香港中華煤氣有限公司

The Hong Kong and China Gas Company Limited

(Stock Code: 3)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2025

Green Energy
for a Brighter Future

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About This Report

Reporting Approach

The Hong Kong and China Gas Company Limited (Towngas) and its subsidiaries (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 Disclosures[1] issued by the Hong Kong Institute of Certified Public Accountants, as well as the Global Reporting Initiative (GRI) Universal Standards 2021. For the content index of this Report, please visit Towngas website.

This Report was also prepared with reference to the:

- 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 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 125.

Acknowledgements

Throughout the report preparation process, our internal and external stakeholders have generously shared their insights and recommendations regarding Towngas' 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 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

The Towngas 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 with business development as we actively drive a green and low-carbon transition.

We continuously refine our ESG 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.

Chairmen's Statement

Photo Credit: Jocelyn Tam, Forbes Asia

Looking back on 2025, it was a year when the global energy transition entered a critical phase. The challenges brought by climate change were met by the opportunities arising from the low-carbon transition, and carbon neutrality has become a defining shared mission of our time. As Hong Kong's longest-standing public utility, with over 160 years of rich history, Towngas has always placed sustainable development principles at the core of our development strategy. We have steadfastly responded to the national "dual carbon" goals and the "15th Five-Year Plan", while also fully aligning with the HKSAR Government's 2025 Policy Address blueprint for constructing a low-carbon city and developing the new energy industry, empowering the building of a sustainable future.

Embracing National Strategies and Seizing Global Opportunities

Energy security and green development remain the cornerstones of the Group's development. Over the past year, we met with the National Energy Administration to explore how we can better integrate into the national energy development framework. We conducted in-depth discussions on key topics including energy transition, technological innovation, and green industry development, further affirming the Group's positioning and responsibilities within the national energy system.

Rooted in Hong Kong, operating across the Chinese mainland and connecting to the world, we have been keeping pace with the "Belt and Road" Initiative and proactively aligning with the global climate governance agenda. The Group visited Saudi Arabia and held strategic meetings with Saudi Arabian Oil Company, one of the world's largest petroleum and chemical enterprises, focusing on cutting-edge research and technological applications in zero-carbon technologies. This marked an important step in expanding the Group's international partnership network. It underscored our commitment to the national "go global" strategy while building bridges for green energy cooperation between China and global markets.

Advancing the Low-Carbon Transition to Chart a Green Future

Since the 1960s, the Group has taken the lead in phasing out coal. We subsequently introduced natural gas and biogas into our production feedstock. To this day, our strategic positioning in the new energy sector, and our steadfast dedication to advancing cleaner, lower-carbon energy sources have become deeply ingrained in the Group's DNA.

The Group championed green energy transition across sea, land and air transport. At sea, we proactively expanded the adoption of green methanol, while on land, our efforts closely followed the HKSAR Government's strategy of hydrogen development, with a focus on accelerating commercial deployments. In aviation, we contributed to creating the sustainable aviation fuel (SAF) industry chain, staunchly supporting the Hong Kong International Airport in achieving its 2030 SAF consumption ratio target. Meanwhile, the Group is actively developing its Renewable Energy Business in both distributed photovoltaics and emerging energy storage sectors, further strengthening our green energy foundations.

Upholding Technological Self-Reliance while Leading Industry Transformation

As the country accelerates the development of new quality productive forces, technological innovation has become the core driver of transformation for the public utility sector. The "TGSE Chip" and integrated solutions, jointly developed by the Group, represent a pivotal leap in enhancing the Group's digital intelligence transformation and accelerating its transition from a traditional energy supplier to a technology-enabled, integrated energy service provider.

As at the end of 2025, the "TGSE Chip" has achieved cumulative sales exceeding 6 million units on the Chinese mainland, leading large-scale application in the market and landed in Hong Kong's smart city scenario. By integrating domestic chips, self-developed communication modules, and local network resources, "TGSE Chip" not only enables highly-efficient remote meter reading and ensures robust data security, but also establishes a solid foundation for innovative businesses such as smart homes and energy optimisation, to thrive.

Co-Building a Global Ecosystem for a Low-Carbon Future

Energy transition is a global undertaking, and carbon neutrality demands collective action by all humankind. We firmly believe that the true value of innovation extends far beyond technological breakthroughs; it reaches its full potential within a collaboratively built ecosystem. The TERA-Award Smart Energy Innovation Competition (TERA-Award), as the Group's key platform for connecting global innovation forces and promoting the commercialisation of green technologies, has immediately garnered widespread acclaim following its inception, and it has become a vital vehicle for fulfilling our responsibilities in global climate governance.

In 2025, the fourth TERA-Award was successfully held, attracting nearly 800 high-quality project entries from 76 countries and regions. The award ceremony was staged at the University of Cambridge in the United Kingdom for the first time, marking a pivotal milestone in the Group's global low-carbon innovation ecosystem. Today, TERA-Award has transcended the traditional competition to become a global green technology hub bridging technological research, industry, and capital. Through this platform, we discover disruptive green technologies, incubate promising startups, and accelerate the transition of innovations from laboratories to industrial applications.

As we reflect on the past, the Group has drawn on its century-long heritage to demonstrate the responsibility and commitment of an energy supplier, delivering achievements in advancing national strategies, driving low-carbon transition, developing innovative technologies, and collaboratively building a global energy ecosystem. Looking ahead, we will continue to stay at the forefront of the energy transition journey and set new benchmarks for technological innovation, and pool our strengths in the process of building the ecosystem together. In doing so, we aim to support the national "dual carbon" goals, contribute to Hong Kong's development as an innovative, green and sustainable international hub, and cultivate a shared low-carbon future for humanity.

Dr. the Hon. Lee Ka-kit
Chairman

Dr. Lee Ka-shing
Chairman

Hong Kong, 20 March 2026

Managing Director's Statement

At this pivotal moment in the global response to climate change, green and low-carbon transition has become a key consideration for future corporate competitiveness. Encouragingly, the Group has successfully achieved its 2025 carbon reduction targets, laying a robust operational and technological foundation for our low-carbon journey. Leveraging our century-old heritage as a public utility, we have actively pursued development driven by green energy and technological innovation, while ensuring a secure and stable energy supply. In doing so, we are advancing our strategic transformation from a traditional gas supplier to an integrated green energy service provider.

Delivering the Low-Carbon Roadmap and Building a Diversified Energy System

In alignment with the national "dual carbon" strategy and Hong Kong's Climate Action Plan 2050, we are concentrating on three key areas —green methanol for sea, hydrogen for land and sustainable aviation fuel (SAF) for air. By driving the implementation of these emission reduction solutions, we are turning our low-carbon commitment into tangible operational results.

In the sea transport, we have made forward-looking deployments across the entire green methanol value chain, becoming the first green methanol producer on the Chinese mainland to attain both ISCC EU and ISCC PLUS certifications. By the end of 2025, our sales volume of green methanol had reached approximately 17,000 tonnes. Through close collaboration with value chain partners, we also successfully established a one-stop service integrating "production, storage, bunkering, and trading". In land transport, we have fully capitalised on the inherent advantage of rich hydrogen content within our gas pipeline network to advance our hydrogen business from pilot demonstrations towards scaled applications. Last year, we supplied hydrogen for the golf events at the 15th National Games, successfully establishing a benchmark case for local applications. In the air transport, EcoCeres, inc. (EcoCeres) a company incubated by the Group, has become a leading global producer of SAF, injecting new momentum into Hong Kong's development as a green aviation hub. In 2025, EcoCeres had its renewable fuel plant in Malaysia successfully commissioned, marking a pivotal step in our journey to address climate change.

Fortifying Safety Foundations and Upholding Operational Defences

Safety is the bedrock of public utilities and represents our core commitment to users and society. In 2025, under the theme of "Safety as the Foundation, Sustained through Perseverance", we fortified our safety defences across all fronts – spanning gas resource assurance, facility maintenance, institutional development, and culture building.

Regarding gas resource assurance, we continued to optimise our supply chain resilience. On the one hand, we honoured our long-term international liquefied natural gas (LNG) agreements of 1.5 million tonnes per year to secure stable supply, on the other hand, we deepened long-term collaborations with major state-owned oil enterprises and PipeChina, strengthening our autonomous coordination and control capabilities. On safety management, we implemented an all-staff safety accountability system, conducted routine inspections and emergency drills, and continuously refined our institutional processes to thoroughly integrate safety awareness into daily operations.

Accelerating Digital Intelligence and Scaling AI Applications

In 2025, the Group significantly expanded the deployment of artificial intelligence (AI), establishing it as a key measure to enhance operational efficiency and safety standards. On talent development, we rolled out AI training for employees to cultivate a skilled workforce to support our digital intelligence transformation. We also achieved notable success in practical implementations. For example, our image recognition technology enabled the automation of gas safety inspections, improving efficiency while effectively reducing the risk of human misjudgement. We also introduced an AI speech analytics platform to accurately identify customer needs. Looking ahead, we will continue to deepen AI integration across our core businesses, tapping smart technologies to enhance both operational reliability and service quality.

Nurturing Future Talent to Drive Strategic Transformation

Talent is fundamental to the Group's long-term development. We are proactively fostering an organisational culture that champions learning, encouraging employees to break through boundaries in cross-departmental collaboration, specialised training and external exchanges, thereby enhancing the Group's overall professional capabilities in emerging fields such as green energy and digital technology. We are also promoting the transition of talent from traditional businesses to green and smart businesses through structured training and practical platforms, enabling employees to grow alongside the Group and building a talent pipeline for our sustainable development.

Rooted in Community Service and Fulfilling Social Responsibility

In 2025, we further strengthened our close ties with the community through volunteer services and community programmes. We joined forces with the Water Supplies Department Volunteer Team to establish the "Towngas-WSD Volunteer Team", integrating resources to serve elderly individuals and families in need, whilst promoting safety and energy-saving knowledge. For youth development, the "Towngas Green Flame Energy Scientist Programme" continued its outreach to schools, providing energy and climate education to over 8,000 students. We also launched the first "Towngas Green Flame STEAM Summer Camp", sparking young people's interest in green technology.

Enhancing ESG Governance and Creating Long-Term Value

We have holistically embedded ESG principles across our corporate strategy and daily operations, responding to stakeholder concerns with transparency and a strong track record of performance. In 2025, the Group's ESG performance received significant international recognition – our MSCI ESG Rating was upgraded to AA, and we attained the highest AAA rating in the Hang Seng Corporate Sustainability Index for the first time. These achievements place us among the few enterprises in the industry to receive this honour, affirming our continued efforts in green transition, risk management, corporate governance and social contribution, while reflecting the market's confidence in the Group's sustainability strategy and execution.

As we move into 2026 at a new juncture, we remain committed to strengthening our core businesses while accelerating the implementation of green energy projects. We will continue to enhance safety assurance across all fronts, deepen AI-enabled capabilities, and continue to invest in talent and community development. Anchored by our long-trusted reputation, we will continue to join hands with our employees, customers, partners, investors and all stakeholders to create a more sustainable future.

Mr. Peter Wong Wai-yee
Managing Director

Hong Kong, 20 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

Established in 1862, Towngas (Stock Code: 3) is Hong Kong's first public utility, with corporate governance and operations reaching world-class standards. Guided by a culture of continuous innovation, Towngas has evolved from providing town gas for street lamps to maintaining a leading position in the energy sector across Greater China, providing safe and reliable energy solutions to the public and industries alike. Entering the mainland market in 1994, we have since accelerated our low-carbon transition. To drive our long-term sustainable growth, we have categorised the Group's activities into two strategic business segments: the "Utility Businesses" (including Hong Kong Gas Business, Mainland Gas Business, and Water and Environmental Businesses) and the "Growth Businesses" (including Renewable Energy, Sustainable Aviation Fuel (SAF), Green Methanol, Hydrogen and Extended Businesses).

By the end of 2025, the Group has a portfolio comprising 1,180 projects in 29 provincial regions on the Chinese mainland and overseas.

For details of our business portfolio in 2025, please refer to our Annual Report 2025.

Financial Performance

Revenue
HK$54,326 million

Profit attributable to shareholders
HK$5,688 million

Business Portfolio

Utilities Businesses

Hong Kong Gas Business	Mainland Gas Business	Water and Environmental Businesses
Town gas sales **27.18 billion MJ**	City-gas sales **36.35 billion m³**	Water volume **1.66 billion tonnes**
Customers **2.06 million**	Customers **44.27 million**	Solid waste treated (accumulative) **1.72 million tonnes**
	Unified gas dispatching **4.64 billion m³**	

Growth Businesses

Renewable Energy

Zero-carbon smart industrial parks **128** (accumulative)	Photovoltaic grid-connected installed capacity **2.8 GW** (accumulative)

Extended Businesses

Kitchen appliances sales

250,000 units (Hong Kong)	**690,000 units** (Chinese Mainland)

Renewable Fuel	Green Methanol
Production capacity **770,000 tonnes**	Production capacity **100,000 tonnes**
Sales volume **309,000 tonnes**	Sales volume **17,000 tonnes**

ESG Highlights

Green Production – Decarbonisation across Sea, Land and Air

As emission reduction targets are progressively adopted across the globe, international demand for low-carbon energy continues to grow. The Group is seizing the opportunities arising from the energy transition to actively develop its green and new energy businesses, encompassing green methanol, hydrogen, and sustainable aviation fuel (SAF) tailored for sea, land, and air transport respectively. In doing so, we are contributing to the national "3060" dual carbon goals and supporting Hong Kong's vision of achieving carbon neutrality by 2050, collaboratively striving for a sustainable future.

Sea – Green Methanol

The Group produces green methanol in Inner Mongolia utilising biomass resources and municipal waste, achieving a 70% reduction in greenhouse gas (GHG) emissions on a life-cycle basis. VENEX Holding Company Limited (VENEX), a joint venture between the Group and Foran Energy Group Company Limited, operates the Inner Mongolia plant and is currently constructing additional production lines in Foshan, within the Greater Bay Area to expand capacity. The combined annual capacity of the two plants is expected to reach 500,000 tonnes by 2028.

Certifications Attained:

ISCC EU | ISCC PLUS | TÜV SÜD Product Carbon Footprint Verification Statement

Highlights of the Year:

- Bunkered approximately 6,000 tonnes of green methanol for two Korean vessels "HMM Green" and "HMM Forest", marking the first large-scale bunkering of domestically produced green methanol on the Chinese mainland.
- Delivered green methanol to Golden Island Pte Ltd. (Golden Island) and Global Energy Trading Pte Ltd (Global Energy) for local bunkering operations.

Land – Hydrogen

In Hong Kong, hydrogen accounts for approximately half the composition of the synthetic town gas we produce, and can be readily extracted through our extensive gas pipeline network. The Group is advancing multiple hydrogen innovation pilot projects to provide customers with efficient and clean energy solutions. On the Chinese mainland, the Group is conducting feasibility studies on blending hydrogen into natural gas pipelines for transport and end-use applications, while accelerating the "green retrofitting" of existing gas pipeline networks.

Highlights of the Year:

- Powered the golf event venue of the 15th National Games with an integrated hydrogen power generator, demonstrating the potential of low-carbon hydrogen for large-scale events.
- Collaborating with Veolia to develop Hong Kong's first "green hydrogen" project at the South East New Territories Landfill Extension (SENTX) in Tseung Kwan O. This project leverages biogas to produce green hydrogen and the facility is expected to be commissioned in the second quarter of 2026.
- Rolling out the "Bringing Hydrogen into Households" initiative in Weifang, Shandong, whereby hydrogen is blended proportionally into natural gas at gate stations to meet city-gas standards, targeting to serve 100,000 residential customers.

