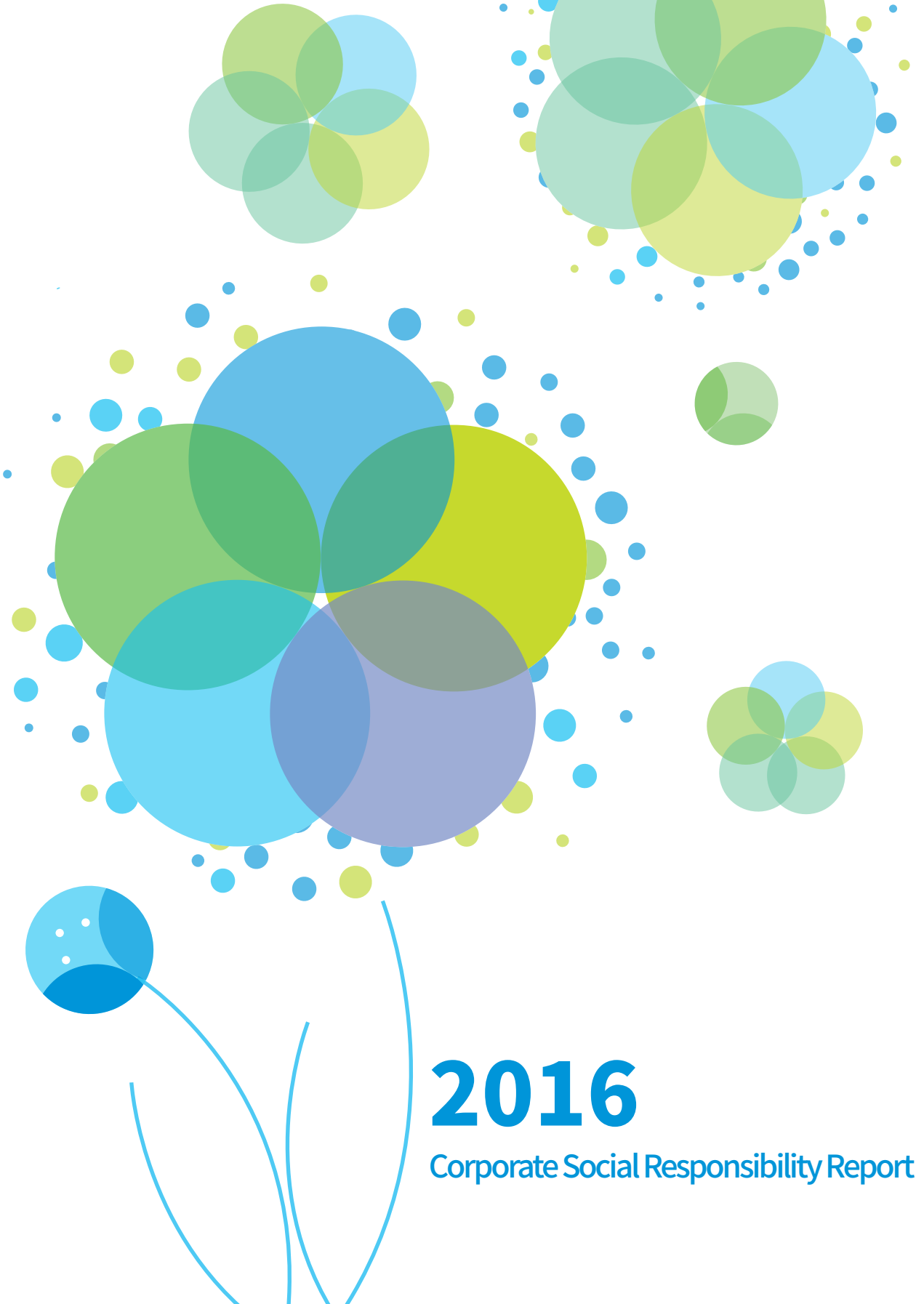




港華燃氣有限公司
Towngas China Company Limited

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1083)



2016

Corporate Social Responsibility Report



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.



About this Report

Towngas China Company Limited (“the Company”) hereby presents the 2016 Corporate Social Responsibility Report (“Report”). This Report discloses the performance of corporate social responsibility of the Group in aspects of “Environmental Protection”, “Use of Resources”, “Employment”, “Product Responsibility”, “Community Investment”, “Health and Safety”, “Training and Development”, “Labour Standards”, “Emissions control”, “Supply Chain Management” and “Anti-corruption”. This Report has been approved by the board of directors of the Company.

Reporting Period

From 1 January 2016 to 31 December 2016. Some content is sourced from historical date depending on the requirements.

Publication Cycle

The Company publishes the Corporate Social Responsibility Report on a yearly basis and in conjunction with the Annual Report.

Reporting Scope

This Report covers relevant data of Towngas China Company Limited and its project companies in mainland China. For presentation purposes, terms including “Towngas China Company Limited”, “Towngas China”, “the Group”, “the Company”, “we”, “us”, “our” are used herein.

Reporting Reference

- Appendix 27 “Environmental, Social and Governance Reporting Guide” of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)
- Sustainability Reporting Guideline G4 by Global Reporting Initiative
- Guidelines on Preparation of China Corporate Social Responsibility Report (中國企業社會責任報告編寫指南) (CASS-CSR 3.0) by Chinese Academy of Social Sciences (中國社會科學院)
- ISO 26000 - Social Responsibility by International Organisation for Standardisation

Data Clarification

Information of 2016 cited in this Report is the final statistical information. If there is any discrepancy of financial information between This Report and the Annual Report, the information in the Annual Report shall prevail. Renminbi is used as the measuring currency for the monetary amounts referred in this Report unless otherwise stated.

Access to the Report

This Report is provided in three forms, i.e. printed, electronic editions and mobile versions. If the printed version is needed, please call (86) 0755 – 21515056. For the electronic version, please visit the website www.towngaschina.com (for computer access) or www.towngas.com.cn (for computer access). For the mobile version, please scan the following QR code:



Table of Content

- 01 Chairman' s Statement
- 03 About Us
- 06 Corporate Governance
- 10 Corporate Social Responsibility
- 13 Striving for Innovation
- 21 Assuring a Safe Gas Supply
- 31 The Spirit of Craftsmanship in Quality Service
- 39 Building a Greener Home
- 47 Driving Talent Development
- 59 Showing Great Care for Our Community
- 69 Important Accolades
- 71 Future Outlook
- 73 Opinions from Expert
- 75 Appendix
- 80 Feedback Collection



Chairman's Statement

In 2016, the global economy was faltering. China's gross domestic product (GDP) was experiencing sluggish growth, the real economy needed improvement and the business environment remained difficult. The plunge in the price of international crude oil had hit the natural gas market badly. Nevertheless, the community had reached consensus on issues of environmental protection and the government was dedicated to improving the environment, such as air quality. It introduced a number of laws and policies to promote clean energy and develop a green economy.

As a sizeable gas company in mainland China, Towngas China has been responsive to national energy and environmental policies by participating in energy-saving and emission-reduction initiatives such as "Coal-to-Gas" and Combined Cooling, Heating and Power (CCHP) distributed energy projects. The Group has also been actively involved in the structural transformation of energy consumption in cities as we have made significant investment in building natural gas infrastructure to ensure a clean energy supply.

Promoting clean energy development and putting environmental protection into action is only part of Towngas China's commitment to corporate social responsibility. We have also dedicated ourselves to striving for innovation and achieving a level beyond success. Our new management concept, Growth = Innovation x Implementation ("G = i x i"), aims to encourage our employees to be bold and to think outside the box, and to be innovative in problem solving and implementation so as to attain growth and advancement. By virtue of a good management philosophy and a highly efficient and collaborative team, as well as our efforts and contributions in gas safety and customer service over the years, Towngas China has become an outstanding gas company in mainland China.

In addition to a safe and reliable supply of gas, Towngas China is committed to providing customers with caring, competent and efficient services while protecting and improving the environment. Safety is paramount to the Group and we work relentlessly towards the goals of "Zero Incidents" and "Zero Non-Compliance". In implementing risk and safety management systems, we have launched the "Prefabrication Scheme" to promote professionalisation and standardisation in gas pipelines. We have applied high-tech artificial intelligence to strengthen project quality control and various ways to identify threats and hazards such as arranging regular safety checks, cross examinations and home safety inspections. In addition to visits to schools and communities to promote gas safety, we adhere to the strictest safety standards in gas supply. By implementing policies on multiple fronts, the Group's safety performance is greatly enhanced.

Towngas China constantly strives to improve its customer service operation. In order to empower frontline staff with customer service knowledge and skills and to actively explore new channels for customer communication, we have organised "Quality Day", "Star Officer of Politeness, Caring and Etiquette Competition", established an online customer service platform and launched the "Ganghua Pay" mobile app, among other initiatives. The Group's "Master Craft" award promotes excellence in craftsmanship among employees who always endeavour to serve customers with caring, competent and efficient services.



Focusing on the development theme “Year of Cultivating the Markets”, Towngas China has diversified its business models. Benefiting from its maxim of “Total Quality Management”, the Group has effectively increased management efficiency and innovation capability and has unearthed business potential, which helped sustain a steady growth in overall business. The “Bauhinia” gas appliance brand under the Group has sold more than 1.87 million units since its launch. We have also introduced the first gas clothes dryer in mainland China that has ample capacity and other features like energy-efficient and environmentally-friendly design, smart control, multi-protection components and speedy drying to fulfil customers’ needs with sanitised, fast and premium-quality clothes drying. Given the fact that hanging clothes outdoors during smoggy weather might accumulate particulates on fabrics or be difficult to dry, our gas dryers offer customers a smart and comfortable living experience and at the same time protect the environment by using clean energy for drying. The Group has expanded product lines and offered additional services, for example, comprehensive gas insurance services are now available in 22 cities, lifestyle speciality stores in 13 cities and high-end kitchen showrooms in 8 cities.

Leveraging on our core competencies such as an abundant supply of natural gas, sound safety management and quality customer service to accelerate expansion of the distributed energy business, Towngas China is dedicated to supplying our customers like industrial parks, commercial complexes and data centres with our highly efficient energy for cooling, heating and power. In 2016, the Group’s scope of business was expanded to include two new natural-gas distributed energy projects: SCEI Distributed Energy Systems Co., Ltd. (“SCEI”) and Towngas China Energy Investment (Shenzhen) Limited (“TCEI”). SCEI mainly focuses on major energy consumption districts such as metropolitan areas and industrial parks. To date, SCEI has an operating project, a project in trial operation, four projects under construction and approvals for four additional projects. TCEI, by contrast, is primarily engaged in investments in natural-gas distributed energy and central heating projects. It also provides consultancy services in energy planning, energy saving and other areas to other member companies in the Group. Currently TCEI has undertaken more than 10 key projects.

Towngas China is upholding its commitment to corporate social responsibility. The Group has been actively involved in community service and environmental protection to bring benefits to society. In 2016, Towngas China continued to hold charitable events such as the “Gentle Breeze Movement” and the “Firefly Project” to provide study materials and other learning resources to students in Fuxin Mongol Autonomous County in Liaoning Province, Lezhi County in Ziyun City, Sichuan Province and Tai’an City in Shandong Province, so as to improve their study and living environment. During the year, nearly 40 project companies in the Group demonstrated their passion to serve and contribute to society in the “Rice Dumplings for the Community” events. We prepared and handed out rice dumplings to charitable organisations, the underprivileged and the grassroots across the country, reaching over 7,000 beneficiaries.

In 2016, Towngas China was awarded the Grand Award of the 2016 HKMA Quality Award, presented by The Hong Kong Management Association, in recognition of our distinguished achievements in total quality management and continuous innovation. This is also a milestone in corporate development that is a testament to the collaborative efforts of the Group’s management and team spirit. Towngas China has inherited its quality management culture from its mother company The Hong Kong and China Gas Company Limited, which laid a solid foundation for successful development of project companies in mainland China. Looking ahead, Towngas China will continue to improve business efficiency, optimise work flow and explore new opportunities to create new momentum for growth and continued success.

This is the fourth CSR Report published by Towngas China. We hope that this report can demonstrate our efforts in delivering corporate social responsibility. We have been committed to raising awareness of corporate social responsibility across the Group, maintaining a highly transparent communication platform to engage our stakeholders and incorporating corporate social responsibility into our business operation and services so as to take the company to the next level of excellence.

Chan Wing Kin, Alfred
Chairman and Executive Director
Towngas China Company Limited
Managing Director
The Hong Kong and China Gas Company Limited

Hong Kong, 15 March 2017

About Us

Introduction of the Company

Towngas China Company Limited (Stock Code: 1083, “Towngas China”) is a subsidiary of The Hong Kong and China Gas Company Limited (Stock Code: 0003, “HKCG”) listed on the Main Board of The Stock Exchange of Hong Kong Limited. Its subsidiaries are principally engaged in the sales and distribution of piped gas in the People’s Republic of China including the provision of piped gas, construction of gas pipelines, the operation of city gas pipeline networks, the operation of gas fuel automobile refilling stations, and the sale of gas household appliances.

With a remarkable management model, sophisticated technology, high service quality culture and stringent safety and environmental standards, the Group is able to deliver a safe and reliable supply of gas to its customers. At the same time, the Group is actively expanding its business in the residential, industrial and commercial segments, as well as the automobile gas market, leading to a development of the public utilities sector and the city gas industry. Towngas China has become one of the best gas suppliers and service providers in mainland China.

