



Corporate Governance Report

Corporate Governance Practices

The Company has adopted the code provisions in the CG Code as its own code on corporate governance practices since 2005. The directors of the Company (the “Directors”) and other members of the management team of the Company are dedicated to maintaining high standards of corporate governance. They will continue to exercise leadership, control, enterprise, integrity and judgment so as to achieve continuing prosperity and to act in the best interests of the Company and its shareholders in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the cores of the Company’s corporate governance practices.

The Company has complied with all applicable code provisions as set out in the CG Code throughout the year ended 31 December 2023.

The Board continues to monitor and review the Company’s corporate governance practices to ensure compliance, and foster a solid culture of governance across the Group’s business operations and practices so as to ensure its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholders’ value.

Corporate Vision, Mission, Values and Culture

Our vision, mission, and values set out below are the guiding principles that guide us through the sustainable growth of the Group and shape the overall business strategy.



Towngas Smart Energy envisions to be a leading clean and smart energy supplier, with a view to creating a sustainable world driven by green energy.



We strive 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.



Our business philosophy which aims to improve the environment and provide our customers with reliable, efficient, safe and clean energy extends from the Board to all of our employees of different positions and at all levels.

Throughout 2023, the Company continued to strengthen its cultural practice through various initiatives. Details of the initiatives, corporate strategy and long term business model are set out in the “Chairman’s Statement”, “Utility Business”, “Renewable Energy Business”, and “Environmental, Social and the Governance” of this Annual Report and the 2023 Environmental, Social and Governance Report (the “2023 ESG Report”).



Corporate Governance Report

Board of Directors

Key Role and Responsibilities of the Board

The Board is accountable for the long-term sustainable success of the Group. Headed by the Chairman, the Board is responsible for the Group's development, business strategies and financial performance, which include setting and guiding the long-term strategic objectives of the Company with appropriate focus on value creation and risk management, and directing, supervising and monitoring the managerial performance and operating practices of the Group. The Board strives to foster and promote a corporate culture down to all levels of the Company, and ensure the corporate culture is reflected in the Company's strategy, business models and operating practices.

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

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

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

Corporate Governance Functions

The Board is responsible for performing corporate governance duties including:

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



Board of Directors *(Continued)*

Chairman and Chief Executive Officer

Dr. Lee Ka-kit is the Chairman of the Board and Mr. Peter Wong Wai-yee is the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are separate. Such division of responsibilities has been clearly established. It allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each of the Board and management of the Group. The Chairman oversees the Board so that it acts in the best interests of the Group. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate, clear, complete and reliable information in a timely manner. The Chairman is responsible for providing leadership, vision and direction regarding the business development of the Group.

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

Board Composition

The Directors during the year and up to the date of this Annual Report are as follows:

Non-Executive Directors

Dr. Lee Ka-kit *(Chairman)*
Mr. LIU Kai Lap Kenneth

Executive Directors

Mr. Peter Wong Wai-yee *(Chief Executive Officer)*
Mr. John Ho Hon-ming *(Company Secretary) (Note 1)*
Mr. Martin Kee Wai-ngai *(Chief Operating Officer – Gas Business)*
Dr. John Qiu Jian-hang *(Chief Operating Officer – Renewable Business)*

Independent Non-Executive Directors

Dr. the Hon. Moses Cheng Mo-chi
Mr. Brian David Li Man-bun
Mr. James Kwan Yuk-choi *(Note 2)*
Dr. LOH Kung Wai Christine

Notes:

1. Mr. John Ho Hon-ming retired as an Executive Director and the Company Secretary with effect from 1 January 2024.
2. Mr. James Kwan Yuk-choi resigned as an Independent Non-Executive Director with effect from 1 January 2024.



Corporate Governance Report

Board of Directors *(Continued)*

Board Composition *(Continued)*

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

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

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

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

All Directors entered into formal letters of appointment with the Company. There is no specific term for each Director's appointment, but subject to the Articles, at least one-third of the Directors shall retire from office but are eligible for re-election by shareholders at each AGM of the Company and each Director shall retire on a rotational basis at least once every 3 years.

