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About This Report

Reporting Approach

Towngas Smart Energy Company Limited and its subsidiaries (Towngas Smart Energy, the Group, We) are committed to advancing our Environmental, Social and Governance (ESG) performance and disclosure quality. This ESG Report (this Report) has been prepared in accordance with reporting principles including materiality, quantitative, balance, and consistency, to present the Group's ESG performance of 2025 and provide valuable information to our diverse stakeholders.

Reporting Scope

This Report covers the ESG performance and development strategies of the Group from 1 January 2025 to 31 December 2025 (the year) and is in line with the Group's financial year.

Reporting Guidelines

This Report was prepared in accordance with the Appendix C2: Environmental, Social and Governance Reporting Code (ESG Reporting Code) under Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (SEHK), Hong Kong Financial Reporting Standard (HKFRS) S1 – General Requirements for Disclosure of Sustainability-related Financial Information, HKFRS S2 – Climate-related Disclosures¹ issued by the Hong Kong Institute of Certified Public Accountants, as well as the Global Reporting Initiative (GRI) Universal Standard 2021. For the content index of this Report, please refer to the [Towngas Smart Energy website](#).

This Report was also prepared with reference to:

- Sustainability Accounting Standards Board (SASB) Standards for the Gas Utilities & Distributors
- Recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD)
- GRI 11: Oil and Gas Sector 2021 Standard
- China Enterprise Reform and Development Society and CSR Cloud Research Institute (責任雲研究院) China Enterprises Sustainable Development Reporting Guidelines (CASS-ESG 6.0)
- International Organisation for Standardisation (ISO) ISO 26000 Guidance on Social Responsibility

Independent Assurance

This year, Towngas Smart Energy has engaged the British Standards Institution (BSI) as a third party organisation to conduct independent assurance on the content of this Report. For detailed information, please refer to page 95.

Acknowledgements

Throughout the report preparation process, our internal and external stakeholders have generously shared their insights and recommendations regarding Towngas Smart Energy's ESG development through diverse engagement channels. We extend our heartfelt appreciation to all stakeholders for their invaluable efforts in joining forces to create a sustainable future.

Report Access and Feedback

The full version of this Report is available on the [Towngas Smart Energy website](#) and the [website of the SEHK](#). Your opinions of this Report can be shared with us by completing the [online questionnaire](#) or emailing us at esg@towngas.com.

¹ HKFRS S1 and S2 are fully aligned with the IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosures issued by the International Sustainability Standards Board (ISSB). IFRS S2 is built on the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Board Statement

Towngas Smart Energy's Board of Directors (the Board) oversees and reviews the Group's ESG-related matters. In response to the challenges of global climate change and energy transition, the Board remains steadfast in its vision of "to be a leading clean and smart energy supplier, with a view to creating a sustainable world driven by green energy". We embed ESG principles into the Group's strategy and daily operations, ensuring that our ESG strategy advances in synergy with business development as we actively drive a green and low-carbon transition.

We continuously refine our ESG corporate governance structure and proactively align with international standards frameworks. At the same time, we prioritise stakeholder engagement, leveraging insights gathered through diverse channels to drive enhancement of our ESG performance.

The Board will continue to uphold its sustainability commitment, driving the optimisation of the energy mix, fostering community co-prosperity to deliver long-term values to our planet, society and stakeholders.



Chairman's Statement



In 2025, global climate action and technological innovation became the defining discourse of the era, presenting both transformation challenges and significant new development opportunities. As a leading energy enterprise, Towngas Smart Energy proactively aligned its business with the country's "dual carbon" strategies and the blueprint of the "15th Five-Year Plan" to advance our three strategic priorities, including optimising our energy mix, digitalising our energy management, and fostering new quality productive forces. By leveraging innovative technology, we advanced our low-carbon transition and continuously enhanced our core competitiveness.

Strengthening Gas Supply Fundamentals and Long-Term Green Energy Planning

Towngas Smart Energy remained committed to delivering safe, reliable, and affordable energy and services to our customers. Over the years, the Group has proactively built a sustainable gas ecosystem. By integrating diversified gas resources with peak-shaving storage facilities, we established a comprehensive protection framework for our supply chain spanning "resources, storage and distribution, and supply". This multi-layered gas security system continues to provide a stable and reliable energy foundation for social and economic development.

While reinforcing our strengths in traditional energy supply, we have also accelerated our expansion into the green and low-carbon energy sector, continuously upgrading our business structure. Our bio-natural gas business progressed steadily; meanwhile, by integrating organic waste resources, we built a green gas value chain and advanced the low-carbon transition of the traditional gas system. The Renewable Energy Business became a major growth engine for the Group, with strategic focus areas such as photovoltaics and energy storage. Leveraging our extensive commercial and industrial customer base, we rolled out one-stop decarbonisation solutions that integrate "photovoltaics, energy storage, and electricity sales". At the same time, with zero-carbon smart industrial parks as core vehicles, we integrated capabilities across "clean energy supply", "smart energy use", and "carbon asset operations". This has enabled us to build replicable and scalable models for regional green development, providing strong support for local green industrial ecosystems, and the cultivation of new quality productive forces.

Elevating Services to Create Value and Powering Growth through Business Innovation

Guided by our customer-oriented culture, the Group continues to drive business innovation and service upgrades, with the goal of transforming from an "energy supplier" into an "integrated energy service provider". In terms of our business model, we put considerable effort into developing the "Gas+" ecosystem, breaking traditional energy supply limitations with integrated solutions offering "gas, electricity, and heating" to meet customers' varying needs. We also expanded into innovative offerings such as energy trusteeship and industrial energy efficiency services, empowering our customers to achieve low-carbon and high-efficiency transitions through all-round energy services.

Digital intelligence transformation remains key to improving our service quality and operational excellence. We further advanced our self-developed "Towngas Operation Platform (TOP)" – the industry's first group-level integrated production cloud system. It harnesses technologies such as Geographic Information System (GIS) and the Internet of Things (IoT) to achieve full lifecycle pipeline management, smart risk assessment, and efficient emergency grid control. By breaking information silos between services and operations, this platform rendered distribution more visible, field operations more digitalised, and emergency responses smarter. These enhancements not only strengthened the Group's capabilities in operational safety and supply stability but also sharpened service responsiveness, offering users a more accessible and dependable energy experience.

Synergising Energy, Technology and Finance to Unlock Asset Value

Guided by a three-pronged strategy that fully integrates "energy, technology, and finance", the Group advanced cross-disciplinary collaboration and innovation to unlock asset value and build a more sustainable development model. On the technology front, we continued to invest in research and development (R&D) for smart energy technologies. By applying artificial intelligence (AI) algorithms to create a synergetic "source-grid-load-storage" system and introducing smart equipment to optimise operational management, we improved energy efficiency through digitalisation.

On the financial innovation front, we actively utilised green finance tools by issuing carbon-neutral "Quasi-REITs" products backed by photovoltaic-and-storage assets. This has enabled an end-to-end cycle for green energy projects, streamlining "fundraising, investing, managing, and exiting". It also ensures long-term, stable funding support for our Renewable Energy Business. By tapping green finance to support real-life decarbonisation projects, we are pursuing a sustainable and scalable path to reduce emissions across the value chain, mobilising upstream and downstream partners to take part in the low-carbon transition.

In addition, in support of the TERA-Award Smart Energy Innovation Competition initiated by our parent company, HKCG, we are committed to identifying and incubating high-potential zero-carbon technology startups that span renewables, hydrogen, energy storage, energy conversion, and carbon neutrality domains. Through this platform, we have successfully brought together innovative talents worldwide, accelerated the journey of green technologies from laboratories to widespread industrial application, and demonstrated our resolute commitment and action in addressing climate change.

Nurturing Talents for Transformation and Strengthening Executional Resilience

Amid profound and accelerating global development in energy and technology, Towngas Smart Energy believes talent is key to our transformation. We have built a comprehensive, multi-tier talent development system to energise sustainable growth. We have also created a cross-disciplinary learning platform to encourage teams to move beyond traditional boundaries and participate in transformation practices – from green energy to digital intelligence transformed operations – honing comprehensive capabilities through hands-on experience. Through systematic training, AI application platforms, and innovative incentive mechanisms, we are helping traditional public utility professionals transform into "green-and-smart" multi-skilled talents, laying a strong foundation for the Group's long-term development.

Progressing Steadily Amidst Changing Landscape

While global economic recovery continues to navigate complexities, energy markets experience constant volatility, climate governance calls for ever-stronger action and the external environment constantly tests corporate resilience, Towngas Smart Energy remains steadfastly aligned with the national development agenda. Driven by innovation-led transformation and a strong talent foundation, we continue to evolve, proactively respond to stakeholder aspirations, and turn every challenge into opportunity. Together, we stay committed to writing a new chapter of high-quality development for tomorrow.

Dr. the Hon. Lee Ka-kit
Chairman

Hong Kong, 18 March 2026

CEO's Statement

As we look back on 2025, the global energy sector accelerated its transition towards cleaner and lower-carbon pathways, with innovation, transformation and greater collaboration across the industry driving a new wave of opportunities. Throughout the year, Towngas Smart Energy stayed committed to our annual core focus of “enhancing quality and efficiency”. With a pragmatic and results-driven approach, the Group stayed unified as one and further deepened our “twin-engine” development strategy. On the one hand, we reinforced our public utility foundations by ensuring that safe gas supply and quality service remain our two core pillars, laying a robust groundwork for high-quality growth. On the other hand, we proactively cultivated new growth drivers by expediting our expansion into the renewable energy sector, seizing opportunities arising from the green transition, and unlocking those emerging in green production.

Diversifying Gas Resources with Safety at the Core

Safety and reliability are fundamental to high-quality development in public utility, and a cornerstone of our “customer-oriented” commitment. In 2025, we established a more resilient energy security framework by implementing a systematic management approach that was comprehensive and collaborative, with all-scenario coverage. On gas resource security, we focused on building a more robust supply network to enhance stability and risk resistance. Together with our parent company, we have secured long-term liquefied natural gas (LNG) procurement volumes to ensure stable overseas replenishment, strengthening long-term collaborations with major state-owned oil enterprises and China Oil & Gas Pipeline Network Corporation (PipeChina), and capitalising on the commissioning and efficiency gains of peak-shaving facilities such as the Jintan Gas Storage. Together, these efforts shaped a diversified gas resource structure, providing a strong backing for energy security. On operational safety, we upgraded our safety management approach from “passive control” to “proactive early warning”. This not only facilitated an all-staff safety collaboration mechanism, but also enabled us to conduct multi-scenario drills and routine inspections, while embedding safety awareness into every operation and every role. We firmly believe that only by integrating safe production throughout business development can we ensure that customers continue to enjoy a secure and reliable energy service experience.

AI-Enabled Operations to Drive Digital Intelligence Transformation

Digital intelligence transformation remains the core engine that drives service quality and operational excellence. We actively harnessed AI technologies to reshape energy services and operational management models, making safety more controllable and services more efficient. In gas network safety inspection, we introduced AI recognition technology integrated with pipeline monitoring data to build a smart analysis system. This allowed us to precisely identify potential hazards and operational anomalies, and significantly bolstered our pipeline protection capabilities. On service workflow optimisation, the introduction of AI applications to our document review systems has enabled smart cross-checking and verification of orders, supported swift approvals, and accurate categorisation and archiving of documents. With these upgrades, we effectively streamlined our approval workflows and minimised human error. Concurrently, we expanded our drone inspection applications across renewable projects such as photovoltaic stations, enabling us to overcome geographical and environmental limitations of traditional manual methods. These smart initiatives not only successfully improved inspection efficiency and quality but also reduced frontline operational risks – enhancing operational management efficiency through smart technologies.

Collaboratively Building Greener Communities for a Caring Society

We firmly believe that a company's value lies not only in profits and business growth, but also in thriving alongside its communities and shouldering long-term responsibilities. In terms of building green communities, in 2025, we launched low-carbon initiatives, mobilising the entire Group through a diverse range of activities and partnering with the communities where we operated to jointly practise greener lifestyles. As part of the initiatives, employees and local community residents joined hands in planting trees and potted plants. We also integrated community care into our green energy services through initiatives such as gas safety education, hazard inspections and environmental awareness programmes, to help build low-carbon and more liveable communities.

In education support and long-term empowerment, the Group remains true to its original aspiration for philanthropy. Since launching the “Gentle Breeze Movement” in 2013, we have continuously donated teaching materials, books and educational equipment to rural primary schools to improve local educational amenities. In parallel, we have launched campus sharing sessions to build new platforms for students to explore knowledge. These efforts have further cultivated their awareness of sustainable development, empowering them to become the future stewards of our green home.

Leading in ESG Ratings and Addressing Stakeholder Expectations

We continue to honour our sustainability commitments through pragmatic actions, fully addressing expectations of investors and stakeholders for long-term value creation and sustainable development. In 2025, the Group made further progress across international ESG ratings, with our sustainability efforts gaining authoritative recognition through an upgrade to AA+ in the Hang Seng Corporate Sustainability Index ESG rating. This achievement not only validates our continued efforts in advancing green transformation, strengthening risk management and enhancing governance effectiveness, but also reflects market confidence in our ability to drive business growth and create diverse value through ESG integration, providing fresh momentum for our ongoing sustainability strategy.

Looking ahead, Towngas Smart Energy will remain committed to enhancing quality and efficiency, while drawing on the collective expertise of our teams to drive this core strategic direction. We will deepen our “twin-engine” development strategy, reinforce the safety foundation of our public utility business, advance AI-enabled transformation, and proactively fulfil our social responsibilities. Valuing the trust of our stakeholders as a vital catalyst for progress, we will steadily advance our sustainability initiatives. Together with all sectors of society, we aim to build a clean, low-carbon, safe and energy-efficient future, creating long-term value for all.


Mr. Peter Wong Wai-ye

Executive Director and Chief Executive Officer

Hong Kong, 18 March 2026



Group Overview



VISION
To be a leading clean and smart energy supplier, with a view to creating a sustainable world driven by green energy.



MISSION
To provide our customers with safe, reliable, clean and smart energy along with quality services, while committed to fulfilling our social responsibility, ensuring sustainable business growth, enhancing our shareholders' return on investment, and bringing long-term benefit for our planet, society, and stakeholders.

Group Introduction


Towngas Smart Energy (Stock Code: 1083) is a public utility operating on the Chinese mainland as a subsidiary of The Hong Kong and China Gas Company Limited (Stock Code: 3, "HKCG" or the "parent company"). In addition to the traditional Gas Business, we have actively expanded the Renewable Energy Business, including distributed photovoltaic and energy storage systems, to drive the Group's long-term development in low-carbon transition and sustainable development.


For details of our business portfolio in 2025, please refer to our [Annual Report 2025](#).


By the end of 2025, the Group has a total of
**969 projects across
28 provincial regions**
on the Chinese mainland.

Business Portfolio


Gas Business


Gas sales volume
17.371 billion m³ 

Gas customers
18.39 million 


Unified gas dispatch volume including the parent company, HKCG
4.64 billion m³ 

Renewable Energy Business

Zero-carbon smart industrial parks
128 (accumulative) 

Photovoltaic installed capacity (grid-connected)
2.8 GW (accumulative) 

Financial Performance



Revenue
HK\$20,912 million



Profit attributable to shareholders
HK\$1,585 million



ESG Highlights

Upgrading Gas Solutions and Sustaining Zero-Carbon Park Investment

As the country advances towards its “3060” dual carbon goals, the Group is driving its green and low-carbon transformation through multi-level initiatives: At the operational level, we are developing grid-connected bio-natural gas projects and exploring hydrogen blending applications in natural gas pipelines to reduce carbon emissions from the pipeline network. At the customer level, we continue to promote “Gas+” services to enhance energy efficiency, while investing in renewable energy projects within zero-carbon smart industrial parks, comprehensively advancing low-carbon sustainable development.

Empowering Talent and Leading Technology Transformation

Following recent years of energy technology transformation, the Group has evolved from a traditional energy company into a green energy technology enterprise. We firmly believe that technological breakthroughs stem from the continuous growth and transfer of experience among our employees. Through technological empowerment, our teams are transitioning into new green frontiers, ensuring simultaneous progress in talent development and technological innovation, thereby laying a solid foundation for the Group’s sustainable development.

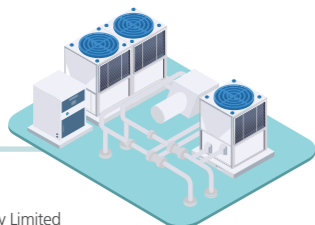
“Gas+”

“Gas+” is based on city gas supply, with a core focus on optimising energy allocation for customers and enhancing energy efficiency. By providing customers with low-carbon integrated energy solutions and smart operation services, we comprehensively empower various scenarios to achieve energy conservation and carbon reduction.

- In the industrial sector, we provide enterprises in the chemical, textile and other industries with combined solutions such as “energy supply + waste heat recovery + energy conservation with carbon reduction”, helping customers achieve the dual goals of energy savings and cost reduction, as well as environmental compliance.
- In the commercial sector, through models such as “gas price linkage + energy trusteeship”, we help customers lock in long-term costs and benefits.
- **Chaoyang Wanda Plaza Project**

This project employs a multi-energy coupling system integrating “gas-fired boilers + air-source heat pumps” to replace the original municipal central heating system. Leveraging the intelligent coupling control mechanism, it enables on-demand heat supply, thereby guaranteeing stable winter heating services for a total commercial gross floor area of 89,600 square metres. Compared with traditional coal-fired heating, this project achieves an annual carbon reduction of over 3,200 tonnes, establishing a new benchmark for clean heating solutions in commercial buildings across Northeast China.

In 2025, “Gas+” business achieved energy sales of 1.63 billion kWh.



Zero-Carbon Smart Industrial Parks

The Group provides energy infrastructure facilities such as distributed photovoltaics and energy storage, as well as smart value-added services including energy efficiency management, carbon management and virtual power plants. We develop integrated energy solutions and leverage the smart energy ecosystem platform to create zero-carbon smart industrial parks and low-carbon factories.

- **Distributed photovoltaic power generation systems:** Utilising photovoltaic components to convert solar energy into electricity through decentralised arrays, enabling clean energy use via self-consumption with surplus electricity fed into the grid.
- **Virtual power plants:** Integrating disaggregated distributed energy resources to form an energy system similar to physical power plants. While enhancing energy efficiency, this system promotes the consumption of renewable energy.
- **Anhui Ma’anshan He County Energy Storage Project**

The energy storage power station, jointly commissioned by the Group and Tianneng Holding Group Co., Ltd., adopts a synergistic model of “photovoltaics + energy storage + electricity sales”. Leveraging digital platforms and AI technologies to achieve smart operation and maintenance, the project participates in peak-valley regulation within the power market, which can significantly enhance energy efficiency while reducing electricity costs for the industrial park. The project is anticipated to reduce carbon emissions by approximately 50,000 tonnes annually.

