



Corporate Governance Report

The Directors and other members of the management team of the Company are dedicated to maintaining high standards of corporate governance. They will continue to exercise leadership, control, enterprise, integrity and judgment so as to achieve continuing prosperity and to act in the best interests of the Company and its shareholders in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the cores of the Company's corporate governance practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholders' value.

Corporate Governance Practices

The Company has adopted the code provisions in the CG Code as contained in Appendix 14 to the Listing Rules from time to time, as its own code on corporate governance practices since 2005.

The Company has complied with the code provisions as set out in the CG Code throughout the year ended 31 December 2021.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

Board of Directors

Board Composition

As at the date of this Annual Report, the Board comprises ten members as detailed below:

Non-Executive Directors

Dr. Lee Ka-kit (*Chairman*) (*Note 1*)

Mr. LIU Kai Lap Kenneth (*Note 2*)

Executive Directors

Mr. Alfred Chan Wing-kin (*Note 3*)

Mr. Peter Wong Wai-yee (*Chief Executive Officer*)

Mr. John Ho Hon-ming (*Company Secretary*)

Mr. Martin Kee Wai-ngai (*Chief Operating Officer – Gas Business*)

Dr. John Qiu Jian-hang (*Chief Operating Officer – Renewable Business*) (*Note 4*)

Independent Non-Executive Directors

Dr. the Hon. Moses Cheng Mo-chi

Mr. Brian David Li Man-bun

Mr. James Kwan Yuk-choi



Board of Directors *(Continued)*

Board Composition *(Continued)*

Notes:

1. Dr. Lee Ka-kit has been appointed as the Chairman of the Board and a Non-Executive Director with effect from 25 October 2021.
2. Mr. LIU Kai Lap Kenneth has been appointed as a Non-Executive Director with effect from 18 November 2021.
3. Mr. Alfred Chan Wing-kin has stepped down from the position of Chairman of the Board with effect from 25 October 2021.
4. Dr. John Qiu Jian-hang has been appointed as an Executive Director with effect from 10 November 2021.

All Directors have distinguished themselves in their fields of expertise, and have exhibited high standards of personal and professional ethics and integrity. Directors give sufficient time and attention to the Group's affairs. The Company also requests the Directors to disclose to the Company semi-annually the number and the nature of offices held in public companies or organisations and other significant commitments with an indication of the time involved. The Board believes that the balance of skills and experience are appropriate for safeguarding the interests of shareholders and the Group.

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company. The insurance coverage is reviewed on an annual basis.

Each Independent Non-Executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors. An updated list of Directors identifying the Independent Non-Executive Directors and the roles and functions of the Directors is maintained on the websites of the Company and the Stock Exchange.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) between any members of the Board, and in particular, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Chairman and the Chief Executive Officer.

All directors entered into formal letters of appointment with the Company. Pursuant to the Articles, at least one-third of the Directors shall retire from office but are eligible for re-election by shareholders at each AGM of the Company and each Director shall retire on a rotational basis at least once every three years.



Corporate Governance Report

Board of Directors *(Continued)*

Board Composition *(Continued)*

The Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualification, or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules and the appointment of independent non-executive directors representing at least one third of the Board pursuant to Rule 3.10A of the Listing Rules during the year ended 31 December 2021.

As disclosed in the announcement dated 9 March 2022, following the resignation of Dr. Hu Zhang-hong as an Independent Non-Executive Director on 9 March 2022, the Company did not meet the requirement of Rule 3.10A of the Listing Rules. The Board will take steps to fulfill the requirement of the Listing Rules as soon as practicable and in any event within three months from 9 March 2022.

In accordance with the Articles, new appointments to the Board are subject to re-election at the next following AGM. Their respective terms of office are subject to the Listing Rules and the provisions of the Company's memorandum and the Articles in force from time to time, including but not limited to, the requirements for retirement, rotation and vacation of office of directors as set forth in the Articles.

