

SPREADING GOOD VIBES

HONG KONG GAS BUSINESS

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Following the outbreak of COVID-19, more and more of our customers went online for shopping and cooking tips. Our new e-commerce platform, Towngas Fun, and the top-of-the-town Towngas Cooking YouTube channel featuring celebrity chefs were especially popular.





HONG KONG GAS BUSINESS

The outbreak of COVID-19 in early 2020 deeply affected our commercial customers, particularly those in the catering, hospitality and tourism sectors. Despite this challenging environment, we continued to supply our customers with reliable, clean energy for their needs. As a socially responsible company, we also helped businesses experiencing financial difficulties because of the pandemic and extended our care to those in need through our community initiatives.

A Year of Continuing Challenges

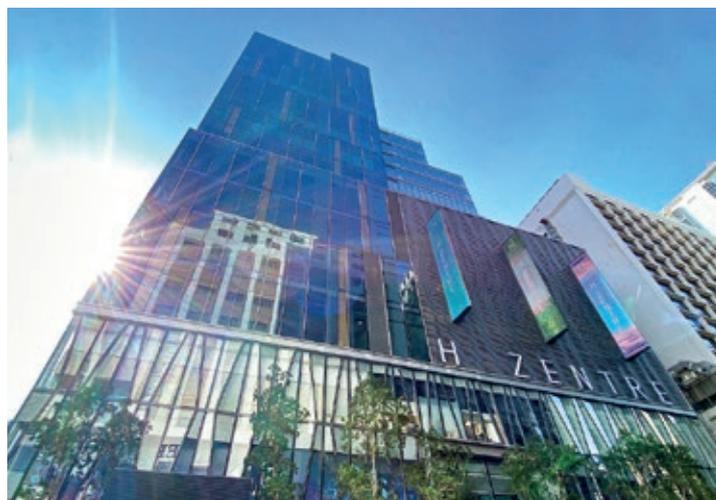
Year 2020 was again remarkably difficult. The Hong Kong tourism and hospitality sectors were severely affected by the COVID-19 pandemic, as tourist arrivals dropped substantially. Social distancing and venue closures also dealt a heavy blow to companies in the restaurant trade as well as the clubhouse and party room business, many of which are consumers of town gas. At the same time, we saw a significant increase in residential gas demand with large numbers of people working from home, many of whom used gas for cooking and heating water.

During the year, the volume of commercial and industrial (C&I) gas sales decreased notably, but this was partially offset by an increase in residential sales. Total volume of gas sales was approximately 27,947 million MJ, a slight decrease of 2.7 per cent from the previous year. The number of new customers in 2020 rose only by 10,050 accounts to over 1.94 million, as a result of delays in new housing move-ins.

Exploring Opportunities in a Demanding Market

In the tourism sector, travel restrictions led to a drastic decline of 93.6 per cent in the number of visitors, while hotel occupancy rates experienced a precipitous drop from 79 per cent in 2019 to 46 per cent. Both trends had a serious impact on our gas sales, particularly to our C&I customers who prepare in-flight meals or provide laundry services.

Our integrated Primary Air-handling Unit was installed at H Zentre to help reduce energy consumption and improve indoor air quality.





SUPPORT FOR THE CATERING INDUSTRY DURING COVID-19



Among the most affected by COVID-19 were our C&I clients, especially those in the catering and restaurant industry. To assist these mostly small and medium-sized businesses, we

distributed about 40,000 bottles of nano photocatalytic spray so that they could disinfect their premises and help restore customer confidence about dining-in.



In May 2020, we launched the Supporting F&B and the Economy campaign. We distributed complimentary dining coupons under our newly launched loyalty programme, Towngas Fun, to increase patronage. Also, we provided aid to qualifying restaurants in the form of an interest-free kitchen equipment rental and purchase scheme.

Despite the negative business environment for hotel operators, new hotels continued to open in 2020, such as The Hari Hong Kong and Sheraton Hong Kong Tung Chung Hotel, along with several other new hotel development projects that secured the installation of gas applications for hot water, cooking as well as dehumidification.

In a similar vein, the social gathering ban during the pandemic led to school suspensions and the closure of venues such as two theme parks, public swimming pools and sport stadiums. The expansion of the two theme parks was also delayed, while a project was temporarily put on hold. Nevertheless, we continued to identify emerging opportunities in our C&I business with the

conversion of ageing diesel boilers to use town gas.

An exceptionally promising market is for a gas-fired desiccant dehumidification system we developed, which enhances humidity control and provides significant improvements to indoor air quality. This compact integrated Desiccant+Primary Air-handling Unit (D-PAU) has already been installed at H Zentre



Towngas Fun, our new membership programme combined with online redemption platform, allows members to earn points and redeem special offers.

on Middle Road and in the patient ward area of Hong Kong Baptist Hospital. The system can meet higher hygiene standards by integrating other air quality control devices for filtering fine particles and eliminating microbes.

Potential users for our D-PAU system include hospitals with hydrotherapy pools and operating theatres, hotels, office buildings, pharmacies, laundries, rehabilitation centres and homes for the elderly. As Hong Kong has a massive plan for hospital development, the potential for gas dehumidification application will be substantial.

Building a Contemporary Home

Our branded gas appliances are favoured for their quality and smart features as well as the backing of our service professionals.

Our kitchen appliances are especially well received among customers for their convenience and safety. In keeping with our Smart Kitchen concept, we have developed a cooking appliance with anti-scorch function as well as another series of models that can be remotely controlled through a mobile app. As the demand for Internet of Things-enabled smart home grows, we will continue to launch more innovative products with smart features.

Our top-of-the-town professional flame cooking platform, the Towngas Cooking YouTube channel, was launched to help audiences become culinary experts.