At the date of this report,, Towngas China had a total of 105 project companies spanning 19 provinces/autonomous regions/municipalities in mainland China, including Anhui, Guangdong, Guangxi, Heilongjiang, Hunan, Hubei, Jiangsu, Jiangxi, Jilin, Liaoning, Shandong, Sichuan, Zhejiang, Hebei, Fujian, Guizhou, Yunnan, Inner Mongolia and Chongqing. The Group’s gas pipeline network stretched for 39,834 kilometres, total gas sales volume was 7,120 million cubic metres and turnover amounted to HK\$7,181 million.

At the date of this Report, the Board comprises four Executive Directors and three Independent Non-Executive Directors. The four Executive Directors are Mr. Chan Wing Kin, Alfred (Chairman), Mr. Wong Wai Yee, Peter (Chief Executive Officer), Mr. Ho Hon Ming, John (Company Secretary) and Mr. Kee Wai Ngai, Martin. The three Independent Non-Executive Directors are Dr. Cheng Mo Chi, Moses, Mr. Li Man Bun, Brian David and Mr. Kwan Yuk Choi, James.





Business overview of Towngas China

Corporate Statements

Vision

To be Asia's leading energy supplier and service provider, with an environmentally-friendly focus.

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.

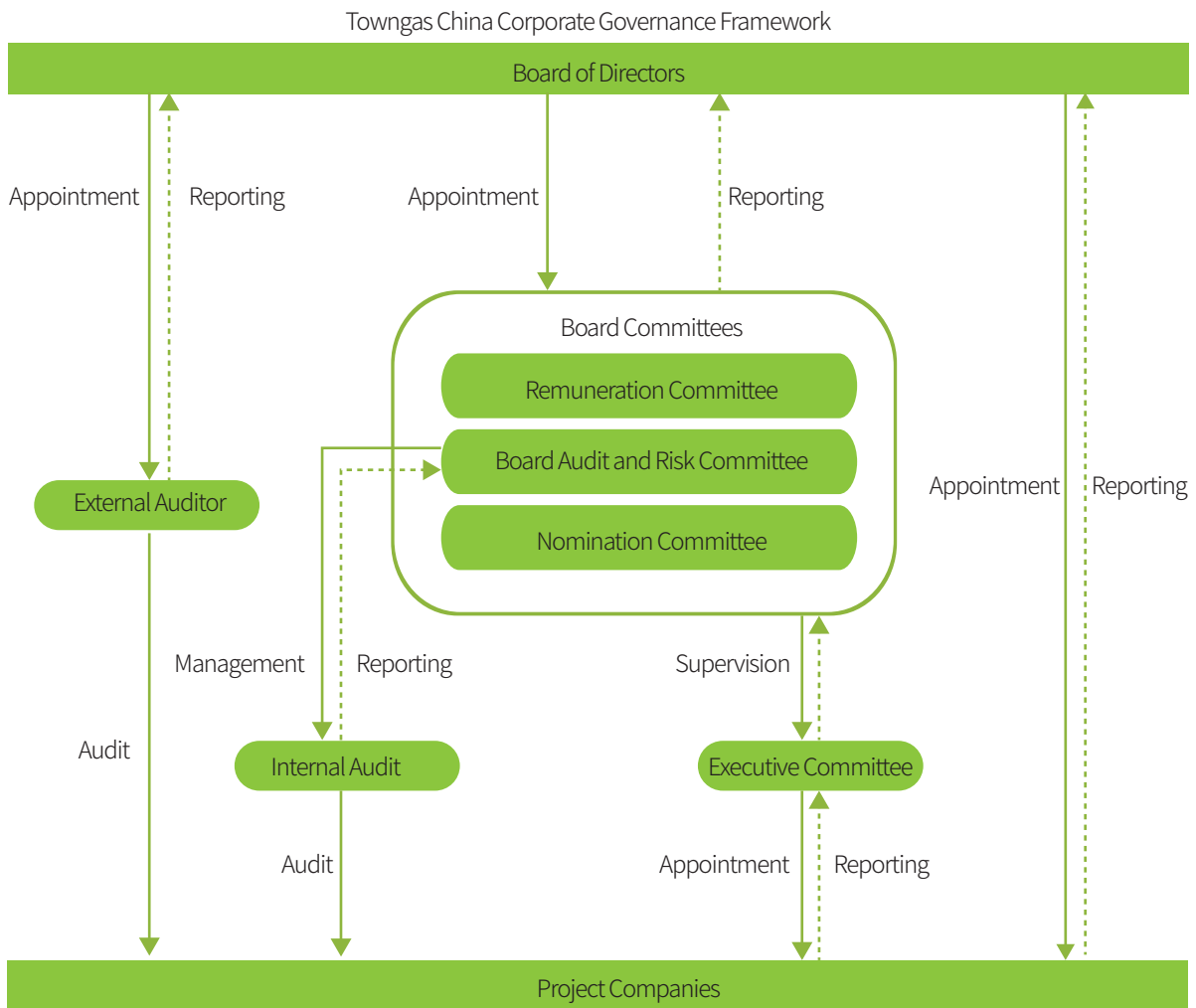
Values



Corporate Governance

Governance of the Board of Directors

The board of directors of Towngas China comprises seven members, including four executive directors and three independent non-executive directors, to ensure the proposed strategies are in the long-term interests of the shareholders as a whole. The board of directors is responsible for the Group’s corporate governance and plays a pivotal role in Towngas China’s business and financial performance, as well as formulation and monitoring of strategies.



In accordance with the national regulatory framework and the articles of association of our project companies, the Group appointed directors and supervisors with professional qualifications and organised a series of workshops to promote corporate governance. The Group’s development strategies were formulated at board meetings and were successfully conveyed and implemented in project companies. During the year, Towngas China organised and coordinated annual board meetings for more than 100 project companies, some of which also convened interim board meetings for 2016.

Meanwhile, Towngas China actively reinforced and optimised the workflow of the existing corporate governance framework. In 2016, Towngas China amended and published three manuals, namely, the Manual of Appointment of Directors and Supervisors of Towngas China Group (2016), Templates of the Board Papers of Towngas China Group (2016) and Rating System of Board Duties of Towngas China Group (2016).



Case study: Mr. Chan Wing Kin, Alfred, was again named as one of The 100 Best-Performing CEOs in the World in 2016 by Harvard Business Review

Mr. Chan Wing Kin, Alfred, the Managing Director of HKCG and Chairman and Executive Director of Towngas China, was named as one of The 100 Best-Performing CEOs in the World in 2016 by the Harvard Business Review, for the second year in a row. Winners are selected based on objective information collected with reference to the judging criteria consisting of the Group's overall financial, environmental, social and governance performance, along with the corporate leaders' individual performance during their tenure.



Corporate Risk Management

During the year, Towngas China earnestly executed the “Corporate Risks Self-Assessment” mechanism, in which project companies were required to carry out regular corporate risk self-assessment based on nine aspects, namely, the risks of production equipment and facilities, operational risks, legal risks, material supply risks, financial risks, risks of health, safety and environment, risks of human resources, market risks and the risks of information technology systems. At the group level, we established the “Risk Management Committee for Mainland Public Utilities”, composed of members from the Group’s top management team and various departments. This committee is formulated to assess the risk exposure at the group level and the members of the committee will provide the project companies with suggestions and measures for improvement in respect of risk management in accordance with their area of expertise. At the project company level, we established the “Risk Committee for Project Companies”, composed of members from the management team of the project companies and various departments. This committee is responsible for carrying out internal risk self-evaluation and for supervision and assurance that the existing risk management mechanism remains effective.

Legal Risk Management

Based on the structure and characteristics of the public utilities industry, the Group established a comprehensive legal risks assessment system and material risks reporting mechanism to provide its project companies with systematic guidelines to control and minimise legal risks. Project companies are required to report major material legal risk matters to the senior management and the board of directors of the Group.

The Group has a specialised team of legal experts in different regions to provide immediate legal support to our business operations. The Group also hired professional compliance and legal advisors to provide internal training and to compile internal regulatory guidelines to ensure all businesses of the Group comply with the requirements of national law and regulations.

Our in-house legal department consistently refers to the latest laws, regulations, cases and legal theories related to our industry and has compiled the Towngas China Legal Quarterly Journal, so that the Group can operate in a safe, orderly and effective manner.

The Group has appointed a designated team of legal counsel to follow up closely on the development of new projects, on matters ranging from due diligence and project negotiation to contract review, to ensure that they can provide legal services in a consistent manner and a complete log of legal documents.

Internal Audit

As of December 2016, 45 project companies have established an independent audit committee or internal audit department. The internal audit department covers a full scope of duties, including financial audit, expense assurance, tax audit, capital and receivables audit, engineering operations audit, end-to-end audit for large scale projects, project budgets and settlement audit, procurement audit, information systems audit, Four Foci audit, transition period audit of newly established project companies, due diligence and other audit services.

In 2016



a total of ⁵⁷**59** audit projects were conducted
implementation of ⁴¹**43** audit reports were followed up
assisted project companies in establishing ⁴⁸**49** auditing frameworks
made audit progress reports to the audit committees of ¹⁸**20** project companies.

Business Ethics Management

We are committed to upholding and promoting the principles of “governance, integrity and fair competition”. The Group has compiled and issued the Towngas China Code of Conduct. The code of conduct covers four main aspects, namely, Business Engagement, Responsibilities to Stakeholders, Establishment of a Harmonious Workplace and Corporate Governance. The code of conduct governs our staff behaviour and has been adopted in all project companies.

All staff are required to participate in the training sessions on the “Towngas China Code of Conduct” and sign a declaration statement to report matters that may cause conflicts with the Company’s rules and regulations. In 2016, no bribery, extortion, fraud or corruption litigation occurred within the Group.

Corporate Social Responsibility

Principle of Corporate Social Responsibility

Actively participating in charity services to make contributions to society; Striving for environmental protection to give back to the community.

Management Model of Corporate Social Responsibility



By adhering to our principle of corporate social responsibility “Actively participating in charity services to make contributions to society; Striving for environmental protection to give back to the community”, the Group has been actively responding to the needs of the community and enhancing its communication with stakeholders through adopting a systematic management approach for our corporate social responsibility endeavours. As a result, Towngas China’s corporate social responsibility practices are consistently of a higher standard.

Communication for Corporate Social Responsibility

Stakeholder Communication

Stakeholders	Corporate Ethics	Communication Actions
 <p>Shareholders</p>	<ul style="list-style-type: none"> • Protect shareholders' interests • Generate stable profit contribution • Ensure proper use of funds 	<ul style="list-style-type: none"> • Organised annual general meetings and analysts' presentations • Published interim and annual reports • Communicated through multi-channel platforms, including investors' roadshows and the corporate website • Carried out internal audit and business risk self-assessment • Expanded the extended service market
 <p>Customers</p>	<ul style="list-style-type: none"> • Reasonable pricing • Caring service • Convenient payment options 	<ul style="list-style-type: none"> • Implemented cascade utilisation with transparent pricing scheme • Launched the "Dandelion Scheme" to enhance customer service experience • Established online customer centre, 24-hour hotline centre, Customer Focus Team and Customer Opinion Handling Committee • Boosted customer service quality through staff training and the promotion of "Service with a Smile Ambassador" and "Star Officer of Politeness, Caring and Etiquette". • Provided multi-payment options for customers, including service centres, website, pre-payment, mobile application and WeChat service accounts
 <p>Government</p>	<ul style="list-style-type: none"> • Operate safely • Abide by law and regulations • Comply with business ethics 	<ul style="list-style-type: none"> • Established "Towngas China Safety Committee" • Implemented monthly safety inspections by General Managers and through cross-examinations • Launched gas pipeline and network rehabilitation scheme • Promoted gas safety in community and school campuses • Implemented gas storage for peak shaving • Committed to protecting intellectual property rights • Implemented the "Towngas China Code of Conduct" • Established "Business Ethics Supervisory Committee"



Stakeholders	Corporate Ethics	Communication Actions
 <p>Environment</p>	<ul style="list-style-type: none"> • Supply clean energy • Reduce greenhouse gas emissions • Promote resources recycling 	<ul style="list-style-type: none"> • Invested in “coal-to-gas” and “oil-to-gas” conversion projects • Invested in LNG, CNG refilling stations and distributed energy projects • Undertook civilised construction and formulated environmentally-friendly operating strategies • Held the first “Contest of Low Carbon Creativity” to promote recycling and environmental protection • Launched “A Date with Towngas China Forest” tree-planting campaign • Advocated a “Green Office” culture
 <p>Employees</p>	<ul style="list-style-type: none"> • Protect staff rights • Provide career progression opportunities • Protect occupational health and safety • Foster a staff-friendly working environment 	<ul style="list-style-type: none"> • Offered staff all-rounded protection in accordance with laws and regulations • Paid staff salaries on time and made contributions to Social Security Fund • Offered fully-paid annual leave and statutory holidays to staff • Provided professional skill training for staff • Launched “Career Progression Scheme”, “Engineering Graduates Training Scheme” and “Master of Engineering Management from University of Technology Sydney” • Provided insurance for staff and organised recreational and sports activities on a regular basis • Launched the “Towngas Employees' Children Scholarship Scheme” • Published Towngas China’s “Staff Handbook on Safety and Environmental Protection” • Organised staff leisure trips • Initiated the “Master Craft” corporate culture to promote the concept of striving for excellence
 <p>Community</p>	<ul style="list-style-type: none"> • Care for the needy • Build a harmonious community • Support education projects 	<ul style="list-style-type: none"> • Carried out the “Gentle Breeze Movement” programme to support under-resourced students • Organised the “Rice Dumplings for The Community” initiative to celebrate Dragon Boat festival with the underprivileged • Built multi-media classrooms in remote areas through the “Firefly Project” • Organised the “Cooking for Mom – Bauhinia National Little Chef Cooking Contest 2016”



港华燃气 LNG充装站

港华燃气
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LNG 储罐

港华燃气
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Striving for Innovation

In pursuit of a business model comprising “Quality, Efficiency and Sustainability” and with the aim of striking an optimal balance reflecting economic, societal and environmental factors, Towngas China has taken social development and environmental protection into account when formulating its long-term development strategy. At Towngas China, we are committed to promoting innovation, consistently improving our business model and enhancing the customer service standards we provide. We have also made substantial investments in aspects such as business expansion, operation monitoring and supply chain management, in order to generate a steady growth in revenue and to exert growth momentum for the gas industry.