Air – SAF

EcoCeres, incubated by the Group, produces SAF from biomass waste such as used cooking oil. Compared to conventional aviation fuel, it enables an up-to-90% reduction in life-cycle GHG emissions. The Zhangjiagang plant of EcoCeres in Jiangsu province reached its designed production capacity, whilst a new plant in Johor, Malaysia commenced operations, bringing total annual production capacity of renewable fuels to 770,000 tonnes.

Highlights of the Year:

- EcoCeres signed a multi-year SAF supply agreement with British Airways, which is anticipated to reduce life-cycle GHG emissions by approximately 400,000 tonnes, equivalent to the carbon footprint of roughly 240,000 economy class passengers travelling between London and New York.
- EcoCeres partnered with Xiamen Airlines to collect and transport used cooking oil from designated catering partners for processing into high quality SAF.

ESG Highlights

Empowering Talent and Leading Technology Transformation

Beyond achieving milestones across the "sea, land, and air" new energy sectors, the Group is expanding its presence in photovoltaic and energy storage, while strengthening its capabilities in food waste treatment and the development of smart low-carbon products. We believe technological breakthroughs are driven by continuous employee growth and the transfer of experience. Through technology empowerment, we advance talent development in parallel with innovation, laying a solid foundation for the Group's sustainable development.

Jacqueline Hui (許庭茵),
Assistant General Manager – Transmission Operation
Hong Kong Business

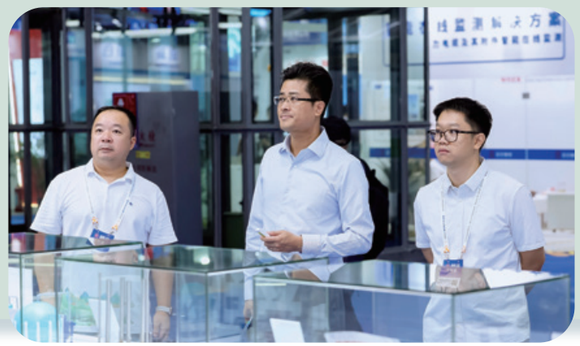
In the course of gas transmission operations, I am constantly exploring ways to optimise our team's workflows while ensuring the safety of gas supply. With the adoption of drone-based pipeline inspection technology, our day-to-day operations have undergone a brand-new transformation. Ground inspections that once required substantial time have been efficiently replaced by aerial monitoring, allowing colleagues to devote their expertise to analysis, preventive maintenance and system optimisation. This has not only enhanced our overall operational efficiency but has also fostered our team's growth in digitalisation and professional skills. At the same time, we have provided training for relevant colleagues to facilitate them to master new tools and gradually expand their areas of expertise. I believe that technological innovation is never merely about upgrading tools; it constitutes a critical foundation for supporting teams' growth. And all of our practices have laid a solid foundation for the efficient and sustainable development of our gas transmission network, enabling us to pursue a transformation with greater stability and reliability.

Xi Dan (席丹),
Senior Vice President – Technology Department
Mainland Gas Business

During the transformation of Mainland 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 the credible operational data and well-established safety management solutions.

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

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 zero-carbon smart industrial park model driven by artificial intelligence (AI), 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.



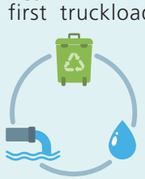
ESG Highlights

Pan Yonghua (潘永花),
Senior Vice President – Strategic Development and Business Operations
Extended Businesses

As consumer preferences for gas appliance products continued to evolve, my team and I have proactively adjusted our priorities and meticulously refined our products with a strong focus on user needs. One of the most significant shifts is that attributes such as smart functionality, environmental performance, and energy efficiency have evolved from "value-added features" into "must-have requirements" for consumers. In response, we have proactively embraced this trend by focusing on the smart energy efficiency optimisation through the use of technologies. My team and I have concentrated efforts on the user experience by improving the mini-program "Smart Living (智享)" of Towngas Lifestyle. It now supports remote control for new AI-integrated gas appliances and range hoods, and incorporates practical safety features such as remote and automatic flame cut-off to prevent dry burning. We thoroughly address and carefully implement the features that users value most. I believe that when low-carbon living becomes simple and practical, green transformation can steadily advance in our daily lives.

Jiang Li (姜莉),
Senior Vice President – Operations
Mainland Water and Environmental Businesses

In our transition towards green production, the Group has designed and implemented a comprehensive resource circulation system, breaking the "siloed model" in which water supply, wastewater, and solid waste management operated independently. This integration has achieved a coordinated, symbiotic synergy across multiple systems. Underlying this transformation was a fundamental shift in mindset across the entire team: we no longer regard waste as a burden to be treated, but as a resource stream to be integrated and utilised. Consequently, our approach to green production has evolved from passive "end-of-pipe" treatment to holistic, full-chain planning for resources and energy. From the seamless collection and stable unloading of the first truckload of waste to the successful startup and steady operation of all equipment, our team could not help but cheer. That defining moment and the realisation that "this is the power of green energy", has profoundly strengthened our conviction to advance resource circularity.



Gao Xiang (高翔),
Deputy General Manager – Research and Development
Green Fuels and Chemicals

Having worked in coal-chemical-related fields at the Inner Mongolia plant for over a decade, I have had the honour of witnessing the plant's green transformation from "coal-burning" to "waste resource utilisation". In 2021, the plant clearly defined its transition towards green methanol production. Since then, our research and development (R&D) team has focused on new projects including the establishment of feedstock supply chains, the retrofitting of production lines and process adjustments. My role has also evolved from solely optimising coal-chemical processes to developing end-to-end green methanol technology and coordinating cross-departmental collaboration. To support this transition, I have deepened my technical knowledge of biomass feedstock and the utilisation of agricultural and forestry waste, while actively learning from best practices through industry exchanges. By integrating these insights with on-site operational realities, I worked closely with the team to identify practical and adaptable solutions, supporting the Inner Mongolia plant in achieving a high-quality green transition. As operations continue to stabilise and carbon reduction results become increasingly evident, our team's recognition of green production continues to grow. This transformation has not only opened up new pathways for the Group's future development, but has also established a more forward-looking and sustainable foundation for the plant.

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 four SDGs that are most relevant to our business: Goal 6 – Clean Water and Sanitation, 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 Group's strategies, management plans, metrics, and our efforts and achievements in advancing the SDGs, please refer to the subsequent chapters.

Operational Resilience

Stable and Reliable Energy Supply

Gas supply reliability reached **99.993%** (Hong Kong)

A cumulative total of **1,363 km** of ageing pipelines were replaced (Chinese Mainland)

Comprehensive Compliance Management

100% of employees completed anti-corruption training (Hong Kong)

Safe and Reliable Information Management

Conducted the **first** cross-departmental joint review covering bulk data retrieval of Hong Kong customers

Towards Carbon Neutrality

Climate Management for Low-Carbon Advancement

Total Scope 1 and Scope 2 greenhouse gas (GHG) emissions decreased by **20%** from 2020 baseline (Target in 2025: Achieved)

Green-Driven Energy Development

Launched the **first** integrated hydrogen power generator in Hong Kong

Completed the **first** large-scale bunkering of green methanol produced on the Chinese mainland

New sustainable aviation fuel (SAF) plant in Malaysia commenced operations, **doubling** annual production capacity of renewable fuels

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

Intelligence-Empowered Low-Carbon Technologies

The fourth TERA-Award Smart Energy Innovation Competition attracted **785** projects from **76** countries and regions

Environmental Stewardship

Co-Creating Value through Energy Efficiency Management

"Gas+" business achieved energy sales of **2.87 billion kWh**

Exceptional Energy Efficiency

Electricity consumption in the North Point Headquarters building reduced by **17%** from 2015 baseline (Target in 2025: Achieved)

People-Centric

Robust Safety Management

0 employees and contractors fatalities[2]

Completed over **18.33 million** household safety inspections (Chinese Mainland)

Diversity and Equity in Employee Development

Average training hours per employee: approximately **64.8 hours**

Gender pay ratio (base salary): **1:1** (Hong Kong)

In-Depth and Integrated Community Relationships

Towngas Community Relations Focus Team marked its **25th anniversary**

Stakeholders Partnership

Customer Service with Excellence in Quality and Efficiency

100% achievement of targets under the Towngas Service Pledge (Hong Kong)

ESG-Oriented Supplier Management

100% integration of environmental and social standards into the new supplier screening mechanism[3]

20 suppliers participated in the "Towngas Green Supply Chain Finance Programme", with an annual total purchase amount of approximately **HK$150 million**

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

3 Reporting scope includes Mainland City-Gas Business and Renewable Energy Business.

ESG Ratings

MSCI ESG Ratings
AA

S&P Global ESG Score*
70
* *A constituent of the Dow Jones Best-in-Class Asia Pacific Index*

Hang Seng Corporate Sustainability Index ESG Rating*
AAA
* *A constituent of the Hang Seng Corporate Sustainability Index*

CDP Climate Change Score
B

FTSE4Good Index
A constituent of the FTSE4 Good Index Series

Sustainalytics ESG Risk Ratings
Medium Risk

2025 ESG Achievements

ESG Recognitions

Best Corporate Governance and ESG Award

- ESG Award (Elite Past Winners section)

The Hong Kong Institute of Certified Public Accountants

"Golden Kunpeng" China Financial Value Ranking

- Best CFO of Listed Companies

Hong Kong Commercial Daily and Global Commercial Newspapers Union

ESG Leading Enterprise Award

- ESG Leading Enterprise

Bloomberg Businessweek Chinese Edition

Industry Cares Recognition Scheme

Enterprise Group Category
- The Grand Award
- The Most Devoted Award
- The Best CSV Award

Federation of Hong Kong Industries

BOCHK Corporate Low-Carbon Environmental Leadership Awards

- Manufacturing Sector - Gold Award
- Guangdong-Hong Kong-Macao Greater Bay Area Environmental Leadership Recognition Award
- Outstanding Sustainability Corporate Award 10+

Federation of Hong Kong Industries

Best AI Innovations in Construction and Engineering

- Outstanding Talent Award

Electrical and Mechanical Services Department and Guangdong Provincial Association for Science and Technology

Privacy-Friendly Awards

- Gold Award
- Best Data Breach Response Plan Award

Office of the Privacy Commissioner for Personal Data

Sustainability Yearbook (China Edition) 2025

- Yearbook Member
- "Top 1%" S&P Global CSA Scores among Chinese Companies (Gas Utilities)

S&P Global

UNSDG Achievement Awards Hong Kong

- Sustainable Organisation Award – Silver
- Individual SDG Award – Goal 4: Quality Education (Towngas Green Flame Energy Scientist Programme)

Green Council

CHO Appreciation Award

- Top 10 Happy Companies to Work For
- CHO Entrepreneurial Mindset Award

Chief Happiness Officer (CHO) Association

2025 ESG Achievements

Hong Kong Occupational Safety & Health Award

- OSH Report Award – Gold Award
- OSH Enhancement Program Award – Bronze Award
- OSH Innovative Award – Bronze Award
- Safety Performance Award – Outstanding Award (The Hong Kong and China Gas Limited)
- Safety Performance Award – Outstanding Award (The Hong Kong and China Gas Limited – Gas Production)
- Safety Performance Award – Outstanding Award (The Hong Kong and China Gas Limited – Network Operation)
- Safety Performance Award – Outstanding Award (U-Tech Engineering Company Limited)
- Safety Performance Award – Outstanding Award (P-Tech Engineering Company Limited)
- Safety Performance Award – Outstanding Award (Towngas Telecommunications Company Limited)

Occupational Safety & Health Council

HKMA Award for Excellence in Training and Development

- Campaign Award – Gold Award
- Excellence in Cultural Change
- Excellence in Digital Transformation
- HR Professionals' Favourite Campaign

The Hong Kong Management Association (HKMA)

Best Companies to Work For in Asia

- Best Companies to Work For in Asia (Hong Kong)

HR Asia Media

Hong Kong Volunteer Award

- Outstanding Corporate – Excellence Award

Home and Youth Affairs Bureau and the Agency For Volunteer Service

Hong Kong International ESG Ranking

- Best ESG Pioneer Award

Hong Kong Ta Kung Wen Wei Media Group

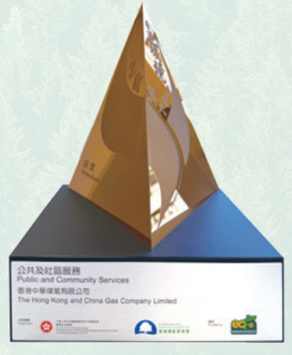
Customer Service Excellence Award

- Customer Care Award – Bronze Award

Hong Kong Association for Customer Service Excellence

Hong Kong Awards for Environmental Excellence

- Public and Community Services – Bronze Award



Environmental Campaign Committee

Procurement Success Awards

- Fast Payer Award

Procurement Success Summit

TVB ESG Awards

- Best in ESG Practices
- Best in ESG Report
- ESG Social Innovative Technology Award

Television Broadcasts Limited (TVB)

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.

For more information about the management approach, please visit the Towngas website:

- Corporate Governance
- Risk Management
- Stakeholder Engagement

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 Board ESG Committee.

As at 31 December 2025, the Board comprised 11 members with diverse backgrounds and professional experience covering finance, accounting, law, and information technology. An overview of board diversity is as follows:

Designation

Executive Directors: 3

Non-Executive Directors: 4

Independent Non-Executive Directors: 4

Gender

Male: 10

Female: 1

Age

Aged 41-50: 1

Aged 51-60: 2

Aged 61-70: 3

Aged 71-80: 3

Aged 81 or above: 2

Length of Service

1-10 years: 5

Over 10 years: 6

For more information about the composition of the Board, information on members, remuneration, operational mechanisms, and its committees, please visit the Towngas 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 Board ESG Committee and the ESG Steering Committee. In 2026, the Group appointed Independent Non-Executive Director Prof. Anna Wong Wai-kwan as the Chair of the Board ESG Committee. Leveraging her extensive academic background and professional insights, Prof. Wong will lead the Committee in strengthening the Group's ESG oversight framework, ensuring that relevant strategies are fully implemented from decision-making to execution, 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, advancing the Group-level ESG management approach. Under this framework, the Group ESG Department is responsible for overall coordination and support, thereby ensuring the effective implementation of relevant strategies. The Group has linked 5% of the variable compensation for the Managing Director and senior executives to the achievement of ESG targets (such as improving ESG ratings, reducing greenhouse gas (GHG) emissions, and meeting health and safety performance indicators).

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.

The Board 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 the 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 Board ESG Committee and the revised Employee Policy.

For more information about the ESG governance framework, please visit the Towngas website.

ESG Policy

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

For more information about the ESG policies, please visit the Towngas website.