The Board adopted a Board Diversity Policy setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be made on a merit basis, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Please refer to the section headed "Nomination Committee" below for a summary of the Board Diversity Policy.

Functions of the Board

Headed by the Chairman, the Board is responsible for the formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The Executive Directors are responsible for the day-to-day management of the Company's operations and conducting meetings with senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that the internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring the internal control system and risk management function.

Specific matters are decided by the Board and those reserved for management's direction are reviewed by the Board. In addition, Directors may seek independent professional advice in appropriate circumstances at the Company's expense.

The Articles set out the responsibilities and proceedings of the Board. The Board meets regularly at least four times a year to consider operational reports and policies of the Company. Significant operational policies are discussed and passed by the Board.



Board of Directors *(Continued)*

Corporate Governance Functions

The Board is responsible for performing corporate governance duties including:

- (a) developing and reviewing the Company's policies and practices on corporate governance;
- (b) reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- (c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) reviewing the Company's compliance with Appendix 14 to the Listing Rules and disclosure in this Corporate Governance Report.

Directors' Training and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the Listing Rules and other relevant regulatory requirements.

From time to time, the Company Secretary updates and provides written training materials on the latest developments of applicable laws, rules and regulations to the Directors.

All Directors participated in appropriate continuous professional development and provided the Company with their records of training received for the year ended 31 December 2021.

During the year ended 31 December 2021, all the Directors participated in the training which included reading regulatory updates or information relevant to the Group or its businesses or attending or giving talks at seminar and/or conference.



Corporate Governance Report

Board of Directors *(Continued)*

Directors' Training and Continuous Professional Development *(Continued)*

Directors	Training
Non-Executive Directors	
Dr. Lee Ka-kit (<i>Chairman</i>) (<i>Note 1</i>)	✓
Mr. LIU Kai Lap Kenneth (<i>Note 2</i>)	✓
Executive Directors	
Mr. Alfred Chan Wing-kin (<i>Note 3</i>)	✓
Mr. Peter Wong Wai-yee (<i>Chief Executive Officer</i>)	✓
Mr. John Ho Hon-ming (<i>Company Secretary</i>)	✓
Mr. Martin Kee Wai-ngai (<i>Chief Operating Officer – Gas Business</i>)	✓
Dr. John Qiu Jian-hang (<i>Chief Operating Officer – Renewable Business</i>) (<i>Note 4</i>)	✓
Independent Non-Executive Directors	
Dr. the Hon. Moses Cheng Mo-chi	✓
Mr. Brian David Li Man-bun	✓
Mr. James Kwan Yuk-choi	✓
Dr. Hu Zhang-hong (<i>Note 5</i>)	✓

Notes:

1. Dr. Lee Ka-kit has been appointed as the Chairman of the Board and Non-Executive Director with effect from 25 October 2021.
2. Mr. LIU Kai Lap Kenneth has been appointed as a Non-Executive Director with effect from 18 November 2021.
3. Mr. Alfred Chan Wing-kin has stepped down from the position of Chairman of the Board with effect from 25 October 2021.
4. Dr. John Qiu Jian-hang has been appointed as an Executive Director with effect from 10 November 2021.
5. Dr. Hu Zhang-hong has been appointed as an Independent Non-Executive Director with effect from 10 November 2021 and resigned as an Independent Non-Executive Director with effect from 9 March 2022.



Board of Directors *(Continued)*

Board Meetings

The Board meets regularly at least 4 times a year at approximately quarterly intervals. Due notices and board papers were given to all Directors prior to each meeting in accordance with the Articles and the CG Code.