Financial Performance

In 2016, the Chinese economy's growth momentum was impacted by the sluggish global economic situation and the difficult business environment. Despite the challenges faced, Towngas China managed to record steady growth by capturing new business opportunities, expanding new markets and swiftly adapting to the new normality of economic development. During the year, Towngas China recorded operating revenue of HK\$7,181 million. The basic earnings per share amounted to HK\$36.26 cents with the final dividend of HK\$12 cents per share. The after-tax profit attributable to shareholders amounted to HK\$974 million, representing a year-on-year increase of 21%. In 2016, Towngas China recorded a total gas sales volume of 7,120 million cubic metres, representing a year-on-year increase of 9%.



Diversified Business Development

Cultivation of Existing Gas Market

In 2016, Towngas China continued to enhance its gas supply model by investing in “coal-to-gas” and “oil-to-gas” conversion

projects. We have also been recommending that our industrial customers switch to boilers using natural gas as fuel by allowing them to realise the potential advantages of this change; it can reduce fuel and operational costs as well as leading to enhanced productivity and energy efficiency. At the same time, the Group has commenced construction of natural gas transmission projects across multiple regions in mainland China to further stabilise and to expand its gas supply. By accelerating both the supply of gas and market expansion, the Group has recorded steady increases in the number of customers, pipeline length and gas volume sold.

Enhancement of our Integrated Energy Business

In line with the “13th Five-Year Plan of Energy Development” and to respond to the policy guideline of “reducing carbon emission and smog” promoted by the Chinese Government, the Group has been actively promoting clean energy usage and developing into an integrated energy business. We are dedicated to offering customers highly efficient CCHP energy and we have therefore been actively extending our footprints in the industrial and commercial markets by investing in distributed energy projects, industrial park projects and central heating systems. Leveraging on an abundant source of gas, a stringent safety management mechanism and top quality service standards, the Group has formed strategic alliances with leading companies from the distributed energy sector to further enhance its core competence as an integrated energy company.

Over the years, the Group has gained plenty of experience in the city gas industry and expanded its business portfolio by adding two new natural gas-fired distributed energy projects during 2016. The two new projects refer to SCEI and TCEI. To date, SCEI has an operating project, a project in trial operation and four projects under construction. Four projects have also gained approvals, while TCEI has currently undertaken over ten key projects.

Comfortable Living with Gas Usage

Not only does Towngas China offer customers a safe supply of gas, it also serves as a clean energy supplier committed to creating intelligent and comfortable living for customers. Bauhinia, the gas appliances brand established by Towngas China, is well known for its quality, safety and reliability. The brand offers customers a full range of top quality gas appliances which are environmentally friendly at the same time.




During the year, Bauhinia launched its first 6KG-capacity gas dryer into the domestic market which utilises heat temperature as the drying medium to swiftly get clothes dried. The newly launched dryer has multiple protective measures installed, including a flame supervision device, lid lock device, oxygen deficiency and overheat detection devices etc. With all the above advantages, the gas dryer has brought customers a more comfortable living experience and one in which they need not worry about the product safety.



Focus on Product and Service Quality

All products under the brand “Bauhinia” strictly complied with the national standards and requirements, including “Domestic Gas Cooking Appliances” (GB16410-2007), “Domestic Gas Instantaneous Water Heater” (GB6932-2015) and “Town Gas Appliances Sales and After-sales Service Requirements” (GB25503-2010). In addition, Towngas China has adopted effective measures in supplier screening, product research and development, product manufacturing and sales, and after-sales service to reassure its product quality and the service provided. Apart from the clearly established guidelines, the Group has developed a number of technologies to enhance product durability and raise product safety standards, including the safeguarding technology for gas water heaters, ignition rod for gas cooking appliances and a copper temperature sensor, among others.

In 2016, the defect rate of Bauhinia gas appliances was 0.02% while the product recycling rate owing to safety reasons amounted to just 0.05%.

Supplier screening	Departments of procurement, research and development, and after-sales service uphold stringent standards in ensuring that suppliers’ service, integrity and products are of top quality.
	
Product research and development	Emphasizes product design and conducts dual testing of products to ensure all products on sale comply with industry standards.
	
Product manufacturing and sales	Provides quality reassurance at the manufacturing stage through product sampling, defect rate control, and after-sales data analysis.
	
After-sales service	<p>Feedback collection: Customers can report products of unsatisfactory quality which may possibly be damaged during transit, to our quality assurance department to request for product repair or replacement.</p> <p>Product recycling: If a defect is found in a particular product batch, the quality assurance department shall inform our counterparts to return the defective products to the supplier and request them to revert with a new batch of products with the problem rectified.</p> <p>Quality optimisation: The Group investigates all cases of defective products and formulates improvement measures along with the suppliers.</p>



Put Innovation into Practice

In 2016, Towngas China continued to push forward the culture of “G = i x i” and encourage our employees to put innovation into practice, aiming to bring customers the highest standard of service.

The Group has integrated the “Total Quality Management” (“TQM”) management philosophy into its business, in aspects ranging from project investment, engineering construction, market expansion, safe operation and quality services to cost control. We have also formulated clear objectives to put TQM into practice. The eight key objectives range from design control, core competence reassurance, waste reduction, efficiency enhancement, lead time shortening, effectiveness improvement and brand image reinforcement to encouraging universal participation of staff.





Case Study: Project Tool with “G = i x i” concept infused — Non-scratch Wrench

Coated piping is commonly used in gas projects and its external coating can protect the inner pipe from corrosion. However, the coating can be easily scratched off during installation. Towngas China has therefore innovated the “Non-scratch Wrench”, which utilises the rubber padding of the casing scraper along with the force of friction to complete the installation without scratching off the corrosion-resistant coating of the pipe. The “Non-scratch Wrench” is currently widely used and the patent for this innovation has already been obtained by the Group.



Protect Intellectual Property Rights

At Towngas China, we hold intellectual property rights in high regard and have implemented effective measures to prevent any breach or violations. We carry out audits on the use of genuine software within the company on a yearly basis and have also provided our information technology professionals with regular trainings on the topic of genuine software authorisation. Not only do we set ourselves as a role model, we also require our external service providers to ensure the services they offer are free from intellectual property infringements. At the same time, we make our best efforts toward guaranteeing all software owned by our counterparts is safeguarded by intellectual property rights and that all parties abide by agreements on confidentiality and usage rights.

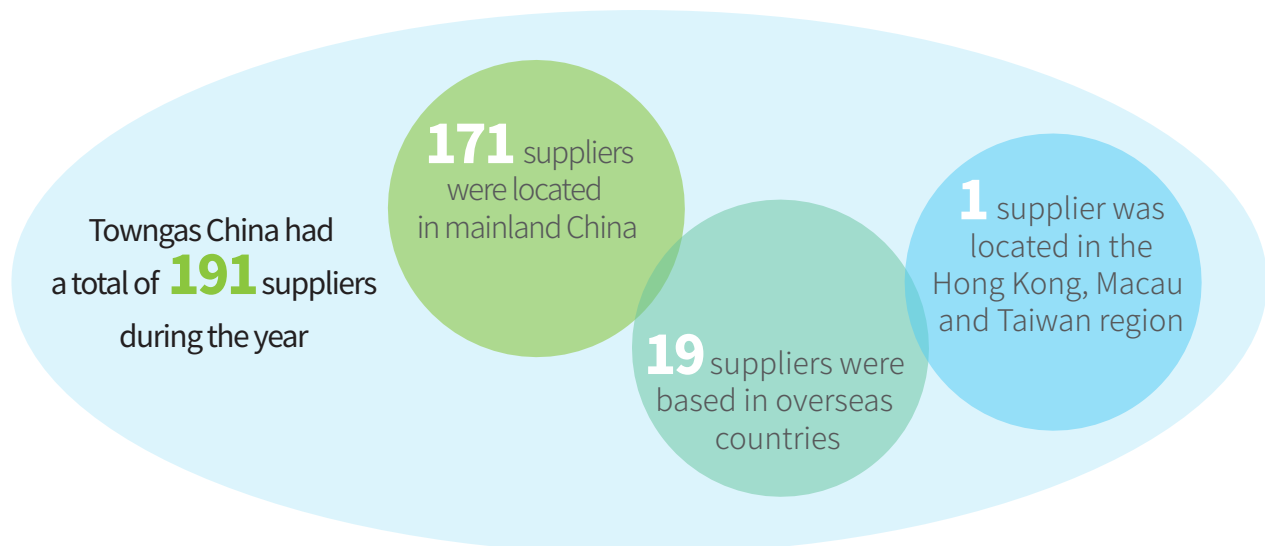


Create a Socially Responsible Supply Chain

The Group has infused the concept of corporate social responsibility into the supplier screening process and first considers suppliers with outstanding performance in corporate social responsibility, providing that they have already attained ISO9000 certification and their service quality fits the Group's high standards. Once the suppliers are selected, they are required to conduct self-inspections and to meet the ethical, social and environmental requirements stipulated in the "Corporate Social Responsibilities of Suppliers" manual, published by HKCG (the parent company of Towngas China). The Group selects suppliers at random and conducts regular on-the-spot inspections.

As a group, we take a zero-tolerance approach to corruption and ensure our employees and suppliers are fully aware of such expectations by providing related briefings and training.

In 2016, close to 70 "Self-Evaluation Report on Corporate Social Responsibility in 2016" reports were received from the Group's key suppliers.







Assuring a Safe Gas Supply

A safe and stable gas supply serves as the cornerstone of the sustainable development of Towngas China. By enhancing the quality control of engineering projects, strengthening the safety and risk management mechanism and heightening safety checks on gas facilities, we ensure a safe gas operation that is essential to modern city life.

Enhanced Safety Supervision

Safety Supervision of Stations

The Group always sends experienced engineering professionals to all newly built stations to supervise the daily operation and to provide technical support. Before being put into operation, all newly built stations undergo a series of comprehensive inspection procedures.

In order to provide our station workers with a unified set of guidelines on how to carry out maintenance works on the equipment and facilities, the Group has implemented the “Maintenance Procedures for Station Equipment and Facilities” in all stations. Station workers are required to optimise the asset value of the station facilities and to adopt a precautionary approach, including carrying out regular inspections and launching repair services without delay.

In 2016, a total of 26 factories among 13 project companies under the Group underwent operational inspections and assessments.

Quality Control for Engineering Projects

At present, most of the project companies under the Group have already set up an independent quality assurance department or cross-departmental quality assurance team to assure better quality of engineering projects. In 2016, the Group continued to implement its “Polyethylene-pipeline Quality Assurance” (“PEQA”) scheme. PEQA inspection was carried out for a total of 14 project companies and this contributed to a significant improvement in the quality of polyethylene (“PE”) pipeline construction projects.

Towngas China has integrated smart technologies into the workflow of project quality assurance. With a newly developed digital application in place, the Group effectively supervises work units to strengthen self-inspection that will help boost management efficiency. Onsite video recording at project sites also puts our quality standard requirement into practice.

In order to be qualified as an engineering supervisor of the Group, candidates are required to have obtained both the national occupational qualification on supervision and the engineering supervisor qualification offered by the Hong Kong and China Gas Training Institute.

Gas Pipeline Network Rehabilitation

As most of the gas pipeline networks are located in densely populated areas, ensuring safe transmission of gas and a sound management approach on city gas pipeline networks are of utmost importance. To enhance the reliability of the existing pipeline networks and to provide a safe supply of gas, the Group continuously carries out gas pipeline network rehabilitation to rectify potential threats in a systematic approach.

In 2016, the Group continued retiring the traditional grey cast iron pipes and replacing them with PE pipes. The PE pipes are known for higher durability with better corrosion resistance as compared to the traditional ones. During the year, the Group completed a total length of 260 km of rehabilitated pipeline network and contributed to an accumulated length of 2,573 km of rehabilitated pipeline network. The rehabilitation rate is 92.8%.

Optimising Prefabricated Engineering Products

Since the implementation of the prefabrication scheme by Towngas China in 2014, a number of factories were successively put into operation in municipalities and cities in mainland China, including Qiqihar, Changchun, Maanshan and Qingyuan. These factories centralised all the prefabricating procedures of gas pipes which were originally scattered across the country and put forward a standardised, specialised and unified set of procedures. The prefabricated pipelines were then sent to each of the construction sites. By further expanding the scale of the prefabrication scheme and the automation process, the Group has managed to improve the installation of risers while enhancing the quality of project management.