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 (BARC) 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 BARC 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 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 both on the Chinese mainland and in Hong Kong.	1 2 3	Towards Carbon Neutrality – Advancing the Transition to a Low-Carbon Energy Future
Finance	**Liquidity risk:** Unexpected cash outflow for investment purposes or insufficient cash inflow from operation due to unpredictable changes. **Credit risk:** Customer default in repayment.	**Implement financial liquidity stabilising measures:** Maintain sufficient cash and cash equivalents, with an adequate amount of credit facilities and ability to close out market positions. **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.	2	Annual Report 2025

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

ESG Management Approach

Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
Climate Change	**Increased capital expenditure:** Investments in new technologies and infrastructure may be required for reducing GHG emissions and adapting to climate change. **Decline in gas demand:** Increasing awareness and concern about climate change among consumers and investors can influence market dynamics, leading to a decline in natural gas demand.	**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. **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. **Invest in and diversify businesses for energy transition:** In response to global climate change, the Group has been actively transitioning from a traditional public utility into an integrated clean energy supplier. It develops "Growth Businesses" targeting green fuel industries across the three major "sea, land, and air transport" sectors, including green methanol, hydrogen, and sustainable aviation fuel (SAF). 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.	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
Facilities and Operations	**Gas leakages, supply disruptions, fires/explosions:** Failure of the Group's major assets, including the transmission and distribution network, production plants and 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. **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.	**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. **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 achieves international standards. **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. **Develop and strengthen emergency response plans:** Create contingency plans for various scenarios, with clear procedures, communication protocols and coordination mechanisms with the relevant authorities. **Purchase insurance:** Purchase insurance to mitigate potential property damage or financial losses. **Provide adequate training:** Provide employees with training on handling procedures, equipment operation, emergency response and hazard awareness. Conduct regular practice drills to enhance preparedness.	1 2 3	Operational Resilience – Ensuring Stability and Reliability at All Times

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

ESG Management Approach

Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
Occupational Health and Safety	**Disruption of operations:** Occupational health and safety issues could cause shutdowns or delays to operation. **Injuries and loss of life:** Serious safety incidents could cause injuries and loss of life.	**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. **Conduct regular safety inspections and audits:** Implement systematic and regular safety inspections, as well as audits of equipment, facilities, work areas and employees (including contractors) to identify hazards and ensure workflows comply with safety standards. **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. **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. **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.	1 2 3	People-Centric – Empowering People to Build a Sustainable Future

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

Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
Human Resources	**Manpower crisis:** Key management or mass workforce absenteeism could have a material impact on the Group's operations. **Manpower shortage and retention challenge:** Inability to retain or attract skilled professionals could affect the Group's operations.	**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. **Manpower succession:** A manpower succession plan is in place to match existing and future human capital needs against business strategy.	2	People-Centric – Empowering People to Build a Sustainable Future
Legal	**Influence on operations from regulatory changes:** Changes in laws, regulations or rules could affect business operations.	**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.	2	Operational Resilience – Ensuring Stability and Reliability at All Times

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

ESG Management Approach

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

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

Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
Materials	**Feedstock supply interruption:** Significant interruptions in the supply of natural gas or naphtha could impact production capabilities. **Increased fuel costs:** Supply chain disruptions could drive up natural gas prices, impacting the Group and customers. **Non-conforming quality of key materials for Gas Business:** Significant impact on operations due to non-conforming quality of key materials. **Impact on downstream industries:** Supply chain disruptions could affect operations (e.g. Gas Business), leading to reduced supply and increased costs.	**Diversify fuel sources:** Procure natural gas and naphtha 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. **Increase natural gas storage capacity:** Establish multiple natural gas storage facilities to expand natural gas storage capacity (e.g. underground salt cavern gas storage facility in Jiangsu province), optimising gas supply management, and stabilising supply during peak usage periods. **Optimise supply chain management mechanisms:** Strengthen strategic cooperation with PipeChina and major state-owned oil enterprises to optimise dispatch in gas source supply chain, consolidating the foundation for resource security across the city-gas project companies under the Group. **Implement supplier evaluation and quality inspections:** Establish regular checking and evaluation procedures to ensure material quality.	1 2 3	Operational Resilience – Ensuring Stability and Reliability at All Times Stakeholders Partnership – Strengthening Value Chain Resilience

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

ESG Management Approach

Risk Categories	Potential Impacts	Mitigation Measures	Value Chain Impact*	Relevant Disclosures
Reputation, Ethics and Integrity	**Fraudulent activities:** Internal fraud could lead to serious impact **Employee misbehaviour and media attacks:** Any unethical conduct by employees and media attacks may adversely affect the Group's reputation and financial position.	**Implement whistleblowing policies:** Establish formal channels for reporting suspected cases of fraud. **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. **Provide adequate training:** Provide regular trainings to employees.	2	Operational Resilience – Ensuring Stability and Reliability at All Times

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.

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

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 its 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 website.

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 Board 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:

Step 1: Identification of Material Issues

- Reviewed the framework of material issues by referencing major international ESG rating standards and industry benchmarks
- Reclassified the original 26 material issues into 24 issues as the basis for this year's assessment upon comprehensive assessment

Step 2: Stakeholder Communication

- Conducted interviews with senior management of the Group to review material issues, and performed in-depth analysis with reference to major industry trends
- Prioritised material issues based on two dimensions: "Impact Materiality" and "Financial Materiality"

Step 3: Double Materiality Assessment

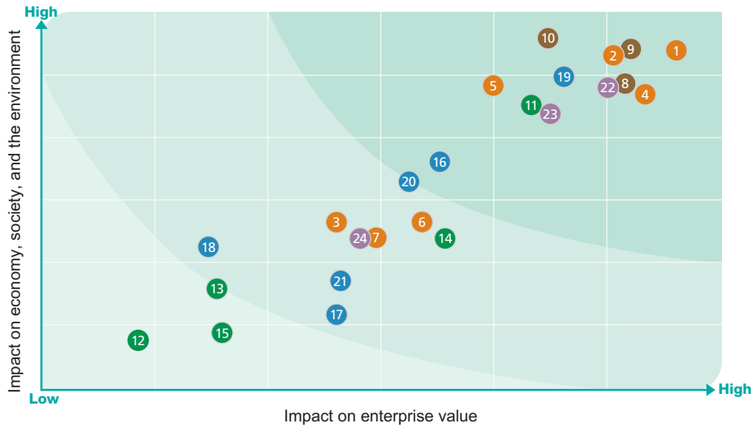
- Consolidated feedback, conducted scoring and analysis exercise to complete the "Double Materiality Matrix"
- The Board ESG Committee conducted final discussions to determine the Group's material issues and their priorities

Step 4: Response to Material Issues

- Planned future ESG work priorities based on the results of the double materiality assessment
- Addressed stakeholders' concerns, and identified them as the key focus areas for this year's ESG report disclosures

ESG Management Approach

Double Materiality Matrix



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.

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	✓	✓	✓		
21	Community Contribution	✓			✓	
22	Energy Affordability and Accessibility*			✓	✓	Stakeholders Partnership – Strengthening Value Chain Resilience
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

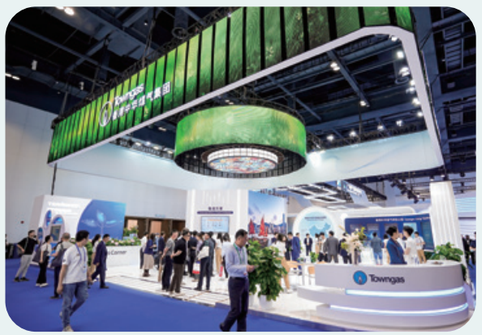
The Group values the ESG capacity building of our employees. We raise their awareness through internal training and advocacy, build diverse communication mechanisms to foster cross-departmental collaboration, and deepen the practice of ESG values. To address the diverse needs of business segments, the 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. Towngas' Managing Director Mr. Peter Wong Wai-yee shared the Group's innovation-driven regional diversified energy development pathways, covering clean energy deployments such as distributed photovoltaics, energy storage, green methanol, and hydrogen. The Group's exhibition area also showcased our achievements across the natural gas industry chain, renewable energy, and lifestyle services, attracting numerous industry peers both locally and internationally.



Enhancing ESG Communication and Public Awareness

In collaboration with Metro Finance, Towngas launched the new radio programme "ESG Visionaries". We invited representatives from the government, business, and academic sectors to discuss new energy, green finance, and ESG trends with an aim of enhancing public awareness and jointly building a low-carbon future.

Supporting the 15th National Games for a Low-Carbon Event

As a Silver Sponsor of the Hong Kong cluster of the 15th National Games, the 12th National Games for Persons with Disabilities, and the 9th National Special Olympic Games, Towngas contributed to the events' green and low-carbon goals through innovative hydrogen solutions. Simultaneously, we built an effective external communication platform to deepen awareness and collaboration regarding clean energy across different sectors.

Towngas fully supported these great events, not only by participating in the torch relay ceremony but also by distributing snack vouchers to students attending the events, supporting the next generation in experiencing the excitement of sports and fostering their interest in athletic activities. Towngas leveraged these events as an opportunity to showcase its innovative capabilities in hydrogen energy application and sustainable development. The Director of Electrical & Mechanical Services, Mr. Raymond Poon Kwok-ying, led a team to the site to learn about the operations and safety facilities of hydrogen generators. Additionally, Towngas arranged a tour for scholars, industry representatives, environmental groups, and students to visit the hydrogen power generator, fostering exchange and cooperation with industry and academia in the clean energy sector.

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 Reliable Energy Supply

Gas supply reliability reached **99.993%** (Hong Kong)

A cumulative total of **1,363 km** of ageing pipelines were replaced (Chinese Mainland)

Comprehensive Compliance Management

100% of employees completed anti-corruption training (Hong Kong)

Safe and Reliable Information Management

Conducted the **first** cross-departmental joint review covering bulk data retrieval of Hong Kong customers

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 an uninterrupted energy supply and mitigate operational risks, we implement a diversified supply strategy and enhance gas storage facilities to ensure stable gas supply; improve facility 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.

For more information about the management approach, please visit the Towngas website:

- Business Integrity
- Data Privacy and Cyber Security

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

In Hong Kong, we maintain a reliable energy supply through efficient maintenance and emergency response systems, a dual-feedstock system, and auxiliary facilities that enhance gas production capacity. At the same time, we diversify fuel sources to ensure a stable gas supply across varying market environments, achieving a gas supply reliability of 99.993% this year.

On the Chinese mainland, ensuring a stable and reliable supply of natural gas is of paramount importance to the Group. Therefore, the Group has put in place our medium-to-long-term sale and purchase agreements with major state-owned oil enterprises and PipeChina. Through the use of a centralised negotiation, decentralised signing model, total contracted volume amounted to 15 billion m^3. Meanwhile, the Group has secured long-term international liquefied natural gas (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 Group 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 m^3. 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.

In Hong Kong, we engage third-party consultants to conduct integrity assessments of the Tai Po Gas Production Plant. The assessment results indicated that the system integrity is well-maintained and that the infrastructure is operating under safe and reliable conditions. Additionally, we conduct intelligent inspections of the naphtha subsea pipelines, employing In-line Inspection technology for systematic analysis to identify potential internal anomalies and assess structural integrity. Furthermore, given that the pipeline system at the Tai Po Gas Production Plant has been operating under high-temperature and high-pressure conditions for 30 years, Towngas has continued the replacement project for the downstream sections of the rich gas reactor tower. During the year, replacement works for the associated pipelines of a total of six production furnaces were completed, with the remaining two scheduled for completion in 2026, to further enhance equipment safety and reliability.

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, the TOP has been applied in hundreds of enterprises and connected to 127,000 Internet of Things (IoT) monitoring points. It covers over 324,000 gas facilities and 75,000 km 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.

Hong Kong

- Performed **164,313** trench inspections at **9,260** active sites
- Surveyed **6,569 km** of gas pipelines

Chinese Mainland

- Completed the renovation of **272 km** of ageing pipelines
- A cumulative total of **1,363 km** of ageing pipelines were replaced (Target in 2025: Achieved)

Operational Resilience – Ensuring Stability and Reliability at All Times

Driving Digital Transformation: Ensuring Gas Supply Security Through Smart Operations and Maintenance

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

In Hong Kong, the Group installed an uninterruptible power supply battery monitoring system at the Tai Po Gas Production Plant to provide year-round, real-time monitoring of voltage, current, and temperature. This system enables timely alerts for potential faults and optimises battery management to ensure reliable power backup. In terms of pipeline networks, we have developed a number of innovative technologies to ensure pipeline safety. For example, our AI analysis system for polyethylene pipe joints enables rapid detection of underground pipe joint conditions and identification of potential defects, thereby ensuring gas supply safety. In addition, our smart analysis system utilises long-distance cameras, automatic pan-tilt devices and methane detectors to capture external images of building risers. When these images are uploaded to our AI model, it assesses the extent of corrosion, allowing us to formulate follow-up and replacement plans.

Furthermore, the pipeline inspection drone deployed at the Chuen Lung West Pigging Station has commenced operations. It is able to conduct inspections and gas leakage detection along 14 km of high-pressure gas transmission pipelines, enabling efficient and precise monitoring of the pipeline conditions, facilitating timely repairs to damaged sections, and reducing the need for employees to work at heights and under adverse weather conditions, thereby mitigating related safety risks.

On the Chinese mainland, we have implemented end-to-end digital management of construction processes through smart construction site applications. By integrating the processes with an information cloud platform, 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 research and development (R&D) for the TOP this year, enabling 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 three-dimensional (3D) digital plant model has been constructed to achieve synchronised virtual-physical mapping and interactive operations.

Crisis Management

To continuously enhance crisis response capabilities and safeguard public safety, the Group conducts multiple crisis management exercises every year. In Hong Kong, we carried out "bomb threat and large-scale evacuation drills" at our Tai Po and Ma Tau Kok plants respectively. During these exercises, we documented threat information, swiftly organised search operations, and evacuated 170 employees to designated assembly points, ensuring that the process was safe and efficient.

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. On the Chinese mainland, 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.

Each year, the Group selects a business segment for a Group-level crisis management tabletop exercise. This year, the exercise was conducted in Hong Kong. We simulated a chain-reaction crisis triggered by upstream supply disruptions and extreme weather conditions, covering multiple challenges in production and supply, pipeline network allocation, customer service, public opinion management, as well as coordination with government authorities. The Group will continually optimise its emergency procedures and collaborative mechanisms based on the result of the exercise to ensure swift responses in an event of crises, thereby safeguarding public safety and business continuity.

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 on this basis. In Hong Kong, our employees participated in anti-corruption training conducted by the Independent Commission Against Corruption (ICAC) through orientation programmes and regular online courses. This year, we also invited the ICAC to provide tailored briefings and sharing sessions on procurement and tendering processes for our employees. Furthermore, Towngas requires all staff to read the Code of Conduct annually and submit declarations of conflicts of interest. In 2025, we did not receive any reportable cases related to conflicts of interest.

100%
of employees have completed anti-corruption training (Hong Kong)

Total anti-corruption training hours amounted to approximately
26,190 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, ensuring that all business activities strictly adhere to major laws, regulations, and regulatory requirements on the Chinese mainland and in Hong Kong. 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.

In Hong Kong, the Group is well prepared in response to the newly promulgated Construction Industry Security of Payment Ordinance, to ensure that construction contracts comply with legal requirements. This includes safeguarding downstream stakeholders and ensuring their receipt of due payments on schedule.

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	Customer privacy	No reportable cases[4]
Management	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 places high importance on information security and customer data protection. We maintain a high state of vigilance across the Group through robust privacy management systems, regular data security assessments, the formulation of comprehensive contingency plans, continuous monitoring of the latest privacy and data security regulations, and the provision of adequate training and drills for employees.

In 2025, in order to enhance the effectiveness of privacy protection, Towngas has expanded the member base of the Data Privacy Standing Committee, covering relevant functional departments involved in large-scale Hong Kong customer data processing, thereby strengthening overall oversight and coordination. Meanwhile, this year, we conducted the first cross-departmental joint review covering bulk data retrieval of Hong Kong customers, ensuring that the related procedures comply with legal requirements and align with stakeholder expectations.

The data centre at the North Point Headquarters of Towngas continued to obtain ISO/IEC 27001 certification, signifying that its information security management meets international standards. Meanwhile, the TOP system completed a Level 3 protection assessment, reflecting that the platform meets high standards of information system security protection. This platform has established a tiered access management scheme and a stringent security framework to safeguard data security and operational efficiency.