During the year ended 31 December 2021, the Board met 5 times. Details of individual attendance of each of the Directors are set out below:

Directors	Number of Meetings Attended/Held
Non-Executive Directors	
Dr. Lee Ka-kit (<i>Chairman</i>) (<i>Note 1</i>)	1/1
Mr. LIU Kai Lap Kenneth (<i>Note 2</i>)	1/1
Executive Directors	
Mr. Alfred Chan Wing-kin (<i>Note 3</i>)	5/5
Mr. Peter Wong Wai-yee (<i>Chief Executive Officer</i>)	5/5
Mr. John Ho Hon-ming (<i>Company Secretary</i>)	5/5
Mr. Martin Kee Wai-ngai (<i>Chief Operating Officer – Gas Business</i>)	5/5
Dr. John Qiu Jian-hang (<i>Chief Operating Officer – Renewable Business</i>) (<i>Note 4</i>)	1/1
Independent Non-Executive Directors	
Dr. the Hon. Moses Cheng Mo-chi	5/5
Mr. Brian David Li Man-bun	5/5
Mr. James Kwan Yuk-choi	5/5
Dr. Hu Zhang-hong (<i>Note 5</i>)	1/1



Corporate Governance Report

Board of Directors *(Continued)*

Board Meetings *(Continued)*

Note:

1. Dr. Lee Ka-kit has been appointed as the Chairman of the Board and a Non-Executive Director with effect from 25 October 2021.
2. Mr. LIU Kai Lap Kenneth has been appointed as a Non-Executive Director with effect from 18 November 2021.
3. Mr. Alfred Chan Wing-kin has stepped down from the position of Chairman of the Board with effect from 25 October 2021.
4. Dr. John Qiu Jian-hang has been appointed as an Executive Director with effect from 10 November 2021.
5. Dr. Hu Zhang-hong has been appointed as an Independent Non-Executive Director with effect from 10 November 2021 and resigned as an Independent Non-Executive Director with effect from 9 March 2022.

Chairman and Chief Executive Officer

Mr. Alfred Chan Wing-kin has stepped down from the position of Chairman of the Board and Dr. Lee Ka-kit has been appointed as the Chairman of the Board with effect from 25 October 2021. The Chief Executive Officer is Mr. Peter Wong Wai-ye. The roles of the Chairman and the Chief Executive Officer are separate. Such division of responsibilities has been clearly established. It allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each of the Board and management of the Group. The Chairman oversees the Board so that it acts in the best interests of the Group. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate, clear, complete and reliable information in a timely manner. The Chairman has the overall responsibility for providing leadership, vision and direction regarding the business development of the Group and ensuring that good corporate governance practices and procedures are established.

The Chief Executive Officer, who is assisted by other Executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all Directors fully informed of all major business developments and issues.



Board of Directors *(Continued)*

Responsibilities of the Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- reviewing the financial statements and budget proposal of the Group;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of the Board, senior management and shareholders of the Company;
- considering any misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all relevant laws and ethics.

To enable the Directors to meet their obligations, an appropriate organisational structure is in place with clearly defined responsibilities and limits of authority.

Board Committees

The Company has set up a number of committees of the Board, including the Remuneration Committee, the Board Audit and Risk Committee and the Nomination Committee, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.



Corporate Governance Report

Board of Directors *(Continued)*

Board Committees *(Continued)*

Remuneration Committee

The Remuneration Committee comprises three Independent Non-Executive Directors, namely Dr. the Hon. Moses Cheng Mo-chi, Mr. Brian David Li Man-bun and Mr. James Kwan Yuk-choi and is chaired by Dr. the Hon. Moses Cheng Mo-chi.

Written terms of reference of the Remuneration Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board. The Remuneration Committee's responsibilities include but are not limited to the review and consideration of the Company's remuneration policy for Directors and senior management, the making of recommendations to the Board on the remuneration packages of individual Executive Directors and senior management including benefits in kind, pension rights and compensation payments, and the making of recommendations relating to remunerations of Non-Executive Directors.

During the year ended 31 December 2021, the Remuneration Committee:

- reviewed the remunerations of the senior management of the Company for 2021;
- reviewed the Executive Directors' (including the newly appointed Directors) remuneration; and
- reviewed the Directors' (including the newly appointed Directors) fees for 2021.