Compilation of Industry Safety Standards

During the year, Towngas China was invited to take part in the compilation of 6 national or industry standards and the vetting of 3 national or industry standards, and to provide suggestions for amendments to 11 existing volumes of regulations and standards. The Group has continuously pushed industry safety standards to a higher level with its influential power in the industry enhanced through participation in the formulation of national or industry standards.

Table of Industry Standards Formulation

1	Code for Design of City Gas Transmission and Distribution Engineering
2	Gas Transmission Metallic Valve
3	Technical Specifications for Polyethylene Gas Pipeline Engineering
4	Code for City Gas Technology
5	Code for Construction, Examination and Acceptance for Engineering of City Gas Transmission and Distribution
6	Specification for Design of Urban Liquefied Natural Gas Supply Stations
7	Prefabricated Dual Stainless Steel Flue and Chimney
8	Gas Screening Programme
9	Classification and Underlying Characteristics of City Gas
10	Code for Design of City Gas User Engineering
11	Standards for Examination and Acceptance for Construction and Quality of Indoor City Gas Engineering

As commissioned by the China Gas Association, Shandong Hong Kong and China Gas Training Centre (a training institute owned by HKCG and the Group) and the training committee of the China Gas Association were jointly responsible for the coordination and compilation of the occupational standards for eight types of frontline duties within the “Gas Industry” under “National Occupational Classification”. Among the eight types of frontline duties, the Group was the editor-in-chief when compiling the occupational standards for both the gas pipeline network technicians and the residential technicians. In addition, the Group has also taken up the compilation duties for another two occupational standards for natural gas storage and transportation operator and gas transmission station technicians.

As commissioned by the Department of Housing and Urban-Rural Development of Shandong Province, Shandong Hong Kong and China Gas Training Institute liaised with experts in the province and completed the compilation of practical examination papers for eight types of work. The Group was also responsible for preparing nine sets of examination papers for automobile refilling station operators, compressed natural gas station operators, gas pipeline network technicians, gas transmission station operators and gas appliances installation repairmen.



Organising Comprehensive Safety Inspection

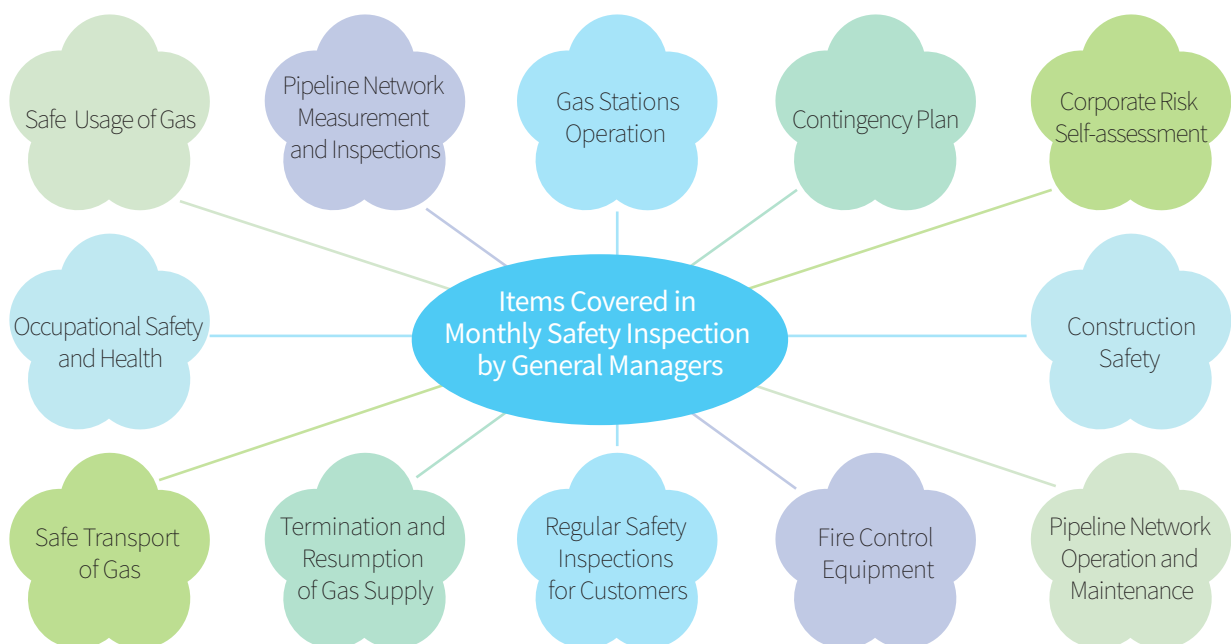
Regional Safety Patrol

During the period from 6 to 8 November 2016, Mr. Chan Wing Kin, Alfred, led the Executive Committee of HKCG, members of Towngas China’s Safety Committee and the general managers of Anhui and Jiangxi Provinces for on-site visits covering the gas dryer business in Maanshan and Wuhu Cities operated under the Group. The visit also covered the gas station in Wuhu City.



Monthly Safety Inspection by General Managers

During the year, a total of 12 inspections were carried out by general managers of project companies of the Group and two cross-examinations were carried out among the project companies. These safety inspections raised the safety and risk management standards of the project companies, with the operational risks minimised.



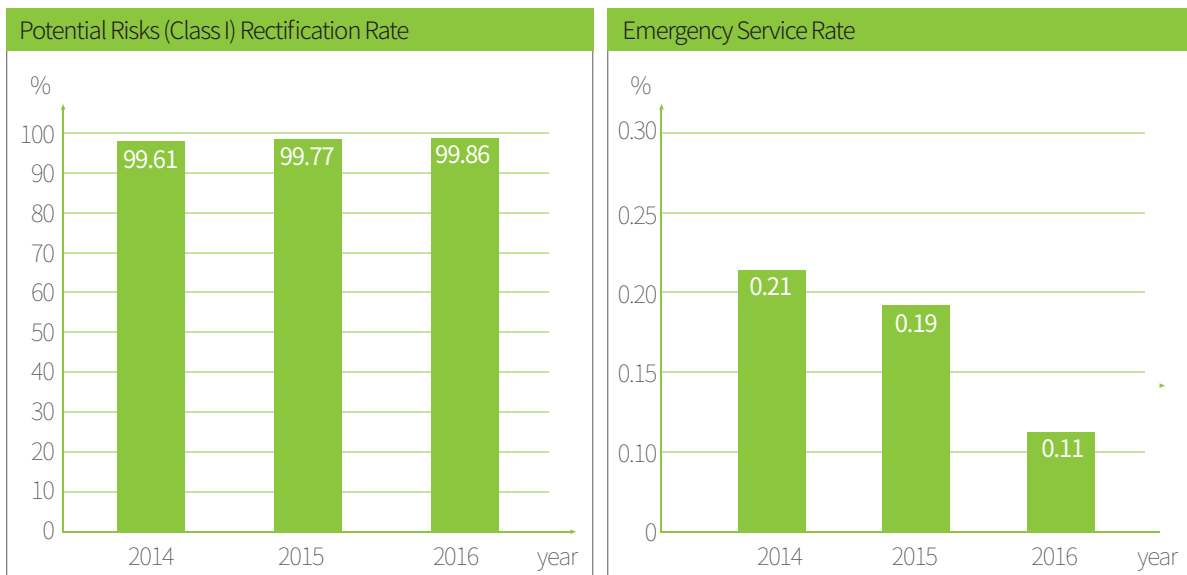


Pipeline Network Inspections

The Group strictly requires its project companies to carry out precautionary inspections on gas pipeline networks and to formulate assessment and improvement plans with an execution timeline listed. The progress of the improvement plan is monitored in accordance with the monthly statistics collected. During the year, the Group supervised and assisted joint venture companies to complete 458 improvement plans regarding gas facilities in confined areas with a rectification rate of 100%.

Indoor Safety Inspection

In accordance with our inspection policy of “Safety Check Brings Safety to Every Household”, we encourage our staff to proactively reach out to households that have not undergone safety checking for the last three years or above. In the past, this practice has effectively spotted potential safety issues and has allowed sufficient time to carry out any preventive measures needed, bringing customers a safe usage of gas experience.



The safety inspection cycle



Promote Safe Usage of Gas

Towngas China has put immense effort into gas safety publicity and arranged its staff to carry out training sessions to promote safe usage of gas at public events, including reaching out to school campuses.



Case study: Promoting knowledge on safe usage of gas to school campuses



Case study: Gas safety training held in the community

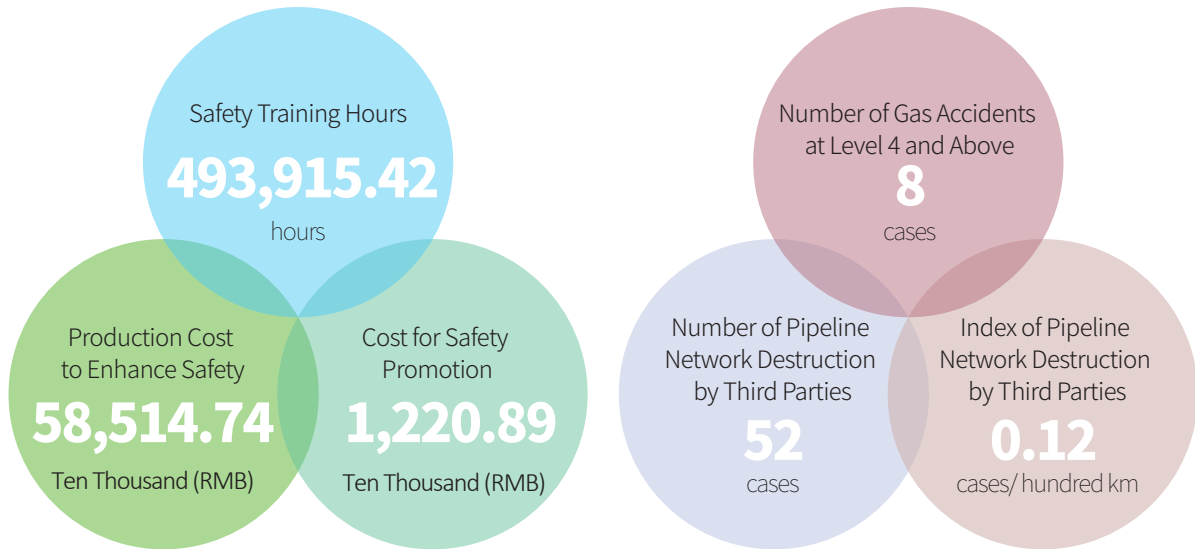
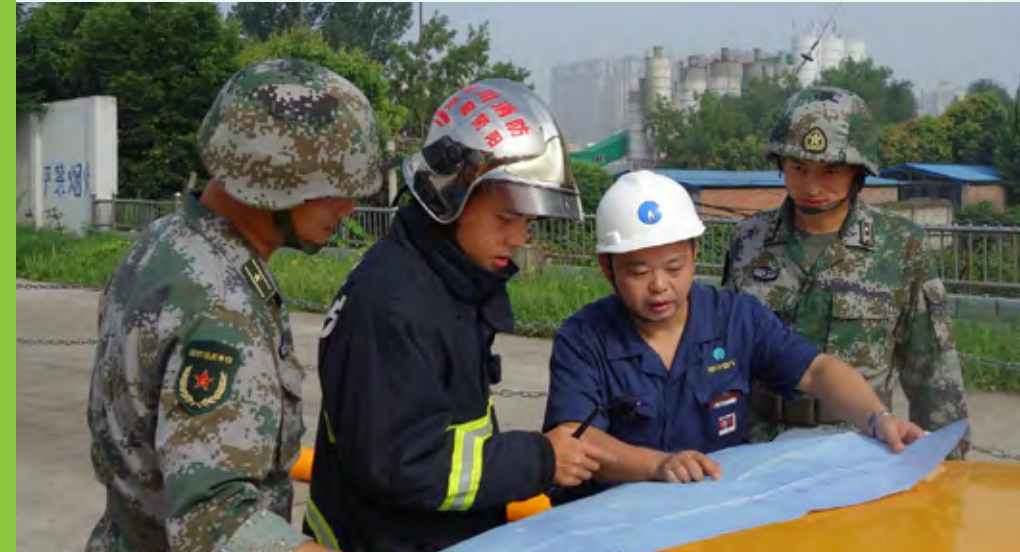


The Group also organises regular drills on emergency gas incidents. This helps to ensure the existing contingency plans of the Group remain feasible and practical while also improving the preparedness and handling procedures when incidents occur.



Case study: Emergency drill on gas leakage

On 1 July, the Group’s subsidiary in Jianyang collaborated with the People’s Armed Forces in Jianyang, local fire brigade and emergency aid centres in organising a comprehensive emergency drill.



Safety and Risk Management Audit

The Group has established an internal “Safety and Risk Management Audit” mechanism. During the year, the fifth safety and risk management audit was carried out (Year of 2015-2016) and a total of 40 project companies were reviewed. The overall performance achieved an ‘Excellent’ rating.

The “Safety and Risk Management Audit” covered 10 key safety management measures along with close to a thousand inspection items. The safety management measures covered the following: occupational safety, fire safety, pipeline network safety, safety of customers, safety of gas stations, engineering safety, the contingency plan, security management, safety of transportation and environmental protection aspects. The review cycle is on a biennial basis.





The Spirit of Craftsmanship in Quality Service

By dedicating ourselves to the principle of “Customer-oriented, Professional and Efficient” service, Towngas China has proactively created a quality customer experience that combines function, service and value. In addition to the Group’s latest customer management system, our customer service training as well as the monthly “Star Officer of Politeness, Caring and Etiquette Competition” enabled us to achieve a higher level of service that met our customers’ needs in a caring, competent and efficient manner.