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 exercises 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, which include a new commitment to reduce economy-wide net greenhouse gas (GHG) 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

Climate Management for Low-Carbon Advancement

Total Scope 1 and Scope 2 GHG emissions decreased by **20%** from 2020 baseline (Target in 2025: Achieved)

Green-Driven Energy Development

Launched the **first** integrated hydrogen power generator in Hong Kong

Completed the **first** large-scale bunkering of green methanol produced on the Chinese mainland

New sustainable aviation fuel (SAF) plant in Malaysia commenced operations, **doubling** annual production capacity of renewable fuels

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

Intelligence-Empowered Low-Carbon Technologies

The fourth TERA-Award Smart Energy Innovation Competition attracted **785** projects from **76** countries and regions

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 GHG 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.

For more information about the management approach, please visit the Towngas website:

- Carbon Neutrality
- Energy Transition
- Climate Change Management

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 Group'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 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 in Hong Kong and the Chinese mainland. 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.

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	▲ Costs and ▼ Revenue from asset damage ▲ Expenditure on resilience measures ▲ Insurance costs and claims	• Review plan for adapting our infrastructure to climate change • Strengthen crisis management plans
Chronic Increased temperatures	Long-Term	▼ Revenue from gas-related services ▲ Operating costs due to energy use	• Diversify businesses to transform into a multi-energy provider

[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

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 to 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.

Through communications with various business departments and internal stakeholders, the Group assessed transition risks and opportunities from multiple perspectives across 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	▼ Revenue from gas-related services ▲ Compliance and insurance costs ▲ Income from low-carbon offerings	• 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	▲ Investment in new technologies ▲ Research and development (R&D) spending ▼ Operational costs due to energy efficiency improvements	• Support R&D with proprietary technologies
Market Shifting consumer behaviour	Medium to Long-Term	▼ Revenue from gas-related services ▲ Operating costs due to raw material price changes ▲ Income from low-carbon products	• Diversify businesses to transform into a multi-energy provider
Reputation Shareholders are likely to divest from fossil fuels and invest in low-carbon business	Long-Term	▼ Capital availability ▲ Communication costs	• Enhance open disclosure for increased capital availability • Enhance promotion of the low-carbon transition

[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.

Climate-Related Financial Impacts

Beyond identifying and analysing the qualitative impacts of climate change, the Group has also conducted quantitative analysis through scenario analysis to estimate the potential material financial impacts of climate risks on the Group by 2050. Given that the financial impacts of climate risks have not yet materialised as direct losses, we place greater emphasis on forward-looking assessments to forecast potential climate pressures on long-term strategies and asset values. This approach enables us to develop targeted response measures, enhance climate resilience, and proactively address both the challenges and opportunities arising from the climate crisis.

Scenario	Risk		Impact Type	Financial Impact (HK$ million)		
				<500	500-1,500	>1,500
1.5°C Scenario Net Zero 2050	Transition	Policy and Legal	EBITDA[7]			✓
		Market	EBITDA[7]			✓
		Technology	Expenditure	✓		
		Reputation	Expenditure	✓		
4°C Scenario RCP 8.5	Physical	Acute	Expenditure		✓	
		Chronic	EBITDA[7]	✓		

[7] For city-gas, water and related businesses in Hong Kong and on the Chinese mainland.

Strategic Execution of Carbon Reduction Commitments

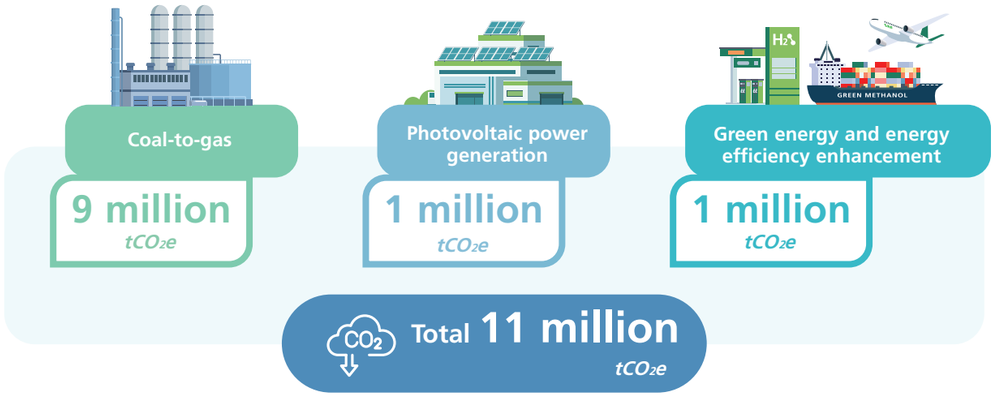
Under our carbon neutrality commitment, the Group has established a clear strategic implementation framework with emission reduction at its core, systematically reducing GHG emissions through the combined approach of energy transition and technology deployment.

Carbon Reduction Targets

The Group formally pledged in 2021 to achieve carbon neutrality by 2050 through energy transition and innovation, in response to the national "dual carbon" goals and Hong Kong's Climate Action Plan 2050. The carbon reduction targets we set for 2025 have been successfully achieved. We are formulating our next-phase interim carbon reduction target, aligned with the latest expectations of international ESG rating agencies and industry best practices. The target is developed through cross-business collaboration and subject to multiple rounds of senior management review to ensure feasibility and robustness.

Targets	Decarbonisation Strategies	2025 Performance
Reduce Group operational GHG emissions by **10%** (from 2020 baseline)	• Increased ratio of biogas and natural gas use in town gas production • Utilised bio-fuel to replace fossil fuel • Phased out carbon intensive assets	**↓ 20%**
Reduce **10 million tonnes** of GHG emissions in the environment per year	• Developed coal-to-gas, photovoltaic power generation, green energy and energy efficiency improvement projects	**11 million tCO_2e**

Specifically, environmental GHG emission mitigation measures include:



GHG Emissions Profile

This year, the Group's Scope 1 and Scope 2 GHG emissions were approximately 1,862,000 tCO_2e. Scope 1 emissions primarily arose from fuel combustion, whilst Scope 2 emissions were related to electricity consumption at production facilities. Compared to the 2020 baseline, emissions have decreased by 20%, reflecting growing effectiveness of our reduction efforts. Scope 3 GHG emissions were approximately 24,357,000 tCO_2e, primarily driven by Category 11 - Use of Sold Products, which accounts for over 80% of total value chain emissions.

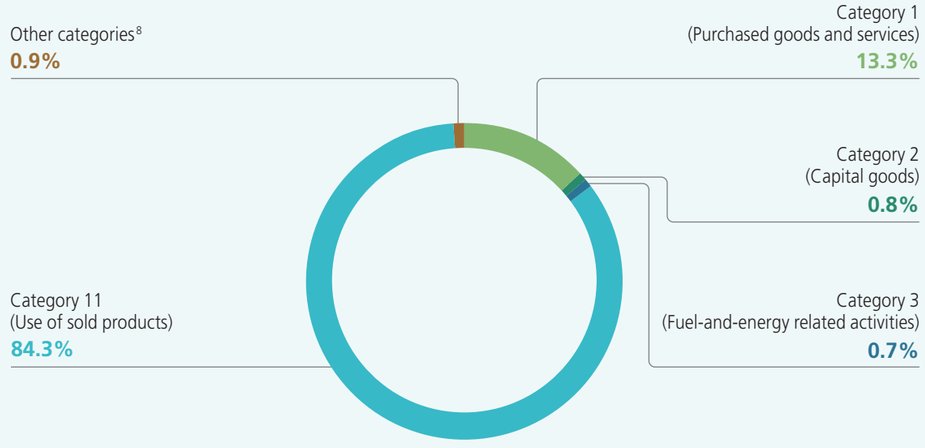
2025 GHG Emissions

Scope 1 — approximately **1,352,000** tCO_2e

Scope 2 — approximately **510,000** tCO_2e

Scope 3 — approximately **24,357,000** tCO_2e

Scope 3 GHG Emissions in 2025 by Category



[8] Other categories include Category 4 (Upstream Transportation and Distribution), Category 5 (Waste Generated in Operations), Category 6 (Business Travel), Category 7 (Employee Commuting), Category 9 (Downstream Transportation and Distribution), and Category 12 (End-of-Life Treatment of Sold Products).

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

Hong Kong Town Gas Carbon Intensity

Gas production

0.04
kg CO_2e/kWh

0.534
kg CO_2e/unit of town gas

Total

0.23
kg CO_2e/kWh
=
3.087
kg CO_2e/unit of town gas

Gas consumption (customer side)

0.19
kg CO_2e/kWh

2.553
kg CO_2e/unit of town gas

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 production, transportation and consumption of our products. We regard carbon offsetting as a measure of last resort for value chain decarbonisation, and consider the use of 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.

Expanding the Application of Low-Carbon Fuels

The Group actively promotes clean energy solutions to reduce carbon emissions from our production. In Hong Kong, we phased out high-polluting coal starting in the 1960s and progressively replaced it with cleaner fuels, including naphtha, natural gas and biogas (for details, please visit the Towngas website), and remain committed to increasing the proportion of biogas in our fuel mix.

This year, the carbon reductions achieved through the use of biogas in Hong Kong totalled approximately 62,000 tCO_2e.

Fuel mix for town gas production

Natural Gas	Naphtha	Biogas
55%	42%	3%

Energy savings[9] at gas production plants in 2025 approximatively	Utilisation of natural gas (2006-2025)
Naphtha saved: **768,000 GJ**	Cumulative carbon reduction exceeded **1.73 million tCO_2e** (equivalent to the CO_2 absorption of over 75 million trees in one year)
Town gas saved: **21,000 GJ**	Cumulative fuel cost savings to customers approximately **HK$24.3 billion**

The Group is exploring multiple decarbonisation pathways, including the progressive substitution of fossil fuels with low-carbon alternatives (such as green naphtha, green hydrogen and green methane) to reduce our Scope 1 emissions while assisting customers in lowering their Scope 2 emissions. However, as the market for high-quality, certified low-carbon fuels are still emerging, this transition faces challenges. To overcome these challenges, we are collaborating with catalyst suppliers to conduct feasibility studies assessing potential compatibility issues associated with the future commercial deployment of low-carbon fuels in gas production processes. Concurrently, we are actively engaging with low-carbon fuel suppliers to secure reliable supply sources for the future.

We are also undertaking extensive R&D to identify clean fuel alternatives to replace fossil fuels. For instance, the Group's methanol production plant in Inner Mongolia Autonomous Region utilises municipal waste (i.e. waste tyres and biomass) as feedstock to produce green methanol, replacing traditional fossil fuels.

[9] As compared with the data of a reference year before implementing the respective environmental initiative.

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

Preventing Methane Leakage with Advanced Technology

The methane content in town gas and natural gas is approximately 30% and 90% respectively. 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 liquefied natural gas (LNG) stations, incorporating artificial intelligence (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.

Pipeline leakage rate is approximately **0.045-0.13%**

Recovery and Utilisation of Vented Natural Gas

During the year, the Group's underground salt cavern gas storage facility in Jintan District, Changzhou, carried out process innovation and technological upgrades to enable the recovery and utilisation of natural gas vented from compressor shutdowns. This initiative is expected to recover approximately 100,000 m^3 of natural gas annually, achieving a recovery rate of over 75% whilst significantly reducing noise pollution, thereby delivering a multifaceted win-win outcome in terms of economic, environmental and social benefits.

On the customer side, we have innovatively developed smart controllers and smart meters with security features to support the identification of abnormal gas consumption patterns and facilitate timely follow-up of potential leakage risks. Through precise metering and real-time monitoring, these smart meters enable 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, which allows 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. By the end of 2025, 36% of customers in Hong Kong were using smart meters with automatic reading function, and nearly 6 million smart meters had been installed on the Chinese mainland.

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

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 gas supply. In Hong Kong, we utilise biogas sourced from landfills. On the Chinese mainland, we actively promote the connection of bio-natural gas into the natural gas pipeline network. Currently, we have developed 11 bio-natural gas projects across Jiangsu, Zhejiang, Shandong, Sichuan and other regions. In 2025, the volume of bio-natural gas added to the network reached 4.5 million m^3 for a cumulative total of 34.5 million m^3.

Bio-Natural Gas Expansion: New Projects Commissioned

During the year, the Group added two bio-natural gas projects to its network. Of these projects, the Suining Hong Kong and China Gas Company Limited commenced operations in March 2025, with an annual gas supply capacity of 1.5 million m^3. The Wujiang Hong Kong and China Gas Company Limited Project commenced operations in November 2025, with an annual gas supply capacity of 3 million m^3. The bio-natural gas produced is connected into the Group's natural gas pipeline network upon purification.

Exploring Hydrogen Blending in Natural Gas

The Group has been advancing applications and commercialisation of hydrogen blending in natural gas pipelines. Notably, Weifang Hong Kong and China Gas Company Limited's pipeline blending demonstration project – "Bringing Hydrogen into Households" – is making steady progress. The relevant infrastructure has been successfully assembled and commissioned, laying a solid foundation for subsequent large-scale rollout. The Group is also developing multiple industrial applications for natural gas-hydrogen blending in Baotou in the Inner Mongolia Autonomous Region, Zhangjiagang and Changzhou in Jiangsu province, 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 concepts and technologies, we are accelerating the energy transition across multiple sectors, including transport, construction, and industry.

Low-Carbon Energy: Solutions for Decarbonisation

The Group actively promotes clean energy, encouraging customers to pursue a low-carbon transition, which enhances operational resilience, mitigates climate risks, and underpins long-term sustainable development.

Green Methanol

Green methanol is a clean energy source produced from municipal waste (i.e. waste tyres and biomass) and is primarily utilised as marine fuel. Its GHG emissions during combustion are significantly lower than those of conventional fossil fuels, effectively supporting deep decarbonisation within the shipping industry. The Group's methanol production plant in the Inner Mongolia Autonomous Region has developed proprietary technologies, and has become the first green methanol production plant on the Chinese mainland to secure both ISCC EU and ISCC Plus (International Sustainability and Carbon Certification) certifications and commercial-scale production. During the year, the facility also became the first green methanol project to obtain TÜV SÜD Product Carbon Footprint Verification Statement, highlighting the Group's commitment to advancing green energy development.

The Group has also been working with various partners to advance its green methanol supply and distribution operations across Hong Kong, the Chinese mainland and other regions, whilst progressively connecting to international markets to establish a sustainable global marine fuel ecosystem.

Building a Green Methanol Marine Fuel Ecosystem

Hong Kong

- The Group signed a Memorandum of Understanding (MoU) with the Transport and Logistics Bureau to support Hong Kong's development as a green marine fuel bunkering and trading hub. By establishing Hong Kong as a trading and settlement hub, this initiative aims to boost the development of the local green fuel market.

- The Group signed an MoU with Pacific Basin Shipping Limited to supply green methanol marine fuel, supporting its fleet in aligning with international decarbonisation standards.

Chinese Mainland

- The Group signed a strategic cooperation agreement with CIMC Enric Holdings Limited to explore the application and promotion of green methanol technologies.

- The Group signed agreements with Veolia China and SIPG Energy (Shanghai) Co., Ltd. to jointly establish a green fuel supply ecosystem encompassing feedstock collection, production and bunkering.

Other Regions

- The Group completed the delivery of green methanol to two Korean vessels "HMM Green" and "HMM Forest", and two Singapore-based shipping companies, namely Golden Island and Global Energy.

- The Group signed a cooperation framework agreement with the Royal Vopak to explore the establishment of green methanol storage and bunkering infrastructure at ports across Chinese mainland, Hong Kong and Asia, thereby enhancing the regional supply network.