The Remuneration Committee held two meetings during the year ended 31 December 2021 with individual attendance as follows:

Members of the Remuneration Committee	Number of Meetings Attended/Held
Dr. the Hon. Moses Cheng Mo-chi (<i>Chairman</i>)	2/2
Mr. Brian David Li Man-bun	2/2
Mr. James Kwan Yuk-choi	2/2
Mr. Alfred Chan Wing-kin (<i>Note 1</i>)	2/2

Note:

1. Mr. Alfred Chan Wing-kin has stepped down from the position as member of the Remuneration Committee with effect from 25 October 2021.



Board of Directors *(Continued)*

Board Committees *(Continued)*

Remuneration Committee *(Continued)*

Employee remuneration is based on individual performance, job nature and the relevant responsibilities involved. The Group provides on-the-job training as well as optimal benefits packages for employees, which include medical welfare, retirement plans, year-end bonuses and other incentives. The Group encourages employees to adopt a work-life balance, whilst improving the work environment for employees on a continuing basis so that they can realise their full potential and contribute to the Group.

Board Audit and Risk Committee

The Board Audit and Risk Committee comprises Mr. Brian David Li Man-bun, Dr. the Hon. Moses Cheng Mochi and Mr. James Kwan Yuk-choi, all of whom are Independent Non-Executive Directors, and is chaired by Mr. Brian David Li Man-bun.

The Board Audit and Risk Committee reports directly to the Board and reviews the interim and annual financial statements, risk management and internal controls of the Company, to protect the interests of the Company's shareholders.

The Board Audit and Risk Committee meets regularly with the Company's external auditor to discuss various accounting issues, and review the effectiveness of the risk management and internal controls of the Group. Written terms of reference, which describe the authority and duties of the Board Audit and Risk Committee, have been adopted and posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

During the year ended 31 December 2021, the Board Audit and Risk Committee:

- reviewed the financial statements for the year ended 31 December 2020 and for the six months ended 30 June 2021;
- made recommendations on the re-appointment of the external auditor;
- reviewed the effectiveness of the risk management and internal control system;
- reviewed the external auditor's findings; and
- reviewed the Company's continuing connected transactions for the year ended 31 December 2020 pursuant to the Listing Rules.



Corporate Governance Report

Board of Directors *(Continued)*

Board Committees *(Continued)*

Board Audit and Risk Committee *(Continued)*

The Board Audit and Risk Committee held two meetings during the year ended 31 December 2021 with individual attendance as follows:

Members of the Board Audit and Risk Committee	Number of Meetings Attended/Held
Mr. Brian David Li Man-bun (<i>Chairman</i>)	2/2
Dr. the Hon. Moses Cheng Mo-chi	2/2
Mr. James Kwan Yuk-choi	2/2

Nomination Committee

The Nomination Committee is chaired by Dr. Lee Ka-kit (Non-Executive Director) with members who are all Independent Non-Executive Directors, including Dr. the Hon. Moses Cheng Mo-chi, Mr. Brian David Li Man-bun and Mr. James Kwan Yuk-choi.

Written terms of reference of the Nomination Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board. The Nomination Committee's responsibilities include but are not limited to formulating the policy and making recommendations to the Board on nominations and appointments of Directors and Board succession. The Nomination Committee is also responsible for reviewing the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board, assessing the independence of Independent Non-Executive Directors and making recommendations on any proposed changes to the Board. The Nomination Committee shall consider candidates from a range of backgrounds based on meritocracy and against objective criteria set out by the Board.

Board Diversity Policy

The Board adopted a Board Diversity Policy and the summary is set out below:

Selection of candidates to the Board will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and the contribution that the selected candidates will bring to the Board.