The Board had at all times met the requirements of the Listing Rules relating to the appointment of at least 3 independent non-executive directors with at least 1 independent non-executive director possessing appropriate professional qualification, or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules and the appointment of independent non-executive directors representing at least one-third of the Board pursuant to Rule 3.10A of the Listing Rules during the year ended 31 December 2023.

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



Board of Directors *(Continued)*

Board Process

The Board meets regularly at least 4 times a year at approximately quarterly intervals. All members of the Board have full and timely access to relevant information. Due notices and board papers were given to all Directors prior to each meeting in accordance with the Articles and the CG Code. The Company Secretary assists the Chairman in preparing agenda for each Board meeting. The agenda together with board papers are sent at least 3 days before the intended date of the Board meeting.

The Board meeting dates for the following year are usually fixed by the Company Secretary with the agreement of other members of the Board, in the fourth quarter of each year. At Board meetings, the Executive Directors will report to the Board on their respective areas of business. In addition, all Directors are provided with monthly updates on major business segments performance and year-to-date financials. All these will give the Board an overall understanding of the Group's business and other key information about the Group, and will provide up-to-date information to enable them to make informed decisions for the benefit of the Group.

The Company recognises that the independence of the Board is a key element of good corporate governance. The Company has adopted the Policy/Mechanism for the Independence of the Board which aims to ensure independent views and input are available to the Board, a Director may, upon reasonable request, seek and be provided with separate independent professional advice to assist the relevant Director in discharging his duties to the Company where appropriate at the Company's expense. Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change in his or her personal particulars that may affect his or her independence. No such notification was received by the Company during the year.

The mechanism in place is subject to annual review by the Board that underpins a strong independent Board. During the year, the Board conducted a review and considered that such mechanism was properly implemented and was effective in ensuring that independent views and input are provided to the Board.



Corporate Governance Report

Board of Directors *(Continued)*

Board Process *(Continued)*

During the year ended 31 December 2023, the Board met 4 times. Details of individual attendance of each of the Directors are set out below:

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

Notes:

1. Mr. John Ho Hon-ming retired as an Executive Director and the Company Secretary with effect from 1 January 2024.
2. Mr. James Kwan Yuk-choi resigned as an Independent Non-Executive Director with effect from 1 January 2024.



Board of Directors *(Continued)*

Directors' Training and Continuous Professional Development

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

From time to time, the Company Secretary updates and provides training materials on the latest developments of applicable laws, rules and regulations to the Directors. All Directors participated in appropriate continuous professional development and provided the Company with their records of training received for the year ended 31 December 2023.

During the year ended 31 December 2023, all the Directors participated in the training which included reading regulatory updates or information relevant to the Group or its businesses or attending and/or giving talks at seminar and/or conference.

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

Notes:

- Mr. John Ho Hon-ming retired as an Executive Director and the Company Secretary with effect from 1 January 2024.
- Mr. James Kwan Yuk-choi resigned as an Independent Non-Executive Director with effect from 1 January 2024.



Corporate Governance Report

Board of Directors *(Continued)*

Dividend Policy

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

Securities Transactions

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. All Directors who held office as at 31 December 2023, following specific enquiry made by the Company, confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the year ended 31 December 2023.

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

Board Committees

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

Remuneration Committee

Written terms of reference of the Remuneration Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board. The Remuneration Committee's responsibilities include but are not limited to the review and consideration of the Company's remuneration policy for Directors and senior management, the making of recommendations to the Board on the remuneration packages of individual Executive Directors and senior management including benefits in kind, pension rights and compensation payments, the making of recommendations relating to remunerations of Non-Executive Directors, and the review and/or approval of matters relating to share schemes under Chapter 17 of the Listing Rules.

The remuneration of Executive Directors is determined with reference to his duties and responsibilities with the Company, the Company's performance as well as remuneration benchmarks in the industry and the prevailing market condition. Award Shares have been granted to the Executive Directors under the Share Award Scheme during the year. Details of the remuneration paid to the Directors for the year ended 31 December 2023 are disclosed in the notes to the consolidated financial statements.