By the end of 2025, the Group developed 128 zero-carbon smart industrial parks across 25 provinces, autonomous regions and municipalities.



Xi Dan, Senior Vice President – Technology Department Gas Business

During the transformation of Gas Business, both safety and economic viability serve as the two fundamental bases for large-scale application. My most core duty has been to address the safety considerations, which represent the most critical enabling factor in this process. During the national “14th Five-Year Plan” period, the application pathways for green gas were essentially established, while regulatory bodies adopted a more prudential approach towards the safety of new gas resources such as hydrogen blending, requiring us to gradually forge consensus through pragmatic efforts. For this purpose, we have used “thematic research” as a breakthrough point to facilitate alignment between regulators and the industry, and accumulated replicable data and experience by advancing relevant pilot projects across various cities. Meanwhile, we have actively participated in industry organisations such as the China Gas Association, contributing to the formulation of hydrogen development plans and blueprints. Drawing on our Group’s long-standing experience in safe operations, we have proactively responded to the safety concerns of regulatory bodies with credible operational data and well-established safety management solutions.

Within our renewable energy public affairs function, my team and I are dedicated to redefining external communication and stakeholder engagement, transcending conventional industry practices. We have actively translated practical experience from the user-side of new power systems into replicable industry benchmarks, thereby promoting more standardised and efficient development. We have systematically consolidated our experience in smart microgrids, virtual power plants and AI-powered zero-carbon smart industrial park model, refining them into standardised research outcomes. These initiatives have not only passed the scientific and technological achievement appraisal by the China Electricity Council (CEC), but have also won the first prize of the Power Innovation Award. Following the Group’s direction, my team and I have brought our practical achievements onto international platforms such as the 2026 Asia-Pacific Economic Cooperation (APEC) “China Year” and the Shenzhen International Digital Energy Expo, transforming our urban energy transition model into a globally referable case. For me, whilst recognitions are certainly encouraging, what truly matters is working alongside the industry peers to contribute to green energy development and the “dual carbon” goals.



Yao Lu, Assistant Vice President – Strategy Development Department Renewable Energy Business

2025 ESG Achievements

The Group has established a comprehensive ESG governance framework, with five strategic priorities centred around this approach. We are also actively responding to and supporting the United Nations Sustainable Development Goals (SDGs).

Having conducted a comprehensive assessment of potential impacts of our business operations on the society and the environment, we have identified three SDGs that are most relevant to our business: Goal 7 – Affordable and Clean Energy, Goal 11 – Sustainable Cities and Communities, and Goal 13 – Climate Action. In addition, through our five strategic priorities and diversified business operations, we contribute to other SDGs.

For further details on the strategies, management plans, metrics, and our efforts and achievements in advancing the SDGs, please refer to the subsequent chapters.

Operational Resilience

Stable and Safe Pipeline Maintenance
Together with its parent company, a cumulative total of **1,363 km** of old pipelines were replaced

Integrity and Compliance Governance System
No material non-compliance was found in the following areas:

- ✓ Business Ethics
- ✓ Health and Safety
- ✓ Employee Practices
- ✓ Customer Management
- ✓ Environment

Towards Carbon Neutrality

Innovation-Driven Energy Transformation
Achieved a distributed photovoltaic grid-connected installed capacity of **2.8 GW** (accumulative)

Capital-Empowered Decarbonisation Planning
Issued three tranches of “Quasi-REITs” products with the accumulated scale of approximately **RMB1.8 billion**

Environmental Stewardship

Sustainable and Robust Nature Conservation
Cumulative planting of approximately **4,000** plants

Co-Creating Value through Energy Efficiency Management
“Gas+” business achieved energy sales of **1.63 billion kWh**

People-Centric

Robust Safety Management
0² employees and contractors fatalities
Together with its parent company, the Group completed over **18.33 million** household safety inspections

Organisation-Wide Training Programme
Employee training participation rate reached **100%**

In-Depth and Integrated Community Relationships
The “Gentle Breeze Movement” cumulatively donated educational materials worth over **HK\$4.6 million** to **40** schools

Stakeholders Partnership

High-Quality and Comprehensive Customer Experience
Customer satisfaction reached **97.4%** (Gas Business)

ESG-Oriented Suppliers Management
100%³ integration of environmental and social standards into the new supplier screening mechanism

² Refers to the number of fatalities as a result of work-related injury.
³ Reporting scope includes Towngas Smart Energy and its parent company, HKCG: Mainland City-Gas Business and Renewable Energy Business.

ESG Ratings and Recognitions

MSCI ESG Ratings

A

S&P Global ESG Score

69

Hang Seng Corporate Sustainability Index ESG Rating*

AA+

* A constituent of Hang Seng Corporate Sustainability Benchmark Index

CDP Climate Change Score

B

FTSE4Good Index

A constituent of the FTSE4Good Index Series

Sustainalytics ESG Risk Ratings

Medium Risk

2025 ESG Achievements

ESG Recognitions

ESG Leading Enterprise Awards

- ESG Leading Enterprise



Bloomberg Businessweek Chinese Edition

“Golden Kungpeng” China Financial Value Ranking

- Best Investment Value Award for Listed Companies



Hong Kong Commercial Daily and Global Commercial Newspapers Union

Hong Kong ESG Reporting Awards

- Best GRI Report – Grand Award



Hong Kong ESG Reporting Awards (HERA)

TVB ESG Awards

- Greater Bay Area ESG Excellence Enterprise Award



Television Broadcasts Limited (TVB)

Huaxia Construction Science and Technology Award

- Second Class Award



Huaxia Construction Science and Technology Award Committee

Sustainability Yearbook (China Edition) 2025

- Yearbook Member
- “Top 10%” S&P Global CSA Scores among Chinese Companies (Gas Utilities)



S&P Global

Hong Kong International ESG Ranking

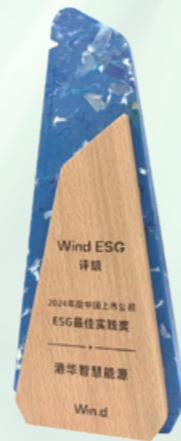
- Best ESG Information Disclosure Award



Hong Kong Ta Kung Wen Wei Media Group

Wind ESG Rating

- Best ESG Practices for Chinese Listed Companies



Wind Information Co., Ltd.

China Securitization Forum Annual Award

- Annual Innovative Institution
- Annual Outstanding Corporate Asset Securitization Project



China Securitization Forum

“China Southern Power Grid Zero-Carbon Cup” Zero-Carbon Industrial Park Solution Competition

- Industrial Park Operation Gold Award



China Southern Power Grid Capital Holdings Co., Ltd.

ESG Management Approach

The Group is committed to transitioning from a traditional public utility into an integrated clean energy supplier. We place strong emphasis on ESG issues, thereby making impactful contributions to a sustainable future. The Group continues to strengthen its oversight and integration of ESG issues, incorporating “green production, enhancing quality and efficiency” across all levels of corporate governance and business decision-making, striving to achieve standardised operations, intelligent operation and maintenance, and refined management.

Management Approach

Sound corporate governance and risk management form the cornerstone of the Group’s sustainable development. The Board, serving as the highest governance body of the Group, upholds the principles of accountability and transparency, and ensures that decision-making processes integrate diverse perspectives and professional judgement, while maintaining robust governance practices throughout its operations. Furthermore, the Group has established a risk management system to conduct regular risk assessments. This includes identifying key risks (including ESG risks) and mitigation measures to ensure effective risk management. In addition, relevant considerations will be integrated into our operational decision-making and strategic planning process.

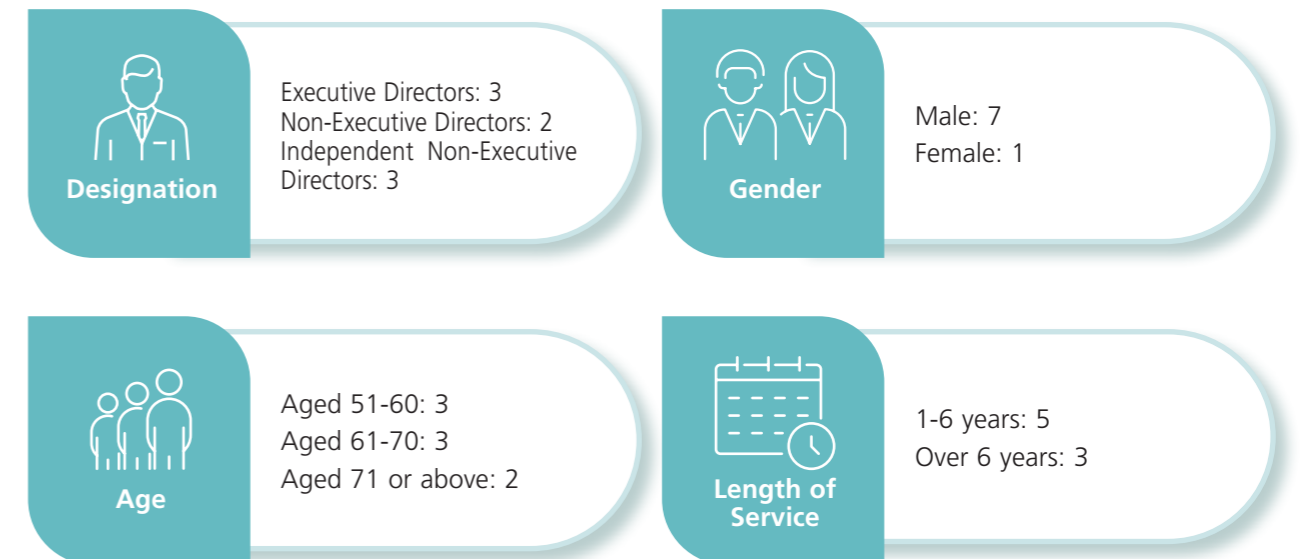
Policies

- [Board Diversity Policy](#)
- [Nomination Policy](#)
- [Risk Management Framework](#)
- [Whistleblowing Policy](#)

Robust Systems and Standardised Governance

The Group operates on the basis of a robust governance structure, with the Board acting as the highest governance body responsible for formulating business development strategies and overseeing the Group’s overall operations. To strengthen the governance framework and ensure effective oversight, we have set up four committees within the Board, namely, the Board Audit and Risk Committee, the Remuneration Committee, the Nomination Committee, and the ESG Committee.

As at 31 December 2025, the Board comprised 8 members with diverse backgrounds and professional experience covering finance, accounting, law, engineering and sustainable development. An overview of board diversity is as follows:

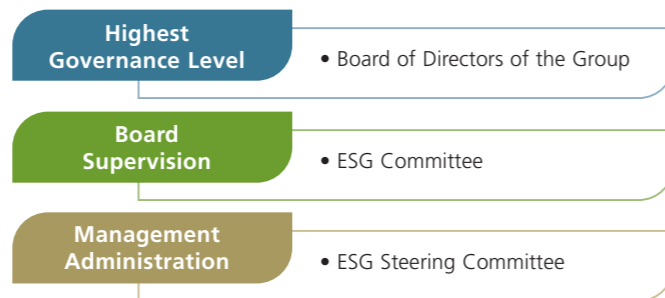


For more information about the composition of the Board, information on members, remuneration, operational mechanisms, and its committees, please visit the [Towngas Smart Energy website](#) or refer to our [Annual Report 2025](#).

ESG Management Approach

ESG Governance

To further embed ESG principles across the Group and drive the implementation of ESG strategies, policies and the carbon reduction roadmap, we have established a multi-layered ESG governance structure led by the Board, supported by a tiered management system comprising the ESG Committee and the ESG Steering Committee. In 2026, the Group appointed Independent Non-Executive Director Dr. Christine Loh Kung-wai as the Chair of the ESG Committee, underscoring our unwavering commitment to sustainable development. The Group continues to refine its ESG governance structure by expanding its reach to encompass business segments and relevant Group functional departments, further strengthening coordination and advancing the Group-level ESG management approach. Under this framework, the Group ESG department is responsible for overall coordination and support, thereby ensuring that relevant strategies are effectively implemented and carried out from decision-making to execution. The Group has linked 5% of the variable compensation for the Chief Executive Officer and senior executives to the achievement of ESG targets (such as improving ESG ratings, reducing greenhouse gas emissions (GHG), and meeting health and safety performance indicators).



The ESG Committee convened one meeting this year to focus on and discuss the following agenda items:

- Results of the Group's key ESG ratings, including Hang Seng Corporate Sustainability Index Series, MSCI ESG Ratings, and S&P Global ESG Scores, alongside a discussion of the latest requirements and expectations of these ratings;
- Key performance indicators of ESG Steering Committee, including the performance of decarbonisation efforts, diversity and inclusion, safety and health, cyber security, governance and supply chain management;
- Climate-related issues and the related risks and opportunities;
- Future development of green finance;
- Reviewed and evaluated the Company's 2024 ESG Report; and
- Reviewed and approved the revised Terms of Reference of the ESG Committee and adopted the Employee Policy.

For more information about the ESG governance framework, please visit the [Towngas Smart Energy website](#).

ESG Policy

To standardise and advance sustainable development, we strictly adhere to the ESG policy framework of our parent company, HKCG. The framework covers a total of 23 specific policies involving all aspects of ESG.

For more information about the ESG policies, please visit the [website of our parent company, HKCG](#).



Continuous Deepening of the Board's ESG Expertise

The Group has established a mechanism for regular ESG trainings for the Board to assist Board members in continuously deepening their understanding of relevant issues. This year, the training programme focused on key ESG areas such as corporate governance and the global carbon trading market, thus equipping the Board with the latest industry trends to effectively address potential risks and challenges within the rapidly evolving business environment.



ESG Management Approach

Risk Identification and Robust Response

The Group has established a risk management system, which is able to effectively identify, assess, mitigate, report and monitor key risks (including ESG risks) of the Group, to ensure the Group's business growth and long-term value for the key stakeholders.

As part of our ongoing risk management efforts, the Group conducts a risk assessment semi-annually to ensure that major risks are within the Group's risk appetite after implementing risk management measures.

The Board Audit and Risk Committee supports the Board in overseeing the overall risk management system and provides assurance to the Board semi-annually that the system is operating effectively. The Executive Risk Management Committee (ERMC), which is composed of all Executive Management Members of the Group, is responsible for the risk management system formulation and its effective implementation to maintain risk exposures within the risk appetite. It is assisted by the Risk Management Committee (RMC), which mainly comprises risk owners who are also the senior business management, to review the major risk exposure and monitor the implementation of risk-mitigating measures.

The risk management process is embedded into the day-to-day operation and is carried out continuously by each business segment and relevant Group functional departments. Priorities would be given to high and medium risks on implementation of risk-mitigating measures by the Group.


The Group Audit and Risk Management Department also regularly collects and reviews risk assessment results from each business segment and relevant Group functional departments, and reports to the RMC, the ERMC, and the Board Audit and Risk Committee respectively.

The Group enhances overall risk awareness by providing ongoing risk management training to the management and employees. For instance, all employees of the Group are required to complete online risk management training, which has been incorporated into the employee orientation programme.



For more information about the risk management, please visit the [Towngas Smart Energy website](#) or refer to our [Annual Report 2025](#).

Details of Key Risks

The table below summarises the Group's key risks, mitigation measures, the corresponding value chain, and relevant disclosures for the year.


Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
 Market	Severe market competition: Slowing demand due to global warming concerns, competition, direct sales and alternative energy sources could affect revenue and market share.	Diversify sector and market dependency: Explore new business opportunities on the Chinese mainland.	1 2 3	Towards Carbon Neutrality – Advancing the Transition to a Low-Carbon Energy Future

* 1 – Upstream Supply Chain; 2 – Group Operations; 3 – Downstream Customers.


Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
 Finance	<p>Liquidity risk: Unexpected cash outflow for investment purposes or insufficient cash inflow from operation due to unpredictable changes.</p> <p>Credit risk: Customer default in repayment.</p>	<p>Implement financial liquidity stabilising measures: Maintain sufficient cash and cash equivalents, with an adequate amount of credit facilities.</p> <p>Credit monitoring: The Group has a credit policy to handle the credit risk of customers. Significant concentration of sales to any individual customer is avoided.</p>	2	Annual Report 2025
 Climate Change	<p>Increased capital expenditure: Investments in new technologies and infrastructure may be required for reducing GHG emissions and adapting to climate change.</p> <p>Decline in gas demand: Increasing awareness and concern about climate change among consumers and investors can influence market dynamics, leading to a decline in gas demand.</p>	<p>Enhance resilience plans in response to extreme weather events: Develop and implement comprehensive resilience plans to prepare for and respond to climate change-induced extreme weather, including vulnerability assessments and infrastructure strengthening.</p> <p>Reduce GHG emissions and set reduction targets with concrete action plans: Implement measures to reduce emissions and establish long-medium-short term targets aligned with global climate goals.</p> <p>Invest in and diversify businesses for energy transition: In response to global climate change, the Group is actively engaging strategic investors and partners to develop Renewable Energy Business through an asset-light model. We are vigorously promoting the integrated carbon reduction business model combining “photovoltaics, energy storage, and electricity sales”. By seizing the opportunities in green energy development, the Group continues to advance towards carbon neutrality, and facilitate the transition to an energy system more aligned with sustainable development principles.</p>	1 2 3	Towards Carbon Neutrality – Advancing the Transition to a Low-Carbon Energy Future

* 1 – Upstream Supply Chain; 2 – Group Operations; 3 – Downstream Customers.

ESG Management Approach



Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
 <p>Facilities and Operations</p>	<p>Gas leakages, supply disruptions, fires/explosions: Failure of the Group's major assets, including the transmission and distribution network, storage facilities and distributed energy systems, could lead to major gas leaks, supply interruption, fire or explosions which could pose safety hazards to workers, residents and the environment.</p> <p>Severe damage to the Group's critical infrastructure/facilities: A physical attack or extreme weather events could damage critical facilities, leading to safety incidents and supply disruptions.</p>	<p>Undertake active leak detection and repair (LDAR) programmes: Utilise Supervisory Control and Data Acquisition (SCADA) to effectively monitor and control our gas network and all governors, and use gas detectors and smart meters to detect leaks and enhance security.</p> <p>Asset management and process safety management: Implement asset management and process safety management systems to ensure that the safety performance of production and storage facilities achieve international standards.</p> <p>Collaborate with regulatory authorities and industry peers: Comply with regulations, carry out safety audits, and engage with regulatory authorities and industry peers to jointly improve safety and operational standards.</p> <p>Develop and strengthen emergency response plans: Create contingency plans for various scenarios, with clear procedures, communication protocols and coordination mechanisms with the relevant authorities.</p> <p>Purchase insurance: Purchase insurance to mitigate potential property damage or financial losses.</p> <p>Provide adequate training: Provide employees with training on handling procedures, equipment operation, emergency response and hazard awareness. Conduct regular practice drills to enhance preparedness.</p>	1 2 3	<p>Operational Resilience – Ensuring Stability and Reliability at All Times</p>


* 1 – Upstream Supply Chain; 2 – Group Operations; 3 – Downstream Customers.

Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
 <p>Occupational Health and Safety</p>	<p>Disruption of operations: Occupational health and safety issues could cause shutdowns or delays to operation.</p> <p>Injuries and loss of life: Serious safety incidents could cause injuries and loss of life.</p>	<p>Implement comprehensive safety management system with guidelines and measures: Develop a safety management system to ensure that the Group's safety performance conforms to industry best practices.</p> <p>Conduct regular safety inspections and audits: Implement systematic and regular safety inspections and audits of equipment, facilities, work areas and employees (including contractors) to identify hazards and ensure workflows comply with safety standards.</p> <p>Carry out comprehensive incident investigations: Investigate incidents to identify root causes, implement corrective actions, and share lessons learnt to prevent a recurrence in the future.</p> <p>Encourage active reporting, open communication and experience sharing: Foster a culture of safety reporting and transparency by encouraging employees and contractors to proactively report issues. Establish effective communication channels for safety-related information.</p> <p>Provide adequate training: Ensure employees/contractors receive training on hazard identification, equipment use, emergency response, safety protocols and others. Regular refresher training will be provided to keep up their safety awareness.</p>	1 2 3	<p>People-Centric – Empowering People to Build a Sustainable Future</p>

* 1 – Upstream Supply Chain; 2 – Group Operations; 3 – Downstream Customers.

ESG Management Approach


Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
 <p>Human Resources</p>	<p>Manpower crisis: Key management or mass workforce absenteeism could have a material impact on the Group's operations.</p> <p>Manpower shortage and retention challenge: Inability to retain or attract skilled professionals could affect the Group's operations.</p>	<p>Emergency planning to ensure business continuity: Establish contingency plans and mechanisms to ensure business continuity in case of crisis or the spread of communicable diseases.</p> <p>Manpower succession: A manpower succession plan is in place to match existing and future human capital needs against business strategy.</p>	2	<p>People-Centric – Empowering People to Build a Sustainable Future</p>
 <p>Legal</p>	<p>Influence on operations from regulatory changes: Changes in laws, regulations or rules could affect business operations.</p>	<p>Active and ongoing monitoring of regulatory changes and requirements: Continuous monitoring by the Group of changes in government policies, laws and regulations to ensure compliance with regulatory requirements.</p>	2	<p>Operational Resilience – Ensuring Stability and Reliability at All Times</p>

Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
 <p>Information Technology</p>	<p>Disruption of operations: Critical system failures or severe cyber attacks could cause loss of productivity.</p> <p>Data breach and loss of sensitive information: Cyber security incidents could result in the leakage of customer data and reputational damage of the Group.</p> <p>Financial loss: Cyber security incidents could lead to financial burdens, including remediation costs and potential fines.</p> <p>Regulatory non-compliance: Non-compliance with information security regulations could cause penalties and legal consequences to the Group.</p>	<p>Adopt robust protective systems: Deploy firewalls, intrusion detection systems and access controls to safeguard against cyber attacks.</p> <p>Conduct regular security assessments: Commission third-party assessments of systems to identify vulnerabilities and improve security standards.</p> <p>Develop and strengthen contingency plans: Develop comprehensive contingency plans, establish system and data backup, and conduct drills to ensure business continuity.</p> <p>Continuous monitoring of information security regulations: Stay updated on the latest information security regulations and ensure compliance, particularly on the Chinese mainland.</p> <p>Provide adequate training: Implement programmes to educate employees on cyber security and safe information handling practices.</p>	1 2 3	<p>Operational Resilience – Ensuring Stability and Reliability at All Times</p>


* 1 – Upstream Supply Chain; 2 – Group Operations; 3 – Downstream Customers.

* 1 – Upstream Supply Chain; 2 – Group Operations; 3 – Downstream Customers.

ESG Management Approach

Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
 <p>Materials</p>	<p>Feedstock supply interruption: Significant interruptions in the supply of natural gas could impact production capabilities.</p> <p>Increased fuel costs: Supply chain disruptions could drive up natural gas prices, impacting the Group and customers.</p> <p>Non-conforming quality of key materials for Gas Business: Significant impact on operations due to non-conforming quality of key materials.</p> <p>Impact on downstream industries: Supply chain disruptions could affect operations (e.g. Gas Business), leading to reduced supply and increased costs.</p>	<p>Diversify fuel sources: Procure natural gas from multiple sources, purchase liquefied natural gas and unconventional piped natural gas directly from overseas, as well as secure gas resources obtained through strengthening pipeline interconnectivity to reduce dependence on a single source.</p> <p>Optimise supply chain management mechanisms: To source its gas, the Group and its parent company have established a multi-source synergy and multi-pipeline flow operating model. During the year, we secured medium-to-long-term sale and purchase agreements with major national petroleum corporations and PipeChina. This, together with external sales from the Group's gas trading arm and the internal redistribution of surplus gas among subsidiaries further increased the proportion of self-sourced gas, effectively hedging against price volatility risks.</p> <p>Enhance emergency peak-shaving capabilities: Establish multiple natural gas storage facilities to expand natural gas storage capacity, optimising gas supply management, and stabilising supply during peak usage periods.</p> <p>Implement supplier evaluation and quality inspections: Establish regular checking and evaluation procedures to ensure material quality.</p>	1 2 3	<p><u>Operational Resilience – Ensuring Stability and Reliability at All Times</u></p> <p><u>Stakeholders Partnership – Strengthening Value Chain Resilience</u></p>

* 1 – Upstream Supply Chain; 2 – Group Operations; 3 – Downstream Customers.

Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
 <p>Reputation, Ethics and Integrity</p>	<p>Fraudulent activities: Internal fraud could lead to serious impact.</p> <p>Employee misbehaviour and media attacks: Any unethical conduct by employees and media attacks may adversely affect the Group's reputation and financial position.</p>	<p>Implement whistleblowing policies: Establish formal channels for reporting suspected cases of fraud.</p> <p>Develop clear ethical standards and policies: Uphold rigorous ethical standards and require employees and suppliers to comply with the Group's Code of Conduct and Code of Practice for Suppliers respectively, and adhere to the same standards.</p> <p>Provide adequate training: Provide regular trainings to employees.</p>	2	<p><u>Operational Resilience – Ensuring Stability and Reliability at All Times</u></p>

* 1 – Upstream Supply Chain; 2 – Group Operations; 3 – Downstream Customers.

The Group will further enhance its ability to assess the potential impacts of decision-making processes and the uncertainties inherent in estimating future events. This forward-looking perspective will enable the Group to proactively prepare for, and navigate a spectrum of, potential scenarios and variables, particularly those with uncertain yet materially significant outcomes. Throughout the evaluation, the Group will continue to carefully consider all potential risks and opportunities.

Deepening Interaction and Focusing on Material Issues

The Group deeply recognises that understanding stakeholder expectations is crucial for developing effective ESG strategies. We regularly collect feedback to evaluate strategy effectiveness, identify risks and opportunities, and continuously enhance ESG performance. The Group reviews the list of material issues on an annual basis, highlights key focus areas, and takes proactive steps in advancing sustainable development and creating long-term value.

Stakeholder Engagement

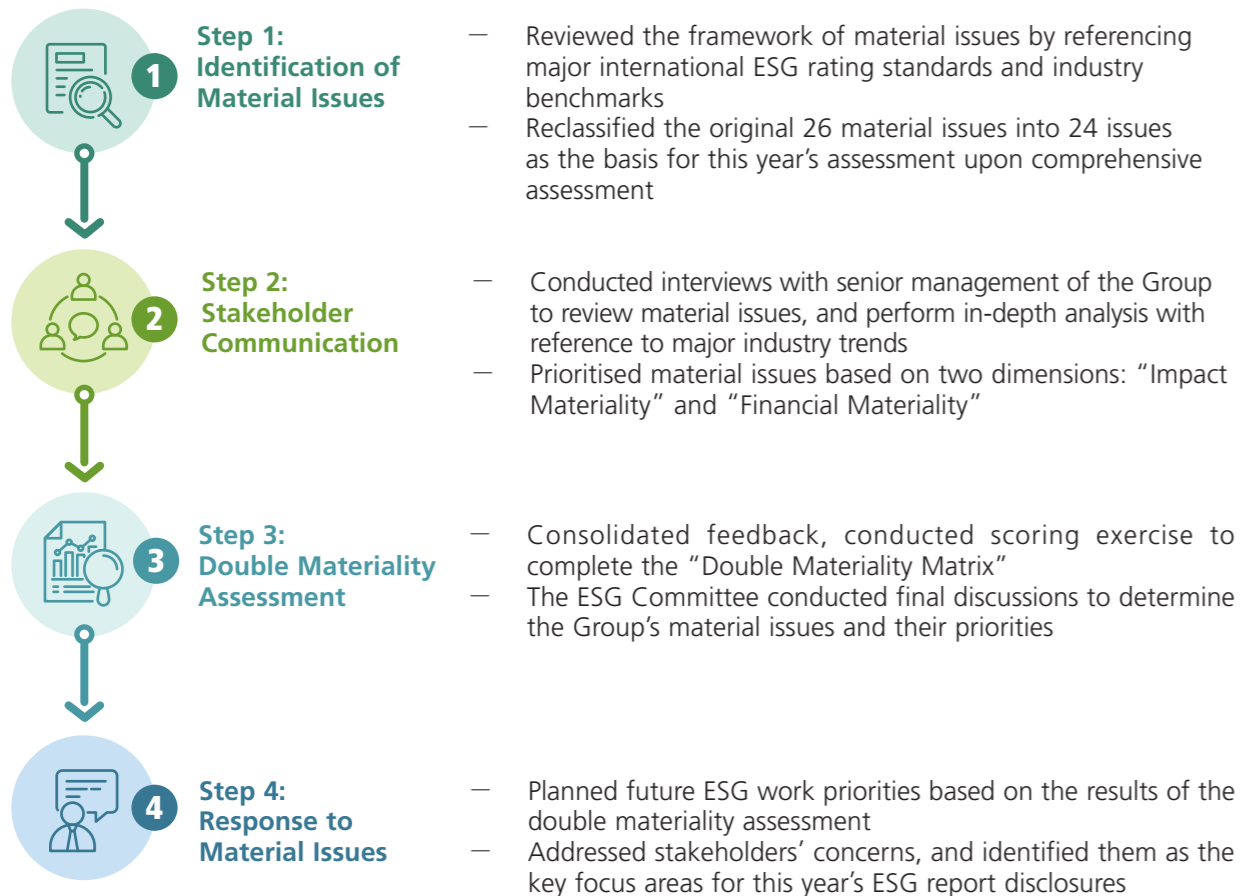
The Group values our stakeholders' views and concerns. We have identified seven major internal and external stakeholder groups and built various engagement platforms to facilitate constructive interaction. Through these channels, we seek to gain a thorough understanding of their needs, and to respond accordingly.

For more information about the engagement details with different stakeholders, please visit the [Towngas Smart Energy website](#).

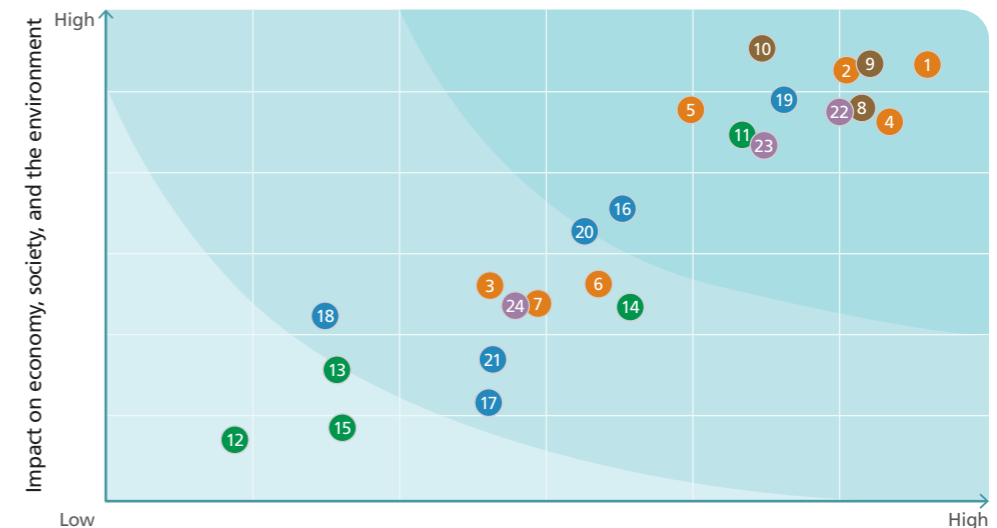
ESG Management Approach

Double Materiality Assessment

In response to the expectations of our stakeholders, we closely monitor evolving social, economic, and environmental landscapes, and regularly review opportunities and risks associated with sustainable development. Through the ESG Committee, the Group regularly reports material ESG concerns and risks to the highest governance body (the Board), in order to ensure that ESG factors are fully incorporated in its operational strategies and critical decisions. This year, we continued to adopt the double materiality assessment framework, while adjusting certain assessment methods and processes based on the Group's operational development and governance needs. This enabled us to focus more on the most material issues and strengthen their connection to actual operations and financial performance. The process of the double materiality assessment this year is as follows:



Double Materiality Matrix



Impact on enterprise value									
Operational Resilience		Towards Carbon Neutrality		Environmental Stewardship	People-Centric	Stakeholders Partnership			
1.	Supply Security and Reliable Production and Distribution*	8.	Climate Adaptation and Resilience*	11.	Energy Efficiency*	16.	Employee Engagement and Development*	22.	Energy Affordability and Accessibility*
2.	Asset Integrity and Crisis Management*	9.	Low-Carbon Business Opportunities and Investment*	12.	Water and Wastewater	17.	Human Rights Management	23.	Customer Experience*
3.	Corporate Governance	10.	Greenhouse Gas Emissions*	13.	Waste Management	18.	Inclusion and Diversity	24.	Responsible Supply Chain Management
4.	Business Integrity and Compliance*			14.	Nature and Biodiversity	19.	Occupational Health, Safety and Well-Being*		
5.	Data Privacy and Cyber Security*			15.	Air Emissions	20.	Customer Health and Safety		
6.	Economic Impact					21.	Community Contribution		
7.	Innovation								

* Indicates most material issues.

Based on the results of the double materiality assessment, we identified "Supply Security and Reliable Production and Distribution", "Asset Integrity and Crisis Management", "Business Integrity and Compliance", "Climate Adaptation and Resilience", and "Low-Carbon Business Opportunities and Investment" as the five most material issues impacting enterprise value. Notably, our stakeholders have expressed growing concerns over "Asset Integrity and Crisis Management" and "Data Privacy and Cyber Security". These developments reflect the Group's expanding asset base and the progression of various new energy projects, which necessitate more robust infrastructure management and crisis resilience.

Through in-depth engagement with external stakeholders, we have confirmed that "Asset Integrity and Crisis Management" and "Climate Adaptation and Resilience" are their primary concerns. To address these issues, we have deployed strategic responses to meet stakeholders' expectations and drive corporate sustainability.

ESG Management Approach

Boundaries and Impacts

The table below lists the material issues for this year and the scope of impact of different issues on internal and external stakeholders.

No.	Material Issues	Boundaries and Impacts				Corresponding Chapters
		Employees	Contractors and Suppliers	Customers	Community	
1	Supply Security and Reliable Production and Distribution*	✓	✓	✓	✓	Operational Resilience – Ensuring Stability and Reliability at All Times
2	Asset Integrity and Crisis Management*	✓	✓	✓	✓	
3	Corporate Governance	✓	✓	✓	✓	
4	Business Integrity and Compliance*	✓	✓	✓	✓	
5	Data Privacy and Cyber Security*	✓	✓	✓	✓	
6	Economic Impact	✓	✓	✓	✓	
7	Innovation	✓	✓	✓	✓	
8	Climate Adaptation and Resilience*	✓	✓	✓	✓	Towards Carbon Neutrality – Advancing the Transition to a Low-Carbon Energy Future
9	Low-Carbon Business Opportunities and Investment*	✓	✓	✓	✓	
10	Greenhouse Gas Emissions*	✓	✓	✓	✓	
11	Energy Efficiency*	✓	✓	✓	✓	Environmental Stewardship – Upholding Environmental Responsibility and Harmony with Nature
12	Water and Wastewater	✓	✓	✓	✓	
13	Waste Management	✓	✓	✓	✓	
14	Nature and Biodiversity	✓	✓	✓	✓	
15	Air Emissions	✓	✓	✓	✓	
16	Employee Engagement and Development*	✓	✓	✓	✓	People-Centric – Empowering People to Build a Sustainable Future
17	Human Rights Management	✓	✓	✓	✓	
18	Inclusion and Diversity	✓	✓	✓	✓	
19	Occupational Health, Safety and Well-Being*	✓	✓	✓	✓	
20	Customer Health and Safety	✓	✓	✓	✓	Stakeholders Partnership – Strengthening Value Chain Resilience
21	Community Contribution	✓	✓	✓	✓	
22	Energy Affordability and Accessibility*	✓	✓	✓	✓	
23	Customer Experience*	✓	✓	✓	✓	
24	Responsible Supply Chain Management	✓	✓	✓	✓	

* Indicates most material issues.

Strengthening Connections and Proactive Advocacy

We actively share ESG values with internal and external stakeholders. By organising and participating in various ESG training and exchange activities, we enhance stakeholders' understanding of relevant issues, thereby jointly advancing sustainable development in the energy sector.

Internal Engagement

The Group values the ESG capacity building of our employees. We raise their awareness through internal training and advocacy, build diverse communication mechanisms to foster cross-departmental collaboration, and deepen the practice of ESG values. To address the diverse needs of business segments, the Group provides tailored ESG training, including thematic online courses to enhance their understanding and facilitate the execution of the Group's ESG strategy. Moving forward, the Group will further integrate ESG elements into the internal training system, cultivate a sustainability mindset among employees at all levels, and strengthen overall ESG execution capabilities.

External Engagement

To facilitate cross-sector ESG collaborations and the sharing of sustainable development experience, the Group actively engages in diverse external exchanges, including thematic workshops, industry forums and seminars.