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

Hydrogen

Hydrogen, characterised by its high energy density and zero-emission profile, producing only water vapour upon combustion, represents a clean energy solution with substantial decarbonisation potential across the transport, power generation, and energy storage. Leveraging over 160 years of hydrogen handling experience, the Group is uniquely positioned to develop its hydrogen business through an extensive 3,700 km town gas pipeline network, which currently supplies town gas containing approximately 50% hydrogen.

Towngas is actively boosting Hong Kong's hydrogen ecosystem through a comprehensive value chain, from production to storage and application. Through strategic collaborations, we are committed to establishing a stable, safe, and scalable hydrogen infrastructure that underpins Hong Kong's transition towards carbon neutrality.

Driving Hong Kong's Hydrogen Value Chain

Upstream: Hydrogen Production

In addition to extracting hydrogen from the gas pipeline network, the Group has initiated Hong Kong's first green hydrogen project at the SENTX. By utilising biogas, this facility can produce approximately 330 kg of green hydrogen daily to provide clean energy for distributed energy applications. Furthermore, plans are underway to replace diesel generators at construction sites with hydrogen power generator sets, thereby realising a circular economy through the waste-to-energy conversion.

Midstream: Storage and Distribution

Towngas signed an MoU with Linde HKO Limited (Linde HKO) to advance its upstream and midstream hydrogen operations. We will supply hydrogen produced in Hong Kong to Linde HKO, which will compress and store it in suitable containers before distributing it to downstream customers such as construction sites and hydrogen refuelling stations. This collaboration lays the groundwork for future large-scale application of hydrogen in Hong Kong.

Downstream: Application and Promotion

Towngas is actively deploying various pilot projects and collaborating with new energy equipment manufacturers to explore low-carbon energy solutions, including pioneering hydrogen power generation, promoting green construction sites, and expanding hydrogen applications across the building, transport, and industrial sectors. Key projects for this year include:

- Partnered with Hong Kong Science and Technology Parks Corporation to launch Hong Kong's first public electric vehicle (EV) automatic hydrogen charging project, for EV charging stations within the Science Park;
- Supplied electricity for the golf event at the 15th National Games by utilising the first integrated hydrogen power generator in Hong Kong to power the competition venue;
- Collaborated with the Construction Industry Council to drive green construction site development.

Sustainable Aviation Fuel

Produced from biomass feedstock such as waste plant-based oils and agricultural and forestry waste, SAF serves as a low-carbon alternative to conventional aviation fuel. The Group focuses on converting biomass waste into SAF, hydro-treated vegetable oil (HVO), and cellulosic ethanol. EcoCeres, a company incubated by the Group, in which we hold a strategic equity stake, successfully commenced operations at its new plant in Johor, Malaysia, during the year. This expansion will increase the company's total annual production capacity of renewable fuels from 350,000 tonnes to 770,000 tonnes, effectively doubling its output.

EcoCeres has entered into strategic partnerships with various airlines; notably, its collaboration with British Airways aims to support the airline's commitment to powering 10% of its flights with SAF by 2030.

Urban Waste Utilisation

The Group's two food waste processing plants in Suzhou and Tongling recovered approximately 8,000 tonnes of used cooking oil (commonly known as "gutter oil") throughout the year, which serves as a primary feedstock for EcoCeres to produce SAF. Concurrently, the Group converts food waste into bio-natural gas, which is fed into the pipeline network following purification to promote the circular economy. During the year, the Group's food waste treatment plants produced nearly 10 million m³ of bio-natural gas for the city-gas pipeline network.

Record Bio-Natural Gas Supply for Mondelez's Transition Toward a Low Carbon Factory

The organic waste treatment collaboration between Hua Yan Environmental Industry Development (Suzhou) Co., Ltd. (Hua Yan Environment) and Mondelez is progressing steadily. It supplies substantial volumes of bio-natural gas to Mondelez every year, enabling Mondelez's Hudong factory to transform towards a low-carbon factory. This year, Hua Yan Environment delivered approximately 6.18 million m³ of bio-natural gas to both the Hudong and Huxi factories of Mondelez, marking a new record high.

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

Renewable Energy

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 needs. 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 amounted to 1,041 MWh, recorded electricity sales transactions of 8.4 billion kWh, and 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, we issued the "Zero-Carbon Smart Green Asset-Backed Securities Programme (Carbon Neutral)" ("Quasi-REITs") in three tranches, with an aggregate amount of approximately RMB1.8 billion. Additionally, 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.

Anhui Province's Largest Consumer-Side Energy Storage Project Commissioned

In May 2025, the Group and Tianneng Group jointly commissioned a 37.5 MW/100.5 MWh energy storage power station in He County, Ma'anshan, Anhui. As the largest consumer-side energy storage project in Anhui province, this facility is capable of storing 100,000 kWh of electricity within three hours, sufficient to meet the daily electricity consumption needs of 3,000 households. The project adopts a synergistic "photovoltaic + energy storage + electricity sales" model, integrating digital platforms and AI technology for efficient operation and maintenance. It participates in peak-valley regulation within the electricity market, which significantly enhances energy efficiency and reduces electricity costs for the industrial park. It is anticipated to reduce carbon emissions by approximately 50,000 tonnes annually.

Driving Innovation through Collaborative Partnerships

The Group actively identifies forward-looking and innovative technologies, assisting in the incubation of start-up projects and supporting the R&D of decarbonisation technologies.

Through collaborations with international institutions and universities, we enhance our research capabilities and drive innovation. The Technology Application Centre (TAC) serves as the Group's unified platform for R&D and innovation implementation, coordinating resource allocation across various business segments to build an open and collaborative technology ecosystem.

Key New Projects

- AI-based gas imaging
- Integrated testing platform for the smart microgrid
- Green gas value chain technology development

Intellectual Property

- **9** invention patents and **1** design patent granted
- **22** invention patent applications submitted and **5** software copyrights registered

Breakthrough in Hydrogen Monitoring: R&D of Thermal Conductivity Hydrogen Sensors

To address demands for hydrogen safety monitoring and overcome the long-standing reliance on imported high-performance sensors, TAC formed an industry-academia-research consortium with Huibeichuan, Tsinghua University, and M-TECH Metering Solutions Company Limited to jointly develop proprietary thermal-conductivity hydrogen sensors. Through structural optimisation and the adoption of advanced thermosensitive materials, the team achieved significant breakthroughs in sensitivity, response speed, service life, and miniaturisation. During the year, the product successfully passed third-party testing and obtained certification from the China National Accreditation Service for Conformity Assessment (CNAS).

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

Jointly spearheaded by Towngas and Full Vision Capital Limited (Full Vision Capital), the TERA-Award offers a US$1 million top prize alongside strategic partnerships, expert mentorship and industry resources for the winner. This initiative serves as an international accelerator platform for smart energy and zero-carbon technologies, fostering innovation from concept to application.

TERA-Award Driving Global Collaboration in Energy Innovation

The fourth TERA-Award reached a new record in scale, attracting a total of 785 participating projects from 76 countries and regions worldwide, covering multiple sectors including renewable energy, energy storage and conversion, green fuels, and hydrogen. For the first time, the awards ceremony of the competition was held outside Hong Kong, relocating to University of Cambridge, in the United Kingdom. The event attracted over 100 global energy leaders, entrepreneurs, scientists, investors, and academics, marking a pivotal step in the competition's global expansion and highlighting its important role in bridging energy innovation between East and West.

Winners:

Gold Award
Barocal (UK): A high-efficiency solid-state cooling and heating system based on 15 years of research at the University of Cambridge, which eliminates the use of polluting refrigerant gases.

Silver Award
Feon Energy, Inc (USA): AI-driven lithium metal batteries that suppress dendrite growth via novel electrolytes, enabling safe, high-performance, and commercially viable energy storage.

Bronze Award
Syzygy Plasmonics (USA): Photocatalytic reactors that convert biogas into SAF, with modular design supporting global deployment.

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, constructing and operating renewable energy facilities, and utilising biomass, while continuously increasing low-carbon investments.

This year, the performance of the Group's low-carbon business and natural gas business on the Chinese mainland in accordance with the "Chinese Taxonomy"[10] is as follows:

Revenue
5%

Investment
131%

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 ICP on a monthly basis 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.

[10] 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.

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

Green and Sustainable Finance

As at the end of the year, the Group's cumulative green and sustainable financing has exceeded HK$7.5 billion, demonstrating our sustained commitment to advancing low-carbon transition.

2017

Green Bonds

The Group established the Green Bond Framework and obtained a Second-Party Opinion Report from an independent external organisation to raise funds amounting to HK$600 million and JPY2 billion

2021

ESG Loans

The Group secured ESG loans totalling HK$2 billion, linked to ESG key performance indicators

2022

Sustainability-linked Bonds

The Group's subsidiary, Towngas Smart Energy Company Limited (Towngas Smart Energy), developed the Sustainability-Linked Financing Framework and successfully issued a US$200 million sustainability-linked bond

Green Loan

Towngas Smart Energy arranged a 7-year green loan of RMB500 million which was fully invested in photovoltaic power generation systems

2023

Panda Bonds

Towngas Smart Energy issued Panda Bonds totalling RMB1.5 billion on the Chinese mainland, of which RMB500 million were sustainability-linked Panda Bonds. These represent the first sustainability-linked Panda Bonds issued by a Hong Kong enterprise on the Chinese mainland

2024

Towngas Green Supply Chain Finance Programme

Towngas collaborated with the HSBC to launch the first sustainability-linked supplier payment programme in Greater China to advance low-carbon transition within the supply chain

Green Loan

Towngas Smart Energy obtained a RMB500 million green loan, which has been fully invested in photovoltaic power generation systems

Zero-Carbon Smart Phase 1 Green Asset-Backed Securities Programme (Carbon Neutral)

Towngas Smart Energy issued the first "Quasi-REITs" product for industrial and commercial distributed photovoltaic and energy storage. It was the first "Quasi-REITs" successfully issued by a Hong Kong-invested company on the Chinese mainland market, with initial issuance of RMB515 million

2025

Zero-Carbon Smart Phase 2 Green Asset-Backed Securities Programme (Carbon Neutral)

Towngas Smart Energy completed phase 2 issuance in an amount of RMB470 million

Zero-Carbon Smart Phase 3 Green Asset-Backed Securities Programme (Carbon Neutral)

Towngas Smart Energy completed phase 3 issuance in an amount of RMB812 million

For more information about our green and sustainable finance development, please visit the Towngas 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

Co-Creating Value through Energy Efficiency Management

"Gas+" business achieved energy sales of **2.87 billion kWh**

Exceptional Energy Efficiency

Electricity consumption in the North Point Headquarters building reduced by **17%** from 2015 baseline (Target in 2025: Achieved)

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.

For more information about the management approach, please visit the Towngas website:

- Biodiversity
- Resource Management
- Air Emissions

Policies

- Climate Change Policy
- Environmental Policy
- Sustainable Purchasing Policy

Safeguarding Nature and Ensuring Diverse Coexistence

In active response to the TNFD framework, the Group 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.

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 Hong Kong Biodiversity Strategy and Action Plan, and the China Biodiversity Conservation Strategy and Action Plan (2023-2030).

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

Jilin Towngas: 17 Years of Safeguarding Biodiversity on Changbai Island

Since 2008, Jilin Hong Kong and China Gas Company Limited (Jilin Towngas) has partnered with volunteers, devoting itself to ecological restoration on Changbai Island along the Songhua River for 17 consecutive years. Faced with a once-barren environment, our volunteer team undertakes waste removal, vegetation restoration and the innovative construction of nesting boxes and artificial wetlands to address the challenges faced by migratory birds during overwintering and breeding seasons.

Through winter feeding and habitat optimisation, the population of migratory birds on the island has surged from hundreds to nearly 10,000, with rare species such as the Scaly-sided Merganser returning to inhabit and breed. The project has been upgraded into an Ecological Education Centre, mobilising employees' families and local citizens to participate in conservation initiatives. This initiative not only significantly enhances biodiversity but also underscores the Group's long-term commitment to green philanthropy and fostering community cohesion.

Biodiversity Education: Raising Public Awareness

We persistently implement diverse approaches to enhance biodiversity awareness and foster public engagement, aiming to cultivate community understanding and drive actions towards nature conservation.

Towngas Green Flame "Exploring Our Natural World" Parent-Child Comic Strip Competition

Towngas encouraged participants to unleash their creativity by sketching a beautiful vision of harmonious coexistence between humans and nature in their comic creations, thereby raising social awareness of biodiversity and environmental conservation.

"Conservation Journey" at Ocean Park

Towngas invited the winning and shortlisted parent-child pairs from the comic strip competition to Ocean Park for a "Conservation Journey" activity. Through on-site visits, close encounters with animals, and professional sharing, these initiatives deepened their understanding of local ecology and conservation work.

"Plantation Enrichment Programme"

To enhance ecological value, Towngas continues to collaborate with the environmental group The Green Earth on the "Plantation Enrichment Programme", planting native tree seedlings alongside the public and other stakeholders to promote biodiversity conservation.

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

We place great importance on the Group's energy use and strive to reduce our energy consumption by actively improving energy efficiency and adopting new energies. Furthermore, we encourage our customers to join us in energy conservation efforts, accelerating the low-carbon transition and forging a sustainable future.

An energy audit completed at the North Point headquarters building in 2023 identified opportunities for energy conservation and cost savings. We are upgrading to high energy efficiency equipment such as air handling units and passenger lifts to enhance the building's overall energy efficiency. By the end of 2025, our electricity consumption had decreased by 17% from 2015 baseline, successfully meeting our energy conservation targets. During the year, the Tai Po Gas Production Plant introduced a boiler water preheating system, utilising waste heat generated during production to replace traditional low-pressure steam heating. This improvement is estimated to yield substantial energy savings annually, while reducing carbon and steam emissions.

We continue to explore and introduce clean energy solutions, enabling on-site generation and use of renewable electricity through the deployment of photovoltaic systems to enhance self-sufficiency.

Promoting On-Site Photovoltaic Power Generation to Optimise the Energy Mix

The Group's salt cavern gas storage facility in Jintan District, Changzhou, is equipped with a 0.5 MW rooftop photovoltaic power generation system. The system powers our own operations and feeds excess electricity into the grid, further enhancing green energy utilisation.

We have developed the city's largest-scale integrated wastewater treatment and photovoltaic project in Suzhou, with an installed capacity of 5.72 MW. To date, the total installed capacity of our "wastewater + photovoltaics" systems has reached 9.712 MW, covering all wastewater treatment plants currently in operation. The electricity generated is prioritised for powering the plants' equipment, with a long-term goal of increasing our energy self-sufficiency rate to 20%.

Environmental Stewardship – Upholding Environmental Responsibility and Harmony with Nature

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.

In Hong Kong, the Group continues to refine the design of residential appliances with the objective of achieving an overall 2% improvement in energy efficiency by 2030. For commercial and industrial clients, we have developed Internet of Things (IoT) capabilities to collect data from gas appliances for energy assessment or preventive maintenance, thereby enhancing kitchen efficiency and management.

On the Chinese mainland, gas appliances under our "Bauhinia" brand have consistently achieved the Grade 1 energy efficiency rating since the inception of the China Energy Label for gas products. Furthermore, through leveraging IoT and big data technologies, we have established a real-time gas consumption monitoring system for customers that tracks usage across the three-tier time dimensions of "annual – monthly – daily". By integrating data on users' equipment types, the system builds a refined energy consumption database spanning from individual households to the community level. This system not only identifies energy-saving potentials across different scenarios, but also facilitates personalised energy conservation strategies, thus significantly enhancing the effectiveness and execution efficiency of energy-saving measures.