Board Committees *(Continued)*

Remuneration Committee *(Continued)*

During the year ended 31 December 2023, the Remuneration Committee:

- reviewed the remunerations of the senior management of the Company for 2023;
- reviewed the Executive Directors' remuneration;
- reviewed the Directors' fees for 2023; and
- reviewed and approved the grant of Award Shares to Directors and senior management under the Share Award Scheme.

Members of the Remuneration Committee and record of their attendance at meeting during the year ended 31 December 2023 are as follows:

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

1 Independent Non-Executive Director

Note: Mr. James Kwan Yuk-choi resigned as a member of the Remuneration Committee with effect from 1 January 2024.

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

Board Audit and Risk Committee

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

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



Corporate Governance Report

Board Committees *(Continued)*

Board Audit and Risk Committee *(Continued)*

During the year ended 31 December 2023, the Board Audit and Risk Committee:

- reviewed the financial statements for the year ended 31 December 2022 and for the six months ended 30 June 2023;
- made recommendations on the re-appointment of the external auditor;
- reviewed the effectiveness of the financial control and risk management and internal control system;
- reviewed the external auditor's findings;
- reviewed of non-audit service fee engaged by the external auditor;
- reviewed the amendments to the Policy on the Engagement of External Auditor to Supply Non-Audit Services and Relevant Procedures; and
- reviewed the Company's continuing connected transactions for the year ended 31 December 2022 pursuant to the Listing Rules.

Members of the Board Audit and Risk Committee and record of their attendance at meetings during the year ended 31 December 2023 are as follows:

Members of the Board Audit and Risk Committee	Number of Meetings Attended/Held
Mr. Brian David Li Man-bun ¹ <i>(Chairman)</i>	2/2
Dr. the Hon. Moses Cheng Mo-chi ¹	2/2
Mr. James Kwan Yuk-choi ¹ <i>(Note 1)</i>	2/2
Dr. LOH Kung Wai Christine ¹ <i>(Note 2)</i>	N/A

1 Independent Non-Executive Director

Notes:

1. Mr. James Kwan Yuk-choi resigned as a member of the Board Audit and Risk Committee with effect from 1 January 2024.
2. Dr. LOH Kung Wai Christine was appointed as a member of the Board Audit and Risk Committee with effect from 1 January 2024.



Board Committees *(Continued)*

Nomination Committee

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

Nomination Process

The nomination process is conducted in accordance with the Nomination Policy and the Board Diversity Policy. The Board will from time to time review these policies and monitor their implementation to ensure continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Nomination Policy

Pursuant to the Nomination Policy, the Nomination Committee, in determining the suitability of a candidate, will consider a number of factors which include the candidate's skills, knowledge and experience, diversity perspectives set out in the Board Diversity Policy, the candidate's time commitment and standing, and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an Independent Non-Executive Director.

Board Diversity Policy

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

During the year, the Nomination Committee has reviewed the implementation and effectiveness of the Board Diversity Policy and considered that it is appropriate and effective.