Showcasing at the World Gas Conference: Sharing Diversified Energy Development Pathways

This year, the Group participated in a number of international exchange activities at the 29th World Gas Conference (WGC2025), sharing its practical experience in low-carbon transition and demonstrating the Group's commitment to sustainable development. Mr. Peter Wong Wai-ye, the Executive Director and Chief Executive Officer of Towngas Smart Energy, shared the Group's innovation-driven regional diversified energy development pathways, covering clean energy deployments such as distributed photovoltaics and energy storage. The Group's exhibition area also showcased our achievements across the natural gas industry chain and renewable energy, attracting numerous industry peers both locally and internationally.




Operational Resilience

Ensuring Stability and Reliability at All Times



Amidst a challenging environment, operational resilience is vital to corporate sustainable development. The Group has employed a robust risk management framework to ensure a stable energy supply, safeguard asset integrity and reliability, and support effective crisis management in response to emergencies. We are committed to upholding business integrity, and adhering to a transparent and responsible corporate culture to consistently strengthen market trust. Facing the challenges arising from digital transformation, we continually enhance data privacy and cyber security measures to protect customer information and corporate assets. Through optimisation and innovation, we strive to improve operational efficiency and service quality, aiming to build a robust operational defence and safeguard every moment.

Key Highlights



Stable and Safe Pipeline Maintenance

Together with its parent company, a cumulative total of **1,363 km** of old pipelines were replaced



Integrity and Compliance Governance System

No material non-compliance was found in the following areas:

- ✓ Business Ethics
- ✓ Health and Safety
- ✓ Employee Practices
- ✓ Customer Management
- ✓ Environment



Operational Resilience – Ensuring Stability and Reliability at All Times



Management Approach

The Group is committed to strengthening system resilience, upholding integrity principles, ensuring steady operations, and building stakeholder trust. To safeguard uninterrupted energy supply and mitigate operational risks, we implement a diversified supply strategy and enhance gas storage facilities to ensure stable gas supply; improve facilities maintenance systems to reinforce infrastructure reliability; and strengthen emergency response mechanisms to bolster crisis response capabilities. We adhere to high ethical standards, actively promote a culture of integrity, encourage whistleblowing of misconduct, and prioritise data protection and information security, in order to strengthen stakeholder trust and collaborative relationships.

Policies

- [Code of Conduct](#)
- [Code of Practice for Suppliers](#)
- [Customer Services Code of Conduct Policy](#)
- [Anti-Fraud Policy](#)
- [Information Security Policy](#)
- [Personal Data Privacy Policy](#)
- [Whistleblowing Policy](#)

Robust Operations to Enhance Resilience

The Group actively promotes energy transition, while upholding its commitment to providing customers with stable, affordable and sustainable energy.

Energy Security

The Group strengthens the reliability and flexibility of its energy systems by integrating conventional energy and new energy, thereby reducing reliance on any single energy source, enhancing resilience against climate change and geopolitical risks, and supporting long-term sustainable development.

Reliable Gas Supply

Ensuring a stable and reliable supply of natural gas to the Chinese mainland is of paramount importance to the Group. Therefore, the parent company, HKCG, has put in place our medium-to-long-term sale and purchase agreements with major national petroleum corporations and PipeChina. Through the use of a centralised negotiation, decentralised signing model, total contracted volume amounted to 15 billion m³. Meanwhile, HKCG has secured long-term international LNG import agreements totalling 1.5 million tonnes annually, commencing in 2027. We secure coalbed methane, shale gas and other resources through both proprietary operations and partnerships, thereby strengthening the security of natural gas supply.

With respect to infrastructure development, the parent company, HKCG, steadily enhances overall supply chain security and cross-regional emergency peak-shaving capabilities through optimising its gas procurement system and gas storage facilities. In June 2025, the second phase of our underground salt cavern gas storage facility in Jintan District, Changzhou, entered a new stage with the commissioning of two gas wells, increasing total storage capacity to nearly 480 million m³. This commissioning will significantly bolster emergency peak-shaving capabilities across the Yangtze River Delta region, and enhance resilience in emergency supply during extreme weather conditions or supply disruptions.



Operational Resilience – Ensuring Stability and Reliability at All Times

Asset Integrity

The Group adheres to the principles of design and engineering excellence to ensure that facilities meet the highest safety standards. Through innovative technologies, we employ advanced systems for round-the-clock monitoring of equipment condition, to maintain high standards of asset integrity and crisis management, ensuring a secure and reliable energy supply.

The Towngas Operation Platform (TOP), as the first group-level intelligent asset management and integrated production system cloud platform within the gas industry on the Chinese mainland, possesses digital capabilities including data integration, risk assessment, and emergency response. This year, together with the parent company, HKCG, the TOP has been applied in hundreds of enterprises and connected to a total of 127,000 Internet of Things (IoT) monitoring points. It covers over 324,000 gas facilities and 75,000 kilometres of gas pipelines, providing comprehensive digital solutions for operations, safety and risk management.



The Group continues to conduct safety inspections of gas pipelines and facilities, and invests substantial resources in replacing ageing pipeline network to prevent gas leakage risks, ensuring a safe and reliable gas supply system.



In 2025, the Group, together with its parent company, HKCG, completed the renovation of **272 km** of old pipeline with a cumulative total of **1,363 km** accomplished (Target in 2025: Achieved)



Accelerating AI Empowerment: Enhancing Asset Integrity Management Standards

The Group has been actively driving digital transformation by integrating AI and automation technologies into its daily operations. These initiatives have significantly enhanced asset integrity management standards and further strengthened the gas supply security.

We have implemented end-to-end digital management of construction processes through our smart construction site application. By integrating the processes with an information cloud platform, and together with our parent company, HKCG, we have accumulated approximately 6.8 million procedure records and 40 million procedure photographs for AI-driven automated assessment, quality traceability, and comprehensive analysis.

In addition, the Group completed the second phase R&D of the TOP this year, realising intelligent recognition and analysis of videos and images. We have reserved data interfaces for drone inspections on pipeline networks, robotic plant inspections, and engineering self-inspections. A 3D digital plant model has been constructed to achieve synchronised virtual-physical mapping and interactive operations.



Operational Resilience – Ensuring Stability and Reliability at All Times

Crisis Management

Through regular and high-intensity practical exercises, the Group continually refines its three-tier crisis management framework (Group level – business segment level – project company level) and steadily enhances its response capabilities, thereby fulfilling our safety commitments to the public and society. In addition, project companies proactively conducted diverse emergency drills tailored to local conditions, covering multiple scenarios including fire evacuation, gas leak response, fire suppression, extreme weather response, and equipment emergency repairs. Certain project companies further collaborated with local government departments in joint exercises. These exercises not only validated the scientific and operational feasibility of the emergency plans, but also significantly enhanced emergency response capabilities of our employees and the efficiency of government-enterprise coordination.



Joint Emergency Drill for “Integrated Photovoltaic and Energy Storage Project” to Build a Zero-Carbon Operational Safety Net

In response to the national “Work Safety Month” initiative, the Northern Region of the Renewable Energy Business successfully held a joint emergency drill for an “Integrated Photovoltaic and Energy Storage Project” at the manufacturing plant of CRRC Luoyang Co., Ltd. in Henan Province during the year. This drill aimed to thoroughly test and enhance the region’s emergency response, as well as the coordinated operational readiness.

As the first comprehensive emergency drill for an “Integrated Photovoltaic and Energy Storage Project” in the Northern Region, this event closely followed key industry risk points and set up two core scenarios:

- Power equipment fault handling: Drill participants quickly located the fault point, precisely executed power cut-off and repair operations, and efficiently restored the system to a safe state.
- Energy storage battery fire and casualty rescue: Ensuring seamless coordination in fire extinguishing, isolation, and cooling processes, as well as professional and standardised first-aid operations by the medical rescue team.

With its professional, swift and efficient practical performance, this drill set a safety benchmark for the regional new energy industry and practises the action policy of “Everyone Talks Safety, Everyone Knows How to Respond”.



Safety Capability Building

During the year, in response to the safety characteristics of gas resource management, project companies under the Group systematically strengthened safety capability development. By integrating theoretical teaching with practical drills, we conducted multiple specialised safety training sessions covering key modules including refrigerant leakage emergency response, safety specifications for special work involving hazardous chemicals, compliance essentials of the Work Safety Law, full lifecycle safety management and control for third-party construction projects, and emergency response to sudden gas leakage incidents. These initiatives provided comprehensive coverage of daily operations and high-risk operational scenarios, effectively enhancing frontline personnel’s risk identification and emergency response capabilities.



Business Integrity and Legal Compliance

The Group adheres to compliant business practices, upholds business ethical standards, and maintains a culture of integrity and transparency to ensure that these principles are firmly embedded across its corporate operations. To foster a transparent and ethical business environment, we have implemented a series of training and monitoring measures, and continuously refined our supervisory framework. In 2025, we did not receive any reportable cases related to conflicts of interest.



Total anti-corruption training hours amounted to approximately **16,387 hours**



Operational Resilience – Ensuring Stability and Reliability at All Times

Legal Compliance

The Group has established a compliance management system covering the entire process of strategy formulation, business operations and monitoring assessment, aiming to ensure that all business activities strictly adhere to major laws, regulations, and regulatory requirements on the Chinese mainland. Through regular compliance reviews and specialised training, we continuously strengthen the legal awareness of all employees to ensure standardised operations.

This year, in response to increasingly stringent legal and compliance requirements on the Chinese mainland, the Group formulated and issued the General Guidelines for Compliance Management of Mainland Operations to support business segments and functional departments in addressing evolving regulatory challenges. These guidelines provide unified compliance management direction, clarify legal compliance standards to be followed in operations, and facilitate business compliance and sustainable development. The Group also organised multiple legal and compliance training sessions, covering issues such as critical infrastructure protection, cyber security, cross-border data transmission, and AI governance. These initiatives have enhanced employees' understanding of the latest regulations and industry trends, thereby strengthening corporate risk management and compliance capabilities.

This year, the Group complied with all relevant laws and regulations that have a significant impact on its operations in the following areas.

Area	Compliance Matter	Material Violations
Business Ethics	Anti-corruption	No reported cases
	Anti-competitive behaviour	No reported cases
	Labour standards (child labour and forced labour)	No reported cases
	Money laundering or insider trading	No reported cases
Health and Safety	Occupational health and safety	No reportable cases ⁴
	Customer and the public	No reportable cases ⁴
Employees Practices	Employment practices ⁵	No reportable cases ⁴
Customers Management	Customer privacy	No reported cases
	Product and service information and labelling, and marketing information	No reported cases
Environment	–	No reportable cases ⁴



⁴ Refers to convicted serious criminal cases and material violations that resulted in fines greater than HK\$1 million or non-monetary sanctions.

⁵ Employment practices related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination and other benefits and welfare.

Privacy Protection and Cyber Defence

The Group advances information security assurance efforts to ensure that privacy security considerations are integrated into overall business development. Meanwhile, the TOP system completed Level 3 protection assessment, reflecting that the platform meets high standards in information system security protection. This platform has established a tiered access management scheme and stringent security framework to safeguard data security and operational efficiency of the system.

The Group has implemented multi-layered protective and risk management measures in practical operations tailored to different business characteristics and risk levels, including, where applicable:

- Planning and conducting regular audits of security frameworks for critical systems in accordance with applicable national cyber and information security standards;
- Adopting multi-layered protection technologies for customer and business information, such as data classification and access control, digital watermarking technology, Web Application Firewall (WAF), multi-factor authentication, and managed security services to mitigate data leakage and account compromise risks;
- Conducting annual cyber security risk assessments as well as regular system vulnerability detection and patching;
- Implementing cyber security training, phishing test exercises and information sharing for employees to enhance their security awareness;
- Organising quarterly and annual disaster drills and cyber security incident response desktop drills to bolster operational resilience;
- Establishing whistleblowing and response mechanisms to ensure timely detection, response, and remediation of network and data security incidents.



Towards Carbon Neutrality

Advancing the Transition to a Low-Carbon Energy Future



To address global climate change, the Group actively aligns with the national “dual carbon” goals and the “15th Five-Year Plan”, while responding to the new targets proposed in China's 2035 Nationally Determined Contributions (NDCs) released in November 2025, a new commitment to reduce economy-wide net greenhouse gas emissions by 7% to 10% from peak levels by 2035. To this end, the Group has integrated green production into its long-term development planning.

Key Highlights



Innovation-Driven Energy Transformation

Achieved a distributed photovoltaic grid-connected installed capacity of **2.8 GW** (accumulative)



Capital-Empowered Decarbonisation Planning

Issued three tranches of “Quasi-REITs” products with the accumulated scale of approximately **RMB1.8 billion**

Towards Carbon Neutrality – Advancing the Transition to a Low-Carbon Energy Future



Management Approach

Leveraging its robust governance framework, the Group manages climate-related risks and opportunities, while actively advancing carbon neutrality and energy transition. We continuously monitor greenhouse gas emissions and drive low-carbon transition via business diversification, technological innovation, and collaboration with internal and external stakeholders. The Group conducts regular climate risk assessments and implements adaptation measures to enhance infrastructure resilience and safeguard sustainable business operations. Meanwhile, we actively participate in industry initiatives and promote public awareness to address climate challenges collectively.

Policies

- [Climate Change Policy](#)
- [Environmental Policy](#)
- [Sustainable Purchasing Policy](#)

Climate Challenges and Resilience Planning

The Group has systematically integrated climate-related risks and opportunities into the overall risk management process to enhance resilience and response capabilities. For more information about the risk management process, please refer to the section headed “[Risk Identification and Robust Response](#)” in this Report.

Identifying, Assessing, and Managing Climate-Related Risks

Complex and volatile climate-related risks have posed potential impacts and long-term challenges to asset allocation, business operations, and the value chain. To effectively address climate-related risks and enhance the forward-looking strategic planning, we have systematically integrated climate modelling and scenario analysis into the strategic decision-making framework, thereby continuously improving the enterprise’s climate adaptation capacity and risk management standards. Going forward, we will continue to refine our scenario modelling for transition and physical risks, thereby further strengthening our capacity to anticipate, assess and respond to physical risks, as well as transition risks and opportunities.

Physical Risks

Physical risks associated with climate change impacts can be broadly classified into two categories: acute risks (e.g., floods, droughts) and chronic risks (e.g., sea-level rise, temperature increases). We applied three Representative Concentration Pathways (RCP) scenarios (RCP 2.6, RCP 4.5 and RCP 8.5) to evaluate the impacts of physical risks on our assets. These scenarios ranged from limiting the global average temperature increase to within 1.5°C to align with the Paris Agreement (RCP 2.6) to managing the challenges of a drastic increase in average temperature of 4°C (RCP 8.5).

Since commencing systematic assessments in 2021, we have continuously conducted physical climate risk identification and analysis for assets. Given that climate-related risks primarily arise from long-term environmental changes or low-frequency yet high-impact extreme events, their direct disruption to current operations is not significant. However, the potential impacts should not be overlooked. In this regard, the Group has prioritised the adoption of climate models to forecast future risk trends. On this basis, we have identified assets most vulnerable to extreme weather events, including key assets susceptible to impacts such as extreme temperature, heavy rainfall and water stress.



Towards Carbon Neutrality – Advancing the Transition to a Low-Carbon Energy Future

This year, we continued to conduct on-site physical risk assessments for assets on the Chinese mainland to gain a deeper understanding of their vulnerabilities and resilience to major disasters, ensuring that effective protective systems are in place to withstand various climate stresses. To strengthen the management of climate-related physical risks, we have developed a climate change risk assessment checklist for gas facilities. For facilities with higher risk levels, we have conducted further analysis and assessment. We also continued to hold ESG and climate change training for management to equip them with the knowledge and methodologies required to tackle climate hazards in the future.

Risk	Time Horizon ⁶	Potential Financial Implications	Mitigation Plan/Response
Acute Heavy rainfall and increased frequency and intensity of river floods	Medium to Long-Term	<ul style="list-style-type: none"> ▲ Costs and ▼ Revenue from asset damage ▲ Expenditure on resilience measures ▲ Insurance costs and claims 	<ul style="list-style-type: none"> • Review plan for adapting our infrastructure to climate change • Strengthen crisis management plans
Chronic Increased temperatures	Long-Term	<ul style="list-style-type: none"> ▼ Revenue from gas-related services ▲ Operating costs due to energy use 	<ul style="list-style-type: none"> • Diversify businesses to transform into a multi-energy provider

Transition Risks and Opportunities

Transition risks associated with climate change impacts can be broadly classified into policy and legal changes, technological developments, market changes, and reputational risks. In 2020, we identified four scenarios based on the International Energy Agency's (IEA) World Energy Outlook 2019, which considered the pace of technological advancement and the stringency of policy implementation. To ensure our analysis aligns with the latest trends, we updated these scenarios with reference to the IEA World Energy Outlook 2021 and the Network for Greening the Financial System (NGFS) scenarios. The updated scenarios include:

- Net Zero 2050 Scenario: Aligned with the goal of limiting a global temperature rise within 1.5°C;
- Below 2°C Scenario: Reflecting global efforts to achieve the Paris Agreement targets;
- Stated Policies Scenario: Covering climate-related policies and targets announced and implemented by governments around the world; and
- Current Policies Scenario: Simulating a situation where governments around the world fail to implement their committed climate policies.

⁶ Short-term runs to 2025, aligned with our near-term targets that cover carbon reduction, energy efficiency; medium-term runs to 2035, aligned with the Group's plan to replace fossil fuels in phases by introducing and using zero-carbon fuels; long-term runs to 2050, aligned with the Hong Kong's Climate Action Plan 2050 to achieve carbon neutrality before 2050.

Through communications with various business departments and internal stakeholders, the Group assessed transition risks and opportunities from multiple perspectives within different time horizons. Based on the results of scenario analysis, transition risks under the Net Zero 2050 Scenario and the Below 2°C Scenario were primarily concentrated in gas-related businesses.

Risk	Time Horizon ⁶	Potential Financial Implications	Mitigation Plan/Response
Policy and Legal Mandates on/regulations of products and services	Short to Medium-Term	<ul style="list-style-type: none"> ▼ Revenue from gas-related services ▲ Compliance and insurance costs ▲ Income from low-carbon offerings 	<ul style="list-style-type: none"> • Align with government policies for low-carbon development • Reduce GHG emissions via low-carbon energy and efficiency improvements
Technology Technological improvements or innovations to support the transition to a lower carbon economy	Medium to Long-Term	<ul style="list-style-type: none"> ▲ Investment in new technologies ▲ R&D spending ▼ Operational costs due to energy efficiency improvements 	<ul style="list-style-type: none"> • Support R&D with proprietary technologies
Market Shifting consumer behaviour	Medium to Long-Term	<ul style="list-style-type: none"> ▼ Revenue from gas-related services ▲ Operating costs due to raw material price changes ▲ Income from low-carbon products 	<ul style="list-style-type: none"> • Diversify businesses to transform into a multi-energy provider
Reputation Shareholders are likely to divest from fossil fuels and invest in low-carbon businesses	Long-Term	<ul style="list-style-type: none"> ▼ Capital availability ▲ Communication costs 	<ul style="list-style-type: none"> • Enhance open disclosure for increased capital availability • Enhance promotion of the low-carbon transition

Decarbonisation Commitment and Strategies

Under our carbon neutrality commitment, the Group has established a clear strategy implementation framework that places emission reduction at its core, systematically reducing greenhouse gas emissions through the combined approach of energy transition and technology deployment.