Creating a Customer-Friendly Service Experience

In order to keep up with the trend in the Information era, the Group launched the a Virtual Customer Centre (VCC) Platform including the Towngas China VCC platform and “Towngas LifeStyle” official WeChat service account in 2016 . The VCC platform links up with the latest version 3.0 of the Towngas Customer Information System (“TCIS”) to offer a professional service procedure for customers. This is a one-stop service platform on which customers can shop and buy Bauhinia gas appliances and quality home products, and benefit from member services. At Towngas China’s customer service centre, customers can also enjoy one-stop service, including onsite testing and purchases of gas appliances such as clothes dryers, scheduling appointments for installation, installation design and other personalised services.



Case study: The latest version of TCIS 3.0

In 2016, Towngas China promoted the use of the latest version of TCIS to provide customers with higher-quality and more efficient services. We have also improved our end-to-end mobile applications for conducting safety checks, maintenance and meter reading services, which can enable our technicians to have instant communications with customers via tablets at any place and any time.





Case study: Clothes Drying Experience at Customer Service Centre of Maanshan Hong Kong and China Gas Company Limited

Maanshan Hong Kong and China Gas Company Limited organised an activity for customers to experience the benefits of the Bauhinia gas dryer at Tangyang Customer Centre in November 2016. Parents and kids from local kindergartens who brought along their wet clothes for testing could experience the convenience and efficiency of gas dryers.



Building a Customer-friendly Service Culture

Since the formulation of “Service with a Smile Guidelines” in 2012, Towngas China has continued to promote the idea of “Service with a Smile” and standardise the operating procedures of customer service to build a customer-friendly service culture.

In 2016, Towngas China organised an online event, “Three Courtesies Start with Me!”, to promote the concepts of Three Courtesies within the Group. The “Service with a Smile Ambassadors” were given a new mission to deepen the understanding of “Politeness, Caring and Etiquette” and the “Let me help you” initiative among staff. We also promoted the concept of the “Three Courtesies” in customer service centres, hotline centres and door-to-door services to incorporate its spirit into the Group’s customer-friendly service culture. The Group also encouraged subsidiaries to run the “Star Officer of Politeness, Caring and Etiquette Competition” on a monthly basis to make sure that the concept of the “Three Courtesies” can become the benchmark for our customer service staff.





Enhancing the Quality of Customer Service

Towngas China continued to carry out the “Dandelion Scheme” to discover customer service talent. The scheme nurtured a total of 77 internal trainers from 59 project companies in its second year and provided ongoing trainings for project companies to step up the service quality.



The Group has also launched the “Master Craft” award and organised the “Master Craft” competition outlining four major characteristics and two key qualities of a Master Craft as well as six requirements for installation. Through this standards-setting process, we established the aesthetic standards for installation works that raised the overall quality of gas installation and the social status of technical staff.





Responding to Customer Needs Proactively

All project companies under the Group offer a 24-hour customer service hotline to respond to customers' gas-related enquiries and complaints. The customer service department at the Group's headquarters follows up on customers' questions and suggestions about our service, as well as coming up with improvement measures. Towngas China also places importance on improving the complaint handling mechanism on the Company's online customer service platform. The Group has established social media accounts, including official WeChat and Weibo, to explore the use of an instantaneous communication platform to collect online customers' feedback and revert them to the relevant project companies. At the same time, we monitor and follow up on those issues.

In 2016, the complaint hotline at the Group's headquarters handled a total of 67 complaint cases. The feedback rate of the online complaint alert system was 100%. This demonstrated that the Group's strategy to set up diversified channels and maintain a close connection with customers was effective in properly addressing the needs of customers.

Maintaining Customer Information Security

Towngas China continued to enhance its encryption processing technology by adopting multiple encryption measures to protect customers' personal information. The "Towngas China Code of Conduct" requires employees to maintain strict confidentiality of work-related information. Any misuse of customers' personal data is forbidden.







Building a Greener Home

Towngas China is dedicated to protecting and improving our living environment while promoting clean energy and fostering sustainable development. The Group formulated a number of stringent environmental protection mechanisms in aspects such as gas production and business operation, and incorporated concepts of energy saving, emission reduction and environmental protection into the operations.

Supplying Green Energy

In line with the Central Government's "13th Five-Year Plan" and local government initiatives to eliminate coal-fired boilers, Towngas China continued to "stop haze, reduce coal consumption" and carry out coal-to-gas conversion projects. The Group has also made significant investment in the construction of LNG refilling stations and distributed energy projects in order to achieve the national goal of energy saving and emission reduction.



Case study: Launching the first "Town Pass Project" in Weifang

The first phase of the natural gas project in Yingqiu Town, Changle County was launched on 3 November 2016. It was the first "Town Pass Project" operated by our project company in Weifang to address the local government's initiative to complete the "Gas Transformation in Shandong Province". By extending our gas pipeline network to cover remote suburban areas and small towns, the project marked a milestone in expanding access to natural gas in all towns in Shandong. It is expected that the entire Yingqiu Town in Shandong Province will have access to natural gas by the end of 2017.



Mitigating the Impact of Construction Work

The Group implemented a mechanism to promote civilised and environment-friendly construction. Contractor safety and environmental responsibilities were listed in the contractor agreement to reinforce inspection and monitoring of dust, noise and general waste at construction sites, and to acknowledge or give suggestions for improvement based on the actual environment.

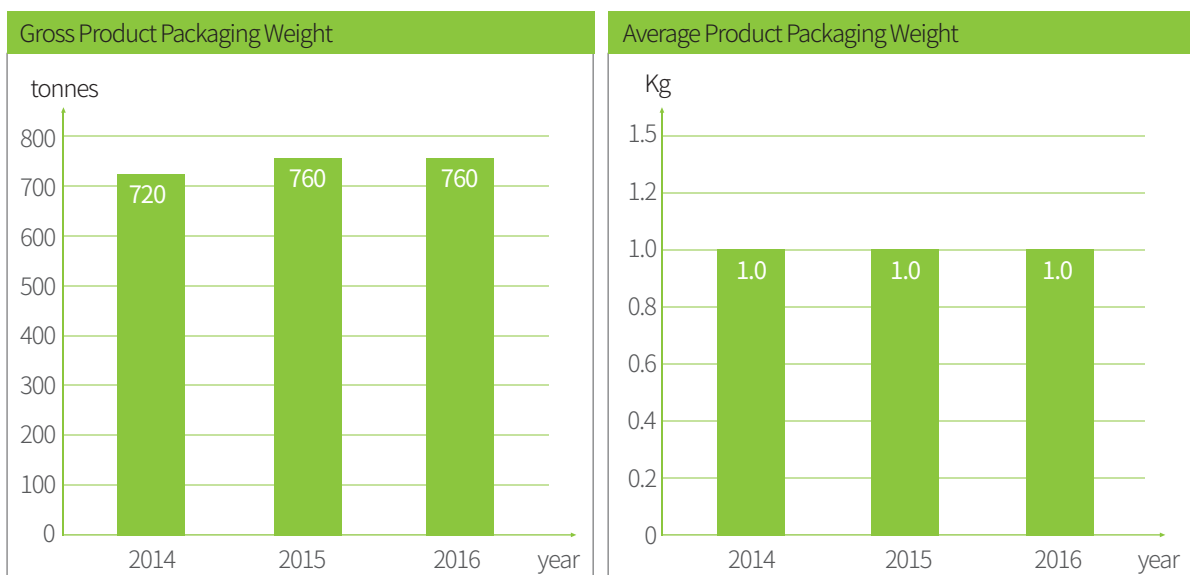
Prior to the commencement of construction work, the Group would work with local government to carry out planning and comprehensive impact assessment. At the same time, we collected views from local residents who might potentially be affected by the construction work and addressed their problems accordingly. Based on actual situations, we made amendments immediately and conducted a hydro-geological survey, roadwork optimisation, geological environment



Emphasising Eco-friendly Product Features

Since July 2016, all Bauhinia products, including water heaters, space heaters, stoves, extractor hoods and sterilisation cabinets are marked with labels specifying the names and quantities of potential hazardous substances that exist in the products. This is in accordance with the requirements set out in Vol. 32 of the “Administrative Measures for the Restriction of the Use of Hazardous Substances in Electric and Electronic Products”, a new regulation published by the Ministry of Industry and Information Technology.

All Bauhinia products are double tested by national quality supervision and inspection authorities and Guangzhou Towngas Technology Centre, which has received recognition from the China National Accreditation Service for Conformity Assessment Laboratory. Our quality products have gained us various industry awards and accolades such as “Energy-Saving and Environmentally-Friendly Products”, “The Government’s Procurement List of Energy-Saving Products” and “China National Lead List of Excellent Enterprises and Energy-saving Products”, among others.



Promoting Environmental Protection Activities

In March 2016, Towngas China introduced the “Contest of Low Carbon Creativity” activity to encourage staff from the head office and project companies to develop creative low-carbon activities in their own communities. Over 10 project companies in the Group invited their staff and their family members, customers and the public to participate in more than 30 eco-friendly activities such as tree planting projects in which more than 1,400 trees were planted, covering a green area of over 3,600 square metres.



Case study: Towngas China introduced “Contest of Low Carbon Creativity” Environmental Campaign



Worn safety helmets turned into plant pots



Worn safety helmets turned into plant pots



Unused packaging straps turned into plant pots



PE tubes and anti-dust covers turned into plant pots

Formulating Environmental Protection Policies

In order to realise the concepts for the protection of the environment to constantly improve the environment, save energy, reduce emissions and prevent pollution, Towngas China issued the “Environmental Protection Management Guidelines

(HSE/ZY-33)” in accordance with relevant national laws and codes of practice. The guidelines were signed by all general managers of project companies and posted in conspicuous spots to inform staff, contractors and other stakeholders.

In the “Environmental Protection Management Guidelines,” the Group set out clear criteria for environmental audits and inspections by stipulating detailed policies and management requirements in areas such as “Identification and Evaluation of Environment Factors”, “Energy Saving (Resources) Management”, “Solid Waste Management”, “Noise Control”, “Exhaust Gas Management” and “Effluent (liquid waste) Management”.

In 2016, the Group strengthened the existing energy-saving and emission reduction policies with a clear set of stipulations for “formulating energy-saving measures, reducing energy consumption and emissions, maximising energy efficiency; and promoting waste reduction, recycling and reuse.” By developing our own eLearning platform, we provided green training for the environmental management staff responsible for creating green offices in project companies.

During the year, neither the Group nor any project companies had any emission problems that would lead to government fines or penalties.

As a socially and environmentally responsible clean energy supplier, Towngas China published a clear set of waste management guidelines requiring internal departments to follow the disposal standards for solid waste, exhaust gas and effluent, etc.

Solid Waste Management Guidelines	Solid waste is classified into general waste and hazardous waste according to its contaminating characteristics. General waste is sub-divided into recyclable waste and non-recyclable waste. Recyclable waste will be sent to recycling companies and non-recyclable waste to environmental hygiene units or landfills in compliance with the requirements of local authorities. For hazardous (harmful) waste, the guidelines state the storage requirements and matters of concern. There should be waste disposal records and statistics by treatment category, i.e. for recycling, in landfills and incinerators.
Exhaust Gas Emission Management Guidelines	If project companies will discharge atmospheric pollutants, they have to install dedicated discharge outlets according to the regulations governed by relevant environmental protection authorities under the State Council. Equipment that would cause severe pollution must be retired and be excluded in the procurement process. In addition, the Group’s internal environmental department will also measure the exhaust gas emission within the Group’s premises in accordance with the national law and regulations and the “Identification and Evaluation of Environment Factors Formula”, to monitor the emission of exhaust gas and keep the original records for further improvement.
Effluent Discharge Management Guidelines	If project companies have to directly or indirectly discharge liquid pollutants, dedicated discharge outlets must be built in accordance with laws, regulations and stipulations set by an environmental protection agency under the State Council. Equipment that would cause severe water pollution must be retired and be excluded in the procurement process. Towngas China requires project companies to monitor the industrial effluent disposed on their own or to engage credible testing institutions to ensure the disposal meets the national standards. Project companies are required to record the effluent discharge and it must comply with the requirements of the “Integrated Wastewater Discharge Standard”.