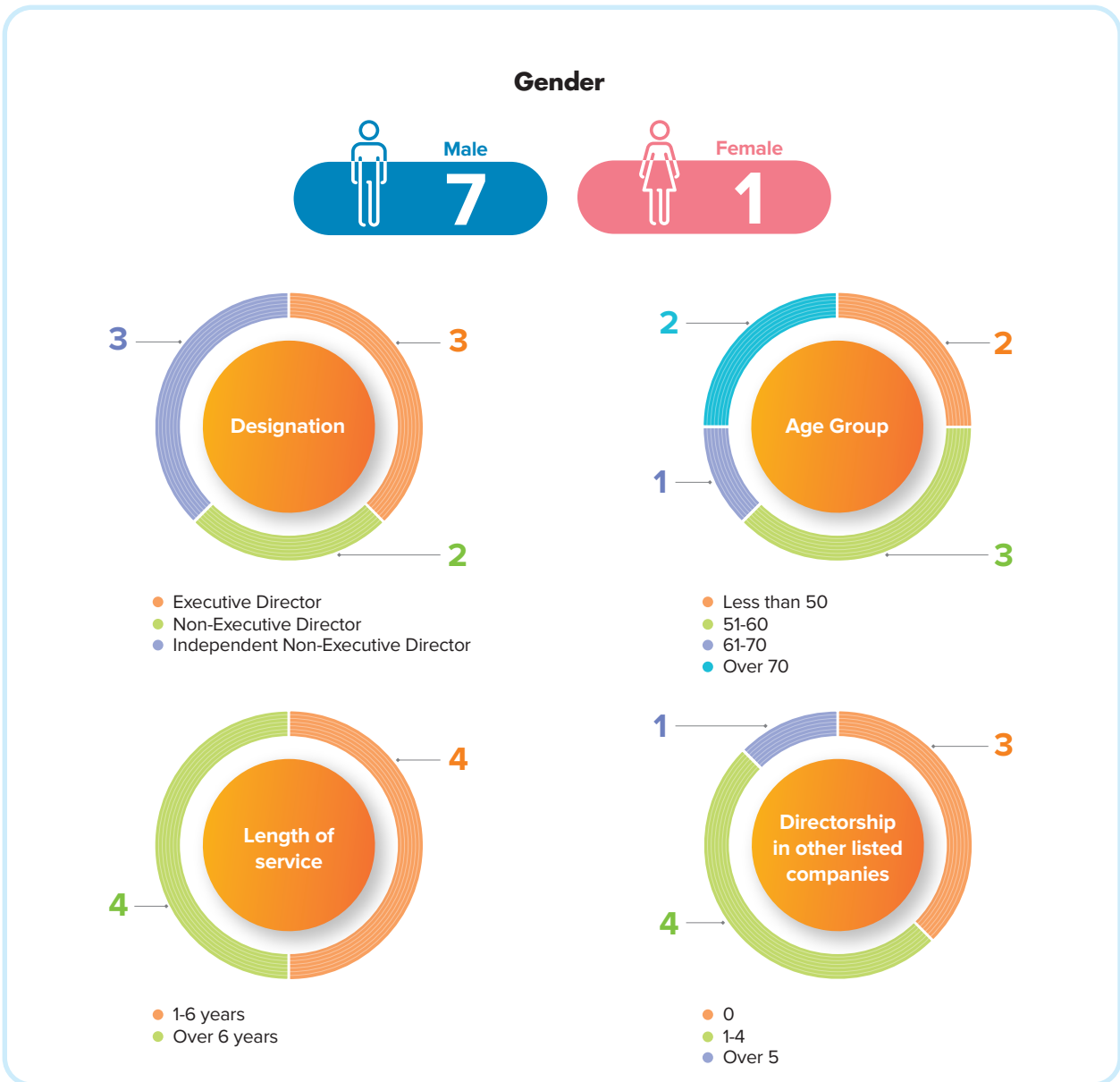
Corporate Governance Report

Board Committees (Continued)

Nomination Committee (Continued)

Board Diversity Policy (Continued)

The following chart shows the diversity profile of the Board as at the date of this Annual Report (after Mr. John Ho Hon-ming and Mr. James Kwan Yuk-choi resigned as Directors with effect from 1 January 2024):