In 2020, we achieved satisfactory sales for our Mia Cucina line of kitchen cabinets, which are popular among residential customers as well as property developers for their high quality. To promote sales, we showcased different Mia Cucina kitchen projects and shared design tips on digital platforms in addition to conventional channels, with the aim of providing design inspiration and increasing brand awareness among customers planning to renovate their kitchens.

Our desiccant dehumidifier entered the residential market for the first time during the year. We see the market potential for this new gas consumption application in the luxury



residential sector. In addition to protecting cloakrooms, wine cellars, furniture and valuable works of art, our desiccant dehumidification system improves indoor air quality and comfort levels, while reducing electrical load and overall energy costs.

Marketing under the New Normal

During a challenging year when people's lifestyles changed as a result of the COVID-19 pandemic, our sales and marketing teams came up with a variety of innovative promotions to keep Towngas top of mind among consumers.

To build customer loyalty and generate additional online revenue, we launched an exciting new membership programme titled Towngas Fun with redemption offers. The programme is designed to provide not only value-added services to our customers but also publicity exposure for participating merchants.

2020 RESULTS OF TOWNGAS SERVICE PLEDGE



Reliability

Uninterrupted gas supply (over 99.99%)
99.99%

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

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Restoration of gas supply within 12 hours
99.99%



Safety

Emergency Team average arrival time (within 25 minutes)
Average 21.57 minutes



Appointments

Availability of maintenance and installation services within 2 working days
Average 1.21 days



Service Quality

Efficiency*
9.00

—

Courteous and friendly attitude*
8.98



Speed and Convenience

Customer Service Hotline (calls answered within 4 rings)
96.10%

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Connect or disconnect gas supply within 1 working day (upon customer's request)
100%

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Deposit refunded at Customer Centres 2 hours after disconnection of gas supply (upon customer's request)
100%



Handling Suggestions

Reply within 3 working days
100%

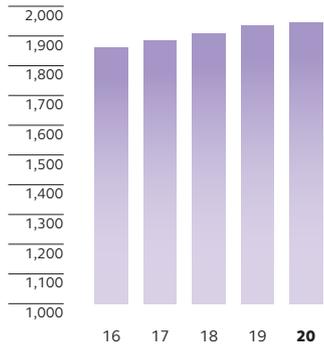
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Resolution, or a statement of how and when the matter will be resolved, within 2 weeks
100%

* The result was based on surveys conducted by an independent research company. Our target is to exceed a score of 8.5 out of 10.

Number of Customers

Company (Thousand)



In 2020, we unveiled the top-of-the-town Towngas Cooking YouTube channel as a platform for flame cooking with celebrity chefs and experts. Topics included green and healthy diets, training for domestic helpers, and cooking tips for parents. Additionally, under the “new normal” of social distancing, the Towngas Cooking Centre offered a series of live cooking classes online, with ingredients for the courses delivered to participants’ homes in advance.

Achieving Service Excellence

Innovation continued to play a key role in improving our productivity and service quality. One of our innovations is our artificial intelligence (AI) Chatbot that can handle customer enquiries and requests for gas services regardless of location and time. For the convenience of

our customers, we introduced a new Wi-Fi/BLE (Bluetooth low energy) series during the year as an upgrade of our Smart Metering System. With this new device, meter readings can be done automatically and sent to our system via home Wi-Fi or Bluetooth.

During the year, we received over 5,800 compliment letters. In recognition of our service excellence, we received the Sing Tao Service Awards – After Sales Services award for the 12th year, and East Week’s Hong Kong Service Awards – Public Utilities for the 10th year.

Expanding Gas Supply Network

Our comprehensive network infrastructure is well regarded for its safe and reliable supply. To maintain a high level of supply reliability, we have been forming a ring-feed transmission network in the New Territories. The last 9 km of transmission pipelines linking Tuen Mun and Tsuen Wan were mostly completed in 2020, with commissioning expected in 2021.

The announcement of two new railway developments, the Tung Chung West Extension and Tuen Mun South Extension, in 2020 will ultimately bring us about 20,000 potential customers. Work on these two projects is scheduled to commence in 2023.

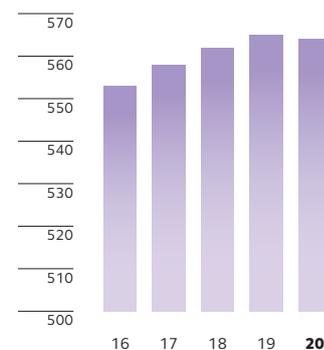
We are also undertaking the construction of a ring-feed supply network to the Airport Island and Ocean Park in order to increase supply security. Despite COVID-19, works progressed smoothly during the year. Additionally, in 2021 we will start a network upgrading project for all of Wong Chuk Hang District.

Innovation and Safety

During the year, we continued to conduct regular gas leakage surveys, monitor third-party construction activities and replace ageing pipes in our network. The number of leaks reported by the public in 2020 again reached a record low for a third consecutive year. Third-party damage dropped to the single-digit level again, as compared with approximately 100 cases per year two decades ago.

Number of Customers per km of Mains

Company





To maintain a high level of safety, we use the sophisticated Supervisory Control and Data Acquisition system for monitoring and controlling our pressure-regulating stations and network. Other advanced gas detection technologies

include the use of drones to scan and take videos to identify potential risks of pipe corrosion.

When analysing X-ray films of weld joints on steel pipes, we have been exploring the use of machine learning and AI to help

identify any welding defects and improve the efficiency of quality checks. AI is also being used to monitor third-party construction works carried out in the vicinity of strategic gas pipelines.

Towngas Network in Hong Kong