Board of Directors *(Continued)*

Board Committees *(Continued)*

Nomination Committee *(Continued)*

Nomination Policy

The Board adopted a Nomination Policy which sets out the principles guiding the Nomination Committee to identify suitable candidate for nomination to the Board for appointment or to the shareholders of the Company for election as a Director of the Company. The policy contains a number of factors to which the Nomination Committee has to adhere when considering nominations. These factors include the candidate's skills, knowledge and experience, diversity perspectives set out in the Board Diversity Policy, the candidate's time commitment and standing, and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an Independent Non-executive Director. The policy also lays down the following nomination procedures: the Nomination Committee (a) will take appropriate measures to identify and nominate a candidate; (b) may consider a candidate recommended or offered for nomination by a shareholder of the Company; and (c) will, on making the recommendation, submit the candidate's biographical details to the Board for consideration.

During the year ended 31 December 2021, the Nomination Committee:

- recommended the nomination of Directors for re-election at the 2021 AGM;
- reviewed the independence of Independent Non-Executive Directors; and
- reviewed the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board.

The Nomination Committee, having reviewed the Board's composition, nominated Mr. Peter Wong Wai-ye, Mr. Brian David Li Man-bun and Mr. James Kwan Yuk-choi to the Board for it to recommend to the Shareholders for re-election at the annual general meeting of the Company held on 27 May 2021. The nominations were made in accordance with the Nomination Policy and the selection criteria (including without limitation skills, knowledge and experience), having regard for the diversity of perspectives as listed out in the Board Diversity Policy.



Corporate Governance Report

Board of Directors *(Continued)*

Board Committees *(Continued)*

Nomination Committee *(Continued)*

The Nomination Committee held two meetings during the year ended 31 December 2021 with individual attendance as follows:

Members of the Nomination Committee	Number of Meetings Attended/Held
Dr. Lee Ka-kit (<i>Chairman</i>) (<i>Note 1</i>)	0/0
Dr. the Hon. Moses Cheng Mo-chi	2/2
Mr. Brian David Li Man-bun	2/2
Mr. James Kwan Yuk-choi	2/2
Dr. Hu Zhang-hong (<i>Note 2</i>)	0/0
Mr. Alfred Chan Wing-kin (<i>Note 3</i>)	2/2

Note:

1. Dr. Lee Ka-kit has been appointed as the Chairman of Nomination Committee with effect from 25 October 2021.
2. Dr. Hu Zhang-hong has been appointed as a member of Nomination Committee with effect from 10 November 2021 and resigned as a member of Nomination Committee with effect from 9 March 2022.
3. Mr. Alfred Chan Wing-kin has been stepped down from the positions of Chairman and member of Nomination Committee with effect from 25 October 2021.

Model Code

The Company had adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. All Directors who held office as at 31 December 2021, following specific enquiry made by the Company, confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the year ended 31 December 2021.

The Company has further adopted a formal model code for securities transactions by its relevant employees in 2008, who may have access to the Company's inside information during the course of their employment, on terms no less exacting than the required standard set out in the Model Code.



External Auditor

The external auditor of the Company is Deloitte. Deloitte provided services in respect of the audit of the Group's consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the year ended 31 December 2021. Deloitte also reviewed the 2021 unaudited interim financial information of the Group, which was prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

The total fees charged by Deloitte in respect of audit services for the year ended 31 December 2021 amounted to HK\$8.2 million. During the year, payment to Deloitte in respect of non-audit services, mainly including taxation services, interim results review services and services in connection with the MTN programme circular provided to the Group amounted to HK\$1.46 million.

Directors' and Auditor's Responsibility in Preparing Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The statement of the external auditor of the Company regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 95 to 100 of this Annual Report.

Going Concern Basis in Preparing Financial Statements

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.



Corporate Governance Report

Risk Management and Internal Control

Internal Control

The Board is responsible for maintaining sound and effective risk management and internal control systems for the Group in order to safeguard the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of such systems.

Risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Policies and procedures are established to ensure that all payments and investments are properly authorised, critical assets and data are safeguarded as well as all company records are accurate and complete. In addition, the Group has a strict internal code of conduct and an Anti-Fraud Policy which provide guidance on the ethical behaviour when handling issues such as bribery and corruption, conflicts of interest, insider dealing, acceptance of gift and entertainment and fair dealing. The Board adopted a Whistleblowing Policy which provides reporting channels and guidance for employees and other parties who deal with the Group (e.g. contractors and suppliers, etc.) to report possible improprieties in matters of financial reporting or other matters. The Whistleblowing Policy and the Anti-Fraud Policy are available on the Company's website.

The Group's internal audit function, which is independent of the Group's management team, assesses and monitors the effectiveness of the Group's risk management and internal control systems and reports to the Board Audit and Risk Committee on a half-yearly basis. The function has unrestricted access to the company records that allows it to review all aspects of the Group's control and governance process. Yearly audit plan is prepared for review and approval by the Board Audit and Risk Committee. The scope of work includes financial and operational review, recurring and unscheduled audit, fraud investigation and compliance review. The opinion, as formulated by the function on the effectiveness of the risk management and internal control systems, together with the major findings and implementation progress of the audit recommendations, would be reported to the Board Audit and Risk Committee.



Risk Management and Internal Control *(Continued)*

Internal Control *(Continued)*

During the year ended 31 December 2021, the Board, through the Board Audit and Risk Committee, has conducted a bi-annual review of the overall effectiveness of the Group’s internal control systems over financial, operational and compliance controls, risk management process, information systems security, scope and quality of the management’s monitoring of risks and internal control systems, the effectiveness of financial reporting and compliance with the Listing Rules.

The Board ensured that the resources, staff qualifications and experience, training programmes and budget of the Company’s accounting, internal audit and financial reporting functions were adequate. The Board concluded that in general, the Group had set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance or material internal control defects, if any. The Board also considered that the Group’s risk management and internal control systems are effective and adequate.

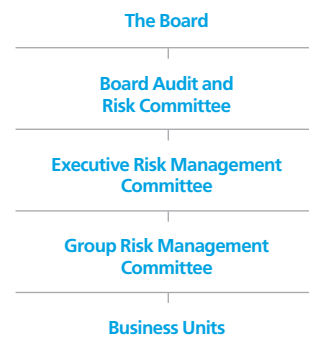
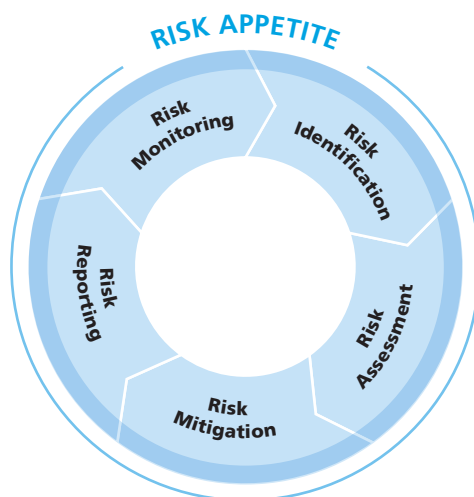
Risk Management

Risk Management Framework

Rooted in its corporate vision and mission, the Group strives the best to provide its customers with a safe, reliable supply of energy as well as the caring, competent and efficient service they expect. Meanwhile, the Group is also working to pursue sustainable development and caring for the environment, people and community.

To ensure growth and long-term value for the key stakeholders, the Group considers risk governance as its top priority and is committed to establishing a robust system of risk identification and management which is central to its ongoing success.

The Group has in place an Enterprise Risk Management Framework (the “Framework”) that depicts the system to effectively identify, assess, mitigate, report and monitor key business risks across all business units of the organisation. The system enables the management team to gain a clear view of the significant risks for better strategy setting and project execution which ultimately contribute to enhanced business performance.