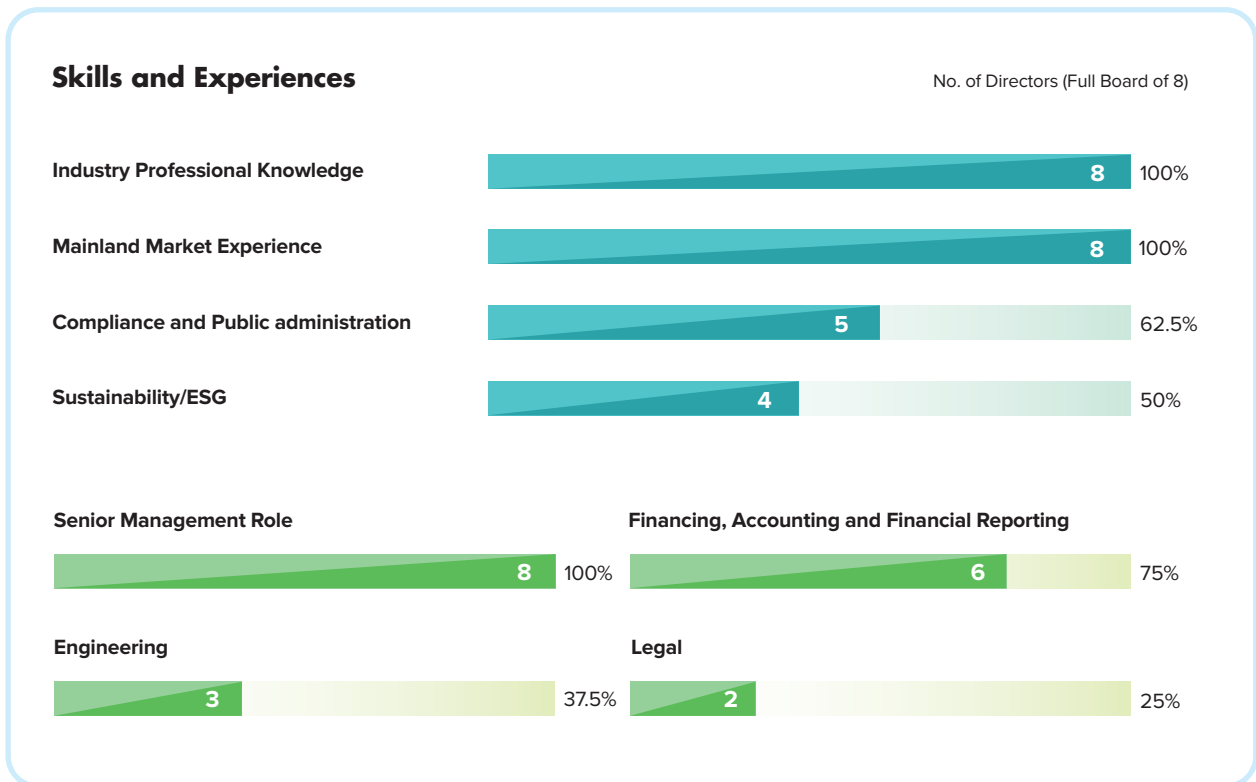




Board Committees *(Continued)*

Nomination Committee *(Continued)*

Board Diversity Policy *(Continued)*



Note: A Director might have multiple professional backgrounds, skills and experiences.

The Company considers that maintaining a Board with diversity, including gender diversity, is a vital asset to its business. The Company would strive to make up a Board mixed with diversity in age, cultural and educational background, or professional experience as recommended by the Listing Rules (as amended from time to time). While conscious efforts are being taken by the Company to fulfil its pledges, all appointments are ultimately made on a merit basis taking into account of the availability and suitability of the candidates.

During 2023, the Board had 1 female Director, constituting 10% of the Board and 25% of the Independent Non-Executive Directors. Following the retirement of Mr. John Ho Hon-ming and Mr. James Kwan Yuk-choi on 1 January 2024, up to the date of this Annual Report, the female representation on the Board has increased to 12.5% of the Board and 33.33% of the Independent Non-Executive Directors. The Board considers that the gender diversity in respect of the Board with reference to business needs is satisfactory. The Board targets to maintain at least the current level of female representation, and would strive to identify and approach suitable candidates that would enhance its composition and diversity, with a view to expanding the competencies, experience and perspectives of the Board as a whole.



Corporate Governance Report

Board Committees *(Continued)*

Nomination Committee *(Continued)*

Board Diversity Policy *(Continued)*

In addition to implementing gender diversity at the board level, the Company also actively promotes gender diversity among its senior management and employees as well as those of its subsidiaries. The gender ratio of all employees of the Group as at 31 December 2023 was 68% : 32% (male to female). We are committed to fostering a positive working culture and striving to build an inclusive, equitable and diverse workplace. We respect our employees and evaluate their performance based on professional contribution, without regard to their differences or similarities. Further details on the initiatives taken by the Group to improve gender diversity across the workforce, together with relevant data, can be found in the 2023 ESG Report of the Group.

