



煤氣
Towngas

Sustainability Summary Report 2007

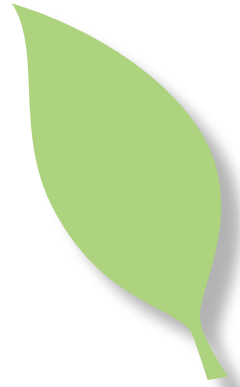


Contents

Major Highlights and Achievements 2007	01
About Towngas	02
Our Vision for Sustainability	03
Our Environmental Achievements	05
Enhancing Health and Safety	08
Our Social Responsibilities	10
Review of 2007 Targets	13
Future Targets and Initiatives	14
Key Statistics	15

Introduction

In line with our goals for sustainability, we have decided to publish our Sustainability Report 2007 online. Saving paper and making it easier for readers to gain an overview of our activities, this summary version provides a general look at the progress of our sustainability management from 1 January 2007 to 31 December 2007. It also includes information on our environmental, safety and social performance as well as our future targets. If you are interested in any further information, the full report is available at www.towngas.com.



Major Highlights and Achievements 2007

- Our NENT landfill gas utilisation project, one of the largest landfill gas utilisation projects in the world, was commissioned.
- U-Tech and our joint ventures in Wuhan, Longkou and Huzhou gained OHSAS 18001 or GB/T28001 certification.
- We received PAS 55 certification for our asset management system, covering gas production plants, gas holders, transmission and distribution systems, service risers and meters, to enhance our gas infrastructure safety and efficiency.
- To ensure public safety, we inspected over 14,600 sites, carried out over 7,500 km of leakage survey on our pipelines, and carried out over 900,000 residential installation inspections.
- We saved 7,679,426 kWh of electricity, translating into an equivalent reduction of 5,376 metric tonnes of carbon dioxide emissions, and collected 14 different types of waste for recycling or reuse in Hong Kong.
- Our accident rate continues to fall. We recorded an Injury Industrial Accident Frequency Rate (AFR) of 0.32 with 16 industrial accident injuries in 2007, a decrease of 52.2% and 51.5% over 2006 respectively.
- Our Technical Training Centre celebrated its 40th Anniversary.
- We established a new Guinness world record and raised fund for the Community Chest with the making of the largest collection of rice dumplings on a single occasion, in our "Rice Dumplings for the Community" event.
- We launched our first social enterprise initiative "COOK EASY", the first food pack delivery service in Hong Kong.



About Towngas



Founded in 1862, we were the first public utility to be established in Hong Kong. Our core business in Hong Kong consists of the production and distribution of gas, its marketing and sale, the sale of gas appliances, as well as comprehensive after-sales services.

In mainland China, we managed a total of 77 projects across 16 provinces and municipalities by the end of 2007. Our business includes downstream, midstream and upstream gas projects including piped city-gas projects and new energy exploration and utilisation.

We have also diversified into the green energy business, including the operation of liquefied petroleum gas (LPG) filling stations and the utilisation of landfill gas, and into other utility sectors such as telecommunications, building services, water supply, wastewater treatment, etc.

◆ **Our Vision** To be Asia's leading clean energy supplier and quality service provider, with a primary focus on gas.

◆ **Our Mission** To provide our customers with a safe, reliable supply of gas and the caring, competent and efficient service they expect, while working to preserve, protect and improve our environment.



Our Vision for Sustainability

Sustainability is a core Towngas value. Integrating sustainability into our decision making processes and daily activities, we apply international standards and assume social and environmental responsibility for our activities, without comprising the quality of our services.

Corporate Governance

Our highest governance body is our Board of Directors. Accountable for the Group's activities, strategies and financial performance, they are also responsible for maintaining sound internal control systems that safeguard the Group's assets and shareholders' interests. Four Board Committees, the Audit Committee, Remuneration Committee, Investment Committee of the Retirement Schemes and Treasury Committee, support the Board in its activities.

Good corporate governance places an emphasis on accountability and an increase in transparency. Making sure that our stakeholders have full access to our information and activities, we publish a Corporate Information Booklet annually, which provides details of our environmental, safety and health, operational and financial information. Within the Group, we follow a strict internal Code of Conduct that covers bribery and corruption, equal opportunities, fair dealing, freedom of association and conflicts of interest.

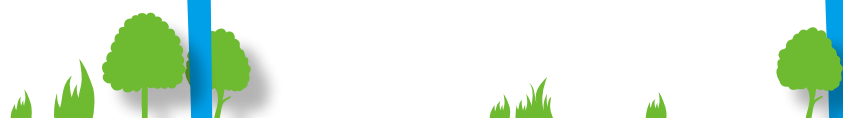
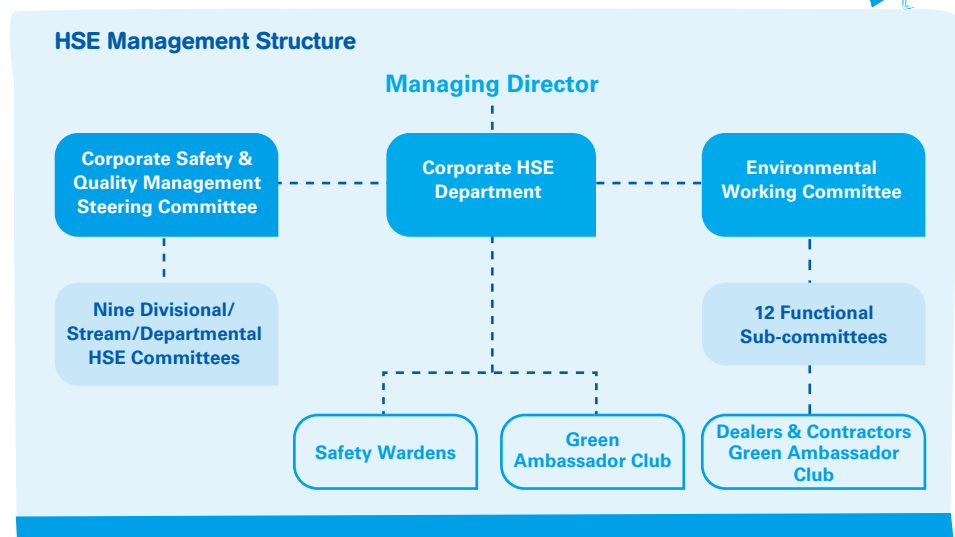


Externally, we comply with all code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Our Health, Safety and Environmental (HSE) Initiatives

Under our HSE initiatives, we contribute to the social and environmental well-

being of our customers, shareholders, stakeholders and communities through engagement, participation and best practice management. In early 2008, we combined our Corporate Environmental Policy and Corporate Health & Safety (H&S) Policies into a Corporate HSE Policy, which provides explicit guidelines for the protection of the environment and our H&S commitment to employees, contractors, customers and the community.