Carbon Reduction Targets

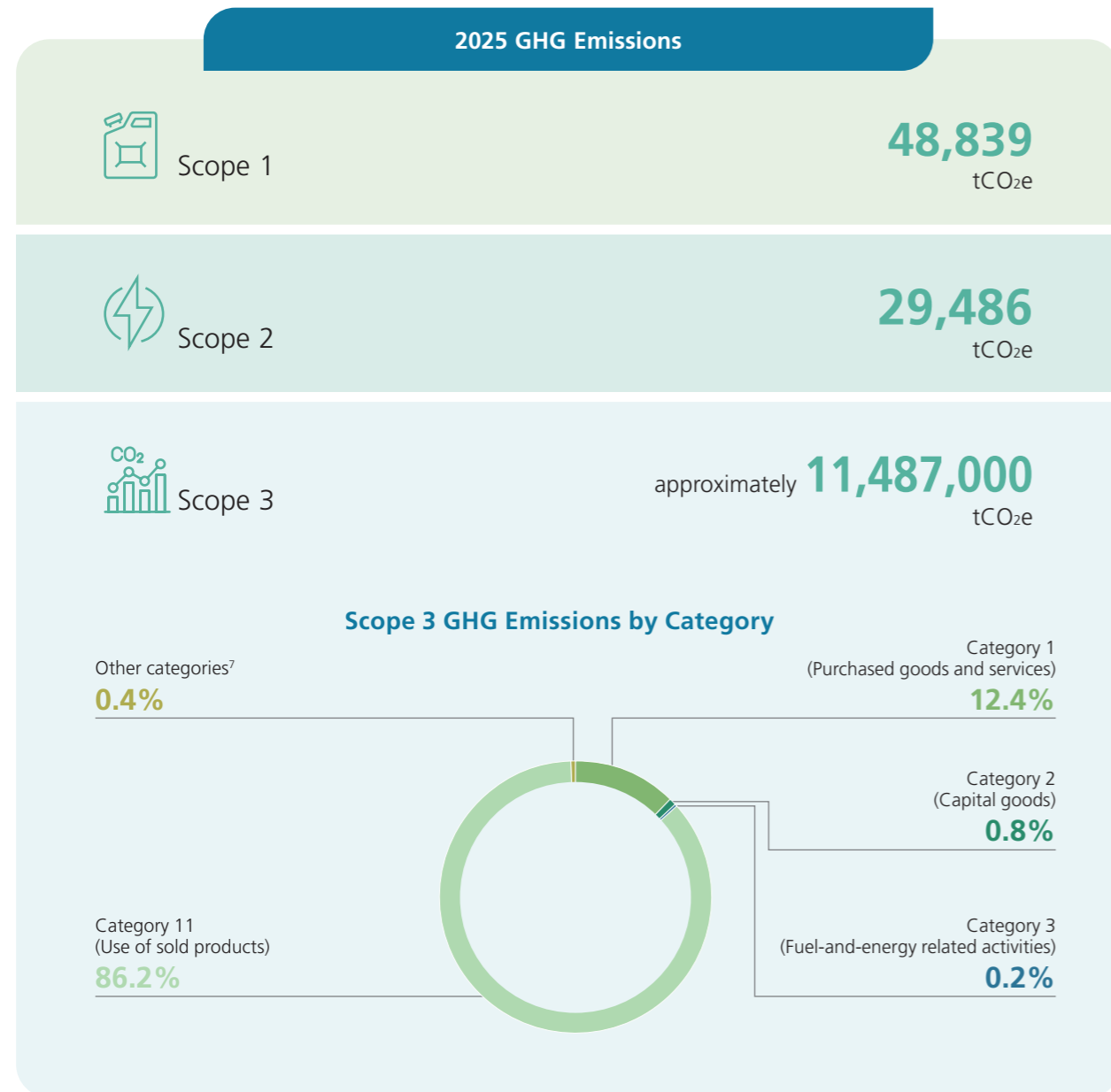
Aligned with our parent company, HKCG, we are committed to achieving carbon neutrality by 2050, in response to the national "dual carbon" goals. We are proactively supporting our parent company, HKCG, to formulate its interim carbon reduction targets. By aligning with the latest requirements of international ESG rating agencies and industry best practices, and through cross business segments collaboration and multiple rounds of senior management review, we ensure these targets are both forward-looking and achievable.

⁶ Short-term runs to 2025, aligned with our near-term targets that cover carbon reduction, energy efficiency; medium-term runs to 2035, aligned with the Group's plan to replace fossil fuels in phases by introducing and using zero-carbon fuels; long-term runs to 2050, aligned with the Hong Kong's Climate Action Plan 2050 to achieve carbon neutrality before 2050.

Towards Carbon Neutrality – Advancing the Transition to a Low-Carbon Energy Future

GHG Emissions Profile

This year, the Group's Scope 1 and Scope 2 GHG emissions amounted to 78,325 tCO₂e. Scope 1 emissions primarily arose from fuel combustion, whilst Scope 2 emissions were related to electricity consumption at production facilities. Scope 3 GHG emissions were approximately 11,487,000 tCO₂e, and the source of which mainly was attributable to Category 11 – Use of Sold Products, accounting for over 80% of total value chain emissions.



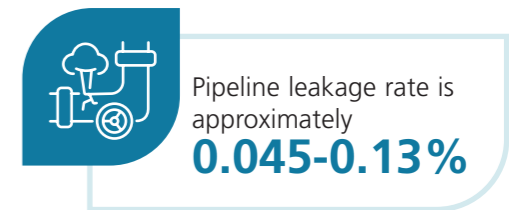
⁷ Other categories include Category 5 (Waste generated in operations), Category 6 (Business travel) and Category 7 (Employee commuting).

Decarbonisation Initiatives

We have implemented multiple measures to directly reduce the Group's GHG emissions and are committed to optimising all aspects of our energy supply, including reducing emissions generated from transportation and consumption of our products. We regard carbon offsetting as the last resort for value chain decarbonisation, and consider offsets through carbon credits only for residual emissions that cannot be eliminated. This strategy reflects our commitment to prioritising direct emission reduction and ensures that the initiatives we adopt remain aligned with long-term climate goals.

Preventing Methane Leakage with Advanced Technology

The methane content in natural gas is approximately 90%. Methane leakage primarily arises from third-party damage, venting during pipeline commissioning and decommissioning, and permeation. In response, we have systematically implemented multiple emission control measures centred on pipeline integrity. Through the coordination of excavation works and regular inspections, as well as the deployment of high-precision gas detectors, laser methane detection devices, sniffer dogs, and vehicles equipped with ppm grade methane detectors, we have comprehensively enhanced the accuracy and efficiency of leak monitoring. In addition, we continued to upgrade ageing pipelines and have installed laser and gas alarm systems at LNG stations, incorporating AI to enable intelligent identification of gas, flame, and smoke leaks. All plants and stations conduct safety assessment and prompt rectification in accordance with internal guidelines, thereby strengthening overall emission control management and ensuring a stable energy supply.



For customer side, we have innovatively developed smart meters with security features. Through precise metering and real-time monitoring, these smart meters support the identification of abnormal gas consumption patterns and facilitate timely follow-up of potential leakage risks. At the same time, customers are able to gain a clearer understanding of their gas consumption, enabling timely adjustments to their usage habits, thereby reducing unnecessary energy consumption and carbon emissions. Furthermore, smart meters support remote meter reading and data analysis, facilitating optimised gas supply scheduling and minimising gas permeation during transportation and distribution. As at the end of 2025, the Group had installed over 4 million smart meters.

For details on gas pipeline integrity management, please refer to the section of "Asset Integrity" of this Report.

Towards Carbon Neutrality – Advancing the Transition to a Low-Carbon Energy Future

Advancing the Low-Carbon Transition of Gas

The Group is progressively increasing the proportion of bio-natural gas within its pipeline to provide customers with a lower-carbon natural gas supply. We actively promote the integration of bio-natural gas into the natural gas pipeline network. Currently, we have developed various bio-natural gas application projects across Jiangsu, Zhejiang, Shandong, Sichuan and other regions.

Exploring Hydrogen Blending in Natural Gas

Regarding the applications of blending hydrogen into natural gas pipelines, the Group is making steady progress, centred on the “Bringing Hydrogen into Households” demonstration project by Weifang Hong Kong and China Gas Company Limited. During the year, the project completed the commissioning of production equipment with a hydrogen production capacity of 3.6 tonnes/day, alongside the construction of 5.2 km of transmission pipelines. Trial operation is expected to commence in 2026, targeting to serve 100,000 residential customers.

The Group is also developing multiple industrial applications for blending hydrogen into natural gas pipelines in Changchun city and other locations in the country.



Innovative Applications for Energy Transition

We actively pursue opportunities in low-carbon energy development and seek collaboration with innovation partners. Through technological research, development, and investment in emerging solutions, we are accelerating the energy transition across multiple sectors, including construction and industry.

Low-Carbon Energy: Solutions for Decarbonisation

In alignment with national policy imperatives, the Group actively promotes the adoption of renewable energy through three strategic pillars: integrated energy solutions, decarbonisation, and digital intelligence transformation. Focusing on zero-carbon smart industrial parks, we address customers' energy-saving and carbon-reduction requests. By the end of 2025, we served more than 2,000 industrial customers across 25 provinces, autonomous regions, and municipalities nationwide. This has resulted in a cumulative distributed photovoltaic grid-connected installed capacity of 2.8 GW, with photovoltaic power generation increasing by 36% to 2.48 billion kWh. Furthermore, we have secured contractual commitments for commercial and industrial energy storage exceeding 1,041 MWh and recorded electricity sales transactions of 8.4 billion kWh. We have also established 128 zero-carbon smart industrial parks, contributing to the national “dual carbon” goals whilst delivering tangible economic benefits.

We are also proactively developing “Energy as a Service” (EaaS), providing commercial and industrial customers with integrated energy solutions encompassing “photovoltaics + energy storage + electricity sales” to assist them in reducing operating costs and carbon emissions.

In terms of financing models, the Group actively innovates and diversifies its funding channels. For instance, in partnership with the Shenzhen New-Type Energy Storage Industry Fund and other institutions, we initiated a specialised fund for commercial and industrial energy storage investment totalling RMB600 million, continuously broadening the capital pipeline for renewable energy development.



Towards Carbon Neutrality – Advancing the Transition to a Low-Carbon Energy Future

Low-Carbon Investment Driving Business Transformation

We advance low-carbon investment decisions through internal carbon pricing (ICP) and green and sustainable finance instruments, accelerating the energy transition across our business operations. The Group focuses on enhancing energy efficiency and the construction and operation of renewable energy facilities, while continuously increasing our low-carbon investments.

This year, the performance of the Group's low-carbon business and natural gas business in accordance with the "Chinese Taxonomy"⁸ is as follows:



In investment decision-making, we integrate ESG due diligence with the ICP mechanism to systematically assess the impact of carbon emissions on investment returns and quantify carbon risk indicators, thereby guiding capital allocation towards low-carbon projects. We update our internal carbon prices monthly based on China's Carbon Emission Allowances transaction prices. By employing both shadow carbon pricing and implicit carbon pricing methodologies, we systematically forecast the financial impact of emissions and model the potential for reductions across our projects. All new city-gas and distributed photovoltaic projects meeting specific standards are required to complete ESG due diligence and ICP assessments before proceeding to the investment approval procedure.

Green and Sustainable Finance

As at this year, the Group's cumulative green and sustainable financing has exceeded HK\$5 billion, demonstrating our sustained commitment to advancing low-carbon transition. Notably, we established our Sustainability-Linked Financing Framework in 2022, becoming the first energy company in Hong Kong to issue a Sustainability-Linked Bond (SLB). The bond is associated with the following two sustainability performance targets (SPTs):

	2020 (Baseline)	2025 ⁹ (Progress)
Total photovoltaic installed capacity	0GW	2.8GW
Photovoltaic power sales to total energy sales ratio	0%	2.4%

⁸ The "Chinese Taxonomy" refers to the Green Finance Endorsed Project Catalogue (2025 Edition) jointly issued by the People's Bank of China, the National Financial Regulatory Administration, and the China Securities Regulatory Commission. This catalogue defines eligible green project categories and specifies their technical standards.

⁹ Since 2021, the Group has actively expanded into renewable energy, aiming to integrate traditional city-gas operations with photovoltaic initiatives to achieve synergies. However, in light of changes in the macroeconomic environment and the profound impact of the pandemic on lifestyles, the Group has adjusted its business development strategy in the renewable energy sector starting in 2023. We are transitioning from an asset-heavy model (such as building photovoltaic power stations) to an asset-light model (including energy management services, energy storage, and technology licensing) to reduce capital expenditure risks and enhance business flexibility, better aligning with our long-term development goals.

Looking ahead, the Group will explore the potential of existing assets and place greater emphasis on the asset-light model. We are committed to optimising resource allocation, improving energy management efficiency through digital platforms, and promoting sustainable growth. Additionally, we will continue to explore innovative business models to meet the ever-changing market demands, ensuring our competitiveness and leadership in the renewable energy sector.

For the full version of the [Sustainability-Linked Financing Framework](#) and related SPTs, please refer to the [Towngas Smart Energy website](#).

In 2023, the Group further expanded green financing channels and issued its first Panda Bond, with a total issuance of RMB1.5 billion (including RMB0.5 billion of sustainability-linked Panda Bond), becoming the first Hong Kong-funded enterprise to issue sustainability-linked Panda Bonds on the Chinese mainland. In addition, the Group successfully obtained RMB0.5 billion green loan each in 2022 and 2024 respectively, which were fully invested in photovoltaic power generation systems.



Innovating Green Financial Products to Support the "Zero-Carbon Smart" Ecosystem

The Group continued to innovate its financing channels by successfully issuing three tranches of the "Zero-Carbon Smart Green Asset-Backed Securities Programme (Carbon Neutral)" ("Quasi-REITs") on the Shenzhen Stock Exchange, with a cumulative scale of approximately RMB1.8 billion. This series of products attracted strong subscriptions from a diverse range of investors, including commercial banks, securities firms, trusts, state-owned investment institutions, and foreign institutions, reflecting strong market recognition of the Group's asset management capabilities and forward-looking energy strategy. The funds raised are earmarked entirely for the investment and construction of photovoltaic and energy storage projects, further consolidating the Group's business layout and development momentum in the renewable energy sector.



For details on our green and sustainable finance development, please refer to the [Towngas Smart Energy website](#).

Environmental Stewardship

Upholding Environmental Responsibility and Harmony with Nature



The Group upholds sustainable development principles and fully fulfils its environmental responsibilities. We respect nature while actively promoting biodiversity conservation, resource recycling and reuse, and air quality improvement. We comprehensively carry out green operations and strive to build a sustainable operating model where humans coexist with nature in harmony.

Key Highlights



Sustainable and Robust Nature Conservation

Cumulative planting of approximately **4,000** plants



Co-Creating Value through Energy Efficiency Management

“Gas+” business achieved energy sales of **1.63 billion kWh**

Environmental Stewardship – Upholding Environmental Responsibility and Harmony with Nature



Management Approach

The Group has established comprehensive policies dedicated to optimising resource utilisation, minimising pollutant emissions and waste generation, and protecting the natural environment and biodiversity, while encouraging business partners to comply with relevant guidelines. Through sustainable procurement practices, we prioritise environmentally beneficial products and services to mitigate supply chain risks. To fulfil our commitment to sustainable development, the Group actively engages employees and other stakeholders in enhancing resource utilisation efficiency and ecological conservation.

Policies

- [Climate Change Policy](#)
- [Environmental Policy](#)
- [Sustainable Purchasing Policy](#)

Safeguarding Nature and Ensuring Diverse Coexistence

In active response to the TNFD framework, the Group, together with its parent company, HKCG, published the [Climate-Related and Nature-Related Directive Guide](#) in 2022. We referenced the TNFD's recommended LEAP (Locate, Evaluate, Assess, and Prepare) approach of assessing nature-related risks and analysed 117 projects. We first conducted a preliminary screening of our operational sites, and adopted the Integrated Biodiversity Assessment Tool (IBAT) to assess whether each project site is located within an area of high biodiversity value based on three indicators: (1) protected areas, (2) key biodiversity areas, and (3) the number of endangered species.

The assessment results indicate that 69 of the 117 locations are situated within areas with higher biodiversity value. Among them, 11 sites are prioritised for attention due to their proximity within 10 km of key biodiversity areas, with 4 of these 11 sites adjacent to protected areas. These identified results establish a priority sequence, providing a basis for subsequent risk management and action deployment.

For more information about the nature-related risks, please refer to the [Climate-Related and Nature-Related Directive Guide](#).



Environmental Stewardship – Upholding Environmental Responsibility and Harmony with Nature

Nature-Related Actions

Nature-related actions deliver benefits for both the Group and the natural environment at the same time, including enhancing ecological value and reducing impacts on nature. Policy development serves as a key driver; the relevant programmes in the operational regions of the Group include the China Biodiversity Conservation Strategy and Action Plan (2023-2030).

The Group, together with its parent company, HKCG, advances biodiversity assessments, nature-related disclosures, multi-stakeholder collaboration, and community education in alignment with the priorities outlined in the above action plans.



Low-Carbon Initiative and Nature Conservation

During the year, the Group launched its “Saving Energy, Going All ‘Green’” low-carbon initiative, encouraging employees to adopt green living through daily habits. The campaign revolved around four key themes: “Towngas Greening Day”, “Earth Hour”, “Low-Carbon Living Experts”, and “Creative Uses of Coffee Grounds”, receiving enthusiastic participation across our project companies. During the initiative, employees from over 70 project companies teamed up with local communities to advance green actions, planting a cumulative total of approximately 4,000 trees and potted plants. The campaign also promoted the concept of waste upcycling, further elevating environmental awareness among our workforce and the public.



Resource Management and Efficiency Enhancement

The Group continues to optimise resource management to drive the development of a green and low-carbon resource utilisation model. On the one hand, we actively enhance energy efficiency and expand the proportion of new energy usage to optimise the energy mix. On the other hand, we strengthen water conservation measures and wastewater resource utilisation, while continuously advancing waste reduction at source, as well as recycling and reuse. We are committed to achieving balanced development that maximises resource efficiency and minimises environmental impact.