Information on Emissions in 2016

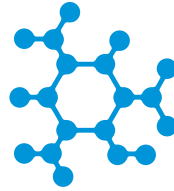
Emissions Information from Burning Fuels and Vehicles



Nitrogen Oxide NO_x
7,700 kilogram

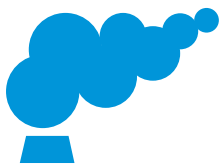


Sulphur Dioxide SO₂
284.6 kilogram



Particulate Matters PM₁₀
162.2 kilogram

Greenhouse Gases Emissions Information*



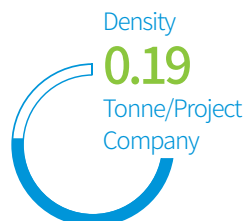
Total Emissions of Greenhouse Gases
29,864 Tonne



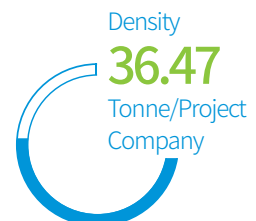
Total Amount and Density of Harmful Waste Generated*



Harmful/Hazardous Waste (solid)
14.5 Tonnes



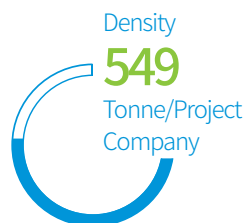
Harmful/Hazardous Waste (liquid)
2,772 Litre



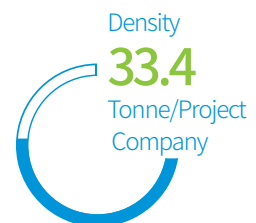
Total Amount and Density of Non-hazardous Waste Generated*



Non-hazardous Waste (solid)
41,735 Tonnes

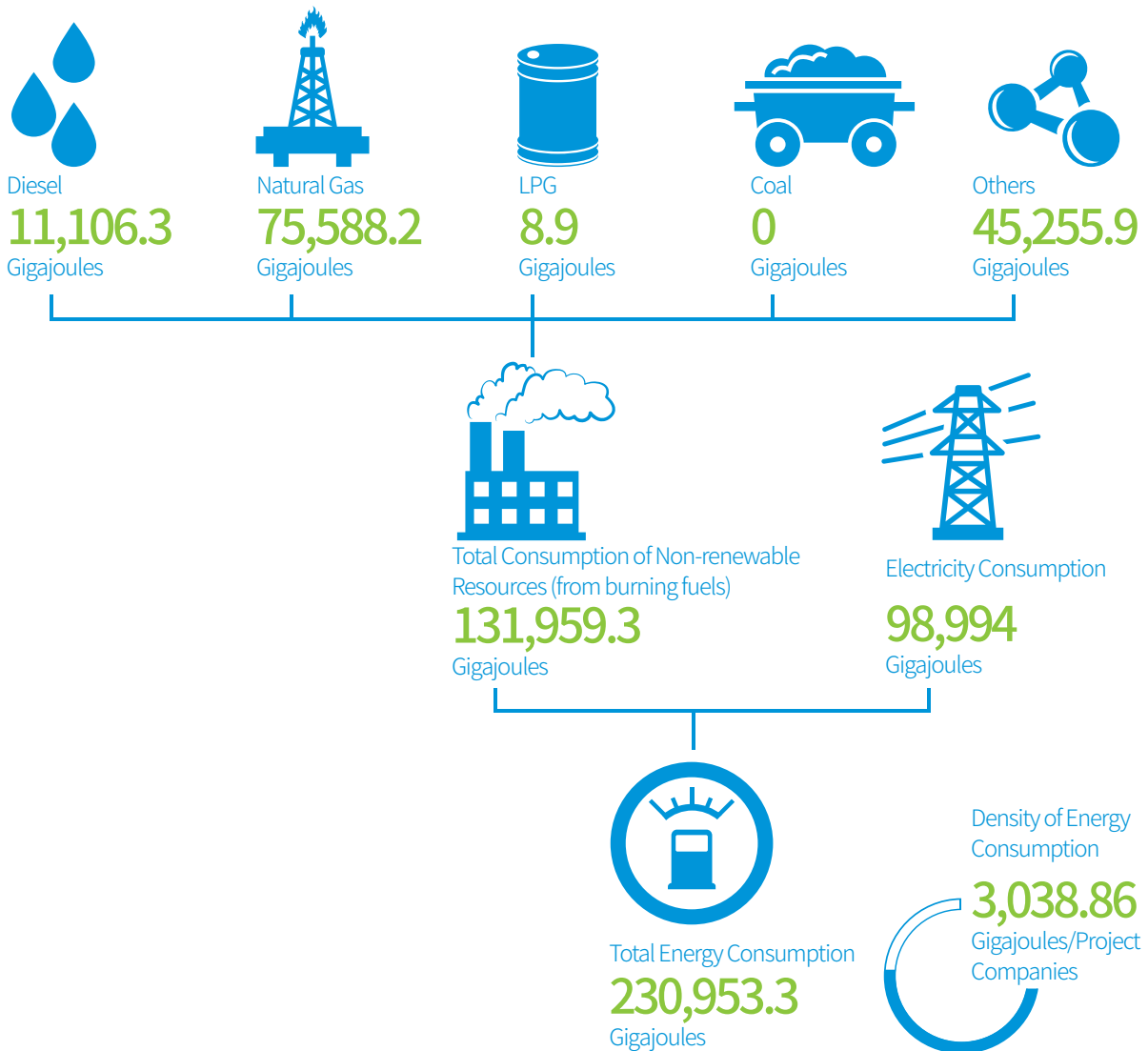


Non-hazardous Waste (liquid)
2,538.5 Litre

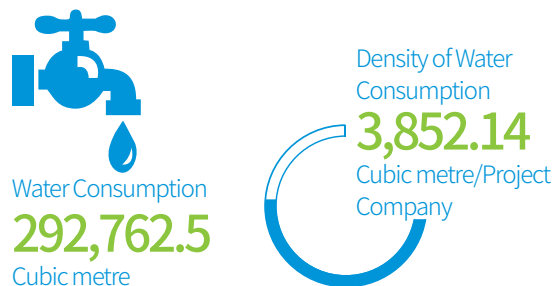


Information on Use of Resources in 2016

Energy Consumption *



Total Water Consumption and Density *



* Note: A total of 76 project companies, in each of which the Group has more than 50% equity interest, were taken into account.



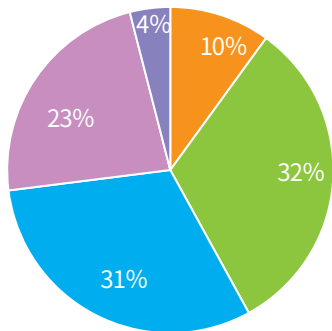


Driving Talent Development

“Continuous learning” is one of the key corporate values of Towngas China. It constitutes the foundation of a learning-oriented corporate culture. We regard staff development as a prerequisite of Company development. As such, we work with tertiary institutions to design professional training schemes for staff of different levels and career categories to enhance the Group’s competitiveness within the industry. The Company has also established comprehensive human resources policies to provide staff with competitive benefits and to safeguard their rights.

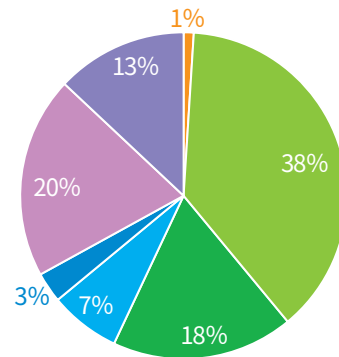
Manpower Status

In 2016, Towngas China employed a total of 22,129 full-time staff.



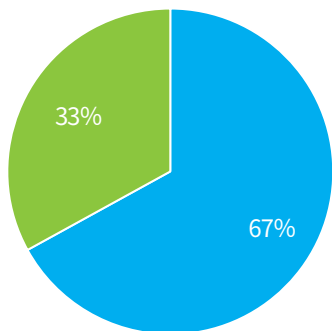
Percentage of Staff by Age

- Below 26
- 26-35
- 36-45
- 46-55
- Above 55



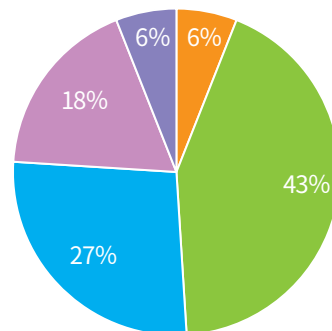
Percentage of Staff by Region

- Group Headquarters
- Northeast China Region
- Northern China Region
- Anhui-Jiangxi Region
- Jiangsu-Zhejiang Region
- Southwest China Region
- Southern China Region



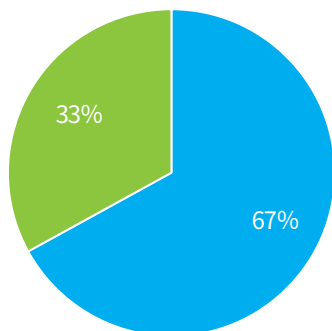
Percentage of Staff by Gender

- Male
- Female



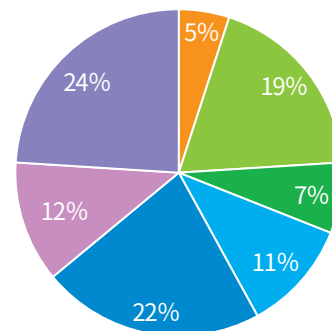
Staff Turnover Rate by Age

- Below 26
- 26-35
- 36-45
- 46-55
- Above 55



Staff Turnover Rate by Gender

- Male
- Female



Staff Turnover Rate by Region

- Group Headquarters
- Northeast China Region
- Northern China Region
- Anhui-Jiangxi Region
- Jiangsu-Zhejiang Region
- Southwest China Region
- Southern China Region

Talent Training and Development

Nurturing Talent for the Industry

In 2016, Shandong Hong Kong and China Gas Training Institute collaborated with four institutes, namely, Jiangsu Urban and Rural Construction College, Guangzhou Traffic and Transportation Vocational School, Shandong Urban Construction Vocational College and Wuhan Gas & Heat School, to continue the “Training on Demand” project for frontline staff. Of a total of 87 students who were recruited during the year, 61 were employed by the Group, a good reflection of the Group’s efforts in training professionals for the gas industry. During the year, Shandong Hong Kong and China Gas Training Institute organised three classes of “Professional Training and Assessment for Gas Practitioners (Type III Personnel)”, one training course for “Shandong Province Gas and Heat Association – the third class for Teachers” and one exchange course for “Practical Assessment and Inspection for Shandong Province Gas Practitioners”. These courses have trained more than 750 industrial professionals for the gas industry in Shandong Province and laid the foundation of practical training for the gas industry in the province.

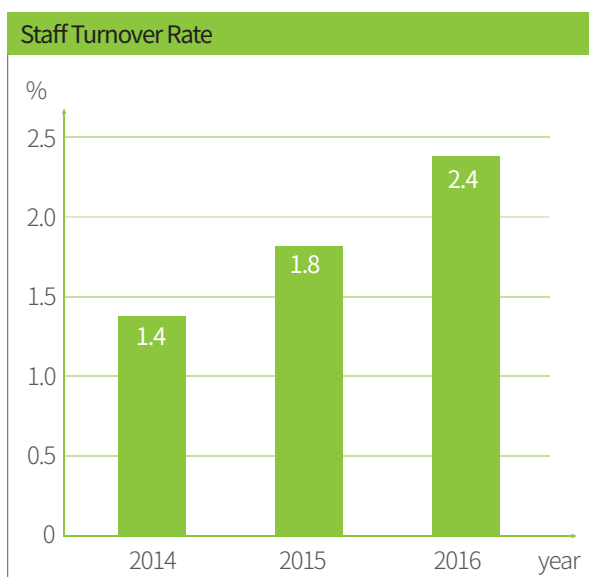


Developing Internal Talent

Towngas China provides its staff with industry-renowned training through its tailored professional training programmes as well as its eLearning platform. The Group also offers various schemes such as the “Career Development Scheme”, “Master of Engineering Management from the University of Technology Sydney” and the “Engineering Graduates Training Scheme” to develop and expand career paths for employees.

“Talent Development Scheme”

In order to encourage employees to create their own career development plans, take initiative and demonstrate a professional attitude, the Group has designed and developed a set of career development schemes to provide staff with continuous professional learning. Not only does it mean vertical promotion, but also horizontal job rotation. As the abovementioned human resources development initiatives have created plenty of room for career growth, the Group’s turnover rate has remained at around 2% throughout the years. This allows the Group and its employees to develop and grow together. To date, the Group has established and applied a training process framework covering the guidelines for the implementation of a career development scheme, operation manual and implementation support tools. In 2016, the training process framework was implemented among six corporations in Northeast China region, Northern China region, Southwest China region, Jiangsu-Zhejiang region, Anhui-Jiangxi region and Southern China region. We will consolidate the experience gained in the pilot scheme to take forward the training process framework to be applicable across the Group to enhance the professional skills of technical staff.



Internal Professional Skill Training

In 2016, Shandong Hong Kong and China Gas Training Institute carried out four categories of training for frontline craftsmans, internal training personnel, professional technicians and management skills improvement. The total number of staff attending was 2,709 and 72,200 training hours were delivered.

Course Categories		Staff Attendance (No.)	Percentage (%)	Learning Hours (hour)	Average (hours/person)
Frontline Craftsman	Station	227	8.4	6,008	26.47
	Pipeline Network	790	29.2	14,096	17.84
	Customer Service	1,104	40.8	25,568	23.16
	Polyethylene Welder	194	7.1	6,208	32.00
Training for Internal Training Personnel	Internal Training Personnel	28	1.0	952	34.00
Professional Technicians	Professional Technicians	178	6.6	4,096	23.01
Improving Management Skills	Middle to Senior Management and Professional Technicians	188	6.9	15,272	81.23

The Second Year of the “Engineering Graduates Training Scheme”

We understand that nurturing the younger generation is a key to fostering social development and economic prosperity. As such, the Group continued its “Engineering Graduates Training Scheme” to help fresh graduates, who aspire to be recognised as professional engineers, to understand the industry within a short period of time. The Company also assists them to attain qualifications from the Institution of Gas Engineers and Managers (IGEM) so as to prevent talent shortage in the industry. Since the launch of the scheme, given that the Group has a stringent selection process, three management trainees and one engineer became chartered engineers and members of IGEM after gaining two years of trainings in engineering projects and three years of working experience in the gas industry.