Our Corporate Health, Safety and Environment (HSE) Policy

We pledge to conduct our operations in a manner which poses no risk to the health, well-being and safety of our employees, contractors, customers and the public at large and to make every effort to protect the environment.

We therefore strive to achieve the following HSE objectives:

- **To ensure** health and safety at work, and to minimise HSE risks
- **To achieve** a zero accident rate as well as a high standard of environmental care through continuous improvement
- **To eliminate** HSE hazards in our operations, applications and services
- **To carry out** necessary HSE assessments for all major projects and to conduct regular HSE audits in our operations
- **To promote** HSE awareness and consciousness among employees, contractors and business associates through education and training
- **To achieve** full compliance with all relevant legislation
- **To use** environmentally friendly materials and technologies, promote economic recycling of materials and conserve resources

Stakeholder Engagement and Communications

We work in partnership with our stakeholders, turning relevant contributions into sustainable practices. In addition to the trust that this generates, with an understanding of their expectations, we are able to align their aspirations with our goals, formulating policies crucial to our future sustainability and success.

Our Employees...we operate a number of employee suggestion schemes and recognition awards to encourage employee proposals and initiatives. Under our Superior Quality Service programmes, 3,869 employees from both Hong Kong and the mainland worked together to create 366 improvement projects in 2007.

Our Business Partners...we work closely with our business partners to develop codes of practice and other standard procedures. We conduct training and operate seminars and briefings to share our experiences and foster practices in line with our requirements.

Our Customers...we regularly conduct surveys and focus groups and our Customer Focus Team makes 24 visits every year to collect customer views and feedback on the Company.

The Community...our District Council Focus Team, made up of Towngas managers, proactively meets community representatives and the authorities to gain their views and promote openness and understanding. Fostering a better understanding of our business, we also welcomed around 200 visits to our facilities from students, business corporations, professional groups and government officials both from Hong Kong and the mainland, during the year.

The Gas Authority

"In last year's report, Towngas published leakage survey frequencies for all basic piping, including transmission and distribution at the various pressure levels except for Intermediate Pressure A (IPA). Moving forward, we are seeking to include information on IPA pipes as well, to complete the picture."

*Electrical and Mechanical Services Department –
Mr Michael Cheung, Assistant Director (Gas & General Legislation)*

Independent Verifier

"Our recommendation is for Towngas to consider greater inclusion of sustainability performance information in relation to its joint venture operations in China. We would like to see more information on stakeholder engagement and key performance indicators, covering more GRI content and core performance indicators."

*Hong Kong Quality Assurance Agency –
Ms Connie Sham, Manager, Strategic Business*



The Community

"Towngas has shown every commitment to providing clean and environmentally friendly energy. A prime example is their utilisation of landfill gas in the gas production process. This application helps to significantly reduce the emission of potent greenhouse gases, improving air quality for us all."

*Philips Electronics Hong Kong Ltd –
Mr Jason Wong, Senior Manager – Sustainability*

Green Groups

"From recycling to using landfill and natural gas, Towngas demonstrates a genuine commitment to environmental protection and sustainable development. We look forward to more green initiatives from Towngas."

*The Conservancy Association –
Ms Lister Cheung, Chief Executive*

Employees

"Towngas places tremendous emphasis on nurturing employees for the sustainability of its business. The Company not only employs new graduates as trainees, it also provides a diverse range of training and development opportunities to foster our professionalism and ability to deal with the Company's expansion."

*The Hong Kong and China Gas Company Limited –
Mr Trevor Tang, Engineer, Network*



Our Environmental Achievements

The sustainability of our business is only possible if we take a responsible and caring attitude towards the preservation of the environment and the conservation of the earth's resources. We are therefore extremely pleased to report that during the year we were able to meet and comply with all relevant environmental legislation, receiving no environmental warnings or alerts whatsoever.



Clean Energy

While energy is essential in our world today, mankind has unfortunately come to depend on coal and oil as the major sources of this energy. Their unrestricted use however is not only depleting world resources, it is also generating environmental pollution together with the emission of greenhouse gases, which are contributing so worryingly to global warming. We are therefore proactively exploring the use of clean energy in our bid to protect the environment.

Cleaner Feedstock for Town Gas Production in Hong Kong

As far back as 1973, we switched our feedstock from coal and heavy oil to naphtha, a colourless distillate of petroleum. It has a very low sulphur content – only about 10 parts per million, which reduces sulphur dioxide emissions.

In 2006, we successfully introduced the use of natural gas in our production process. Using natural gas as a dual feedstock with naphtha further reduces CO₂, SO_x and NO_x emissions. We are now planning to convert our supporting gas production plant at Ma Tau Kok to ultimately use natural gas feedstock.