First Eco-Friendly Gas Appliance Design Competition

To support the transformation and upgrading of the catering industry in Hong Kong, Towngas launched the first "Excellence in Green Appliance Competition Award (Steam Cabinet)", with an aim of encouraging catering equipment suppliers to enhance appliance efficiency and support the sustainable development of the industry. Several award-winning designs have been successfully adopted by restaurants in Hong Kong, achieving energy savings and emissions reductions, while simultaneously enhancing kitchen efficiency.

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 2.87 billion kWh.

Jincheng Mansion: Energy Retrofitting for Carbon Goals

The energy retrofit project at Jincheng Mansion in Wujiang, Suzhou, achieved significant efficiency gains through the implementation of various energy-saving measures. These included integrating an intelligent control system powered by artificial intelligence (AI) into the central air conditioning system, replacing all lighting with LED fixtures, and adding electrical vehicle (EV) charging stations to public parking spaces. Post-retrofit, the project achieved an average annual energy savings rate of 16%, with annual electricity savings of approximately 219,000 kWh. This is equivalent to an annual reduction of approximately 120 tonnes of carbon emissions, effectively supporting the client in meeting their energy conservation and carbon reduction targets.

Danyang Fala Electronics: Smart System Integration for Enhanced Energy Efficiency

The Group provides integrated energy services for Danyang Fala Electronics, consolidating its air conditioning, compressed air, hot water, EV charging, and gas systems. By implementing a smart energy digital platform, the project has achieved a 30% improvement in overall energy efficiency, delivering 790,000 kWh in annual electricity savings and reducing carbon emission by approximately 460 tonnes.

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.

Environmental Stewardship – Upholding Environmental Responsibility and Harmony with Nature

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 and achieve an annual water efficiency target of no less than 96%. 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.

At North Point Headquarters, water efficiency has been significantly enhanced through the installation of rainwater harvesting systems and smart washroom facilities with leak detection sensors. At the Tai Po Gas Production Plant, three reverse osmosis systems have been installed to achieve an annual water savings of 131,000 m^3. On the Chinese mainland, the Group has implemented water conservation and wastewater control measures, strengthening monitoring and preventive efforts. During the year, the Group had no reportable effluent spills.

Smart Water Management to Enhance Resource Efficiency

The Group actively applies next-generation information technologies such as IoT, big data and AI to establish a comprehensive smart water management system. As a demonstration project, Wujiang Hong Kong & China Water Co., Ltd. has launched a smart leakage control platform, deploying real-time pressure and flow monitoring equipment across its entire network. By integrating Geographic Information System (GIS), revenue data and equipment operational data, this platform enables precise identification of vulnerable pipeline sections, intelligent early warning of abnormal leakage, and rapid closed-loop remediation. These efforts have significantly reduced the network's leakage rate from 25% to 6%, delivering a significant improvement in water efficiency.

Waste Treatment

The Group adheres to the "5R" principle[11] to advance waste reduction and resource management. It actively engages customers, partners, suppliers and the public to co-create a circular economy 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 circularity.

Towngas received **"Wastewi$e Certificates" at the Excellence Level** for **24 consecutive years**

To further promote resource recycling and green consumption, the Group continues to implement the gas appliance recycling programme. In Hong Kong, used appliances collected through the programme are channeled to recycling partners, with all proceeds dedicated to supporting environmental protection projects. On the Chinese mainland, we minimise waste while promoting energy conservation and emission reduction through a "renewal + recycling" closed-loop model and a comprehensive service system.

Recycled **1,260 tonnes** of metal from old appliances (Hong Kong)

Emission Reduction and Pollution Control for Cleaner Air

The control of air pollutant emissions remains an essential component of environmental management efforts. While strictly adhering to local environmental regulations, we systematically advance the reduction of nitrogen oxides (NO_x), sulphur oxides (SO_x) and respirable suspended particulates from our two major emission sources of fuel combustion and transport vehicles.

To reduce exhaust emissions from fuel combustion, we prioritise emission monitoring at chemical plants and implement efficient management measures. Furthermore, in daily operations, we are progressively replacing petrol vehicles in the existing fleet with EVs to lower exhaust emissions and promote green travel.

Air Pollution Prevention and Control

The Group continues to enhance air pollution prevention and control across its operations. Suzhou Industrial Park Qingyuan Hong Kong & China Water Co., Ltd. capped and enclosed odour sources at wastewater treatment plants and pumping stations, applying a combined "chemical scrubbing and biological soil filtration process" to achieve treatment performance exceeding regulatory requirements.

Meanwhile, the methanol production plant in Inner Mongolia Autonomous Region strengthened controls on dust and volatile organic compound (VOCs) emissions, including the centralised collection and treatment of high-concentration VOC sources, supported by regular monitoring and maintenance of dynamic and static seal points.

Moreover, we are advancing distributed photovoltaic projects to substitute conventional fuels with clean electricity, thereby significantly reducing exhaust emissions throughout energy production and consumption. We are also actively exploring hydrogen applications in transport and construction site power generation, while developing green methanol and sustainable aviation fuel (SAF) to support exhaust emissions reductions across land, sea and air transport industries. 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.

[11] 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

0 employees and contractors fatalities[12]

Completed over **18.33 million** household safety inspections (Chinese Mainland)

Diversity and Equity in Employee Development

Average training hours per employee: approximately **64.8 hours**

Gender pay ratio (base salary): **1:1** (Hong Kong)

In-Depth and Integrated Community Relationships

Towngas Community Relations Focus Team marked its **25th anniversary**

[12] Refers to the number of fatalities as a result of work-related injury.

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.

For more information about the management approach, please refer to visit the Towngas website:

- Health and Safety
- Employee Engagement
- Community Engagement

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, striving 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 155 internal Health, Safety, and Environment (HSE) internal audits at its project companies on the Chinese mainland and performed specialised Process Safety Management (PSM) audits at chemical plants. In addition, the Group carried out various inspection activities strengthening the implementation of supervisory and management measures through on-site inspections, while also 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.

Hong Kong

Completed **389** scheduled and unscheduled safety specialised inspections of routine operations

Chinese Mainland

Carried out systematic inspections of high-risk work environment across **145** project companies under Mainland Gas Business, with **100%** rectification of all identified hazards through the establishment of checklist-based rectification ledger

People-Centric – Empowering People to Build a Sustainable Future

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.

Hong Kong

Conducted approximately **1.15 million** regular safety inspections

Chinese Mainland

Conducted over **18.33 million** household safety inspections

Conducted comprehensive safety inspections of over **700** commercial complexes to identify potential safety hazards

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 artificial intelligence (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.

Innovating Safety Products

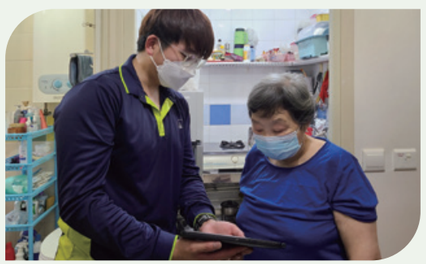
For our customers' products, we leverage IoT technology to develop smart appliances, controllers, and meters equipped with remote monitoring and automatic gas cut-off functions. These devices enable immediate response to abnormal usage or leaks, ensuring comprehensive gas safety.

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

The Group's innovative solution, "Towngas LifeStyle Cloud Shield", adopts 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. Looking ahead, we will continue to advance technological innovation and comprehensively upgrade the integrated capabilities of "Towngas LifeStyle Cloud Shield" to create a safer and more stable gas usage environment.

"Gas Guardian Care Network" Pilot Programme

To address the household safety needs of vulnerable singleton and doubleton elderly households in Hong Kong, Towngas has partnered with the Hong Kong Federation of Trade Unions to launch the "Gas Guardian Care Network" pilot programme. The programme utilises smart meters to continuously monitor the daily gas usage patterns of elderly residents. If no gas usage is recorded for two consecutive days, the system will send alerts to their carers, minimising the risk of delayed assistance arising from sudden health changes or domestic accidents. This pilot programme aims to reach 1,000 high-risk grassroots elderly households, with the first phase covering 100 elderly households from multiple public estates across Hong Kong, facilitating the integration of gerontechnology to support a safer community.



Occupational Health and Safety

We strive to build a safe and reliable working environment through 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

Hong Kong : **26,651 hours**

Chinese Mainland: **538,077 hours**[13]

To further enhance management standardisation, Towngas and its 55 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 work-related injuries, particularly for high-risk operations, we have organised 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.

Fatalities[14] **(Employees and Contractors)** **0**

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

Employees: **0.25**
(Target in 2025: Achieved)
(Target in 2026: 0.6)

Contractors: **0.13**

[13] The calculation methodology was revised in 2025. Based on the new standards, the total safety training hours for 2024 amounted to 476,329 hours.

[14] Refers to the number of fatalities as a result of work-related injury.

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 via a video conferencing system.

In Hong Kong, we launched a series of contractor safety enhancement training programmes. Through in-depth reviews of past incidents, hands-on trainings with personal protective equipment, and analysis of risk control strategies, we have significantly strengthened our contractors' safety awareness and practical capabilities. Together with our contractors, we are building a safer and more reliable collaborative ecosystem. On the Chinese mainland, 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 frontlines 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 actively engages with communities and schools to deliver 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 **2,917** specialised inspections
- Held **650** emergency drills
- **38,077** safety training attendances
- Organised over **1,000** 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.

To further advance talent cultivation and workforce development, the Group has established the Towngas Training Institute (TTI) since 2009. Through different technician trainee programmes and training courses, we attract young people to join the industry while improving the competency of frontline engineering personnel. This not only safeguards the quality and safety of gas engineering works but also ensures the continued inheritance of the Group's outstanding service standards and safety culture.

In 2025, the Group partnered with the Employees Retraining Board for the first time and successfully recruited 12 new hires to the gas engineering workforce to alleviate the shortage of frontline technicians. The TTI also collaborates with social training organisations and tertiary institutions to promote its curriculum framework across the industry. Through the development of professional technical training, the Group has contributed a large pool of knowledge-based, technically skilled and innovative talent to both the organisation and the wider industry. During the year, the Group continued to collaborate with the Vocational Training Council to launch the fourth "Professional Diploma in Gas Engineering" programme. The Group also renewed our Memorandum of Understanding with City University of Hong Kong to extend the "Industry Ready Programme". Through dispatching industry practitioners as lecturers and offering internship opportunities, we nurture a new generation of talent equipped with innovative mindsets and professional skills, promoting energy transition and sustainable development in Hong Kong.

On the Chinese mainland, the TTI has broadened its training programmes to meet the Group's growing demand for professional gas technical training, enhance training efficiency, and expand employee training coverage in achieving the objectives of training with quantity, quality, and recognition. The TTI identifies suitable professional technical training organisations and accredits their courses, leveraging collaboration to ensure safe and high-quality operations. Since 2021, the Group has been building a network of accredited training institutions. To date, 12 Group-recognised institutions cover all six business regions and offer diverse types of authorised courses.

Average Training Hours per Employee: approximately **64.8 hours**

Average Training Spend per Employee: approximately **HK$1,234**

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.

In Hong Kong, the Group launched the "Empowering the Future with AI" training series, designed to enhance AI awareness among mid-to-senior level management, stimulate innovative thinking, and support both business operations and individuals in achieving digital transformation for a smarter future. We also introduced the "Living with AI" series, which shares AI-related knowledge and applications through email newsletters. This initiative is further supported by "AI Lunch & Learn" sessions, providing employees with practical AI application skills.

On the Chinese mainland, 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 mainland employees, 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.

During the year, we continued to promote and encourage the recruitment of persons with impairments, fostering a culture of equality and inclusion, and ensuring fair opportunities for all employees. Meanwhile, we actively participated in external events, such as the "Employment Inclusivity Forum" organised by the Hong Kong Polytechnic University, where we exchanged practical experiences and insights on inclusive employment with industry peers. Internally, we organised a "Diversity, Equity and Inclusion Day", using various disability-simulation activities to enhance employees' understanding and promote respect for diversity.

	Hong Kong	Outside Hong Kong
Gender Ratio (Male to Female)	3.3:1	2.3:1
Proportion of Female Managerial Employees	26%	21%

Gender Pay Ratio (base salary)
1:1 (Hong Kong)

Non-Local Employees
66

Employees with Impairments
16 (Hong Kong)

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.

Employee Satisfaction Rate (Renewable Energy Business):
95.1%

To safeguard the health of employees and their immediate family members, we have been offering multiple support schemes, including a group medical insurance plan, a voluntary dental scheme, subsidised seasonal influenza vaccinations, and in-house clinic services. We also provide additional paid leave for eligible employees who need to take care of seriously ill family members.

The Group continues to organise a variety of activities to holistically support employees' physical and mental well-being, as well as to promote work-life balance. This year, the Group launched a series of activities such as the "Towngas Sports & Recreation Club 7-a-side Football Tournament", the "Turnip Cake with XO Sauce" creative cooking class, and the "Golf Experience Day", enriching the leisure lives of our employees.

Dragon Boat Race Promotes Employee Cultural Exchange

In 2025, the Towngas Dragon Boat Team competed in a number of major events. Driven by the team spirit of "one boat, one heart", the team achieved an impressive record of four championships, five second-place awards, two third-place awards and one fourth-place award. During the same period, our 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.

	Hong Kong	Outside Hong Kong
Employees Participating in Volunteer Services	563	12,141
Volunteer Service Hours	17,303 hours	200,385 hours
Number of Beneficiaries	552,469	172,244

Charitable Donations: approximately **HK$11.9 million**

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 social harmony and prosperity while spreading warmth and positive energy. In Hong Kong, beyond community visits and outreach, we also introduced innovative services tailored to the needs of different community groups. These included providing nearly 10,000 free soft meals to elderly residents in care homes, organising a cooking competition for visually impaired individuals as well as launching the "Farming for Charity" project.

"Mooncakes for the Community"	320,000
"Rice Dumplings for the Community"	180,000
"Soup to Warm the Heart"	28,000

On the Chinese mainland, we continued to organise the "Rice Dumplings for the Community" initiative, with more than 60 project companies participating. We distributed over 23,000 rice dumplings to social welfare organisations and people in need, with total in-kind donations valued at approximately HK$300,000.

In addition to the participation of employees and contractors, the Group actively encourages customers to engage in community and volunteer activities, working hand-in-hand to create shared value for the community. These customer volunteer activities are supported by the 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.

"Community Relations Focus Team" 25 Years of Community Care

In 2000, Towngas established the Community Relations Focus Team, dedicated to maintaining long-term and close ties with local communities. The team proactively identifies district needs, organises a wide range of community activities, and remains committed to supporting vulnerable groups, thereby fostering social harmony and sustainable development. Beyond regular community care efforts, the team mobilises swiftly during emergencies to provide immediate support to those in need.

This year, the team demonstrated exceptional responsiveness during adverse weather. When a black rainstorm warning was in effect, we swiftly transformed the planned 25th annual dinner into a community care initiative, distributing meals to residential care homes for the elderly. Moreover, following a fire incident in Tai Po, the team promptly coordinated resources to provide on-the-ground assistance to affected residents, helping the community navigate the difficult situation.

Looking ahead, Towngas will continue to deepen collaboration with the community and its stakeholders, proactively address societal needs, and further reinforce the Group's positive impact at the community level.