Master of Engineering Management of University of Technology Sydney

The Group introduced the Master of Engineering Management programme offered by the University of Technology Sydney, which is widely acknowledged in the engineering industry. Through a 15-month programme that integrates theoretical coursework and practical projects, 23 staff in the Group will earn the Master’s degree next year. They will also become members of IGEM. To date, four postgraduates of the programme are Member Managers of IGEM. They benefited from the Group’s professional training initiatives and gained recognition from the internationally-respected professional body.



Official Launch of eLearning Platform

In 2016, the Group officially launched an online learning platform (also known as an eLearning platform), which was designed by the Group and a renowned IT company. The online platform aims at promoting the virtue of continuous learning among all staff. There are nearly 100 online courses covering management, professional skills and corporate culture so that employees across the country can self-learn.

With the Group's comprehensive training system, staff across different departments have upgraded their skills and expertise and won approval in their own professions.



Case study:

- (1) Zhao Liang from the Group's Procurement Department was granted certification by the Chartered Institute of Purchasing & Supply;
- (2) Hu Yuexia from the Group's Procurement Department was granted the qualification of Project Management Professional by the Project Management Institute of the United States



Occupational Safety and Health Protection

By establishing a framework of guidance including Towngas China’s “Staff Handbook on Safety and Environmental Protection”, “HSE Work Instruction – Work Safety Analysis and Guidelines” as well as “HSE Work Instruction – Safety Education and Training Guidelines”, Towngas China has provided comprehensive protection for staff occupational health and safety. In 2016, the Company made use of various channels such as WeChat, an eLearning platform, corporate social media network “Gong Xue Fang”, the Safety and Risk Management department’s database and different kinds of staff activities such as quizzes and competitions to promote workplace safety. Staff participation in these safety and environmental protection training activities reached 494,000.

The Group also integrated the concept of Total Quality Management into the eLearning platform, uploaded more than 10 safety training videos and prepared relevant testing and assessment materials. This, on the one hand, provided our staff with access to occupational safety information, whilst on the other hand, promoted the concept of corporate development. In 2016, nine project companies passed the formal assessment and received internationally recognised Occupational Health and Safety Assessment Series OHSAS 18001 certificates.



Case study: In December 2016, the Group’s head office in Shenzhen organised a fire drill for staff to raise their awareness of fire safety



Indicator	Unit	2014	2015	2016
Accident Rate per 1000 Employees	%	0.44	0.33	0.88
Number of Working Days Lost Due to Work-related Illness and Workplace Injury	Day(s)	641	510	1,092
Number of Work-related Fatal Accidents	Person(s)	0	0	2
Fatality Rate	%	0	0	0.0089

Note: Two employees who felt discomfort at work due to personal health problems were certified dead after admission to hospital.

Protection of Staff Rights

It is our policy to comply with applicable national laws and regulations. The Group has issued the “Towngas China Staff Handbook” and every employee is given a copy of the booklet. It sets out the main conditions of employment, including provisions related to remuneration and benefits, recruitment and promotion, working hours, holidays and leave as well as details of policies governing equal opportunities in the workplace and anti-discrimination measures to protect the statutory rights of employees.

Towngas China is committed to promoting equal opportunity in a work environment. We formulated strict guidelines for recruitment processes to ensure fairness, transparency and openness. In 2016, every member of staff in the Group was fully covered by employment contracts and social insurance. There was no incident of discrimination against gender, race, age or health during recruitment processes.

Towngas China prohibits forced labour and child labour. In 2016, there was no incident involving forced labour or child labour in the Group.

The Company respects employees’ freedom of association and right to participate in collective bargaining that is in compliance with national laws and regulations. Management also respects staff’s rights to express opinions and therefore set up various internal platforms to facilitate bottom-up communication. In addition, the Group introduced the “Employee Relations and Communication Management Framework” to encourage two-way communication between staff and the management.

Staff Benefits and Protection

Social Security	Pensions, Medical, Unemployment, Work-related Injury and Maternity insurance, and Housing Provident Fund
Commercial Health Insurance	Accidental Death or Disability, Accident, Critical Illness and Maternity insurance, and Hospital Allowance
Leave and Holidays	Statutory Public Holidays in China, Paid Annual Leave and Sick Leave, Work Injury Leave, Medical Leave, Full-Pay Examination Leave and Special Leave that includes Marriage Leave, Maternity Leave, Paternity Leave and Compassionate Leave
Other Benefits	Subsidies for Telecommunication Expense, Festive Benefits, Recreational Activities and Company Training

Employee Life-Enrichment

“Cheer for Love” family bonding activities

In 2016, we launched a three-month programme “Farming for Fun” to enrich the lives of our staff and their families with farming knowledge, experience and culture. The family bonding activities allowed the parents and children to observe the growth of crops close up and to understand the philosophy that “every little bit counts”. This initiative sought to build trust and understanding between parents and their children through its engaging activities, and to help children develop a sense of responsibility and independent thinking.



Leisure Trips and Sport Activities

Considering the needs of staff in different positions and locations, the Group proactively planned and organised a number of leisure trips within the country or overseas to help our employees achieve a favourable work-life balance. During the year, nearly 300 employees and their families participated in these staff activities. In addition, the Company has a dedicated team to regularly organise sports and recreational activities. Among these, sports activities such as badminton, basketball, football and yoga were very popular.



Our employees are one of the most important assets of the Group. Children of our staff are entitled to certain benefits, for instance, the “Towngas Employees' Children Scholarship Scheme” provides financial support to the children of employees to pursue higher education. In 2016, the Group received 73 qualified applications from 33 project companies. After comprehensive assessment, 11 of them were awarded scholarships (including one outstanding student who received an offer of early admission to university), and 62 received Merit Awards. The Group will continue to promote a harmonious work-life balance and a caring corporate culture through various means, fostering a stronger sense of belonging among employees.



Case Study: “Towngas Employees' Children Scholarship Scheme”



This was the third year the Group ran the initiative to show appreciation for the support provided by the families of our staff seconded from their home towns. This year the Group prepared a festive hamper with Towngas Avenue mooncakes and organic food as well as other goodies, for each of the 312 families and sent them at Mid-Autumn festival with our warmest greetings and festive blessings.



Case Study: Sending Families of Secondees our Mid-Autumn Festival Greetings







Showing Great Care for Our Community

While we are committed to developing the gas market in mainland China, Towngas China has been taking action to give back to the communities in which we operate. Our various community projects, including the “Gentle Breeze Movement”, “Firefly Project”, “A Date with Towngas China Forest” and “Rice Dumplings for the Community” initiatives, enable us to achieve sustainable development through social responsibility.

Towngas China had a team of **5,425** volunteers



Have spent **60,917** hours in community service



The total investment in charitable and environmental projects amounted to **6.018** million.



Gentle Breeze Movement

“Gentle Breeze Movement” is an iconic corporate social responsibility programme for the Group to put its corporate values into practice. Since its inception in 2013, the programme has contributed more than 2.9 million in money and resources to provide aid for 32 schools in Jiangxi, Sichuan, Anhui, Jiangsu, Shandong, Guizhou, Liaoning and Zhejiang, and established 38 “Towngas China Charity Libraries”. The donations were used primarily to renovate school buildings and purchase teaching materials and sports equipment.

In June, the “Gentle Breeze Movement” expanded to cover Liaoning. It donated more than 230 bunk beds and over 110 lockers to the newly built “Towngas China Charity Dormitory” for students of Huashige School in the Mongol Autonomous County of Fuxin City, and provided new school uniforms for over 500 students in the school.



In June, the “Gentle Breeze Movement” was back in action in Sichuan. It donated over 1,000 books and other materials to Leyang Primary School in Lezhi County, Ziyang City and established a “Towngas China Charity Library” there.



The Group also proactively encourages its project companies to put passion into action, giving donations to schools and social welfare organisations and initiating volunteering services.

In November 2016, Towngas China Eastern Region Corporate Culture Promotion Committee and Volunteer Team organised the “Gentle Breeze Movement – Towngas China Group • Huangshan Walk for Students in the Eastern Region 2016”, donating two “Towngas China Charity Libraries” to two mountainous primary schools in Huangshan City, Anhui Province – Dongshan Primary School in Qiankou Town, Huizhou District, and Hecheng Primary School in Xiuning County. More than seven thousand books and \$100,000 worth of teaching materials, basic equipment and computers were also sent to their students. The cost of buying learning materials in this educational aid initiative was sponsored by the “Charity Fund”, which was established by 36 corporations in the Eastern Region.





“Firefly Project”

In 2016, the fifth “Firefly Project” in China commenced in Shandong. Since 2009, the Group has helped schools in rural areas build “Firefly Centres” computer rooms every year. Each of them is well equipped with a library, computers and a range of learning equipment. The project also provides training and teaching support for local teachers to improve the learning environment of students in rural villages.

On 26 October, the fifth “Firefly Centre” at Taian Eighth Secondary School in Liangzhuang Town in Daiyue District, Taian City, Shandong Province, officially opened.



“A Date with Towngas China Forest”

Since the Group issued the “Green Declaration of Towngas China” in 2011, its project companies have been encouraged to participate in “A Date with Towngas China Forest” tree planting every year. This environmental protection initiative also promotes energy conservation and carbon reduction, as an operating model to create an ideal living environment. To date, the Group has led its project companies to plant more than 80,000 trees, covering a green area of over 390,000 square metres.





“Rice Dumplings for the Community”

Towngas China continues to show great care to the underprivileged. From May to June 2016, nearly 40 project companies participated in the annual “Rice Dumplings for the Community” initiative. Over 36,000 rice dumplings were made, and these, together with \$160,000 worth of festive gifts, were sent to social welfare institutions and the grassroots, benefiting more than 7,000 recipients.



Case Study: Chizhou Hong Kong and China Gas Company Limited (“Chizhou HKCG”) co-organised a “Rice Dumplings for the Community” Rice Dumpling Making Competition

In June 2016, Chizhou HKCG’s volunteer team and seven social welfare units under Qingfeng Subdistrict co-organised the “Rice Dumplings for the Community” Rice Dumpling Making Competition at the Star Volunteer Square in Baiheyuan Community, Qingfeng Subdistrict. Eight teams participated in the competition and they were asked to make rice dumplings in a given period of time. The team making the most and the best rice dumplings was the winner. At the end of event, the Group had prepared over 2,300 rice dumplings and they were delivered to low-income families and elderly singletons in the local community.





Case Study: Towngas China Brings Warmth to the Community in Qiqihar

In June 2016, Towngas China's volunteers from Qiqihar organised the "Rice Dumplings for the Community" initiative in the Hongxing Community in Wulong Subdistrict, Longsha District. In addition to making rice dumplings with workers in the community, our volunteer team also took the opportunity to promote gas safety among the residents. Over 1,000 rice dumplings and other food items were delivered to the needy on the eve of the Dragon Boat festival.



Spreading Positive Energy

The Group is an advocate of positive energy. We ran the “Cooking for Mom – Towngas China Bauhinia National Little Chefs Cooking Competition 2016” for the second consecutive year. This was a family cooking competition designed for promoting flame cooking and gas safety. As the theme “Filial piety is the most important of all virtues” suggests, the competition aimed at reminding the younger generation of the importance of filial piety and bringing youngsters and their parents as well as other family members closer together.



Important Accolades

Major Awards for Corporate Social Responsibility Received by Towngas China in 2016:



1 Grand Award of the 2016 HKMA Quality Award
Awarding institution: Hong Kong Management Association



2 The 100 Best-Performing CEOs in the World in 2016
(Mr. Chan Wing Kin, Alfred, Chairman and Executive Director of Towngas China)
Awarding institution: Harvard Business Review



3 5-Star Outstanding Corporate Citizen in China 2016
Awarding institution: Corporate Citizenship Committee of China Association of Social Workers, CCTV and Tencent Charity Foundation



4 Pioneer in Social Responsibility Performance Award in CSR China Education Awards 2016
Awarding institution: The Communist Youth League of China, the Ministry of Education, the Ministry of Industry and Information Technology of China



5 The 6th China Securities Golden Bauhinia Awards: Best Investment Value Award for Listed Companies
Awarding institution: Hong Kong Ta Kung Wen Wei Media Group Limited



6 CSR Brand Award 2016 of the 6th China Charity Festival
Awarding institution: Organising Committee of China Charity Festival

Future Outlook

2017 is an important year for implementing China's "13th Five-Year Plan". It is also a year of deepening supply-side structural reforms. As one of the leading city gas suppliers in mainland China, Towngas China will continue to be bold in taking initiatives, persisting with innovative development, ensuring safe supply of gas and implementing corporate social responsibility. Taking into consideration the advancement of the supply-side structural reforms, we will make the necessary contribution to promoting the nation's socio-economic development.

Drive Efficiency and Innovation. The Group has deployed the Towngas Management System ("TMS") to cope with the need for innovative management. Since the Group's businesses cover most parts of mainland China, the system allows the Group's project companies to keep closely connected via the cloud platform, enabling strong support for the Group's operation management and decision-making capabilities. Towngas China is committed to driving corporate efficiency and good corporate governance. By exercising strict control over business operations, optimising workflow as well as promoting the innovative culture "G=ixi" and "TQM" among the Group, we expect to achieve continued steady growth and create more value for shareholders. It is our corporate goal to innovate for growth, increase safety standards, upgrade technical capabilities and service performance, and foster innovation and advancement in the city gas industry.