If the Board determines that an additional or replacement Director is required, the Nomination Committee (a) will take appropriate measures to identify and nominate a candidate; (b) may consider a candidate recommended or offered for nomination by a shareholder of the Company; and (c) will, on making the recommendation, submit the candidate's biographical details to the Board for consideration. Where a retiring Director, being eligible, offers himself/herself for re-election, the Nomination Committee will consider and, if appropriate, recommend such retiring Director to stand for re-election.

During the year ended 31 December 2023, the Nomination Committee:

- recommended the nomination of Directors for re-election at the AGM of the Company held on 25 May 2023 ("2023 AGM");
- reviewed the independence of Independent Non-Executive Directors;
- reviewed the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board; and
- reviewed the implementation and effectiveness of the Board Diversity Policy.

The Nomination Committee, having reviewed the Board's composition, nominated Mr. Brian David Li Man-bun, Mr. James Kwan Yuk-choi, Mr. Peter Wong Wai-yee and Dr. John Qiu Jian-hang to the Board for it to recommend to the shareholders for re-election at the 2023 AGM. The nominations were made in accordance with the Nomination Policy and the selection criteria (including without limitation skills, knowledge and experience), having regard for the diversity of perspectives as listed out in the Board Diversity Policy and the independence of Independent Non-Executive Directors.



Board Committees *(Continued)*

Nomination Committee *(Continued)*

Members of the Nomination Committee and record of their attendance at meeting during the year ended 31 December 2023 are as follows:

Members of the Nomination Committee	Number of Meetings Attended / Held
Dr. Lee Ka-kit ¹ <i>(Chairman)</i>	1/1
Dr. the Hon. Moses Cheng Mo-chi ²	1/1
Mr. Brian David Li Man-bun ²	1/1
Mr. James Kwan Yuk-choi ² <i>(Note)</i>	1/1
Dr. LOH Kung Wai Christine ²	1/1

1 Non-Executive Director

2 Independent Non-Executive Director

Note: Mr. James Kwan Yuk-choi resigned as a member of the Remuneration Committee with effect from 1 January 2024.

Environmental, Social and Governance Committee

The Group attaches great importance to environmental, social and governance (“ESG”) issues. With effect from March 2022, the Environmental, Social and Governance Committee (the “ESG Committee”) was upgraded to the Company’s board committee level and the terms of reference had been updated with a view to enhancing Board effectiveness and supporting the implementation of the recent ESG strategy. The ESG governance structure provides a solid foundation for developing and delivering its commitment to ESG, which is embedded at all levels of the Group, including the Board, the ESG Committee, the Board Audit and Risk Committee and the ESG Working Groups.

Written terms of reference of the ESG Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board. The ESG Committee’s responsibilities include but are not limited to assisting the Board in overseeing the management of the Group in ESG matters which include health and safety; environmental protection; operating practices; relationships with employees, customers and suppliers; and community engagement, as well as pursuing innovative practices to promote the Group’s sustainable growth.



Corporate Governance Report

Board Committees *(Continued)*

Environmental, Social and Governance Committee *(Continued)*

During the year ended 31 December 2023, the ESG Committee:

- reviewed ESG rating performances of the Group;
- identified and reviewed ESG issues, and related risks and opportunities;
- reviewed ESG performance and made recommendations to the Board for improvement;
- reviewed and evaluated the Company’s ESG Report and recommended endorsement by the Board; and
- provided updates to the Board on the latest ESG matters falling within the Committee’s remit.

Members of the ESG Committee and record of their attendance at meeting during the year ended 31 December 2023 are as follows:

Members of the ESG Committee	Number of Meetings Attended/Held
Mr. Peter Wong Wai-yee ¹ <i>(Chairman)</i>	1/1
Mr. John Ho Hon-ming ¹ <i>(Note)</i>	1/1
Mr. Martin Kee Wai-ngai ¹	1/1
Dr. John Qiu Jian-hang ¹	1/1
Dr. LOH Kung Wai Christine ²	1/1
Mr. Isaac Yeung Chung-kwan ³	1/1
Mr. Lam Ming Wing ⁴	1/1

1 Executive Director

2 Independent Non-Executive Director

3 Head of Corporate ESG/Head of Corporate Affairs

4 Head of Corporate Human Resources/Head of Corporate Safety & Environment

Note: Mr. John Ho Hon-ming retired as a member of the ESG Committee with effect from 1 January 2024.