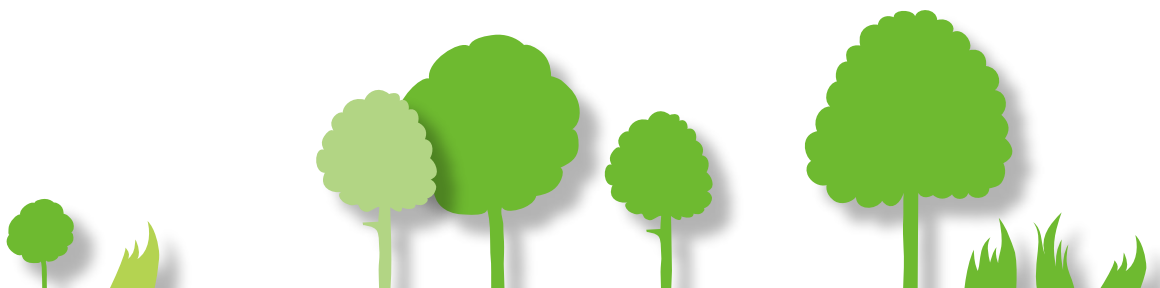
Landfill Gas Utilisation in Hong Kong

A major achievement is our use of landfill gas (LFG) to generate energy from municipal waste. Methane is captured from landfill gas and processed into a heating fuel for town gas production. This process not only reduces the flaring of landfill gas, which generates CO₂, it also reduces the consumption of naphtha as a fuel. The launch of our first LFG project at the Shuen Wan Landfill in 1999 has reduced CO₂ emissions by about 5,400 metric tonnes a year for the past seven

years. Our second LFG project at the Northeast New Territories (NENT) Landfill, one of the largest in the world, was commissioned in 2007. It is expected to save up to 135,000 metric tonnes of CO₂ a year.

Natural Gas and Other Initiatives in Mainland China

On the mainland, we established our first natural gas energy exploitation joint venture in Jilin in early 2007. With high-pressure natural gas pipeline joint ventures in Anhui, Hebei and Hangzhou in Zhejiang province, as well as a new JV investing in the construction of natural gas pipelines and the exploitation of crude oil in Jilin province, our development of natural gas in the country is gaining rapid momentum.





Our acquisition of Panva Gas has also accelerated the use of natural gas. With the increase of our piped city-gas projects to 65 in cities across 14 provinces and municipalities in China, natural gas sales virtually doubled to 4.6 billion cubic metres from 2.5 billion cubic metres in 2006. This increased use of natural gas is helping to build cleaner cities.



Capitalising on the huge coal reserves in Shanxi, a JV was set up to turn coal-bed methane into a liquefied natural gas equivalent. The liquefaction plant is now under construction and commissioning is expected in 2008. We are also aggressively exploring the production of methanol and dimethylether (DME) using coal as feedstock. Methanol and DME provide an alternative to both gasoline and diesel fuels and methanol can also be used as a feedstock, currently dominated by petroleum-based products, in the chemical industry. Methanol and DME also enable the much cleaner use of coal as an energy source since waste can readily be captured and recycled.

Clean Air

With air pollution posing a major concern in Hong Kong, we are particularly pleased to report that our emission levels are well below our licensing limits and we are working towards minimising these levels even further. Major improvements have resulted from the use of natural gas and landfill gas, which have replaced a large part of our naphtha consumption. In addition to the desulphurisation systems at our Tai Po Plant which minimise sulphur levels in our feedstock, a De-NO_x system retro-fitted into older plant units at Tai Po in 2006, has also helped to reduce nitrogen oxide emissions by a further 30%.

Hong Kong's Clean Air Charter

In November 2005, we signed the Clean Air Charter, which was launched by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment, to engage the Government, the business sector and the community, in promoting clean air. As a signatory, we are committed to six principles in the implementation of energy efficiency and emissions reduction programmes.

Conserving the Earth's Resources

Electricity

In 2007, a number of energy-efficient measures in our gas production process saved 3,942,356 kWh of electricity, the equivalent of 2,759 metric tonnes of carbon dioxide emissions. These measures include the shutting down of various naphtha feed pumps and benfield plants; the use of variable frequency drives in over 30 pump, compressor and fan motors; insulation surveys; diesel-driven emergency pumps for naphtha feeds; the heating of natural gas with cooling water; the use of photovoltaic panels at most of our off-take and pigging stations, etc. In the office, temperatures are set at 25°C and the establishment of

our innovative Green Data Centre at our North Point headquarters also yielded satisfactory savings.

Our JVs on the mainland have implemented similar measures. The JV in Xuzhou, for example, adopted a variable frequency drive for its compressors, resulting in a saving of RMB180,000 as compared to 2006.

Water

Access to clean water is increasingly under threat around the world. Conserving as much water as we can, water used to cool our compressors has been reused in the cooling tower at our Tai Po Plant since 1999, and we have adopted reverse osmosis technology in our water treatment plant since 2004. These two initiatives alone save some 0.2 million m³ of fresh water every year.

Waste Management

Applying the 5Rs principle (**R**eplace, **R**educe, **R**euse, **R**ecover and **R**ecycle) in our activities, the different types of used materials collected for recycling or reuse in Hong Kong rose to 14 during the year. These include paper, metal drums, spent catalyst, plastic chemical drums, spent laser toner cartridges, computers, polystyrene foam, retired safety helmets, used gas appliances and spare parts,



obsolete rechargeable batteries, old gas meters, used CDs/DVDs, retired uniforms and used polyethylene pipes. Complex and well-organised logistics as well as sophisticated technology have been put into place in the collection and recycling of these materials. The recovery of special metals from our spent catalyst, for example, involves collection of the materials in Hong Kong, specialist packing and shipment, followed by complex metallurgy technology to recover the metal overseas. During the year, we collected 23 metric tonnes of spent catalyst while 1,091 metric tonnes of general metals were recovered under our Used Appliance Recycling Programme.

On the mainland, a paperless office campaign at Wuhan Natural Gas, where employees were encouraged to use electronic communications, was so successful that the consumption of A4 and A3 sized paper fell by 23% and 38% respectively over 2006.

Our Outreach Programmes

Our Employees... In 2007, about 860 employees, dealers, contractors and family members participated in environmental seminars and eco tours. Green messages are also displayed on desktop screensavers to remind employees to work in line with green practices.

A green creativity fund encourages employees to proactively submit proposals on environmental issues. In 2007, one of the most successful proposals was the establishment of a Green Ambassadors Club for Contractors and Dealers, to enhance their environmental awareness and enforce our corporate Health, Safety and Environment Policy.