Assure Safety and Quality Service. Towngas China insists on stringent supervision and control over the quality of construction, making continuous improvements to safety and risk management systems, conducting various types of safety inspections at regular intervals and rehabilitating gas pipelines to mitigate potential risks. We also carry out household safety inspections, spread gas safety messages and sell safe and reliable gas appliances to ensure that the efficient and secure supply of gas can be sustained. In 2017, Towngas China will continue to uphold the "customer-oriented" service concept to explore additional customer communication platforms while riding on the existing ones, such as the online customer centre and the Ganghua Pay mobile phone application. We will also keep deploying training sessions and improving customer service procedures to enhance the customer experience. Meanwhile, the Group has launched the "Dandelion Scheme" to improve service quality and has promoted the "Master Craft" spirit which emphasises the culture of pursuing excellence, with an aim to enhance service quality and efficiency of our staff.



Seize the Opportunity to Foster Sustainable Development. In light of the Chinese government's "13th Five-Year Energy Plan", Towngas China will actively respond to the policy of "carbon reduction and haze elimination". We will fully promote the advantages of natural gas, which include its safe, green and energy-saving and energy-efficient nature. The Group will be investing in "coal to gas" and "oil to gas" conversion projects, assisting with the construction of commercial gas air-conditioning and central heating projects, and accelerating the development of the distributed energy business to provide users with efficient energy for cooling and heating as well as electricity. All these will fulfil the diversified energy consumption demand of industrial and commercial customers with reduced costs and enhanced quality, in order to generate healthy and sustainable economic growth. In addition, Towngas China will strengthen the security of gas supply to meet the growing demand for gas. We will purchase through multi-channels to guaranteed sufficient gas supply and boost the volume of gas supply. The Group will also improve the peak shaving facilities and accelerate the construction of natural gas transmission pipelines to bolster our gas supply capability, ensuring a high-quality service experience for millions of households.

Protect the Environment and Contribute to Society. Corporate social responsibility is an essential element in fostering sustainable growth in the business world. The Company will continue to exert extra effort in the promotion of clean energy, to conduct green and low-carbon activities, to focus on energy-saving product designs and green production, and to implement effective measures to bring minimal impact to the environment when construction works are in progress. As a member of the commercial world, we will continue to utilise our advantages to benefit the welfare sector by focusing abundant resources on helping the needy. With the aim of motivating our peers to contribute to society, we have sponsored large-scale community projects and raised the benchmark while expanding the pool of beneficiaries. During the year, the Group again launched various community projects, such as the "Gentle Breeze Movement" and the "Firefly Centre", designed to improve the education quality of under-resourced schools and to offer support for the underprivileged. We are committed to continuously returning to society through our caring actions.

Wong Wai Yee, Peter
Executive Director and Chief Executive Officer
Towngas China Company Limited
Executive Director and Chief Operating Officer - Utilities Business
The Hong Kong and China Gas Company Limited

Opinions from Expert

It is a pleasure to receive the 2016 CSR Report of Towngas China. It is also the fourth annual CSR Report from Towngas China since 2013. The contents of this report are more sophisticated, information disclosure is more detailed and the design is refreshing. This report presents new content and achievements of Towngas China in performing corporate social responsibility from various aspects, and my opinions are as follows:

Comprehensive and vivid presentation: Through its use of text and graphics, while citing various practical cases, figures and tables, the Report systematically describes the performance of Towngas China in promoting social responsibility through business operations, safety assurance, service quality, environmental protection and staff development as well as charity and care. Towngas China's proactive commitment and conduct in performing in a socially responsible way are comprehensively and objectively reflected. In addition, the constructive achievements of Towngas China's corporate social responsibility efforts are vividly illustrated. This report demonstrates the corporate social responsibility commitment that Towngas China, as one of the largest gas group in China, upholds.

Fulfilment of standard requirements: This report provides adequate and detailed information of general disclosure and key performance indicators in respect of Towngas China's emissions, environmental resources, employment, operations and community service in accordance with the requirements of the latest Environmental, Social and Governance Reporting Guide of the Stock Exchange. Strictly implementing the principle of "explanation for non-compliance", this report has provided explanations for the indicators which are of low relevance or not applicable for particular businesses, fully reflecting the serious and stringent mind-set of Towngas China in fulfilling its corporate social responsibility.



Various means of communication: In order to address the need for different stakeholders to receive this report, Towngas China has provided various means of delivery and communication, including a printed version, online edition and QR code links. There are printed and online questionnaires for receiving comments from stakeholders, which can also facilitate subsequent follow-up.

Towngas China has been widely recognised for its outstanding performance in integrating corporate social responsibility into its business model and has gained key recognitions, for instance, the “Grand Award of the 2016 HKMA Quality Award”, the “Pioneer in Social Responsibility Performance Award ” and the “5-Star Outstanding Corporate Citizen in China 2016”. It is seen that the CSR Report has been consistently improving with a high standard attained. In keeping with this, I would like to offer some suggestions for this report.

Enhance with opinions from stakeholders: Towngas China may consider including more opinions from other stakeholders into the report in the future, namely shareholders, customers, staff and suppliers. Doing this would truly reflect a more dynamic understanding of society’s attitude towards the corporate social responsibility performance of Towngas China.

I sincerely hope Towngas China continues to make a persistent effort, strives for innovation, upholds stringent safety standards, conscientiously fulfils corporate social responsibilities and fosters a sustainable development culture for the Group, leading the industry and society to continue to grow.

Liu Weihua

Vice Chairman

China Association of Social Workers, Committee of Corporate Citizenship

Liu Weihua

Appendix

Guidelines for the Guidelines on Environmental, Social and Governance Reporting by The Stock Exchange of Hong Kong Limited

■ full disclosure; □ partial disclosure; — very low relevance with the business or not applicable

		Contents of Indicators		Location in the Report or Explanation	Disclosure
Major Scope	Level	Disclosure Indicator			
A Environment	A1 Emission	General Disclosure	(a) policies; and (b) relevant information of laws and regulations, of which compliance will have material impacts on the issuer, in relation to emissions of exhaust gas and greenhouse gases, pollution discharge of water and land and generation of hazardous and non-hazardous waste. Note: exhaust gas emissions include oxynitride, sulfur oxides and other pollutants governed by national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, HFCs, perfluorocarbon and sulfur hexafluoride. Hazardous waste is as defined by national regulations.	P43-P44	■
		Key Performance Indicator	A1.1 Types of emissions and related emission information.	P45	■
			A1.2 Total emission of greenhouse gases (by tonne) and (if applicable) density (for example, by each production unit or by each facility)	P45	■
			A1.3 Total hazardous waste generated (by tonne) and (if applicable) density (for example, by each production unit or by each facility).	P45	■
			A1.4 Total non-hazardous waste generated (by tonne) and (if applicable) density (for example, by each production unit or by each facility).	P45	■
			A1.5 Descriptions on emission reduction measures and the results achieved.	P44	■
			A1.6 Descriptions on the handling methods of hazardous and non-hazardous waste, output reduction measures and the results achieved.	P44	■
	A2 Use of Resources	General Disclosure	Policies on effective use of resources (including energy, water and other raw materials). Note: Resources could be used for production, storage, transportation, buildings, electronic equipment, etc.	P44	■
		Key Performance Indicator	A2.1 Total consumption of direct and/or indirect energy by types (such as electricity, gas or oil) (by thousand KWH) and density (for example, by each production unit or by each facility).	P46	□

Contents of Indicators			Location in the Report or Explanation	Disclosure	
Major Scope	Level	Disclosure Indicator			
A Environment	A2 Use of Resources	Key Performance Indicator	A2.2 Total water consumption and density (for example, by each production unit or by each facility).	P46	■
			A2.3 Descriptions on energy use efficiency plan and the results achieved.	P44	■
			A2.4 Descriptions on any issue in obtaining water source and water use efficiency enhancement plan and the results achieved.	Towngas is a gas transmission and distribution enterprise which does not demand large amount of water.	—
			A2.5 Total packaging materials used for manufactured goods (by tonne) and (if applicable) occupancy of each production unit.	P42 Towngas China does not produce gas appliances but only provides product packaging information.	■
	A3 Environment and Natural Resources	General Disclosure	Policies reducing the material impacts on the environment and natural resources by the issuer.	P41-P44	■
		Key Performance Indicator	A3.1 Descriptions on the material impacts of business activities on the environment and natural resources and actions taken to manage such impacts.	P41-P44	■
B Social	B1 Employment	General Disclosure	(a) policies; and (b) relevant information of laws and regulations, of which compliance will have material impacts on the issuer, in relation to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits and welfare.	P55-P58	■
		Key Performance Indicator	B1.1 Total number of staff by gender, employment types, age group and regions.	P49	■

Contents of Indicators				Location in the Report or Explanation	Disclosure	
Major Scope	Level	Disclosure Indicator				
B Social	B1 Employment	Key Performance Indicator	B1.2 Staff turnover rate by gender, age group and regions.	P49	■	
	B2 Health and Safety	General Disclosure	(a) policies; and (b) relevant information of laws and regulations, of which compliance will have material impacts on the issuer, in relation to providing safe work environment and protecting employees from career hazard.		P54	■
		Key Performance Indicator	B2.1 Number and percentage of death at work.		P54	■
			B2.2 Working days lost due to occupational injury.		P54	■
			B2.3 Descriptions on career health and safety measures adopted and related executions and supervision methods.		P54	■
	B3 Development and Training	General Disclosure	Policies in relation to enhancing staff's knowledge and skills on job duty performance. Descriptions on training activities. Note: Trainings refer to career trainings, including internal and external courses paid by the Company.		P50-P53	■
		Key Performance Indicator	B3.1 Percentage of staff under trainings by gender and types of staff (such as senior management and middle management).		P52	■
			B3.2 Average training hours of each staff by gender and types of staff.		P52	■
	B4 Labour Standard	General Disclosure	(a) policies; and (b) relevant information of laws and regulations, of which compliance will have material impacts on the issuer, in relation to the prevention of child labour or forced labour.		P55	■
		Key Performance Indicator	B4.1 Descriptions on measures reviewing recruitment practices in the avoidance of child labour and forced labour.		P55	■

Major Scope	Level	Contents of Indicators		Location in the Report or Explanation	Disclosure
		Disclosure Indicator			
Operation Practices		Key Performance Indicator	B4.2 Descriptions on the steps adopted to eliminate violation when such situations are discovered.	P55	■
	B5 Supply Chain Management	General Disclosure	Environmental and social risk policies for the management of supply chain.	P20	■
		Key Performance Indicator	B5.1 Number suppliers by regions.	P20	■
			B5.2 Descriptions on the practices of engaging suppliers, number of suppliers on which such practices are implemented and the executions and supervision methods of such practices.	P20	■
	B6 Product Responsibility	General Disclosure	(a) policies; and (b) relevant information of laws and regulations, of which compliance will have material impacts on the issuer, in relation to the health and safety, advertisements, labels and privacy matters and remedies of the products and services provided.	P17-P24	■
		Key Performance Indicator	B6.1 Recall percentage to the total number of products sold or delivered due to safety or health issues.	P17	■
			B6.2 Number of complaints received in respect of products and services and coping solutions.	P38	■
			B6.3 Descriptions on the practices in relation to the maintenance and protection of intellectual properties.	P19-P20	■
			B6.4 Descriptions on quality inspection process and product recall procedures.	P17	■
			B6.5 Descriptions on consumers' information protection and privacy policies and relevant executions and supervision methods.	P38	■
	B7 Anti-corruption	General Disclosure	(a) policies; and (b) relevant information of laws and regulations, of which compliance will have material impacts on the issuer, in relation to the prevention and bribery, extortion, deception and money laundering.	P9	■

Contents of Indicators				Location in the Report or Explanation	Disclosure
Major Scope	Level	Disclosure Indicator			
Operation Practices	B7 Anti-corruption	Key Performance Indicator	B7.1 Number of concluded lawsuits against the issuer or its employees during the reporting period and the litigation outcomes.	P9	■
			B7.2 Descriptions on the precautionary measures and reporting procedures and related executions and supervision methods.	P9	■
Community	B8 Community Investment	General Disclosure	Policies in relation to understanding of community needs through community participation and assurance of community interests being considered for its business activities.	P41-P42 P61-P68	■
		Key Performance Indicator	B8.1 Key contribution areas (such as education, environmental matters, labour needs, health, culture and sports).	P61-P68	■
			B8.2 Resources (such as money or time) used for the key areas.	P61	■

Feedback Collection

Dear our Valued Readers,

Greetings! Thank you for reading the 2016 Corporate Social Responsibility Report of Towngas China Company Limited. To enhance our communication with stakeholders while continuing to improve our corporate social responsibility work and the compilation of the corporate social responsibility report, we sincerely look forward to your valuable opinions and suggestions.

Corporate Social Responsibility Report Compilation Committee

Towngas China Company Limited

March 2017

1. Your overall evaluation of this Report:

Excellent Good Fair

2. Do you think this Report objectively reflects the actual situation of the performance of corporate social responsibility by the Company?

Yes Fair No

3. What do you think about the clarity, accuracy and integrity of the disclosed information, data and indicators in this Report?

Very high High Fair Low Very low

4. What do you think about the design and layout of this Report?

Excellent Good Fair Poor

5. Which part in this Report most interests you?

Operation Safety Services Environment Staff Charity

6. Which parts of the content of this Report do you think need improvement?

Operation Safety Services Environment Staff Charity

7. Content that you wish to know about but is not disclosed in this Report: _____

8. Your opinion and advice in respect of the corporate social responsibility work of the Company and the compilation of this Report: _____



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