Energy Optimisation

To assist customers in reducing reliance on fossil fuels, we provide not only renewable energy and green energy solutions, but also ensure the supply of high-efficiency gas appliances, energy management advice, and technical support, thereby comprehensively enhancing energy utilisation efficiency.



Zhongji Towngas Creates Efficient Energy Solutions

Qingdao Zhongji Hong Kong and China Gas Company Limited (Zhongji Towngas) provides integrated steam, photovoltaic and electricity sales services for Color Leader (Haitong) Packaging Co., Ltd. The 1.5 MW photovoltaic system has an annual electricity sales of 11 million kWh. Beyond self-consumption, the surplus power of 1.8 million kWh is sold to the grid. This initiative not only assists the client in optimising its energy mix but also reduces annual energy expenditure by approximately RMB600,000.



Environmental Stewardship – Upholding Environmental Responsibility and Harmony with Nature

The Group is actively advancing the “Gas+” business, implementing a number of energy-saving projects through energy trusteeship and multi-energy complementary models. We provide solutions such as gas substitution and waste heat recovery for energy-intensive sectors, including steel and ceramics, to assist customers in achieving energy savings, cost reductions, and environmental compliance. Through innovations in gas price linkage and energy trusteeship, we further support customers in steadily enhancing energy utilisation efficiency. In 2025, the “Gas+” business achieved an energy sales volume of 1.63 billion kWh.



“Gas+” Integrated Energy Services Supporting Green Transformation of Public Institutions

During the year, the Group implemented a “Gas+” energy trusteeship project at the First Affiliated Hospital of Baotou Medical College, Inner Mongolia University of Science & Technology. This initiative provides integrated energy services covering heating, cooling, domestic hot water, and steam. By adopting high-efficiency low-nitrogen gas equipment, air-source heat pumps, and a smart energy management platform, the project achieved a comprehensive optimisation of the hospital’s energy system. The project delivers significant impact, saving the client approximately RMB1.7 million in annual energy costs and achieving a comprehensive energy-saving rate of 25%. Furthermore, it reduces annual carbon emissions by over 1,000 tonnes. While ensuring stable energy usage and service quality, the project also assists public institutions in achieving energy conservation and emission reduction goals, fulfilling their responsibility for green operations.



For the Renewable Energy Business, the Group continues to prioritise digital intelligence transformation to optimise energy systems. Through an AI-powered smart energy management platform, we achieve full-process intelligent management of “control, scheduling and trading” for zero-carbon industrial parks. Coupled with the use of drones and robots for AI-powered inspections and cleaning, these initiatives enhance asset operational efficiency and quality, as well as optimising overall photovoltaic electricity generation efficiency.



Water and Wastewater Management

We continue to advance sustainable water resource management through leakage control, process optimisation, technological innovation, and other measures to systematically enhance water efficiency. In our daily operations, we have refined our facility maintenance mechanisms, advanced rainwater and reclaimed water recycling engineering, as well as integrated water conservation awareness campaigns to progressively establish a comprehensive water resource recycling system. At the same time, we are committed to enhancing monitoring and preventative measures to minimise the adverse environmental impacts arising from wastewater leakage.

Waste Treatment

The Group adheres to the “5R” principle¹⁰ to advance waste reduction and resource management. It actively engages customers, partners, suppliers and the public to co-create a circular economy collaborative system, aiming to promote waste reduction at source. For instance, the Group repurposes decommissioned steel pipes and polyethylene pipes into protective sleeves for pipeline networks, achieving resource circulation. In addition, to further promote resource recycling and green consumption, the Group continues to implement the gas appliance recycling initiative. Through a “renewal + recycling” closed-loop model and a comprehensive service system, we minimise waste while promoting energy conservation and emission reduction.

Emission Reduction and Pollution Control for Cleaner Air

The control of air pollutant emissions remains an essential component of our environmental management. We are advancing distributed photovoltaic projects to substitute conventional fuels with clean electricity, thereby significantly reducing exhaust emissions throughout energy production and consumption. This not only reduces our reliance on conventional fuels, but also provides a tangible pathway towards a cleaner future.

For more information about our clean energy solutions, please refer to the section headed “[Innovative Applications for Energy Transition](#)” in this Report.

¹⁰ Replace, Reduce, Reuse, Recover, and Recycle.

People-Centric

Empowering People to Build a Sustainable Future



The Group recognises employees, customers, and communities as the core drivers of its sustainable development. We are committed not only to strengthening operational and community safety, as well as safeguarding employees' occupational health, but also to actively promoting diversity, inclusion, and talent development. At the same time, the Group fulfills its corporate citizenship responsibilities through community engagement initiatives, environmental awareness campaigns, and support for youth development. We look forward to partnering with all stakeholders to collectively advance towards a more sustainable future.

Key Highlights



Robust Safety Management

0¹¹ employees and contractors fatalities

Together with its parent company, the Group completed over **18.33 million** household safety inspections



Organisation-Wide Training Programme

Employee training participation rate reached **100%**



In-Depth and Integrated Community Relationships

The "Gentle Breeze Movement" cumulatively donated educational materials worth over **HK\$4.6 million** to **40** schools

¹¹ Refers to the number of fatalities as a result of work-related injury.

People-Centric – Empowering People to Build a Sustainable Future



Management Approach

Through robust policies and guidelines, the Group has established a clear health and safety management framework and employee protection mechanisms, aiming to systematically manage operational risks and ensure that the relevant standards are effectively implemented in daily operations. At the same time, the Group fulfils its commitment to creating long-term value for communities through systematic community engagement, and ensures the effective implementation of related management measures through ongoing monitoring and stakeholder communication.

Policies

- [Anti-Discrimination Policy](#)
- [Code of Conduct](#)
- [Employee Policy](#)
- [Health and Safety Policy](#)
- [Human Rights Policy](#)
- [Social Investment Policy](#)
- [Security Policy](#)

Safety Management for Comprehensive Protection

We embed safety principles deep within our corporate culture, aiming to provide a secure and healthy work environment for our employees by enhancing safety awareness and practical skills across the entire workforce. Simultaneously, we are committed to providing reliable and reassuring living environments for our customers and communities.

During the year, the Group conducted 104 internal Health, Safety, and Environment (HSE) audits across its project companies and performed specialised Process Safety Management (PSM) audits at chemical plants. In addition, the Group carried out various inspection activities to strengthen the implementation of supervisory and management measures through on-site inspections, while enhancing employees' safety awareness. Through systematic review and continuous improvement, we ensure the comprehensive implementation of safety management standards, effectively prevent and control major risks, and uphold our safety commitments to employees, customers, and society.



Together with our parent company, HKCG, we carried out systematic inspections of high-risk work environment across **145** project companies, with **100%** rectification of all identified hazards through the establishment of checklist-based rectification ledger (Mainland Gas Business)



Community Safety

The Group prioritises community safety by conducting regular household safety inspections for customers to ensure the reliability of gas systems, and we remain committed to providing safe products and services, strengthening the protection of public safety for the community.

To enhance customer gas safety, the Group has introduced an efficient smart document review function that automates the inspection and audit process. The new system employs image recognition and big data analytics to assess photo quality in real time, identify potential hazards, and perform automated data cross-checking during submission to minimise errors. Additionally, we have implemented a dual-review mechanism in the backend, combining AI preliminary screening with manual re-examination. This approach not only enhances inspection quality but also drives the digital transformation of safety management, building a smarter and more reliable gas safety system.



Together with our parent company, HKCG, we carried out over **18.33 million** household safety inspections

People-Centric – Empowering People to Build a Sustainable Future

Innovating Safety Products

For our customers' products, we leverage IoT technology to develop smart appliances, and meters equipped with remote monitoring and automatic gas cut-off functions. These devices enable immediate response to abnormal usage or leaks, ensuring comprehensive gas safety.

“Towngas LifeStyle Cloud Shield” Sets a New Safety Standard in the Three-In-One Gas Applications

We have adopted “Towngas LifeStyle Cloud Shield”, an innovative safety solution developed by our parent company, HKCG, which operates on a “three-in-one” model integrating “alarm devices + platform + services”. This model provides round-the-clock gas safety protection for residential, commercial and industrial customers. This solution offers customised services to help clients enhance safety management, reduce operational risks, and support government’s efforts in digital safety regulation.

Occupational Health and Safety

We strive to build a safe and reliable working environment found on comprehensive safety standards, regular training, and advanced safety equipment and facilities. In addition, we place a strong emphasis on employees’ physical and mental well-being, striving to foster an environment where safety and well-being are equally prioritised, and where every employee can grow and thrive.

Safety Training Hours

309,769 hours¹²

¹² The calculation methodology was revised in 2025. Based on the new standards, the total safety training hours for 2024 amounted to 301,438 hours.

To further enhance management standardisation, 24 project companies have obtained ISO 45001 Occupational Health and Safety Management System Certification, demonstrating the Group's commitment to workplace safety through both determination and action.

At the operational level, we continue to closely monitor work-related injury incidents among employees and enhance our preventive and control measures. To prevent workplace incidents, particularly for high-risk operations, we have implemented multiple safety initiatives, such as establishing a High-Risk Operations Safety Inspection Task Force and providing online training and webinars to learn from past incidents.

0¹³ Fatalities
(Employees and Contractors)

Group Lost-Time Injury Frequency Rate
(number of accidents per million work hours)

Employees: 0.21 (Target in 2025: Achieved) (Target in 2026: 0.4)	Contractor: 0
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Safety Culture Promotion

The Group continuously implements occupational health and safety training and has established multiple reporting channels and promotional programmes, including a platform for reporting HSE recommendations as well as near-miss cases. This encourages our employees to proactively report issues so that corrective and preventive actions can be taken. We also operate a reward system to recognise employees and contractors who demonstrate safety accountability and outstanding performance.

Enhancing Safety Risk Management Capabilities Across the Workforce

During the year, the Group organised a “Job Hazard Analysis Training Workshop” to enhance employees’ accident prevention capabilities. The workshop adopted a “theoretical instruction + case analysis” approach, introducing job safety analysis methodologies and comprehensively demonstrating the full lifecycle management process from risk identification and classification to the formulation of control measures. There were over 3,000 training attendances from the Group and its parent company, HKCG, via a video conferencing system.

¹³ Refers to the number of fatalities as a result of work-related injury.

People-Centric – Empowering People to Build a Sustainable Future

We require contractors to fully implement a comprehensive training mechanism encompassing “pre-entry training, specialised risk training, routine safety training, and safety technical briefings”. A closed-loop follow-up system has been established to regularly verify training records, assess outcomes, and monitor on-site implementation. This ensures that training is effectively delivered and results in tangible improvement in contractors' overall safety management standards and operational safety assurance capabilities.

On the other hand, the Group actively engages with communities and schools by regularly organising safety awareness campaigns and inspections. These initiatives include distributing informational brochures, demonstrating proper appliance usage, and explaining safety protocols to raise public safety awareness. Meanwhile, the Group strengthens external exchanges and cooperation by sharing safety management expertise with industry associations, professional institutions, and partners. This drives the advancement of safety standards and the adoption of best practices, as we work together to build a safer operating environment for all.



Work Safety Month: Building a Solid Operational Defence Together

In active response to the national “Work Safety Month” initiative, the Group has fully implemented the work safety responsibility system, safeguarding robust operations and sustainable development with high standards.

Management-Led On-Site Hazard Identification – Senior management of the Group personally led safety hazard inspections at the front lines of all business operations.

Diversified Training – Through accident case analysis, specialised training, and skills competitions, the Group has effectively enhanced employees' safety awareness.

Enhancing Emergency Response Skills – We organise and conduct emergency drills covering scenarios such as gas leaks, fire evacuations, and equipment repairs, effectively enhancing the feasibility of emergency response plans.

Multi-Dimensional Safety Awareness Campaigns – We leverage themed display boards and new media channels, including WeChat and short-video platforms, to regularly share safety knowledge and warning case studies, achieving full coverage of safety knowledge dissemination.

Advancing the “Five-In” Safety Awareness Campaign – The Group and its parent company, HKCG, actively engage with communities and schools to conduct public safety education through on-site demonstrations and interactive sessions. During the year, we reached a total of 27 million households, distributed over 5 million copies of promotional materials, and addressed more than 100,000 queries on-site, significantly enhancing public safety awareness and emergency preparedness.






Cumulative activities completed:

Conducted **1,318** specialised inspections

Organised over **540** safety awareness campaigns

Held **324** emergency drills

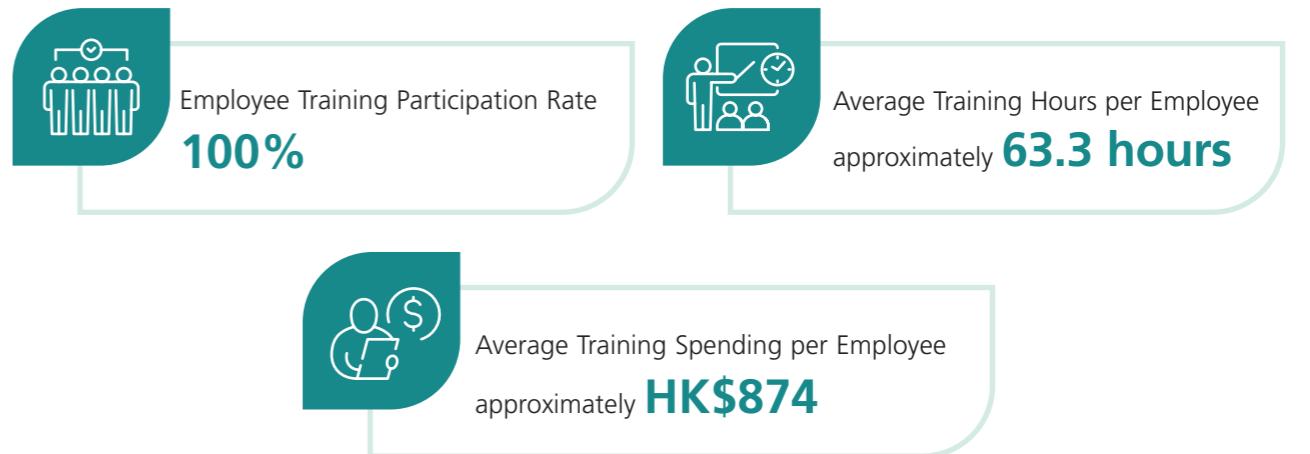
Organised over **540** safety awareness campaigns

Talent Cultivation and Inclusive Care

The Group attaches importance to talent, adhering to fair and transparent principles in recruitment, performance evaluation, and employee development, and is committed to creating an equitable, flexible, and inclusive work environment. The Group provides employees with competitive remuneration and benefits, performance management, retirement protection, as well as training and development opportunities. We actively cultivate a sustainable talent pipeline and facilitate employee engagement through a two-way communication mechanism, supporting their holistic growth in career development and both physical and mental well-being.

Talent and Skill Development

The Group provides continuous training for employees to develop core skills and acquire new skills required to support business transformation. In addition, we nurture potential management talent through various management training programmes, strengthening business adaptability and sustainability. This year, under the theme “Unlock Versatility for Success”, we continued to provide diversified training to employees and introduced new courses related to business acumen and information technology, covering financial concepts and global market trends.



People-Centric – Empowering People to Build a Sustainable Future



AI-Empowered Training to Drive Digital Transformation

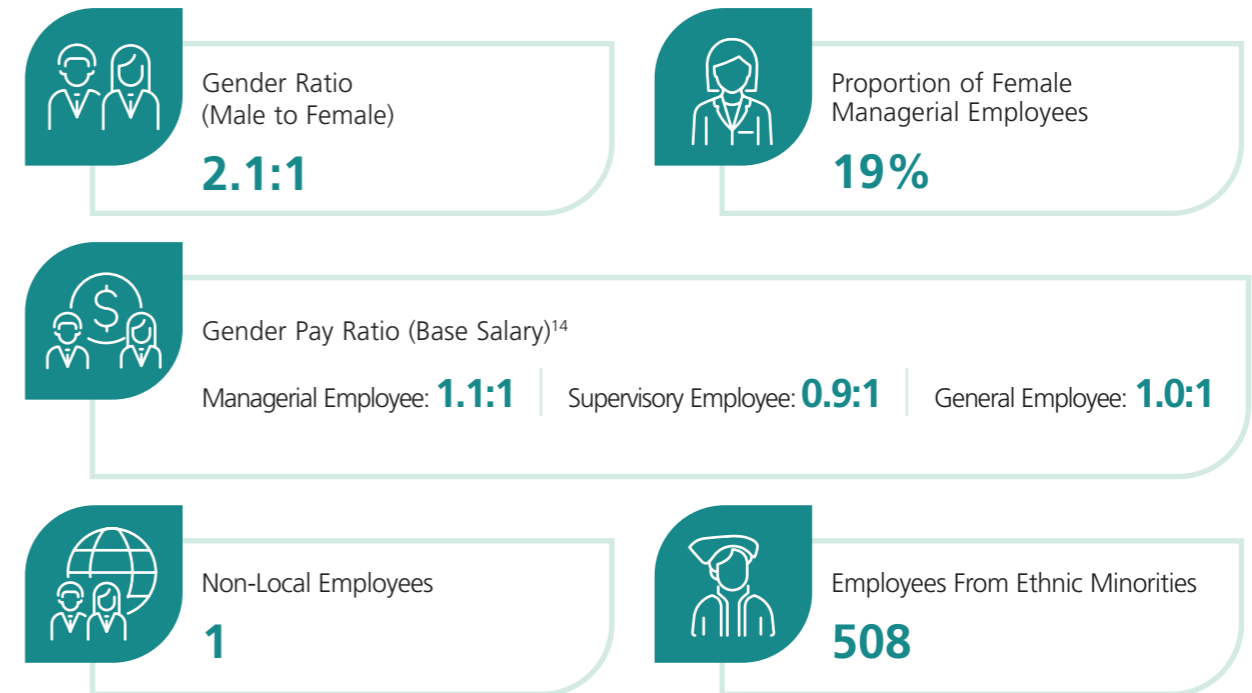
In response to the rapid development of AI technology, the Group actively conducts a range of training activities to help employees grasp new knowledge and apply it in practical work, transforming technological innovation into productivity gains.

The Group organised the “Exploration of AI Application Scenarios and Specialised AI Training” programme this year. Senior experts were invited to explain the technical principles and business applications of Artificial Intelligence Generated Content (AIGC), exploring how AI can be used to optimise processes and create business value. The event was conducted in a hybrid online-offline format and attracted over a thousand employees. To align with the AI usage habits of our staff, various business segments also produced instructional videos on image and video generation using DeepSeek, enabling employees to self-learn practical AI skills at any time.