People-Centric – Empowering People to Build a Sustainable Future

"Chef Anchor 3.0" Cognitive Training

Since 2017, Towngas has collaborated with the Hong Kong Sheng Kung Hui Welfare Council to implement the "Chef Anchor" programme, which integrates "procedural memory" techniques into cooking recipes, enabling the elderly to engage in cognitive training through the cooking process. In 2025, the programme was further enhanced with the launch of "Chef Anchor 3.0", which introduced new core elements of the "DementiAbility Methods™". It supports seniors with mild or early-stage dementia in enjoying cooking while enhancing their participation in daily life, and also helps caregivers learn when to appropriately step back. At the "Chef Anchor 3.0" cooking competition, 20 pairs of elderly participants and caregivers worked together to cook with open flames. Through the preparation of familiar home-style cuisine, the event preserved family memories and showcased the potential and capabilities of seniors.

A controlled study conducted over more than a year by the School of Nursing, the University of Hong Kong, confirmed the programme's remarkable effectiveness. Cooking training that integrates "DementiAbility Methods™" with "procedural analysis-based recipes" resulted in significantly greater improvements in family harmony, cognitive function and cooking confidence among elderly participants in the intervention group compared to the control group, while also helping elderly participants regain confidence.

"Towngas-WSD Volunteer Team" Cross-Sector Community Support

Towngas and the Water Supplies Department (WSD) jointly established the "Towngas-WSD Volunteer Team", combining the resources and expertise of both organisations to provide volunteer services to those in need in the community and create greater social impact. Various activities were held during the year, including a Chinese New Year event titled "Flame × Flow Celebration for a Prosperous Year of the Snake" for residents of transitional housing in Tseung Kwan O, and a Dragon Boat Festival rice dumpling wrapping event for seniors whose family members have emigrated.

A key initiative was participation in the "Caring for Elderly and Delivering Safety" programme organised by the Senior Citizen Home Safety Association. The volunteer team visited singleton and doubleton elderly households, delivering care and gift packs while assisting with the equipment testing of the "Care on Call ™" emergency alarm service to enhance their household safety. The programme brought together over 500 volunteers who visited nearly 500 homes, explaining the functions of the Personal Emergency Link (PEL) devices, checking their operation, encouraging seniors to build social connections, and providing referrals and support services when necessary.

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. For example, we partnered with The Green Earth to restore native woodlands and sponsored the photography competition organised by the Hong Kong Biodiversity Museum. We actively 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.

"Towngas Green Flame" Igniting the Dreams of Future Innovators

Since the launch of the "Towngas Green Flame Energy Scientist Programme" in 2023, the Group has deepened students' early awareness of the importance of energy transition and nature conservation through school talks, educational sponsorships, and off-campus visits. Centred on this year's theme of "Biodiversity", the programme aimed to heighten students' understanding of ecological conservation, and attracted participation from over 40 primary schools across Hong Kong.

During the summer holidays, Towngas partnered for the first time with the Hong Kong's original character B.Duck to host a four-day "Towngas Green Flame STEAM Summer Camp", attracting approximately 200 student participants. Themed around four major professions: "Engineer, Scientist, Inventor, Ecologist", the camp featured interactive talks, DIY workshops, visits, and competitive games. Together with case sharing by industry experts, the programme guided students to explore environmental and energy science, stimulating their interest in the fields of Science, Technology, Engineering, Arts, and Mathematics (STEAM), laying the foundation for nurturing a next generation equipped with a sustainability-oriented mindset.

Low-Carbon Initiative to Increase Environmental Awareness

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", and garnered strong engagement across our project companies. During the initiative, employees teamed up with local communities to advance green actions, planting a total of over 12,000 trees and potted plants. The campaign also promoted the concept of waste upcycling, further elevating environmental awareness among our workforce and the public.

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 in children, empowering them to build self-confidence and become responsible future citizens.

"Career in a Nutshell" Helps Youth Set Sail in the Workplace

The "Career in a Nutshell" programme, organised by Towngas, is a year-long initiative designed for senior secondary students. It offers a wide range of vocational training, including career talks, workplace experience opportunities, and energy industry knowledge, helping students explore their interests and plan their future career paths. The programme attracted 102 students from 11 secondary schools this year.

"Gentle Breeze Movement" Enhancing Learning Environments

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 16 provinces, autonomous regions and municipalities, cumulatively donating educational materials worth over HK$6.14 million to 53 schools, benefiting over 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.

Mainland Internship Opportunities to Nurture Young Talents

Towngas has further expanded its collaborations across public and private sectors to provide more workplace experience opportunities for senior secondary school students. These include the Home Affairs Department's "Career Development and Job Experience Programme", the Hong Kong General Chamber of Commerce's "Business-School Partnership Programme", and the Employees Retraining Board's "ERB Youth Internship Programme", helping students gain valuable experiences that inspire their future development.

The Group also participated in the "Home and Youth Affairs Bureau Scheme on Corporate Summer Internship on the Mainland and Overseas 2025" for the fifth consecutive year, offering internship opportunities on the Chinese mainland to Hong Kong students studying locally and abroad. During the eight-week internship, students were immersed in core operations across multiple cities such as market development, technology and engineering, financial management, and smart kitchen business. Towngas provided structured workplace training and safety knowledge courses to nurture the next generation of talents for the energy industry.

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

Customer Service with Excellence in Quality and Efficiency

100% achievement of targets under the Towngas Service Pledge (Hong Kong)

ESG-Oriented Supplier Management

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

20 suppliers participated in the "Towngas Green Supply Chain Finance Programme", with an annual total purchase amount of approximately **HK$150 million**

[15] Reporting scope includes Mainland City-Gas Business and Renewable Energy Business.

Stakeholders Partnership – Strengthening Value Chain Resilience

Management Approach

To enhance the sustainable development 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.

For more information about the management approach, please visit the Towngas website:

- Customer Experience
- Supply Chain Management

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

The Group's Superior Quality Service (SQS) Programme is the driving force behind our efforts to improve our product and service quality. In Hong Kong, with over 43% of our employees as SQS members, the Group has completed over 2,200 SQS projects over the past 33 years. Beyond improving customer satisfaction, this programme has generated cost savings of approximately HK$750 million for the Group. We also uphold the Towngas Service Pledge, delivering services with friendliness, professionalism and efficiency to meet the highest service standards. During the year, Towngas successfully achieved all service targets under the pledge.

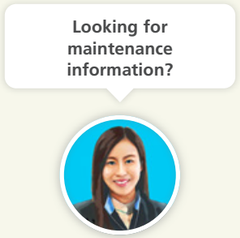
During the year, the Group conducted "Customer Service Quality Special Self-Assessment" for a total of 122 project companies under its Mainland Gas Business. Through systematic evaluation and continuous improvement, the Group strengthened service quality to further enhance customer experience. Customer satisfaction for Mainland Gas Business reached 97.5% during the year.

The "TGSE Chip", an Internet of Things (IoT) security chip jointly developed by Towngas Lifestyle, StarFive and ChinaFive, has been successfully implemented across various smart gas applications on the Chinese mainland since its launch in 2022. Designed on the Reduced Instruction Set Computer V (RISC-V) architecture and integrated with 4G communication modules and IoT technologies, the chip effectively enhances the data security and meter reading efficiency for smart meters. By the end of 2025, the cumulative sales of the "TGSE Chip" have exceeded 6 million units on the Chinese mainland. This year, the Group introduced the chip to the Hong Kong market, where smart meters are being progressively upgraded with the chip and the first batch is already in operation. This innovative solution not only strengthens functions such as remote monitoring, meter reading and data analysis, but also establishes robust protection for user information through an offline security mechanism, enabling Towngas to deliver safer, more convenient and efficient intelligent services.

Stakeholders Partnership – Strengthening Value Chain Resilience

Digital Service Upgrade: Building an AI-Powered Smart Service System

The Group continuously optimises its online service platforms and establishes a customer service system powered by artificial intelligence (AI) to accelerate its service digitalisation. In Hong Kong, approximately 20% of customer inquiries were successfully handled by the round-the-clock AI chatbot Tinny, and over 60% of customers completed maintenance service bookings via self-service platforms. In addition, Towngas has self-developed an AI speech analytics system that operates in an offline mode. The system supports Cantonese speech-to-text transcription, keyword extraction and intelligent categorisation, achieving over 95% translation accuracy and 90% categorisation accuracy while ensuring data security. By analysing customer enquiry data, the system enables effective prediction of business trends and provides solid insights for service optimisation.



Affordability and Accessibility of Products and Services

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.

In Hong Kong, we are committed to promoting inclusive services by providing multilingual customer service hotlines for ethnic minority customers. We also offer bills and gas appliance instructions in Braille for customers with visual impairments, and have provided wheelchair access at customer centres to ensure barrier-free access for people with limited mobility, thereby further improving service accessibility and convenience.

Towngas has also established the "Towngas Concession Scheme" to provide assistance to individuals and households in need, including elderly singletons/elderly couples, people with impairments, single-parent families, and low-income families, thereby alleviating their financial burden in relation to energy expenses. In 2025, the scheme benefited over 41,000 Hong Kong households, with a total amount exceeding HK$37 million.

Accessibility Innovation: Advancing a Visually Impaired-Friendly Experience

Towngas has introduced Cooking Safety Stickers designed for visually impaired users. The tactile, high-contrast colour designs enable customers to operate gas cooking appliances more safely and independently. Designed with orange-black and orange-white colour schemes optimised for high contrast, the product caters to the needs of people with colour vision deficiency and elderly persons with declining vision, demonstrating our commitment to fostering inclusive living through innovative technology. Also, the latest smart meters are integrated with IoT technology, enabling visually impaired users or the elderly to perform meter reading, enquiry and other operations directly via the supporting mobile application and the accessibility function on smartphones.

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 the year, our major procurement categories included natural gas, naphtha, gas appliances, underground pipelines, and related accessories.

Suppliers' Profile by Geographical Location and Expenditure	% (Number of Suppliers)	% (Expenditure Amount)[16]
Hong Kong Business		
Hong Kong	89	41
Chinese Mainland	4	17
Others	7	42
Mainland Gas Business and Renewable Energy Business		
Chinese Mainland	100	100

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

Stakeholders Partnership – Strengthening Value Chain Resilience

ESG Risk Management for Supply Chain

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

Hong Kong Business

100% of the new suppliers acknowledged and committed to complying with the Code of Practice for Suppliers and the Sustainable Purchasing Policy

Mainland City-Gas Business and Renewable Energy Business

100% 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. Other business segments will gradually adopt relevant standards 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.

In Hong Kong, critical tier 1 suppliers are defined as suppliers with purchase values exceeding HK$5 million or those providing non-substitutable products and materials. Non-critical tier 1 suppliers refer to companies that provide non-substitutable products and materials to critical tier 1 suppliers. During the year, we identified 26 critical tier 1 suppliers, accounting for 96% of the total value of products and materials purchased[17]. We have also completed ESG assessments of 36 tier 1 suppliers. The results indicated that 11 of these suppliers presented potential high sustainability risks, and follow-up improvement measures will be implemented accordingly.

In respect of the Mainland Gas Business and Renewable Energy Business, we have identified 54 critical tier 1 suppliers.

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, leveraging the S-Carbon platform to systematically track and analyse greenhouse gas (GHG) 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[18] have used the S-Carbon platform to complete GHG emissions quantification

[17] Based on the total purchase value of products and materials (Hong Kong Business).

[18] Based on the total purchase value of products and materials (Hong Kong Business and Mainland City-Gas Business).

Honoured with the 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.

In 2024, Towngas and HSBC launched a financial initiative, namely the "Towngas Green Supply Chain Finance Programme", which aims to reduce the overall carbon footprint of the supply chain by providing targeted financial support. The Programme is structured into three tiers, with each tier corresponding to different ESG performance requirements. Suppliers at higher tiers are eligible for more favourable loan interest rates, thereby incentivising continuous ESG improvement. The Programme primarily supports suppliers involved in the Group's gas appliance product sales and installation operations.

As of the end of 2025, **20** suppliers participated in the Programme, with a total annual purchase value of approximately **HK$150 million**

Four out of 20 suppliers have advanced to tier 2, and one supplier has progressed to tier 3

Driving Supply Chain ESG Capability Building through Green Finance

This year, the "Towngas Green Supply Chain Finance Programme" invited a third-party organisation to conduct four training sessions, with over 100 suppliers participating. The training covered basic ESG knowledge and environmental data collection methods, helping suppliers deepen their understanding of ESG, standardise data management, and drive sustainable development across the supply chain.

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 and its subsidiaries, unless stated otherwise.

To enhance transparency and comprehensiveness, the codes (**MG, G and RB**) denote reporting scopes of: MG for Mainland Gas Business, G for Mainland City-Gas Business and RB for Renewable Energy Business.

Group Performance

Economic

The scope of disclosures aligns with Towngas' financial reporting. More information is available in the Towngas Annual Report 2025.

	Unit	2025	2024	2023	2022	2021
Operation						
Customers (Hong Kong Gas Business)	Million	**2.06**	2.04	2.02	2.00	1.96
Customers (Mainland City-Gas Business)	Million	**44.3**	42.5	40.2	37.3	35.0
Town gas sales (Hong Kong)	Million MJ	**27,181**	27,159	27,125	27,398	27,677
Gas sales (Chinese Mainland)	Billion m^3	**36.4**	36.4	34.7	32.1	31.1
Financial						
Revenue	HK$ million	**54,326**	55,473	56,971	60,953	53,564
Manpower costs	HK$ million	**4,216**	4,030	3,879	3,741	3,624
Capital expenditure	HK$ million	**5,132**	6,460	8,428	8,321	8,387
Taxation	HK$ million	**1,891**	1,729	2,003	1,859	2,155
Dividends	HK$ million	**6,531**	6,531	6,531	6,531	6,531
Profit attributable to shareholders	HK$ million	**5,688**	5,712	6,070	5,248	5,017

Greenhouse Gas (GHG) Emissions

	Unit	2025	2024	2023	2022	2021
Scope 1 and 2 [1]						
Scope 1	Tonnes CO_2e	**1,352,000**	1,628,000	1,596,000	1,830,000	1,808,000
Scope 2 (location-based)	Tonnes CO_2e	**510,000**	518,000	618,000	673,000	694,000
Scope 2 (market-based)	Tonnes CO_2e	**510,000**	518,000	618,000	673,000	694,000
Total emissions	Tonnes CO_2e	**1,862,000**	2,146,000	2,214,000	2,503,000	2,502,000
Gas Production (Hong Kong)	Tonnes CO_2e	**296,457**	310,105	310,016	329,052	339,068
Scope 3						
Category 1 (Purchased goods and services)	Tonnes CO_2e	**3,242,000**	3,339,000	3,686,000	–	–
Category 2 (Capital goods)	Tonnes CO_2e	**203,000**	259,000	337,000	–	–
Category 3 (Fuel-and-energy related activities)	Tonnes CO_2e	**169,000**	170,000	152,000	–	–
Category 11 (Use of sold products)	Tonnes CO_2e	**20,531,000**	20,669,000	23,133,000	–	–
Other categories [2]	Tonnes CO_2e	**212,000**	198,000	247,000	–	–
Total emissions	Tonnes CO_2e	**24,357,000**	24,635,000	27,555,000	–	–

Note:

1) Data are consolidated using the control approach in the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), emissions prior to 2021 are restated to align the calculation methodology across years.

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

The emission factors used to calculate GHG emissions from electricity consumption are obtained from two local electricity companies in Hong Kong and 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 4 (Upstream transportation and distribution); Category 5 (Waste generated in operations); Category 6 (Business travel); Category 7 (Employee commuting); Category 9 (Downstream transportation and distribution); and Category 12 (End-of-life treatment of sold products).