Independence of External Auditor

The external auditor of the Company is Deloitte Touche Tohmatsu (“Deloitte”). The Board Audit and Risk Committee is mandated to ensure continuing auditor’s objectivity and safeguard the independence of the auditor. The Board and the Board Audit and Risk Committee satisfied Deloitte of their findings, independence, objectivity and effectiveness in the annual audit and their audit fees. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditor’s Report on pages 102 to 106 of this Annual Report. Up to the date of this Annual Report, the Board Audit and Risk Committee has considered and approved the management of Deloitte as the external auditor of the Group for the reporting year and the corresponding audit fee estimation.

The total fees charged by Deloitte in respect of audit services for the year ended 31 December 2023 amounted to HK\$9.25 million (2022: HK\$8.75 million). During the year, payment to Deloitte in respect of non-audit services covering tax services, corporate and advisory services and other reporting services amounted to approximately HK\$1.90 million (2022: HK\$1.92 million).

Directors’ and Auditor’s Responsibility in Preparing Financial Statements

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

The statement of the external auditor of the Company regarding their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditor’s Report on pages 102 to 106 of this Annual Report.

Going Concern Basis in Preparing Financial Statements

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



Corporate Governance Report

Risk Management and Internal Control

Internal Control

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

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

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

During the year ended 31 December 2023, the Board, through the Board Audit and Risk Committee, has conducted a bi-annual review of the overall effectiveness of the Group's internal control systems over financial, operational and compliance controls, information systems security, risk management process, scope and quality of the management's monitoring of risks and internal control systems, the effectiveness of financial reporting and compliance with the Listing Rules.

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



Risk Management

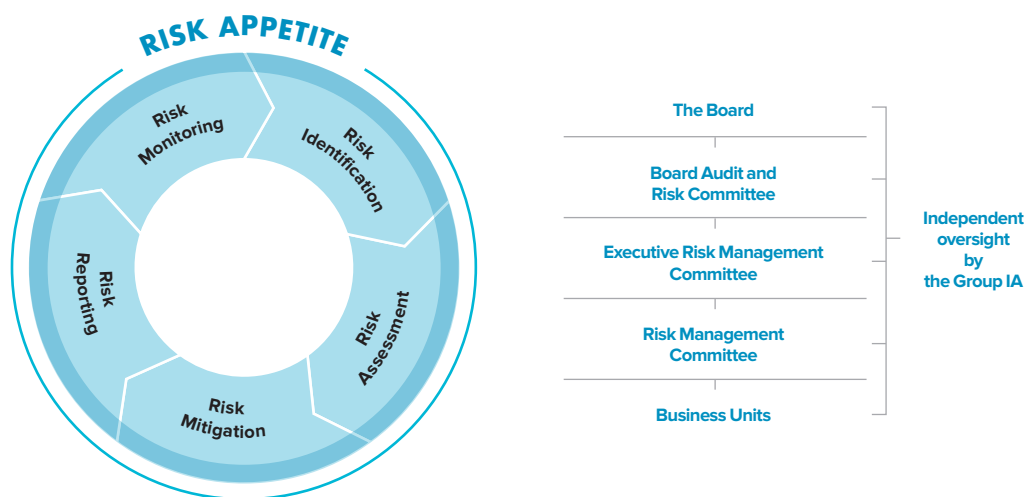
Risk Management Framework

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

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

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

Risk Appetite



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

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



Corporate Governance Report

Risk Management *(Continued)*

Risk Management Structure

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

Risk Management Process

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

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

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

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

A description of the Group’s risk factors is set out on pages 33 to 35 of this Annual Report. The Group seeks continuous improvement to the Framework in response to the changing business environment.