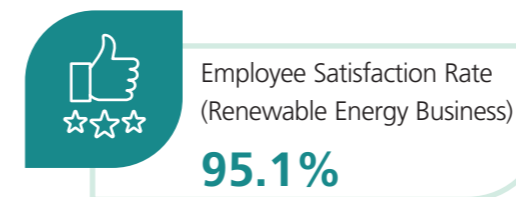
Diversity and Inclusion

The Group is committed to fostering a diverse and inclusive workplace by addressing the varied needs of employees through family-friendly measures and barrier-free support. We uphold equal employment practices and a well-structured talent development framework, while offering diversified training and culture-building activities to stimulate innovation and diverse thinking, thereby supporting the Group’s sustainable growth.



Employee Communication and Care

We place a strong emphasis on employee communication and care, encouraging employees to promptly report grievances regarding discrimination, harassment, or other violations, as well as any dissatisfaction or unfair situations encountered at work. At the same time, the Group promotes wellness and recreational activities alongside psychological support programmes to enhance employees' sense of belonging and team cohesion, achieving work-life balance.



¹⁴ Reporting scope includes Towngas Smart Energy and its parent company, HKCG: Mainland City-Gas Business.

People-Centric – Empowering People to Build a Sustainable Future



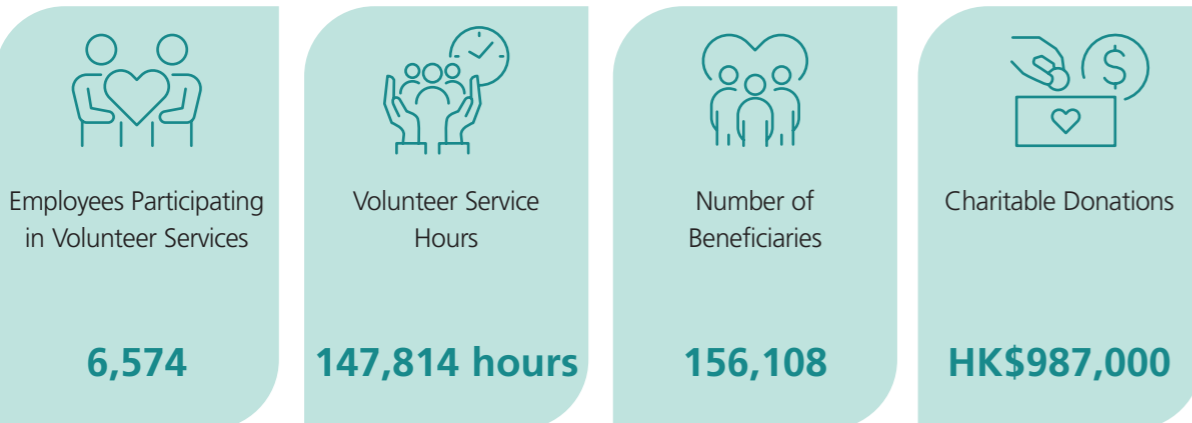
Dragon Boat Race Promotes Employee Cultural Exchange

The Group South China Regional Office, in collaboration with the Greater Bay Area Business Project Development Office, organised the “Towngas Smart Energy Dragon Boat Invitational Race” along the Qijiang River in Zhongshan, using sports as a platform to foster regional exchange. The event attracted participating teams and spectators from different cities and organisations, strengthening cultural interaction and emotional connections within the Greater Bay Area through traditional dragon boat racing.



Community Inclusion and Deepening Connections

The Group has long been dedicated to creating sustainable value for the community. We actively initiate community investment programmes focusing on three major areas: community health and wellness, the environment, and youth development. Through close collaboration with like-minded organisations, we jointly advance public welfare projects and key community initiatives. In addition, the Group proactively participates in public policy consultations, contributing to the development of policies related to public utilities. Throughout the process, the Group strictly adheres to the principle of objectivity and neutrality, clearly stating that it does not make financial contributions to any political activities, political organisations, lobbyists, or lobbying groups.



Community Health and Wellness

The Group is dedicated to promoting healthy community development and caring for disadvantaged groups through diverse community care initiatives. This year, we continued to engage with the local community by providing targeted support to the elderly, low-income families, persons with disabilities, and other individuals in need, fostering community harmony and prosperity while spreading warmth and positive energy.

This year, we continued to organise “Rice Dumplings for the Community”:



In addition to the participation of employees and contractors, the Group actively encourages external stakeholders to engage in community and volunteer activities, working hand-in-hand to create shared value for the community. These volunteer activities are supported by management and implemented in collaboration with community partners, reflecting the Group’s commitment to extending its sustainable development philosophy across the value chain and to a broader range of stakeholders.



Caring for the Elderly and Sharing Mother’s Day Blessings

The Group visited the Shenzhen Yantian Social Welfare Centre to share Mother’s Day blessings with nearly 70 elderly residents. During the event, we sang classic songs with the seniors, participated in interactive games, made moxa sticks, and distributed festive care gifts, conveying the Group’s commitment to corporate care and social responsibility. We believe our value lies not only in lighting up millions of homes but also in brightening people’s hearts.



People-Centric – Empowering People to Build a Sustainable Future

The Environment

The Group remains committed to reducing its environmental footprint and actively safeguarding natural ecosystems. By supporting environmental groups and government-led environmental projects, we work closely with the community to drive various green actions. We vigorously promote environmental awareness by encouraging employees and the public to adopt a low-carbon lifestyle, fostering social cohesion and working together to build a more sustainable future.



Safety, Health, and Environmental Protection Trek

In October 2025, Changting Hong Kong and China Gas Company Limited organised a “Safety, Health, and Environmental Protection Trek” for its employees, transforming environmental responsibility into concrete action. Employees, dressed in uniforms, hiked along urban greenways while carrying tools to pick up litter and sort waste on the spot. This event resulted in the collection of over 20 kg of waste, with a recycling rate exceeding 90%, demonstrating our commitment to becoming a “Green Enterprise” through tangible actions.



Youth Development

The Group actively engages in activities that support the growth of children and youth, promoting caring education and improving learning environments. By offering a diverse range of programmes and activities, we cultivate empathy and a sense of social responsibility, empowering children and young people to build self-confidence, and support them in becoming responsible future citizens.



Gentle Breeze Movement

The “Gentle Breeze Movement” continued to improve the learning environment for teachers and students this year. Since its launch in 2013, the initiative has spanned 13 provinces, autonomous regions and municipalities, cumulatively donating educational materials worth over HK\$4.6 million to 40 schools, benefiting approximately 20,000 teachers and students. We also established the Towngas Smart Energy Charity Library, enabling children to broaden their horizons through reading.

In 2025, the Group launched a technology-assisted education activity at the Changting County Experimental Primary School, providing teachers and students with brand-new desks, chairs, drones, and sports equipment. The drone teaching equipment donated is equipped with a programming platform, allowing students to independently design flight paths which cultivates spatial thinking and innovation capabilities to support the development of technology education.



Stakeholders Partnership

Strengthening Value Chain Resilience



We prioritise customer needs at all times, enhancing customer satisfaction through ongoing improvements to our service systems and product quality. Meanwhile, we deepen partnerships with suppliers by integrating ESG criteria into procurement procedures and systematically managing associated risks, thereby collectively fostering a more adaptive, inclusive and sustainable value chain ecosystem.

Key Highlights



High-Quality and Comprehensive Customer Experience

Customer satisfaction reached **97.4%** (Gas Business)



ESG-Oriented Supplier Management

100%¹⁵ integration of environmental and social standards into the new supplier screening mechanism

¹⁵ Reporting scope includes Towngas Smart Energy and its parent company, HKCG: Mainland City-Gas Business and Renewable Energy Business.

Stakeholders Partnership – Strengthening Value Chain Resilience



Management Approach

To enhance the sustainable development across the value chains, the Group strives to establish fair and transparent supplier cooperation mechanisms, and continuously monitor ESG risks across the supply chain, enhancing the sustainable development performance of suppliers through training and technical support. Meanwhile, we adhere to high standards to provide customers with safe and reliable products and services. Through diverse communication channels, we actively engage with our customers to understand their needs and optimise the service experience, thereby strengthening mutual trust with our stakeholders.

Policies

- [Code of Practice for Suppliers](#)
- [Customer Services Code of Conduct Policy](#)
- [Sustainable Purchasing Policy](#)

Customer-Centric Intelligent Service

Grounded in rigorous quality management, we continuously drive innovation in products and services while further improving our service management system. By proactively responding to customer needs, we strive to deliver safe, efficient and thoughtful service experiences to different customer groups, enabling equal and convenient access to high-quality services for every customer, thereby enhancing our corporate image and overall customer satisfaction.

Customer Excellence

During the year, the Group conducted “Customer Service Quality Special Self-Assessment” for a total of 90 Gas Business project companies. Through systematic evaluation and continuous improvement, the Group strengthened service quality to further enhance customer experience. Customer satisfaction of Gas Business reached 97.4% during the year.



Enhancing Complaint Handling Efficiency to Strengthen Risk Management

To improve customer satisfaction and strengthen corporate risk management capabilities, the Group conducted training on customer complaints and public opinion management for senior management members of its Gas Business project companies. The training covered key points of complaint handling, as well as reputation risk management and response. Practical experience sharing was also integrated into management meetings to systematically enhance the Group’s managerial effectiveness and risk-response capabilities.



Stakeholders Partnership – Strengthening Value Chain Resilience

Affordability and Accessibility of Product and Service

The Group's mission is to ensure that all members of the community, including disadvantaged groups and low-income families, have access to stable, reliable, clean and environmentally friendly energy products and services at affordable prices. We also continuously integrate advanced technologies into our products and services to fully address the diverse needs of different customer groups.

The Group continues to enhance service convenience and accessibility. In addition to traditional customer service centres, we promote electronic billing and diverse online services, allowing customers to manage their accounts, make payments, review usage, schedule maintenance and update information anytime. We have established secure and efficient online payment platforms, integrating multiple payment methods and flexible settlement options, to help customers better manage their expenses, transition from traditional to intelligent service models and comprehensively enhance the customer experience.



AI Customer Service: Creating a Brand New Service Experience

The Group continues to optimise its online service platforms and develop AI-enabled customer service systems to advance the digitalisation of services. Notably, the parent company, HKCG, has collaborated with iFLYTEK Co., Ltd. to launch an intelligent customer service system on the Chinese mainland, achieving smart upgrades to service processes through AI technology. The system features an AI voice assistant capable of quickly and accurately responding to frequently asked questions, while the outbound call robot handles bill reminders, safety tips, follow-up visits, and business promotion. The system integrates multiple channels such as WeChat, websites, and mobile applications, enabling the centralised management of customer enquiries and online business processing. It can also automatically generate workflow records and deliver them to relevant staff, significantly improving service efficiency. Currently, the system has been piloted across multiple Gas Business project companies, effectively enhancing customer service quality and operational efficiency.



Enhancing Resilience for Stable Supply

Effective supply chain management not only helps to identify and manage potential risks, but also fosters cooperation with suppliers to jointly create long-term value. During this year, our major procurement categories included natural gas, underground pipelines, and related accessories.

Suppliers' Profile by Geographical Location and Expenditure	% (Number of Suppliers)	% (Expenditure Amount)
Chinese Mainland	100	100 ¹⁶

¹⁶ Based on the total purchase value of products and materials.

ESG Risk Management for Supply Chain

In the supplier selection process, we have established ESG-related criteria to assess suppliers' ESG performance.



100%¹⁷ integration of environmental and social standards into the new supplier screening mechanism

This initiative further demonstrates the Group's commitment to upholding high ethical standards and sustainable operational principles in supply chain management, while striving to enhance the resilience of the overall supply chain. For existing suppliers, the Group continuously identifies critical suppliers and monitors their ESG performance. A regular assessment mechanism covering self-assessments, questionnaire submissions and on-site inspections has been established to systematically understand suppliers' ESG performance. The Group identified 54 critical tier 1 suppliers during the year¹⁸.

Building Supply Chain Resilience

The Group actively promotes the green transformation of its supply chain. Through various training and collaborative programmes, the Group enhances supplier capacity and strengthens the foundation for our Scope 3 emissions data collection.

The Group has continued to deepen its partnership with SGS Hong Kong Limited (SGS), leveraging the S-Carbon platform to systematically track and analyse greenhouse gas emissions across the supply chain. This enables the Group to precisely identify emission sources and provides robust data support for advancing low-carbon supply chain management.



Over **90%** of critical tier 1 suppliers have used S-Carbon platform to complete GHG emissions quantification¹⁹



Honoured with SGS S-Carbon Award for Leading Innovation in Digital Carbon Management

The Group received the S-Carbon Award from SGS, a world-leading testing and certification organisation, in recognition of its innovative practices in supply chain carbon management. Through the full adoption of the S-Carbon platform, we systematically collect and manage Scope 3 carbon emission data, effectively enhancing carbon emission transparency and strengthening decarbonisation capabilities across the value chain. The achievement not only demonstrates the Group's leadership in digital carbon management, but also sets a benchmark for climate governance in the energy industry across Asia. Going forward, the Group will continue to place digital innovation and green technology at the core of its strategy, actively supporting the achievement of the national "dual carbon" goals.



¹⁷ Reporting scope includes Towngas Smart Energy and its parent company, HKCG: Mainland City-Gas Business and Renewable Energy Business.

¹⁸ Reporting scope includes Towngas Smart Energy and its parent company, HKCG: Mainland Gas Business and Renewable Energy Business.

¹⁹ Based on the total purchase value of products and materials (reporting scope includes Towngas Smart Energy and its parent company, HKCG: Mainland City-Gas Business).

Key Statistics

This section presents an overview of the 2025 key performance indicators (KPIs) of the Group, with a focus on economic, employee, environmental, safety and social aspects. The scope of disclosures covers Towngas Smart Energy and its subsidiaries, unless stated otherwise.

* To align data disclosure with the Group's parent company, HKCG, Towngas Smart Energy has adopted a revision from 2024, as below:

- New KPIs, such as gender diversity ratio and pay ratio, to enhance transparency and align with international best reporting practices.
- Renamed terminologies and/or definitions, such as high-consequence work-related injuries and critical tier 1 suppliers, for enhanced consistency and clarity.
- Revised methodologies for selected KPIs, including voluntary turnover rate and new recruitment.

For figures prior to 2024, please refer to previous reports for details.

To enhance transparency and comprehensiveness, the codes **(MG, G and RB)** denotes reporting scopes of Towngas Smart Energy and its parent company, HKCG: MG for Mainland Gas Business, G for Mainland City-Gas Business and RB for Renewable Energy Business.

Economic Performance

The scope of disclosures aligns with Towngas Smart Energy financial reporting. More information is available in our [Annual Report 2025](#).

	Unit	2025	2024	2023
Operation				
Gas sales	Million m ³	17,371	17,201	16,458
Financial				
Revenue	HK\$ million	20,912	21,314	19,842
Profit attributable to shareholders	HK\$ million	1,585	1,606	1,575
Earnings per share	HK cents	44.5	47.1	47.7

Social Performance

Employees

	Unit	2025	2024*	2023
Employee Profile				
Full-time	Number (%)	10,202 (99.9)	10,958 (99.9)	10,800 (99.9)
Part-time	Number (%)	8 (0.1)	6 (0.1)	– (0.1)
Permanent	Number	10,202	10,958	–
Contract	Number	0	0	–
By gender				
Male	Number (%)	6,918 (67.8)	7,452 (68.0)	– (68)
Female	Number (%)	3,284 (32.2)	3,506 (32.0)	– (32)
By age group				
≤35	Number (%)	3,479 (34.1)	4,251 (38.8)	– (43)
36-55	Number (%)	6,098 (59.8)	6,143 (56.1)	– (53)
≥56	Number (%)	625 (6.1)	564 (5.1)	– (4)
By employee category				
Managerial employee	Number (%)	391 (3.8)	445 (4.0)	– (4)
Supervisory employee	Number (%)	2,037 (20.0)	2,211 (20.2)	– (15)
General employee	Number (%)	7,774 (76.2)	8,302 (75.8)	– (81)

Key Statistics

	Unit	2025	2024*	2023
By region				
Group Head Office	Number	581	742	–
	(%)	(5.7)	(6.8)	(4)
Northeast China Office	Number	3,352	3,716	–
	(%)	(32.9)	(33.9)	(38)
North China Office	Number	1,110	1,224	–
	(%)	(10.9)	(11.2)	(10)
Central China Office	Number	790	792	–
	(%)	(7.7)	(7.2)	(8)
East China Office	Number	871	937	–
	(%)	(8.5)	(8.5)	(9)
West China Office	Number	2,360	2,439	–
	(%)	(23.1)	(22.3)	(21)
South China Office	Number	1,138	1,108	–
	(%)	(11.2)	(10.1)	(10)
Voluntary Turnover (Number and Rate)				
Total	Number	480	434	–
	(%)	(4.5)	(4.0)	(3.7)
By gender				
Male	Number	357	323	–
	(%)	(5.0)	(4.3)	–
Female	Number	123	111	–
	(%)	(3.6)	(3.2)	–
By age group				
≤35	Number	265	271	–
	(%)	(6.9)	(6.4)	–
36-55	Number	193	153	–
	(%)	(3.2)	(2.5)	–
≥56	Number	22	10	–
	(%)	(3.7)	(1.8)	–

	Unit	2025	2024*	2023
By region				
Group Head Office	Number	56	54	–
	(%)	(8.5)	(7.3)	–
Northeast China Office	Number	105	65	–
	(%)	(3.0)	(1.7)	–
North China Office	Number	42	73	–
	(%)	(3.6)	(6.0)	–
Central China Office	Number	25	32	–
	(%)	(3.2)	(4.0)	–
East China Office	Number	65	91	–
	(%)	(7.2)	(9.7)	–
West China Office	Number	110	34	–
	(%)	(4.6)	(1.4)	–
South China Office	Number	77	85	–
	(%)	(6.9)	(7.7)	–
New Recruitment (Number and Rate)				
Total	Number	203	743	912
	(%)	(1.9)	(6.8)	–
By gender				
Male	Number	140	474	–
	(%)	(1.9)	(6.4)	–
Female	Number	63	269	–
	(%)	(1.9)	(7.7)	–
By age group				
≤35	Number	132	562	–
	(%)	(3.4)	(13.2)	–
36-55	Number	71	180	–
	(%)	(1.2)	(2.9)	–
≥56	Number	0	1	–
	(%)	(–)	(0.2)	–