Our Partners and Suppliers... We introduced a Green Purchasing Policy in 1998, extending the initiative into our Supplier Partnership Programme in 2004. This Partnership Programme aims to make the entire purchasing process more transparent and specific while recognising the achievements of those who demonstrate outstanding environmental initiatives.

In 2007, we introduced contractual requirements for our pipelaying and appliance installation contractors to submit Environmental Management Plans and ensure their compliance. Additionally, programmes such as a Safety & Environmental Quiz, Safety & Environmental Best Practice/Technology Application and the Best Safety & Environmental Award were organised to increase contractors' awareness of safety and the environment and improve performance in these areas.

Our Customers... Helping customers in Hong Kong meet their environmental goals, we provide a wide range of appliances in more than 200 models offering a number of different eco-features – energy efficiency,

environmentally friendly materials, processes and packaging. Since 2003, we have launched at least one energy efficient appliance every year. In 2007, we launched two high efficiency super-flame built-in hob models, improving energy efficiency by 3% compared to conventional models, and a commercial water heater performing at a high energy efficiency rate of 84%.

The Community... Recognising the significant inroads we have made in the reduction of waste, we have received the "Gold Wastewi\$e" award from the Environmental Protection Department for the past six years.



Sharing our knowledge and experience, in May 2007 we presented details of our Styrofoam Packaging Materials Reduction and Recycling Programme in a forum organised by Friends of the Earth. We also talked about our green practices in a climate change forum organised by the Conservancy Association.

We are a major sponsor of the Tree Planting Challenge organised by Friends of the Earth, recruiting the public to plant 10,000 trees every year, a silver member of WWF Hong Kong's Corporate Membership programme and a participant in the Green Power Hike organised by Green Power.





Enhancing Health and Safety

The nature of our work demands that safety forms an integral part of our daily operations. We therefore continue to implement measures that will enhance safety even further. These measures are reaping results, the number of industrial accidents and the accident frequency rate have fallen significantly over the years, dropping more than 50% in Hong Kong in 2007.

Safety of the Gas Infrastructure

Enhancing the safety of our gas infrastructure in Hong Kong, we inspected over 14,600 sites and carried out over 7,500 km of leakage survey on our pipelines. The total number of gas seepage incidents in 2007 stood at 0.185 per km of underground network for the year, much lower than the figure in many other metropolitan cities.

During the year, we introduced an innovative Laser Methane Gas Detector (LMD), which is able to detect gas leaks in remote or previously inaccessible locations. This new detector not only improves the accuracy of our leakage surveys, it also allows our staff to perform manhole surveys safely on Hong Kong's busy roads.

On the mainland, we introduced advanced alarm and monitoring systems to manage and maintain safety performances. We installed Supervisory Control and Data Acquisition (SCADA) gas network security monitoring systems in Jinan to detect gas leakage in manhole ducts. An Electronic Marking System (EMS) is now adopted in Beijing, locating underground pipelines and helping to prevent pipelines from being accidentally damaged during road works or other



construction projects. An Electronics Patrol System was also installed in Changzhou, resulting in no reported incidents since its installation.

Customer Safety

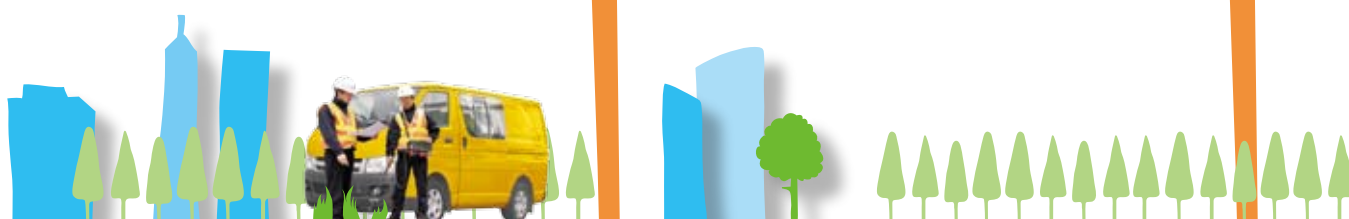
Customer safety is a top priority in our business. As such, in 2007, we

completed over 900,000 home inspections, checking pipeline conditions and identifying appliances that may need maintenance or upgrading. Extended during the year to cover the pipelines of commercial customers, we also carried out safety inspections on flueless and open-flue water heaters, together with



Leakage and Pipeline Surveys

Types of Pipelines	Frequency of Leakage Surveys
<i>Transmission Pipelines</i>	
All high pressure and intermediate pressure B mains	At least once a year
Intermediate pressure A mains	At least once a year
<i>Distribution Pipelines</i>	
Polyethylene or steel pipes over or enclosed within structures	At least twice a year
Medium pressure ductile iron pipes or all galvanised iron pipes	At least six times a year
Low pressure ductile iron pipes	At least three times a year
Others	At least once a year





comprehensive checks of all gas risers located in Hong Kong's back streets. On the mainland, we conduct regular safety inspections of both gas appliances and pipelines for residential customers every 12 months.

We also provided comprehensive gas safety information, together with games promoting safety, on our website as well as a DVD, providing usage guidelines for property management companies and households, to enhance public awareness of this important subject. In Xuzhou, we organised 37 outreach activities to promote the importance of gas safety, while other activities include the distribution of a user safety manual to residential customers, briefings on the replacement of gas appliances, on-site consultation on the safe use of gas, customer focus groups and "Excellence Services Days". These programmes not only strengthen customer knowledge and understanding of gas safety, they provide a platform for communication and discussion within the community.

Corporate Occupational Health and Safety

Our industrial accident rate per 1,000 employees is very low compared with other workplaces in Hong Kong. In 2007, we saw a record low – the lowest in 26 years – of 5.4 incidents per 1,000 employees, against the Labour Department's Industrial Accident Rate of 29.3 accidents per 1,000 employees. The Injury Industrial Accident Frequency Rate (AFR) was 0.32 and we recorded 16 cases of industrial accidents causing an injury, representing a decrease of 52.2% and 51.5% over 2006 respectively.

We issued a new "Corporate Risk Management Manual" together with two internal emergency guidelines, providing systematic approaches in risk management together with the prevention and dealing of emergency situations.

