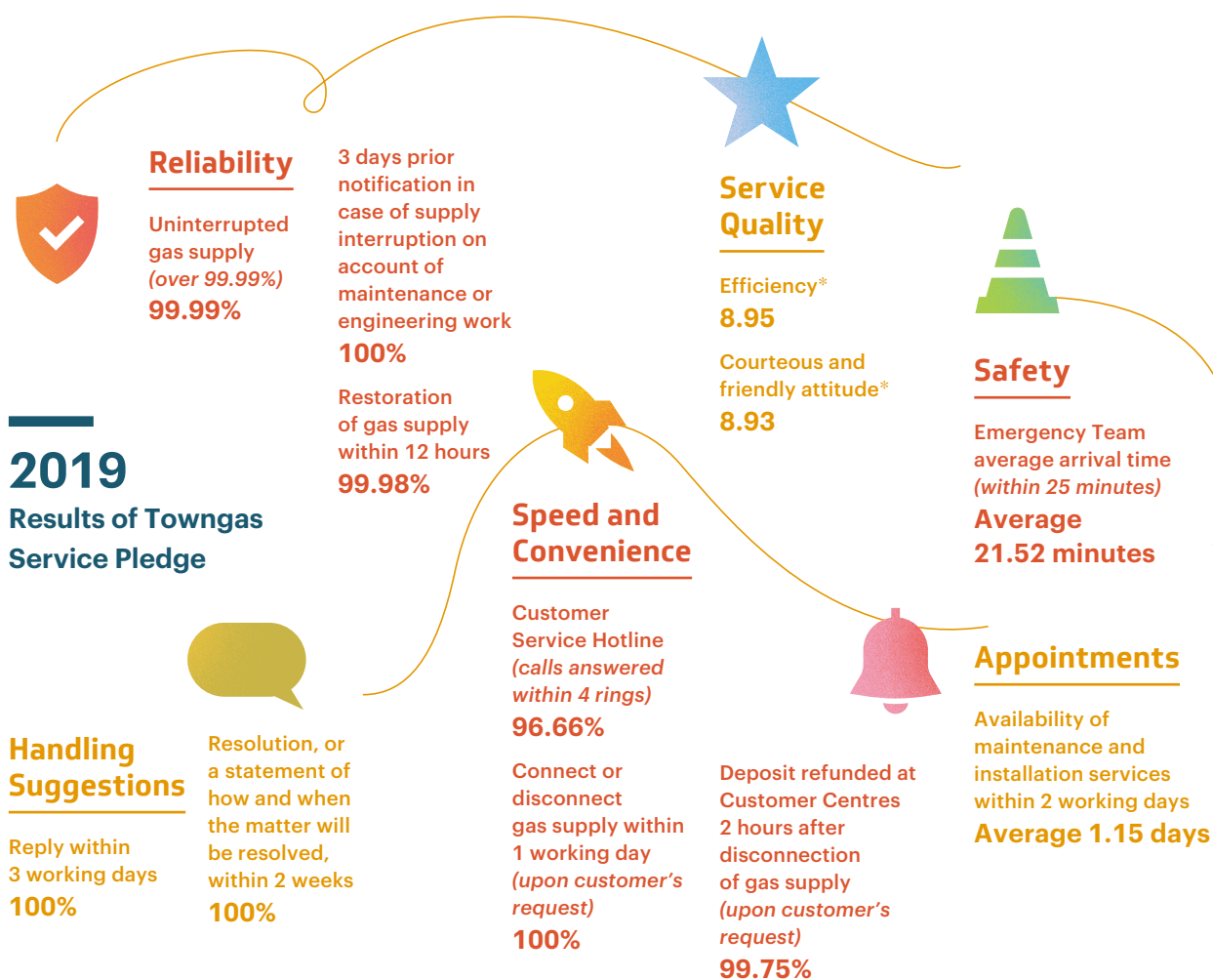
We have developed a strong reputation for our ability to provide a safe, reliable supply of gas as well as efficient and caring services.