Corporate Governance Report

Risk Management and Internal Control *(Continued)*

Risk Management *(Continued)*

Risk Appetite

To pursue the Group's mission and keep in line with the expectations of its stakeholders, the Group is willing to take reasonable and manageable risks that are consistent with its strategic business drivers and necessary to promote innovation and continued growth but would not expose the Group to the following:

1. Major incidents affecting safety and health of its staff, contractors and the general public;
2. Loss or failure of infrastructures and operations materially affecting production and supply;
3. Material financial loss impacting ability of the Group to carry out its business drivers;
4. Incidents leading to profound negative impact on corporate image or reputation;
5. Legal actions that are liable for major loss or suspension of operations; and
6. Incidents leading to severe impacts on the environment.

Risk Management Structure

The risk management structure sets out the mechanism by which authority is exercised, decisions are taken and organisation is effectively supervised. The Board Audit and Risk Committee supports the Board in overseeing the overall risk management system and provides assurance to the Board at least annually that the system is operating effectively. The Executive Risk Management Committee ("ERMC"), which is composed of key management executives, is responsible for the system formulation and its effective implementation to maintain risk exposures within the risk appetite. It is assisted by the Group Risk Management Committee ("GRMC"), which comprises risk owners who are also the key business management team. GRMC reviews the major risk exposure, monitors the implementation of risk-mitigating controls and reports to ERMC regularly on the results of risk management review.



Risk Management and Internal Control *(Continued)*

Risk Management *(Continued)*

Risk Management Process

The risk management process is embedded into the day-to-day operation and is an ongoing process carried out by everyone in the organisation across all business units.

Each company of the Group has its own risk management process and system. Regular communication is made among companies, regional offices and headquarters of the Group on the latest risk exposures and mitigation measures to ensure risks are effectively managed and issues are timely reported. Regular independent review would be performed to ensure the risk management system is operating effectively.

The GRMC would communicate and summarise the key risks (also taking emerging risks into account) across all businesses through senior executives, who continuously monitor all material risks faced by the companies of the Group in their corresponding regions and business streams.

The summarised key risks would be reviewed continuously and reassessed within the Group by adopting the risk assessment criteria as set out in the Framework. Priorities would be given to high and medium risks on implementation of risk mitigating measures. A risk management update that highlights the summarised key risks and action plans would be submitted to and discussed by ERMIC at least annually for monitoring purpose while top risks and measures would finally be selected for review by the Board Audit and Risk Committee on behalf of the Board. The Board Audit and Risk Committee, based on the review of top risks and adopted measures, ensures at least an annual review of the effectiveness of the risk management system has been conducted.

A description of the Group's risk factors is shown on pages 34 to 37 of this Annual Report. The Group seeks continuous improvement to the Framework in response to the changing business environment.

Company's Constitutional Documents

During the year, other than the change of company name as disclosed in this Annual Report, there have been no changes to the Company's constitutional documents.



Corporate Governance Report

Company Secretary

The Company Secretary of the Company is Mr. John Ho Hon-ming. For the year under review, the Company Secretary has taken no less than 15 hours of relevant professional training.

Communication with Shareholders

The Directors are aware of the importance of maintaining good relations and communications with the Company's shareholders. The Board established a Shareholders Communication Policy setting out the principles of the Company in relation to shareholders' communications, with the objective of maintaining a timely and accurate communication with the shareholders.

The Company uses a range of communication tools, such as AGM, annual reports, various notices, announcements and circulars, to ensure its shareholders are kept well informed of the Group's key business imperatives.

The Company has maintained a website at "www.towngassmartenergy.com" which serves as a forum for corporate communications with its shareholders and the general public. All corporate communications required under the Listing Rules are displayed and archived (for documents published in the previous five years) on the Company's website and there are established procedures to ensure timely updates of the same in compliance with the Listing Rules.

At the 2021 AGM held on 27 May 2021, separate resolutions were proposed by the Chairman in respect of each issue itemised on the agenda, including the re-election of the Directors. The Chairman of the Board, the chairman each of the Board Audit and Risk Committee, Remuneration Committee and Nomination Committee and members of senior management, together with representatives from the external auditor, attended the 2021 AGM to answer questions from the Company's shareholders.