Internal Safety Awareness Enhancement Programmes

- Enhancement Training on Risk Assessment Techniques and Skills
- Seminar on Corporate Emergency Preparedness on Influenza Pandemics
- OHS Talk for Prolonged Display Screen Equipment Users
- Fire and Safety Forum
- HSE and Asset Management Quiz
- Fire and Safety Competitions
- OHSAS 18001 Implementation and Internal Auditing
- Transport Safety Quiz
- Refresher Training Course on Handling Bomb Threats without Indicating Exact Location(s)
- Health, Safety and Environmental Day
- Health, Safety and Environment Bulletin

In mainland China, we completed 17 safety and risk management audits and 63 safety inspections to ensure compliance with the highest industry standards. To prevent re-occurrences of serious or fatal accidents, we conducted thorough investigations of two severe

injury cases, one in Xi'an related to a gas explosion, and the other in Suzhou related to working in a confined space. Root causes have been identified and appropriate improvements are being made to avoid any re-occurrences in the future.

In China as in Hong Kong, a number of JVs have obtained OHSAS 18001 or GB/T 28001 certification. A new Safety and Risk Management Department for Towngas China Company Limited was also established and we continued our JV General Manager (GM) Monthly Safety and Risk Management Inspection Programme.

Guidelines for both the gas and water businesses were issued, with updates on our HSE policies and manuals, a guideline on safety signage and pipeline colour codes, fire evacuation plans, JV GM monthly safety and risk management inspection programmes as well as corporate emergency plans.



Safety and Risk Management Workshops were conducted in Xi'an and Wuhu and "2007 Towngas Safety Olympics" were held in Zhongshan, Nanjing, Jinan and Wuhan to raise staff safety awareness and strengthen their practical knowledge on the use of safety equipment. Over 560 staff from 35 JVs participated in these events.



Our Social Responsibilities

As a socially responsible company, Towngas is actively involved in the communities in which we operate. Reaching out to the community, we hope to benefit society through various social investment programmes, strategic sponsorships as well as sharing and caring activities. At the same time, we make every effort to nurture and grow our own employees, ensuring their well-beings both at work and beyond, in their lives at home and at play.

Ensuring the Best for Employees

At the end of 2007, we had 1,919 staff in Hong Kong and 27,813 on the mainland. In Hong Kong, the staff turnover rate was 6.8% while an average of 4.5 sick-leave days were taken per employee in 2007.

We aim to provide a quality work environment that attracts, encourages and retains quality people. On top of our regular medical scheme, for instance, we helped staff in Hong Kong purchase voluntary medical insurance with a company subsidy. As at December 2007, 2.4% of our employees had taken up coverage under this scheme.

A proper work-life balance is crucial to ensure work efficiency and effectiveness. We therefore organised a number of work-life balance programmes for employees and their families through our Sports and Recreation Club. These programmes, often subsidised by the Company, include package tours, festive carnivals, various sport and leisure events, interest clubs, etc.

Internal communication channels include regular meetings and briefings at every level supported by information presentations and departmental newsletters. Regular meetings with staff



unions and consultative committees also enhance communications, promoting a healthy and contented organisation. A Strategy Ambassadors Club, consisting of 62 ambassadors from frontline to managerial staff, also conveys strategies to employees and provides effective two-way communications within the Company.

Ensuring fair treatment and total equality between genders and races in terms of salary, promotions and compensation, we implemented a Towngas equal opportunities policy. In addition to adhering to gender-neutral principles, placing primary consideration on a candidate's competence, when employing new staff, we seek to ensure that the Company is free from any discrimination related to race, religion, marital status, age, family responsibilities or any health disabilities or conditions.

Staff Development and Recognition

In early 2007 we developed a Towngas Leadership Competency (TLC) model, to cope with the rapid expansion and increasing complexity of our business and build a leadership pipeline into the future. At the end of the year, we extended this initiative with TLC+, a talent acceleration development programme. After detailed assessment, 25 participants (1.3% of the staff in Hong Kong) were selected to undergo the 18-month programme focusing on individual development. Candidates who meet the assessment criteria upon the programme's completion will enjoy fast-tracked careers with the ability to move more quickly up the corporate ladder. Some 300 talented individuals are expected to complete this programme in the next five years.



A two-year Graduate Trainee Scheme provides a comprehensive training programme for university graduates. Celebrating its 25th birthday in 2007, some 100 Graduate Trainees have completed the programme and around 40% of our current executives are graduates of this initiative.

Our Technical Training Centre operates a Gas Fitter Apprentice Training Scheme and a Trainee Network Fitter Training Scheme to attract young people into the gas industry. The Centre celebrated its 40th anniversary in 2007, having trained over 1,000 gas professionals during this time.

The "Vote for Service Ambassador Campaign" invited customers to vote for the "most caring service ambassadors" among our technicians and sales representatives in the final quarter of 2007. A total of 30,452 votes were received, providing excellent recognition and encouragement for our frontline employees.



Achievements in Mainland China

Our Superior Quality Service (SQS) programme has greatly improved operational efficiencies and service quality for our operations on the mainland. During the year, a total of 3,104 mainland employees participated in



the programme, completing 299 projects with tangible and intangible benefits worth RMB8.3 million. The fourth Quality Day for our mainland joint ventures was also held in Wuhan with 700 participants from our JVs, local government, customer representatives and the media.

Our Training Institute in Jinan, Shandong ensures that mainland staff are professionally qualified apart from also keeping them in touch with international best practices and the latest industrial developments. The Institute also runs a technical consultancy service, sharing our experience and helping to raise gas technology standards in China.

Reaching Out to the Community

Rice Dumplings for the Community

Our single largest community event, we bring district and legislative councillors, schools and community organisations, together every year as part of the Dragon Boat festivities, to make rice dumplings for the needy in Hong Kong. Launched in 2000, the programme set a record in the Guinness Book of Records with the largest "Giant Rice Dumpling" ever.

In 2007, we established a new Guinness record for making the largest collection of rice dumplings, 34,056 in total, on a single occasion. The event also raised over HK\$840,000 in funds for one of Hong Kong's leading charity, the Community Chest.