During the year, we continued to focus on innovation as a means of improving productivity and service delivery. In particular, we are



Our new smart meters are designed for more convenient meter readings and more accurate billings.

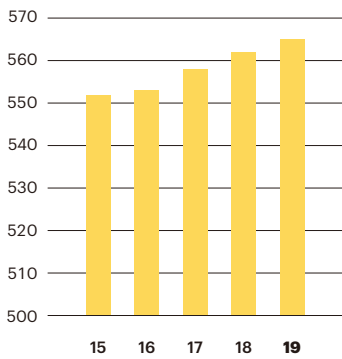
The Towngas Cooking Centre collaborated with Institut Culinaire Disciples Escoffier to offer professional level classes to people who are passionate about cooking.



* The result was based on surveys conducted by an independent research company. Our target is to exceed a score of 8 out of 10.

Number of Customers per km of Mains

Company



looking at new developments in the Internet of Things and artificial intelligence for our operational equipment and devices.

One example is a smart meter equipped with Bluetooth, which has been installed in over 87,600 homes since its launch in May 2018. Customers can simply download a mobile app and link it to the smart meter, then the gas readings will be read and transmitted to our system via the Internet.

Our frontline staff offer efficient and comprehensive services that have earned high praise from customers, as demonstrated by the more than 5,900 complimentary letters we received in 2019. In recognition of our outstanding service quality, we received

the 2019 Service Retailers of the Year – Quality Living Category Award from the Hong Kong Retail Management Association. We also won the Gold Award in the Mystery Caller Assessment Award – Commerce and Utilities for our Mia Cucina 24-hour Customer Service Hotline from the Hong Kong Call Centre Association.

Keeping Our Infrastructure Safe and Secure

Towngas takes the safety of customers seriously and has put in place a proactive maintenance and inspection regime that makes certain our gas network and infrastructure are highly safe and reliable.

To ensure a reliable gas supply and network integrity, we undertake gas leakage surveys, closely monitor third-party construction activities and carry out timely pipe replacements. In 2019, the number of publicly

reported leaks in the network reached a record low for the second consecutive year, while third-party damage and the gas leakage rate were kept at a low level.

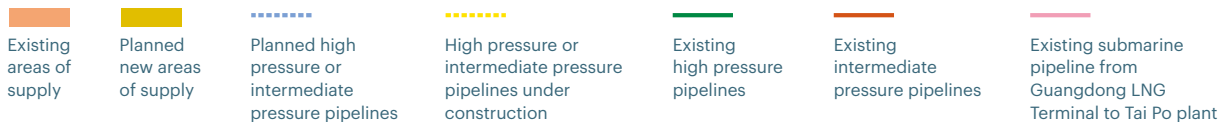
In 2019, we continued to develop innovative tools that improve our operational efficiency. A mini-tunnelling machine was utilised for trenchless pipeline construction in congested areas where open-cut excavation is difficult. Together with our existing Little Swan remote-controlled excavator that reduces construction noise, these tools are helping to improve safety, efficiency and productivity, bring down costs and minimise nuisance to the public.

We have also introduced innovations that help to ensure the safety of our customers’ homes as well as improve our service quality. These included a Drone Riser Inspector and a Long Range Camera with Laser Methane Gun,



The remote-controlled Little Swan excavator, which is equipped with a mobile muffler box, minimises noise at sites and makes night-time roadworks more efficient.

Towngas Network in Hong Kong



which allow our frontline technicians to remotely inspect gas service pipes with a high degree of accuracy. To improve the traceability of our records, our staff can now use a tablet or mobile phone to capture worksite details or record inspection results.

In 2019, we achieved another breakthrough for the quality and safety of our infrastructure with the first-time use of photogrammetry for pipelaying. Photogrammetry was used in a number of new distribution pipelaying contracts in 2019.

The new technique can produce a 3D image record that forms part of the as-built drawing of our network. With the photos that are taken, much more information on the pipeline installation can be captured, which is vital to determining network quality.