Key Statistics

	Unit	2025	2024*	2023
By region				
Group Head Office	Number	32	190	–
	(%)	(4.8)	(25.6)	
Northeast China Office	Number	9	90	–
	(%)	(0.3)	(2.4)	
North China Office	Number	14	106	–
	(%)	(1.2)	(8.7)	
Central China Office	Number	9	48	–
	(%)	(1.1)	(6.1)	
East China Office	Number	48	113	–
	(%)	(5.3)	(12.1)	
West China Office	Number	50	67	–
	(%)	(2.1)	(2.7)	
South China Office	Number	41	129	–
	(%)	(3.7)	(11.6)	
Performance and Career Reviews				
Total percentage	%	99.6	98.5	100
By gender				
Male	%	99.6	98.8	–
Female	%	99.5	98.0	–
By employee category				
Managerial employee	%	98.7	98.9	–
Supervisory employee	%	100.0	98.4	–
General employee	%	99.5	98.6	–

	Unit	2025	2024*	2023
Training				
Total	Hours	645,888	682,445	–
Average (per employee)	Hours	63.3	62.3	93.0
Average training spend (per employee)	HKD	874	1,167	1,009
Anti-corruption training	Hours	16,387	19,025	24,585
Percentage of employees who received anti-corruption training	%	99.4	86.0	100
By gender (average training hours and percentage of employee who received training)				
Male	Hours	64.8	65.5	90.8
	(%)	(100.0)	(90.9)	(95.1)
Female	Hours	60.1	55.5	97.9
	(%)	(100.0)	(90.1)	(91.7)
By employee category (average training hours and percentage of employee who received training)				
Managerial employee	Hours	93.6	31.4	64.8
	(%)	(100.0)	(69.0)	(94.4)
Supervisory employee	Hours	51.7	51.3	92.3
	(%)	(100.0)	(62.1)	(86.7)
General employee	Hours	64.8	66.9	94.5
	(%)	(100.0)	(98.6)	(95.3)
Diversity Ratio (Male to Female)				
By employee category				
Managerial employee	Ratio	4.6:1	4.6:1	–
Supervisory employee	Ratio	2.4:1	2.4:1	–
General employee	Ratio	2.0:1	2.0:1	–

Key Statistics

	Unit	2025	2024*	2023
Gender Pay Ratio (Male to Female)				
By employee category – base salary ^G				
Managerial employee	Ratio	1.1:1	1.1:1	0.9:1
Supervisory employee	Ratio	0.9:1	0.9:1	1.0:1
General employee	Ratio	1.0:1	1.0:1	1.0:1
Parental Leave				
Number of employees that were entitled to parental leave				
Male	Number	55	120	–
Female	Number	60	97	–
Number of employees took parental leave				
Male	Number	55	120	–
Female	Number	60	97	–
Number of employees returned to work in the reporting year after parental leave ended				
Male	Number	54	120	–
Female	Number	59	94	–
Return to work rate				
Male	%	98.2	100	–
Female	%	98.3	96.9	–
Legal Rights				
Coverage of labour contract	%	100	100	100
Coverage of social insurance	%	100	100	100

Safety

	Unit	2025	2024*	2023
Employees				
Recordable work-related injuries	Number (per 1,000,000 work-hours)	5 (0.18)	4 (0.18)	1 (0.05)
Lost days due to work injuries	Number of work-days	724	258	5
High-consequence work-related injuries	Number (per 1,000,000 work-hours)	3 (0.13)	0 (0)	0 (0)
Recordable work-related ill health	Number (per 1,000,000 work-hours)	0 (0)	0 (0)	0 (0)
Fatalities ¹⁾	Number (per 1,000,000 work-hours)	0 (0)	0 (0)	0 (0)
Contractors ^{MG, RB}				
Recordable work-related injuries	Number (per 1,000,000 work-hours)	0 (0)	1 (0.06)	0
Lost days due to work injuries	Number of work-days	0	120	0
High-consequence work-related injuries	Number (per 1,000,000 work-hours)	0 (0)	0 (0)	–
Recordable work-related ill health	Number (per 1,000,000 work-hours)	0 (0)	0 (0)	–
Fatalities ¹⁾	Number (per 1,000,000 work-hours)	0 (0)	0 (0)	0

Note:

¹⁾ Refers to the number of fatalities as a result of work-related injury.

Key Statistics

Value Chain

	Unit	2025	2024*	2023
Customers ¹⁾				
Products sold or shipped subject to recalls for safety and health reasons	%	0	0	0
Product- and service-related complaints received	Number	121	186	109
Suppliers ^{MG, RB}				
Critical Tier 1 Suppliers	Number	54	64	144
Suppliers' profile by geographical location (Chinese Mainland)	%	100	100	100
Suppliers' profile by geographical location (Others)	%	0	0	0
Suppliers' spending by geographical location – (Chinese Mainland) ²⁾	%	100	100	100
Suppliers' spending by geographical location – (Others) ²⁾	%	0	0	0

Note:

¹⁾ Reporting scope includes Towngas Smart Energy and its parent company, HKCG, gas-related businesses.

²⁾ Based on the total purchase value of products and materials.

Community

	Unit	2025	2024	2023
Charitable donations	HKD	987,000	1,652,000	696,000
Employees participating in voluntary services	Number	6,574	7,191	5,207
Voluntary service hours	Hours	147,814	162,109	106,077
Beneficiaries	Number	156,108	54,687	120,823

Environmental Performance

Greenhouse Gas (GHG) Emissions

	Unit	2025	2024	2023
Scope 1 & Scope 2 ¹⁾				
Scope 1	Tonnes CO ₂ e	48,839	48,191	71,955
Scope 2 (location-based)	Tonnes CO ₂ e	29,486	28,828	32,385
Scope 2 (market-based)	Tonnes CO ₂ e	29,486	28,828	32,385
Total emissions	Tonnes CO₂e	78,325	77,019	104,340
GHG Emissions Intensity				
City-Gas business	Tonnes CO ₂ e per million m ³ of gas sales	6.5	6.1	8.8
Scope 3				
Category 1 (Purchased goods and services)	Tonnes CO ₂ e	1,429,000	1,454,000	–
Category 2 (Capital goods)	Tonnes CO ₂ e	97,000	150,000	–
Category 3 (Fuel-and-energy related activities)	Tonnes CO ₂ e	19,000	18,000	–
Category 11 (Use of sold products)	Tonnes CO ₂ e	9,893,000	10,014,000	–
Other categories ²⁾	Tonnes CO ₂ e	49,000	49,000	–
Total emissions	Tonnes CO₂e	11,487,000	11,685,000	–

¹⁾ Data are consolidated on a control basis in the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).

GHG inventory covers seven types of GHGs specified in the Kyoto Protocol. The global warming potential rates were from the IPCC Sixth Assessment Report (2023).

The emission factors used to calculate GHG emissions from electricity consumption are obtained from the Ministry of Ecology and Environment and the National Bureau of Statistics of the People's Republic of China, utilising the most up-to-date data and information available during the reporting year. Other emission factors were obtained from local governments and authorities in their respective jurisdictions. In situations where local emissions factors are not available, other recognised sources are referenced.

Ozone-depleting substances were taken into consideration and their amount was found to be negligible. Hence, separate disclosure is not presented in the Report.

²⁾ Other categories include Category 5 (Waste generated in operation), Category 6 (Business travel) and Category 7 (Employee commuting).

Key Statistics

Resources Use

	Unit	2025	2024	2023
Energy Consumption				
Natural gas	GJ	761,738	753,200	1,214,160
Unleaded petrol	GJ	51,925	57,340	57,859
Diesel	GJ	8,404	7,916	8,871
LPG	GJ	15	15	41
Electricity	GJ	384,313	364,529	167,021
Total energy consumption	GJ	1,206,395	1,183,000	1,447,951
Water Withdrawal				
Water withdrawal – from municipal water supplies	m ³	739,831	867,873	698,290
Wastewater discharged	m ³	536,304	–	–
Waste Management ¹⁾				
Hazardous waste ²⁾	Tonnes	16	25	28
Non-hazardous waste	Tonnes	60,925	69,657	75,094
Air Emissions ³⁾				
Nitrogen oxides (NO _x)	Tonnes	51.0	51.5	68
Sulphur oxides (SO _x)	Tonnes	0.9	0.9	1.3
Respirable suspended particulates (PM ₁₀)	Tonnes	0.9	1.0	1.1
Packaging Material Use ⁴⁾				
Total packaging weight	Tonnes	1,216	1,186	–
Weight intensity	Kg/piece	1.8	1.8	–

Note:

¹⁾ Solid and liquid waste have been combined. The historical numbers were restated to align the calculation methodology across years.

²⁾ All hazardous waste handling procedures comply with national regulations.

³⁾ From fuel combustion and vehicle emissions.

⁴⁾ Reporting scope includes Towngas Smart Energy and its parent company, HKCG, gas-related businesses.

Scope 3 Emissions Reporting Methodology

The total Scope 3 GHG emissions in 2025 were approximately 11,487,000 tCO₂e, with the most significant source coming from Category 11 – use of sold products, as categorised by the Greenhouse Gas Protocol. These emissions account for over 80% of our value chain emissions. The table below outlines the calculation methodologies for Scope 3.

Category	Methodology & Activity Data	Emission Factor
1. Purchased goods and services	Average-data (product related) Quantities of purchased fuel and water from internal system. Spend-based (non-product related) Annual spend data from internal system.	<ul style="list-style-type: none"> Australian Government “National Greenhouse Accounts Factors 2025” Hong Kong Water Supplies Department Annual Report 2023-2024 US Environmental Protection Agency Supply Chain Greenhouse Gas Emission Factors v1.3
2. Capital goods	Spend-based Annual spend data from internal system.	<ul style="list-style-type: none"> US Environmental Protection Agency Supply Chain Greenhouse Gas Emission Factors v1.3
3. Fuel- and energy-related activities (not included in Scope 1 and Scope 2)	Average-data Quantities of consumed fuels and electricity consumed in production process from the internal system.	<ul style="list-style-type: none"> Australian Government “National Greenhouse Accounts Factors 2025”
4. Upstream transportation and distribution	Exclusion – Emissions are included in Category 1.	
5. Waste generated in operations	Waste-type-specific Quantities of waste generated during operation by type from internal system.	<ul style="list-style-type: none"> US Environmental Protection Agency “2025 GHG Emission Factors Hub” Hong Kong Drainage Services Department Sustainability Report 2023-2024

Key Statistics

Category	Methodology & Activity Data	Emission Factor
6. Business travel	Distance-based Air travel data collected from corporate travel service providers.	<ul style="list-style-type: none"> US Environmental Protection Agency "2025 GHG Emission Factors Hub"
7. Employee commuting	Distance-based Number of employees from internal system with estimated travel mode and average distance travelled, etc.	<ul style="list-style-type: none"> City University of Hong Kong "Carbon Audit Guidelines"
8. Upstream leased assets	Exclusion – Emissions of leased offices are included in Scope 2 emissions. No other operation of leased assets.	
9. Downstream transportation and distribution	Exclusion – Major products do not involve vehicles or facilities not owned or controlled by the Group.	
10. Processing of sold products	Exclusion – Major products are end products which processing is not required.	
11. Use of sold products	Average-data Quantities and types of products sold from internal system.	<ul style="list-style-type: none"> 2006 IPCC Guidelines for National Greenhouse Gas Inventories
12. End-of-life treatment of sold products	Exclusion – Major products do not require end-of-life treatment.	
13. Downstream leased assets	Exclusion – Leasing business is minimal/negligible.	
14. Franchises	Exclusion – Franchise business is minimal/negligible	
15. Investments	Exclusion – Data not available.	

Verification Statement



INDEPENDENT ASSURANCE OPINION STATEMENT

Statement No: SRA-HK-839769-001

Towngas Smart Energy Company Limited

Environmental, Social, and Governance ("ESG") Report 2025

The British Standards Institution is independent of Towngas Smart Energy Company Limited and its subsidiaries (hereinafter referred to as "Towngas Smart Energy" collectively in this statement) and has no financial interest in the operation of Towngas Smart Energy other than for the assessment and assurance of Towngas Smart Energy Environmental, Social, and Governance Report 2025 (the "Report").

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of the Report presented by Towngas Smart Energy. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and adequate.

Scope

The scope of engagement agreed upon with Towngas Smart Energy includes the following:

1. The assurance scope is consistent with the description of the Report. The Report is prepared in accordance with the Appendix C2: Environmental, Social and Governance Reporting Code ("ESG Reporting Code") under Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK"), Hong Kong Financial Reporting Standard ("HKFRS") S1 - General Requirements for Disclosure of Sustainability-related Financial Information, and HKFRS S2 - Climate-related Disclosures issued by the Hong Kong Institute of Certified Public Accountants, and the Global Reporting Initiative ("GRI") Universal Standards 2021, and with reference to Sustainability Accounting Standards Board ("SASB") Standards for the Gas Utilities & Distributors, Recommendations of the Taskforce on Nature-related Financial Disclosures ("TNFD"), GRI 11: Oil and Gas Sector 2021 Standard, China Enterprise Reform and Development Society and CSR Cloud Research Institute ("責任雲研究院") China Enterprises Sustainable Development Reporting Guidelines ("CASS-ESG 6.0"), and the International Organisation for Standardisation ("ISO") ISO 26000 Guidance on Social Responsibility.
2. In accordance with Type 1 Moderate Level of Assurance as defined in the AA1000 Assurance Standard V3 ("AA1000AS V3"), BSI evaluates the nature and extent of Towngas Smart Energy's adherence to the four reporting principles of Inclusivity, Materiality, Responsiveness and Impact in preparing the Report. The reliability of specified sustainability performance information and data disclosed in the Report has also been evaluated.

Opinion Statement

We conclude that the Report provides a fair view of Towngas Smart Energy's sustainability plan and performance in the reporting year. The Report subject to assurance is free from material misstatement based upon evaluation within the limitations of the scope of the assurance, the information and data provided by Towngas Smart Energy and the samples taken. Based on our work carried out during the assurance process, we believe that data and information stated in the Reporting Organization's Report is correctly presented and that Inclusivity, Materiality, Responsiveness and Impact based on AA1000 criteria are correctly addressed. We believe that the environmental, social and governance general disclosures and key performance indicators are fairly represented in the Report, in which Towngas Smart Energy's efforts to pursue sustainable development are recognized by its stakeholders.

Our work was carried out by a team of sustainability report assurers in accordance with the AA1000AS V3. We planned and performed this part of our work to obtain the necessary information and explanations. We consider that the Report complies with the Appendix C2: ESG Reporting Code of the Rules Governing the Listing of Securities on SEHK, HKFRS S1, HKFRS S2, and GRI Universal Standards 2021 and has taken into account the SASB Standards for the Gas Utilities & Distributors, Recommendations of the TNFD, GRI 11: Oil and Gas Sector 2021 Standard, CASS-ESG 6.0, and the ISO 26000 Guidance on Social Responsibility is fairly stated, and that the report is considered acceptable in meeting the principles set out in the AA1000 Accountability Principles (2018) ("AA1000AP (2018)").

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Issue Date: 2026-04-01

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Verification Statement

Statement No: SRA-HK-839769-001

Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- A top level review of issues raised by external parties that could be relevant to Towngas Smart Energy's policies to provide a check on the appropriateness of statements made in the Report.
- Discussion with staff on Towngas Smart Energy's approach to stakeholder engagement. We had no direct contact with external stakeholders during this assurance process.
- Interview with staff involved in ESG management, report preparation and provision of report information.
- Review of key organizational developments.
- Review of supporting evidence for claims made in the Report, and
- An assessment of Towngas Smart Energy's reporting and management processes concerning reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000AP (2018).

Conclusions

A review of the Report issued by Towngas Smart Energy against the AA1000AS V3 principles of Inclusivity, Materiality, Responsiveness and Impact, as well as the Appendix C2: ESG Reporting Code under Rules Governing the Listing of Securities on SEHK, HKFRS S1, HKFRS S2, and GRI Universal Standards 2021 is set out below:

Based on the procedures performed and evidence obtained, we believe that data and information stated in the Reporting Organization's Report is correctly presented and that Inclusivity, Materiality, Responsiveness and Impact based on AA1000 criteria are correctly addressed.

Although BSI reviews all 2025 ESG data indicators within our Sustainability Data Transparency Index ("SDTI") as part of our assurance process, specific attention and further review was paid to the following data points:

Materiality Assessment	Methodology and results of materiality assessment
Energy Consumption	Diesel, Natural gas, LPG, Unleaded petrol, Electricity, and Total energy consumption
Waste Disposal	Non-hazardous waste
	Hazardous waste
Water Withdrawal / Discharge	Water withdrawal - from municipal water suppliers
	Wastewater discharged
Air Emissions	NOx emissions, SOx emissions and Respirable suspended particulates (PM10)
Greenhouse Gas ("GHG") Emissions	Direct GHG emissions (Scope 1), Indirect GHG emissions (Scope 2 and Scope 3) (Group), and Carbon Intensity (Gas Business)
Number of Employees	Full time (by gender, age, employee category, region)
Gender Pay Ratio	Base salary by employee category
Gender Ratio	By employee category
Fatalities	Employees and contractors
Lost-Time Injury Frequency Rate (LTIFR)	Employees and contractors
Critical Tier-1 Supplier	Number and percentage of total purchased amount
Supplier Screening	Percentage of new suppliers that were screened using ESG criteria (in terms of total purchased amount)
Supplier Assessment and Development	Percentage of critical tier-1 supplier used S-carbon platform (in terms of total purchased amount)

We considered Towngas Smart Energy has provided sufficient evidence that its self-declaration of compliance with the Appendix C2: ESG Reporting Code of the Rules Governing the Listing of Securities on SEHK, HKFRS S1, HKFRS S2, and GRI Universal Standards 2021 and has taken into account the SASB Standards for the Gas Utilities & Distributors, Recommendations of the TNFD, GRI 11: Oil and Gas Sector 2021 Standard, CASS-ESG 6.0, and the ISO 26000 Guidance on Social Responsibility and the Report is fairly stated and considered acceptable in meeting the principles as set out in AA1000AP (2018).

Statement No: SRA-HK-839769-001

Assurance Level

The Type 1 Moderate Level of Assurance provided in our review is defined by the scope and methodology described in this statement.

Responsibilities

It is the responsibility of Towngas Smart Energy's senior management to ensure that the information being presented in the Report is accurate. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

Ability and Independence

The assurance team was composed of Lead Assuror and Assuror, who are experienced in the industrial sector, and trained in a range of sustainability, environmental and social standards including GRI Series Standards, AA1000, HKEX Environmental, Social and Governance Reporting Code, ISO 14064, ISO 14001, ISO 50001, ISO 45001, ISO 9001, etc.

British Standards Institution is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Michael Lam, Senior Vice President, APAC Assurance

Verifier of the Report:



Team Leader: Pengyu Chen



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