COOK EASY

In response to the government's call to support social enterprises, we launched our first such initiative, working with the Tung Wah Group of Hospitals' catering service to produce the first food pack delivery service in Hong Kong. The packs provide fresh and nutritious pre-prepared ingredients, so that meals can be cooked in minutes. The cleaning, preparation and assembly of these food packs provide employment opportunities for the disabled and other disadvantaged individuals.





Love and Shine Charitable Lunches

A second social enterprise initiative was our sponsorship and support of the fund raising lunches held by the Hong Chi Association. Under this initiative, we sponsor the ingredients for the Association's "Love and Shine Charitable Lunches" held at their Garden View Lounge, while also sharing our cooking skills and restaurant management expertise at the events. The lunches provide an excellent opportunity for the Association's disabled trainees to sharpen their catering management skills and enhance their job competitiveness in the market.

Caring for the Community

We are also involved in a number of long-standing charitable programmes. Our volunteer team, consisting of our employees, their families as well as customers, provides a range of services for the needy and underprivileged within the community. The team participated in 117 volunteer activities, with 6,829 volunteers contributing a total of 38,935 service hours, benefiting 33,660 people, in 2007.

Supply Chain Management

We also push our suppliers and contractors to move towards sustainable development. In line with our Towngas Purchasing Policy, we are committed to achieving reliable, competent and long-term business relationships with our suppliers and contractors through fair and ethical purchasing practices. To conserve natural resources and to promote recycling of materials wherever possible, all staff members are also required to observe our Environmental Purchasing Policy, whenever products and services are purchased.

In 2007, we signed the Hong Kong Green Purchasing Charter (HKGPC) as a Founding Member and were invited to be one of its Supervisory and Guidance Committee Members to provide strategic guidance, direction and support for the development and implementation of the Charter. Under the HKGPC, businesses must agree to comply with its "Statement of Commitments" which consists of formulating green purchasing policies, developing and implementing practical and sustainable green purchasing strategies, and promoting the principles of Green Purchasing.



Towngas Purchasing Policy

- All tendering and quotation exercises are conducted through a free and fair process. Identical and timely information is provided to all invited parties for their use in preparing tenders and quotations
- Company approved suppliers and contractors shall have equal opportunities to make offers. Towngas shall not discriminate against any supply source for geographical reasons
- Under the Towngas Probity Clause, Towngas employees are prohibited from receiving any advantage, gratuity, bonus, bribe or loan from suppliers or contractors
- Towngas shall support and develop those suppliers who work to improve quality, delivery, cost and performance



Our Community Service Achievements in 2007

Corporate support through active participation, donation or in-kind sponsorship (Number of programmes)	22
Number of employees participating in the Company's voluntary services	953
Number of Towngas Customer Volunteer Team members	100
Number of voluntary service hours (including employees and customers)	38,935
Number of rice dumplings made	120,000
Number of mooncakes made	100,000
Number of soup servings distributed	26,490
Number of turnip cakes made	3,500



Review of 2007 Targets

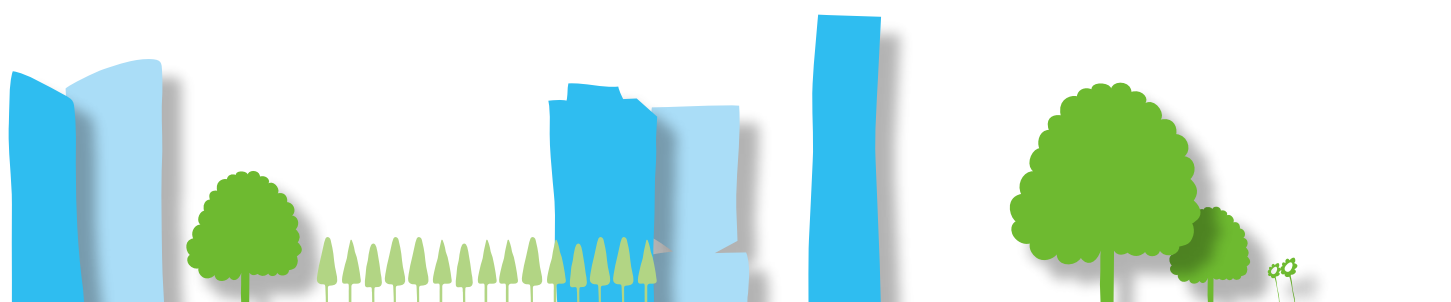
Issues	○ Targets	◆ Results
Governance and Management	○ To further enhance business risk assessment framework for Hong Kong operation	◆ <i>New Corporate Risk Management Manual issued in April 2007 together with enhanced training.</i>
	○ To establish a Green Ambassadors Club working directly with contractors and dealers	◆ <i>Established, total of 24 contractors and dealers enrolled as Green Ambassadors.</i>
Safety	○ To develop and implement PAS 55 asset management system to enhance gas infrastructure safety	◆ <i>We achieved certification covering the major gas supply infrastructure in June 2007. Towngas is the first gas utility in Asia to attain this global standard.</i>
	○ To obtain OHSAS 18001 occupational health and safety management system certification for ECO Energy and U-Tech Engineering in Hong Kong and two joint ventures in mainland China	◆ <i>U-Tech achieved certification in July 2007. ECO Energy completed audit for certification in December 2007. JVs in Wuhan, Longkou and Huzhou achieved certification in January, February and October 2007, respectively.</i>
	○ To reduce corporate Accident Frequency Rate (AFR) from 0.67 to 0.57 and corporate Injury Traffic Accident Rate (ITAR) from 3.05 to 2.59	◆ <i>Corporate AFR fell to 0.32 in 2007 and corporate ITAR to 1.81.</i>
Environment	○ To commence using landfill gas from NENT landfill site as heating fuel in gas production	◆ <i>NENT facility began supplying landfill gas to Tai Po Plant from May 2007. Official Commissioning Ceremony took place in January 2008.</i>
	○ To investigate the potential for operational improvements (including shutting down part of carbon dioxide stripping plant) after utilisation of natural gas in gas production	◆ <i>Investigations completed in 2007 and operations commenced in 2008. Annual power savings of over a million kWh expected.</i>
	○ To complete feasibility study for using degradable paper pulp moulded packaging for gas appliances	◆ <i>Trials completed but packaging failed to provide necessary protection.</i>
Employees	○ To complete influenza pandemic preparedness plan for Hong Kong operation	◆ <i>Corporate plan dealing with possibility of such an emergency issued in September 2007.</i>
	○ To advance tailored training and development programme for senior staff	◆ <i>Developed Towngas Leadership Competency (TLC) Model in early 2007.</i>
Community	○ To strengthen relationships with District Councils in Hong Kong	◆ <i>Towngas District Council Focus Team meets regularly with District Council members, fosters two-way communications and supports DC community initiatives.</i>
	○ To continue programmes targeting at underprivileged children in Hong Kong	◆ <i>About 700 children participated in our Towngas Cooking for Fun English Workshop programme.</i>