Company Secretary

The Company Secretary is a full-time employee of the Company. The Company Secretary is responsible for assisting the Board to facilitate good information flows and communications among Directors and to ensure Board policy and procedures are followed properly. The Company Secretary is also responsible for provision of professional advice to the Board on implementing corporate governance practices and processes, organizing general meetings of the Company and facilitating the induction and professional development of the Directors.

During the year under review, Mr. John Ho Hon-ming, the Company Secretary of the Company, had confirmed that he had taken no less than 15 hours of relevant professional training. Mr. John Ho Hon-ming retired from the position of the Company Secretary of the Company, and Ms. Elsa Wong Lai-kin, the head of legal has been appointed as the Company Secretary of the Company, both with effect from 1 January 2024. For further details, please refer to the announcement of the Company dated 27 December 2023.

Communication with Shareholders

The Board is committed to maintaining an ongoing communication with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors. The Company believes that providing regular communications to shareholders and the market is important to ensure they have the available information reasonably required to make informed assessments of the Group's strategy, operations and financial performance.

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

The Company has maintained a website at "www.towngassmartenergy.com", which serves as a forum for corporate communications with its shareholders and the general public. All corporate communications required under the Listing Rules are posted (for documents published in the previous 5 years) on the Company's website and there are established procedures to ensure timely updates of the same in compliance with the Listing Rules.

AGMs and other general meetings provide constructive forums to maintain communication with shareholders, and shareholders are encouraged to attend general meetings to ensure a high level of accountability and allow our shareholders to timely understand the strategy and development of the Group. At the 2023 AGM, separate resolutions were proposed by the Chairman in respect of each issue itemised on the agenda. The Chairman of the Board, the chairman of each of the Board Committees, members of senior management, together with representatives from the external auditor and independent financial adviser, attended the 2023 AGM to answer questions from the Company's shareholders.



Corporate Governance Report

Communication with Shareholders *(Continued)*

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Detailed procedures for conducting a poll will be explained to the shareholders in the general meeting so that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of the Stock Exchange and the Company on the day of the general meeting. Moreover, a separate resolution will be proposed by the chairman of a general meeting in respect of each separate issue.

The Company has adopted a Shareholders Communication Policy. The policy sets out the framework in place to promote two-way communication with shareholders so as to enable them to engage actively with the Company. The Company has reviewed the implementation of its prevailing Shareholders Communication Policy during the year, and considered that multiple channels for communications with shareholders and stakeholders were in place, and therefore believes the Shareholders Communication Policy is still appropriate and effective.

Details of individual attendance at general meetings of the Company of each of the Directors during the year ended 31 December 2023 are set out below:

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

Notes:

1. Mr. John Ho Hon-ming retired as an Executive Director and the Company Secretary with effect from 1 January 2024.
2. Mr. James Kwan Yuk-choi resigned as an Independent Non-Executive Director with effect from 1 January 2024.



Shareholders' Rights

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals

Under the Articles, an extraordinary general meeting (“EGM”) shall be convened by the Board on the written requisition of any one or more members of the Company holding as at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carries the right of voting at general meetings of the Company. The shareholders shall make a written requisition to the Board or the Company Secretary of the Company at the principal office of the Company in Hong Kong, specifying the shareholding information of the shareholders, their contact details and the proposal regarding any specified transaction/business and its supporting documents.

If within 21 days from the date of deposit of the requisition, the Board does not proceed to convene such EGM to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board, provided that any meeting so convened shall not be held after the expiration of 3 months from the date of deposit of the requisition.

Making Enquiries to the Board

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

Procedures for Proposing Candidate(s) for Election as Director(s) at General Meetings

The procedures for proposing candidate(s) for election as Director(s) at general meetings are set out in “Procedures for the Appointment and Election of Directors” of the Corporate Governance section of the Company’s website.

Investor Relations

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. A meeting with analysts will be held after the announcement of interim or annual results to strengthen the communication with investors. Questions from investors are dealt with in an informative and timely manner. As a channel to further promote effective communication, the Company maintains a website (www.towngassmartenergy.com) where the Company’s announcements and press releases, business developments and operations, financial information, corporate governance practices and other information are posted.

Company’s Constitutional Documents

During the year, there have been no changes to the Company’s constitutional documents.