The notice of the 2021 AGM was distributed to all shareholders at least 20 clear business days prior to the 2021 AGM and the accompanying circular also set out details of each proposed resolution and other relevant information as required under the Listing Rules.

At the 2021 EGM held on 26 November 2021, a special resolution was proposed by the Chairman on the agenda in respect of the change of company name. The Chairman of the Board, the chairman of each of the Board Audit and Risk Committee, Remuneration Committee and Nomination Committee and members of senior management, attended the 2021 EGM to answer questions from the Company's shareholders.

The notice of the 2021 EGM was distributed to all shareholders at least 14 clear business days prior to 2021 EGM and the accompanying circular also set out details of the proposed resolution and other relevant information as required under the Listing Rules.



Communication with Shareholders *(Continued)*

Details of individual attendance at general meetings of the Company of each of the Directors during the year ended 31 December 2021 are set out below:

Director	Number of Meetings Attended/Held
Non-Executive Directors	
Dr. Lee Ka-kit (<i>Chairman</i>) (<i>Note 1</i>)	1/1
Mr. LIU Kai Lap Kenneth (<i>Note 2</i>)	1/1
Executive Directors	
Mr. Alfred Chan Wing-kin (<i>Note 3</i>)	2/2
Mr. Peter Wong Wai-yee (<i>Chief Executive Officer</i>)	2/2
Mr. John Ho Hon-ming (<i>Company Secretary</i>)	2/2
Mr. Martin Kee Wai-ngai (<i>Chief Operating Officer – Gas Business</i>)	1/2
Dr. John Qiu Jian-hang (<i>Chief Operating Officer – Renewable Business</i>) (<i>Note 4</i>)	1/1
Independent Non-Executive Directors	
Dr. the Hon. Moses Cheng Mo-chi	2/2
Mr. Brian David Li Man-bun	2/2
Mr. James Kwan Yuk-choi	2/2
Dr. Hu Zhang-hong (<i>Note 5</i>)	1/1

Notes:

1. Dr. Lee Ka-kit has been appointed as Chairman of the Board and a Non-Executive Director with effect with 25 October 2021.
2. Mr. LIU Kai Lap Kenneth has been appointed as a Non-Executive Director with effect from 18 November 2021.
3. Mr. Alfred Chan Wing-kin has stepped down from the position of Chairman of the Board with effect from 25 October 2021.
4. Dr. John Qiu Jian-hang has been appointed as an Executive Director with effect from 10 November 2021.
5. Dr. Hu Zhang-hong has been appointed as an Independent Non-Executive Director with effect from 10 November 2021 and resigned as an Independent Non-Executive Director with effect from 9 March 2022.



Corporate Governance Report

Dividend Policy

The Board has adopted a dividend policy in accordance with the applicable laws and regulations as well as Articles. The aim of this policy is to set out the principles that the Company intends to apply in relation to the declaration and payment of dividends. The Board shall also take into account, inter alia, the Group's operating results, cash flows, financial conditions, capital requirements, future development requirements, and any other factors that the Board may consider relevant in deciding whether to propose a dividend and in determining the dividend amount.

Shareholders' Rights

Convening an Extraordinary General Meeting by Shareholders and putting forward proposals

Under the Articles, an extraordinary general meeting ("EGM") may be convened by the Board upon requisition by any two or more shareholders, or any one shareholder which is a recognised clearing house (or its nominee), of the Company holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. The shareholders shall make a written requisition to the Board or the Company Secretary of the Company at the head office of the Company, specifying the shareholding information of the shareholders, their contact details and the proposal regarding any specified transaction/business and its supporting documents.

If within 21 days of receipt of such written requisition, the Board does not proceed to convene such EGM to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board, provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

Making Enquiries to the Board

Shareholders may send written enquiries, either by post or by facsimiles, together with his/her contact details, such as postal address or fax, addressed to the head office of the Company at 23rd Floor, 363 Java Road, North Point, Hong Kong or facsimile number (852) 2561 6618.