Future Targets and Initiatives



Issues	○ 2008 Targets	◆ Medium Term Targets <i>(Two to Three Years)</i>
Governance and Management	<ul style="list-style-type: none"> ○ To develop a HSE Management Manual for Gas-business JVs in mainland China <hr/> <ul style="list-style-type: none"> ○ To conduct first round safety and risk management audits for TCCL JVs 	<ul style="list-style-type: none"> ◆ To further enhance the business risk assessment framework for our mainland China businesses
Safety	<ul style="list-style-type: none"> ○ To achieve the certification of 80% of managerial staff in our HCIL joint ventures' Risk Management Departments as certified safety engineers <hr/> <ul style="list-style-type: none"> ○ To upgrade the Tai Po Plant's Distributed Control System hardware to raise reliability and backup capabilities <hr/> <ul style="list-style-type: none"> ○ To implement a "Near Miss Scheme" <hr/> <ul style="list-style-type: none"> ○ To implement a "Behaviour-based Safety Programme" for two departments 	<ul style="list-style-type: none"> ◆ To achieve the certification of all managerial staff in our HCIL joint ventures' Risk Management Department as certified safety engineers <hr/> <ul style="list-style-type: none"> ◆ To complete the replacement of all medium pressure ductile iron (MPDI) pipes over 20 years old
Environment	<ul style="list-style-type: none"> ○ To complete the Company's "Carbon Audit" <hr/> <ul style="list-style-type: none"> ○ To enhance the Tai Po Plant's Advanced Process Control System, optimising yield efficiencies from our natural gas operations <hr/> <ul style="list-style-type: none"> ○ To develop a personal carbon footprint calculator to raise public awareness and concern on the proper use of resources 	<ul style="list-style-type: none"> ◆ To investigate the feasibility of using landfill gas from other landfills in Hong Kong <hr/> <ul style="list-style-type: none"> ◆ To explore further opportunities for utilising coalbed methane in mainland China <hr/> <ul style="list-style-type: none"> ◆ To develop a standard HSE management system for our joint ventures
Employees	<ul style="list-style-type: none"> ○ To identify and to develop talents under the TLC+ talent acceleration development programme <hr/> <ul style="list-style-type: none"> ○ To launch a five-day week work programme 	<ul style="list-style-type: none"> ◆ To foster leadership and entrepreneurial capabilities within Towngas in Hong Kong and China
Community	<ul style="list-style-type: none"> ○ To study the feasibility of extending the concession scheme to more beneficiary groups 	



Key Statistics

Unit 2007 2006 2005 2004 2003

Business

Operations (Company)

Customers as at 31 December	No.	1,646,492	1,622,648	1,597,273	1,562,278	1,520,166
Customers per km of mains	No.	526	524	518	516	510
Employees as at 31 December	No.	1,919	1,912	1,901	1,954	1,986
Average turnover of workforce	%	6.8	4.39	5.45	4.92	3.82
Installed capacity	Thousand cubic metres per day	12,260	12,260	12,050	11,210	11,000
Town gas sales	Million MJ	27,041	27,034	27,261	27,137	27,002

Financial

Revenue	HK\$ million	14,226¹	13,465 ¹	9,351	8,154	7,289
Manpower costs	HK\$ million	993.0	854.9	759.0	719.7	708.7
Taxation	HK\$ million	974.3	914.6	628.6	623.0	75.2
Dividends	HK\$ million	2,121	1,928	1,936	1,967	1,975

Safety and Social

Safety (Hong Kong)

Urgent reports – total	No.	17,976	16,651	17,994	15,561	13,627
General incidents	No.	17,463	16,216	17,657	15,234	13,238
Gas related incidents	No.	513	435	337	327	389
Major gas emergencies (including suicide cases)	No.	13	17	15	19	15
Incidents involving third party damage to underground pipes	No.	12	13	17	28	41
Average response time for major gas emergencies and gas related incidents	Minutes	20.4	19.8	19.6	19.4	19.2
Trench inspections	No.	14,665	16,201	16,803	16,030	13,963
Regular safety inspections – home visits	No.	900,634	890,000	1,073,078	979,170	988,288
Community safety exhibitions	No.	12	48	22	21	26
Community safety talks	No.	16	46	9	18	6
In-house staff safety training	No. of man-hours	20,908	21,003	18,440	17,794	18,953
External staff safety training	No. of man-hours	5,693	6,019	5,182	1,384	1,416

Occupational Health and Safety

Accidents – all industrial injuries ^{2,3}	No.	16	33	25	27	31
(Accident Frequency Rate ^{2,3})	(No. of accidents per 100,000 man-hours)	(0.32)	(0.67)	(0.51)	(0.54)	(0.62)
Reportable accidents ^{2,3}	No.	13	29	18	24	25
(Accident Incidence Rate ^{2,3})	(No. of reportable accidents per 1,000 employees)	(5.4)	(12.3)	(7.6)	(10.0)	(10.4)
Traffic Accident Injury Rate ^{3,4}	No. of traffic accident injuries per 100 vehicles	1.81	3.05	3.44	1.59	4.04
Industrial Injury Man-days lost	No. of man-days	659	559	705	714	817
Fatal accidents						
• Hong Kong employees	No.	0	0	0	0	0
• HCIL and JV employees	No.	1	0	0	0	0



Key Statistics



	Unit	2007	2006	2005	2004	2003
Customer Service (Hong Kong)						
Customer compliments	No.	4,069	3,889	3,932	3,431	2,362
Customer complaints	No.	17	28	33	37	41
Community Involvement (Hong Kong)						
Employees participating in voluntary services	No.	953	799	749	603	500
Members of Towngas Customer Volunteer Team	No.	100	64	64	–	–
Voluntary service hours (including staff and customers)	No. of hours	38,935	23,818	20,638	17,333	11,074

Environmental

Resource Use / Conservation (Hong Kong)						
Naphtha saved	Metric tonnes	3,430	3,121	3,733	3,810	4,500
Town gas saved	Cubic metres	3,818,419	4,702,154	5,118,653	6,705,940	8,157,380
Water saved	Cubic metres	214,075	232,215	272,039	261,579	220,500
Photovoltaic (PV) panel installed	Square metres	75	68	68	64	64
Grid electricity saved through PV panels	kWh	86,200	85,000	85,000	80,000	80,000
Electricity saved (North Point headquarters and Ma Tau Kok office)#	kWh	3,737,070	3,225,452	2,947,278	2,762,046	2,474,062
CO ₂ emissions avoided equivalent to electricity saved (North Point headquarters and Ma Tau Kok office)*	Metric tonnes	2,616	2,258	2,063	1,933	1,732
Electricity saved (Tai Po plant)#	kWh	3,856,156	3,488,896	1,982,872	1,285,039	1,985,600
CO ₂ emissions avoided equivalent to electricity saved (Tai Po plant)*	Metric tonnes	2,699	2,442	1,388	899	1,390
Landfill gas utilisation as heating fuel in gas production	Cubic metres from Shuen Wan from NENT SNG	2,716,366 5,390,254 (since May 2007)	3,492,734	4,141,556	5,144,851	5,827,000
Air Emissions (Hong Kong)						
CO ₂	Daily average in metric tonnes	909	1,064	1,404	1,125	1,121
	(Metric tonnes per million MJ of town gas)	(12.33)	(14.44)	(15.31)	(15.22)	(15.25)
NO _x	Daily average in kg (Kg per million MJ of town gas)	345 (4.68)	502 (6.82)	610 (8.16)	659 (8.92)	623 (8.48)
SO _x	Daily average in kg (Kg per million MJ of town gas)	3.1 (0.04)	2.4 (0.03)	2.7 (0.04)	5.9 (0.08)	9.1 (0.12)
Greenhouse gases (production only)	Metric tonnes in terms of CO ₂ equivalent	333,161	391,062	418,983	413,297	–



	Unit	2007	2006	2005	2004	2003
Aqueous Emissions (Hong Kong)						
Wastewater	Daily average	515	474	622	749	568
	in cubic metres					
	(Cubic metres per million MJ of town gas)	(6.98)	(6.44)	(8.32)	(10.13)	(7.73)
Waste Avoidance / Recycling (Hong Kong)						
Chemical waste generated	Daily average in kg	27	42	47	80	63
	(Kg per million MJ of town gas)	(0.37)	(0.57)	(0.62)	(1.08)	(0.86)
Spent catalyst collected for metal recovery	Metric tonnes	23	56.8	33.8	40.2	26.2
Metal chemical drums reused	No.	219	211	408	412	488
Plastic chemical drums reused	No.	660	779	433	429	662
Spent lube oil recycled	Metric tonnes	3.91	4.08	3.54	6.57	9.42
Scrap metal recycled						
Old gas appliances	Metric tonnes	1,091	1,198	1,076	824	175
From the construction and maintenance of plant and pipelines	Metric tonnes	45	72	107	60	49
PE pipe recycled	Metric tonnes	44	–	–	–	–
Gas appliances avoiding the use of polyfoam packaging materials	Metric tonnes	4.45	5.4	14.7	16.9	43.4
Gas appliances with polyfoam packaging materials being recycled	Metric tonnes	0.24	1.0	7.4	1.93	3.5
Percentage of gas appliances with polyfoam packaging materials being recycled	%	97.9	80	91	86	77
Awareness Raising and Training						
In-house staff environmental training (Hong Kong)	No. of man-hours	1,094	228	921	283	168
Environmental training for JVs	No. of attendants	30	6	17	1	4

Note:

1 The figure includes property sales.

2 Contractor and joint venture staff are excluded.

3 A revised definition for accidents was adopted in 2005. Direct comparison of data before and after 2005 is therefore inappropriate.

4 Only Towngas employees in Hong Kong are included.

These figures are the savings achieved compared with the data of a reference year before implementing the respective environmental initiative

* The default value to account for the GHG Emission Factor of electricity sold to customers in Hong Kong is 0.7kg/kWh.

Reference: Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings of Commercial, Residential or Institutional Purposes in Hong Kong (by EPD & EMSD)



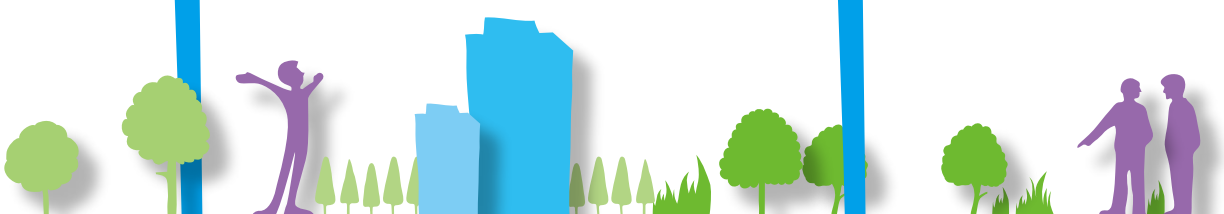


Give Us Your Feedback

Your comments would be very much appreciated, whether on this summary report or our sustainability performance. Let us know what you think – simply email us, or view our online Sustainability Report 2007 at www.towngas.com and complete the Feedback Questionnaire provided.

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