Key Statistics

Hong Kong Employees

	Unit	2025	2024	2023	2022	2021
Employment Type						
Full-time	Number	**2,434**	2,456	2,402	2,352	2,442
Part-time	Number	**97**	129	144	156	113
Permanent	Number	**2,298**	2,320	2,274	2,226	–
Contract	Number	**136**	136	128	126	–
By gender						
Male	Number	**1,863**	1,893	1,865	1,854	1,900
Female	Number	**571**	563	537	498	542
By age group						
≤35	Number	**685**	694	657	618	607
36-55	Number	**1,120**	1,092	1,082	1,081	1,141
≥56	Number	**629**	670	663	653	694
By employee category						
Managerial employee	Number	**334**	311	293	267	271
Supervisory employee	Number	**969**	967	912	898	901
General employee	Number	**1,131**	1,178	1,197	1,187	1,270
Voluntary Turnover (Number and Rate) [1)]						
Total	Number (%)	**149 (6.1)**	209 (8.6)	255 (10.7)	263 (11.0)	(8.9)
By gender						
Male	Number (%)	**105 (5.6)**	136 (7.2)	185 (9.9)	177 (9.4)	(7.7)
Female	Number (%)	**44 (7.8)**	73 (13.3)	70 (13.5)	86 (16.5)	(13.1)
By age group						
≤35	Number (%)	**54 (7.8)**	83 (12.3)	118 (18.5)	124 (20.2)	(16.4)
36-55	Number (%)	**62 (5.6)**	95 (8.7)	101 (9.3)	104 (9.4)	(8.1)
≥56	Number (%)	**33 (5.1)**	31 (4.7)	36 (5.5)	35 (5.2)	(3.4)
New Recruitment (Number and Rate) [2)]						
Total	Number (%)	**154 (6.3)**	255 (10.5)	340 (14.3)	324 (13.5)	235
By gender						
Male	Number (%)	**111 (5.9)**	168 (8.9)	232 (12.5)	239 (12.7)	158
Female	Number (%)	**43 (7.6)**	87 (15.8)	108 (20.9)	85 (16.3)	77
By age group						
≤35	Number (%)	**82 (11.9)**	143 (21.2)	193 (30.3)	197 (32.2)	152
36-55	Number (%)	**62 (5.6)**	96 (8.8)	128 (11.8)	109 (9.8)	64
≥56	Number (%)	**10 (1.5)**	16 (2.4)	19 (2.9)	18 (2.7)	19

	Unit	2025	2024	2023	2022	2021
Performance and Career Reviews						
Total percentage	%	**89.0**	83.1	81.3	82.0	83.5
By gender						
Male	%	**89.3**	84.9	82.8	83.1	85.1
Female	%	**88.1**	76.9	75.8	78.1	78.2
By employee category						
Managerial employee	%	**92.8**	81.4	78.5	77.5	81.9
Supervisory employee	%	**92.9**	86.3	85.2	86.5	90.7
General employee	%	**84.5**	80.9	78.9	79.6	78.8
Training						
Total	Hours	**125,887**	91,074	56,550	52,759	62,216
Average (per employee)	Hours	**51.7**	37.1	23.5	22.4	21.6
Average training spend (per employee)	HKD	**3,318**	3,432	2,907	–	–
Anti-corruption training	Hours	**1,459**	235	226	1,101	162
Percentage of employees who received anti-corruption training	%	**100**	100	–	–	–
By gender (average training hours and percentage of employees who received training)						
Male	Hours (%)	**47.9 (99.0)**	37.7 (92.3)	25.7 (88.5)	25.2 (95.5)	24.3 (78.6)
Female	Hours (%)	**64.1 (98.9)**	34.9 (85.4)	16.1 (83.6)	12.2 (94.4)	13.5 (68.2)
By employee category (average training hours and percentage of employees who received training)						
Managerial employee	Hours (%)	**20.5 (96.7)**	21.2 (93.6)	14.2 (91.8)	12.1 (92.1)	11.2 (79.6)
Supervisory employee	Hours (%)	**71.2 (99.7)**	43.4 (91.9)	13.3 (86.4)	9.9 (95.7)	12.5 (81.6)
General employee	Hours (%)	**44.3 (99.1)**	36.1 (89.0)	33.6 (87.1)	34.2 (95.7)	29.7 (71.8)

Key Statistics

	Unit	2025	2024	2023	2022	2021
Diversity Ratio (Male to Female)						
By employee category						
Managerial employee	Ratio	**2.8:1**	2.8:1	2.6:1	2.9:1	2.9:1
Supervisory employee	Ratio	**2.3:1**	2.5:1	2.7:1	2.9:1	2.9:1
General employee	Ratio	**5.0:1**	4.9:1	4.7:1	4.9:1	4.3:1
Managerial employee-revenue-generating functions	Ratio	**2.1:1**	2.1:1	2.3:1	2.5:1	–
Gender Pay Ratio (Male to Female)						
Total – Base Salary	Ratio	**1.0:1**	1.0:1	1.0:1	1.0:1	–
By employee category – base salary						
Managerial employee	Ratio	**1.1:1**	1.0:1	1.1:1	1.1:1	–
Supervisory employee	Ratio	**1.1:1**	1.1:1	1.1:1	1.2:1	–
General employee	Ratio	**1.0:1**	1.1:1	1.0:1	1.0:1	–
By employee category – remuneration						
Managerial employee	Ratio	**1.2:1**	1.1:1	1.1:1	1.1:1	–
Supervisory employee	Ratio	**1.1:1**	1.1:1	1.1:1	1.2:1	–
General employee	Ratio	**1.1:1**	1.1:1	1.1:1	1.1:1	–
Parental Leave						
Number of employees that were entitled to parental leave						
Male	Number	**14**	25	21	20	–
Female	Number	**5**	9	4	8	–
Number of employees took parental leave						
Male	Number	**14**	25	21	20	–
Female	Number	**5**	9	4	8	–
Number of employees returned to work in the reporting year after parental leave ended						
Male	Number	**14**	25	21	19	–
Female	Number	**5**	9	3	7	–
Return to work rate						
Male	%	**100**	100	100	95	–
Female	%	**100**	100	75	88	–

Note:

1) Starting from 2022, both "Number of Voluntary Turnover" and "Voluntary Turnover Rate" are disclosed. Numbers prior to 2022 are reported as "Turnover Rate".

2) Starting from 2022, both "Number of New Recruitment" and "New Recruitment Rate" are disclosed. Numbers prior to 2022 are reported as "Number of New Recruitment".

Safety

	Unit	2025	2024	2023	2022	2021
Employees						
Recordable work-related injuries [1]	Number (per 1,000,000 work-hours)	**8 (1.4)**	11 (2.3)	14 (2.8)	19 (4.0)	15 (2.2)
Lost days due to work injuries [2]	Number of work-days	**202**	490	845	657	1,013
High-consequence work-related injuries	Number (per 1,000,000 work-hours)	**0 (0)**	0 (0)	0 (0)	0 (0)	–
Recordable work-related ill health [3]	Number (per 1,000,000 work-hours)	**0 (0)**	0 (0)	0 (0)	0 (0)	0 (0)
Fatalities [4]	Number (per 1,000,000 work-hours)	**0 (0)**	0 (0)	0 (0)	0 (0)	0 (0)
Contractors						
Recordable work-related injuries [1]	Number (per 1,000,000 work-hours)	**3 (0.72)**	4 (1.0)	7 (1.7)	5 (1.3)	5 (1.2)
Lost days due to work injuries	Number of work-days	**579**	144	201	103	–
High-consequence work-related injuries	Number (per 1,000,000 work-hours)	**1 (0.24)**	0 (0)	0 (0)	0 (0)	–
Recordable work-related ill health	Number (per 1,000,000 work-hours)	**0 (0)**	0 (0)	0 (0)	0 (0)	–
Fatalities [4]	Number (per 1,000,000 work-hours)	**0 (0)**	0 (0)	0 (0)	0 (0)	0 (0)

Note:

1) Starting from 2022, "Recordable work-related injuries" replaces "Accident – all industrial injuries" to include traffic accidents. Numbers and rates prior to 2022 are reported as "Accident – all industrial injuries" and "Accident frequency rate".

2) Starting from 2022, "Lost days due to work injuries" replaces "Industrial injury man-days lost". Numbers prior to 2022 are reported as "Industrial injury man-days lost".

3) Starting from 2022, "Recordable work-related ill health" replaces "Occupational diseases". Numbers prior to 2022 are reported as numbers for "Occupational diseases".

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

Key Statistics

Value Chain

	Unit	2025	2024	2023	2022	2021
Customers						
Products sold or shipped subject to recalls for safety and health reasons	%	**0**	0	0	0	0
Customer compliments [1)]	Number	**6,467**	6,014	5,552	5,932	6,170
Customer complaints [1)]	Number	**0**	2	1	3	13
Suppliers						
Critical tier 1 suppliers	Number	**26**	23	22	–	–
Suppliers' profile by geographical location (Hong Kong)	%	**89**	90	90	90	–
Suppliers' profile by geographical location (Chinese Mainland)	%	**4**	4	4	4	–
Suppliers' profile by geographical location (Others)	%	**7**	6	6	6	–
Payment to suppliers by geographical location (Hong Kong) [2)]	%	**41**	38	44	47	–
Payment to suppliers by geographical location (Chinese Mainland) [2)]	%	**17**	18	17	13	–
Payment to suppliers by geographical location (Others) [2)]	%	**42**	44	39	40	–

Note:

1) Includes compliments and complaints with written records.

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

Community

	Unit	2025	2024	2023	2022	2021
Charitable donations [1)]	HK$ million	**11.9**	5.3	4.1	8.6	3.0
Employees participating in voluntary services	Number	**563**	757	695	711	768
Voluntary service hours [2)]	Hours	**17,303**	20,254	14,487	9,329	14,122
Beneficiaries	Number	**552,469**	644,770	547,833	385,773	299,828

Note:

1) Includes charitable donations from the Group.

2) Include service hours from Towngas Volunteer Service Team and Towngas Customer Volunteer Team.

Environmental

	Unit	2025	2024	2023	2022	2021
Energy Consumption						
Natural gas	GJ	**4,268,373**	4,739,124	4,620,309	4,910,984	5,219,173
Naphtha	GJ	**815,230**	639,707	656,650	663,241	671,774
Synthetic natural gas and landfill gas	GJ	**788,623**	427,791	385,042	210,836	135,146
Town gas	GJ	**205,958**	226,148	239,500	222,818	212,420
Diesel	GJ	**11,867**	12,921	13,202	17,193	19,494
Unleaded petrol	GJ	**6,048**	6,880	7,062	7,032	8,587
Electricity	GJ	**382,951**	389,604	394,483	338,941	353,681
Total energy consumption	GJ	**6,479,050**	6,442,175	6,316,248	6,371,045	6,620,275
Water Withdrawal/ Discharge [1)]						
Water withdrawal – from municipal water supplies	m^3 (m^3 per million MJ of town gas)	**1,013,841 (38.0)**	1,076,415 (39.6)	934,286 (34.4)	960,505 (35.1)	992,022 (35.8)
Wastewater discharged – total	m^3 (m^3 per million MJ of town gas)	**119,729 (4.5)**	119,381 (4.4)	120,449 (4.4)	126,809 (4.6)	100,412 (3.6)
Wastewater discharged – to marine water bodies (treated)	m^3	**34,709**	35,076	33,616	28,184	13,870
Wastewater discharged – to sewage	m^3	**85,020**	84,305	86,833	98,625	86,505
Waste Management						
Non-hazardous waste						
Non-hazardous waste landfilled [2)]	Tonnes	**182.7**	219.0	146.8	144.1	160.3
Non-hazardous waste recycled [3)]	Tonnes	**124.1**	79.5	105.7	143.8	154.6
Hazardous waste [4)]						
Chemical waste generated (process related)	Kg (Kg per million MJ of town gas)	**3,397 (0.1)**	10,331 (0.4)	14,147 (0.5)	11,174 (0.4)	48,180 (1.8)
Waste recycled						
Metal – from old gas appliances	Tonnes	**1,260**	1,425	1,432	1,521	1,607
Metal – from construction and maintenance of plant and pipelines	Tonnes	**54**	20	23	73	68
Lead acid batteries	Tonnes	**3.6**	1.9	20.3	10.1	23.5

Key Statistics

	Unit	2025	2024	2023	2022	2021
Air Emissions						
Nitrogen oxides (NO_x)	kg (kg per million MJ of town gas)	**113,570 (4.3)**	102,879 (3.8)	98,040 (3.6)	112,388 (4.1)	107,675 (4.0)
Sulphur oxides (SO_x)	kg (kg per million MJ of town gas)	**727 (0.03)**	638 (0.02)	508 (0.02)	499 (0.02)	402 (0.02)
Packaging Material Use						
Carton	Tonnes	**865**	864	820	920	916
Wood	Tonnes	**20.3**	24.9	17.3	14.7	15.9
Plastic	Tonnes	**1.21**	1.04	1.26	1.27	1.38

Note:

1) For gas production only.

All water is freshwater purchased from and distributed by the HKSAR Water Supplies Department. All wastewater handling procedures comply with the local regulations.

2) Includes the refuse and construction waste collected from our operations. Starting from 2024, the collection scope expanded to improve comprehensiveness.

3) Includes the plastics, papers, paper cartons and metals collected and delivered to recycling contractors. Apart from these waste categories, we also recycle other non-hazardous waste, such as used printing cartridges, on a regular basis.

4) All chemical waste handling procedures comply with the Waste Disposal Ordinance (Cap. 354). We also collect other non-process related hazardous waste, such as rechargeable batteries, fluorescent tubes and obsolete electronic products, and deliver them to licensed recyclers on a regular basis.

Outside Hong Kong

Employees

	Unit	2025	2024	2023	2022	2021
Employment Type						
Full-time	Number	**19,419**	20,330	20,693	21,820	52,637
Part-time	Number	**15**	24	8	3	10
Permanent	Number	**19,419**	20,330	20,693	21,820	–
Contract	Number	**0**	0	0	0	–
By gender						
Male	Number	**13,437**	14,047	14,404	15,302	35,975
Female	Number	**5,982**	6,283	6,289	6,518	16,662
By age group						
≤35	Number	**6,741**	7,997	8,765	9,463	21,846
36-55	Number	**11,394**	11,280	10,958	11,382	28,064
≥56	Number	**1,284**	1,053	970	975	2,727
By employee category						
Managerial employee	Number	**692**	731	732	691	1,149
Supervisory employee	Number	**3,497**	3,835	2,971	3,215	5,380
General employee	Number	**15,230**	15,764	16,990	17,914	46,108
Voluntary Turnover (Number and Rate) [1)]						
Total	Number (%)	**880 (4.4)**	896 (4.4)	868 (4.1)	1,308 (6.0)	(2.6)
By gender						
Male	Number (%)	**640 (4.7)**	692 (4.9)	627 (4.2)	1,036 (6.8)	(2.8)
Female	Number (%)	**240 (3.9)**	204 (3.2)	214 (3.3)	272 (4.2)	(2.1)
By age group						
≤35	Number (%)	**507 (6.9)**	589 (7.0)	604 (6.6)	943 (10.0)	(4.3)
36-55	Number (%)	**319 (2.8)**	280 (2.5)	251 (2.2)	345 (3.0)	(1.4)
≥56	Number (%)	**54 (4.6)**	27 (2.7)	13 (1.3)	20 (2.1)	(0.5)

Key Statistics

	Unit	2025	2024	2023	2022	2021
New Recruitment (Number and Rate) [2)]						
Total	Number (%)	**535 (2.7)**	1,286 (6.3)	1,684 (7.9)	2,086 (9.6)	2,193
By gender						
Male	Number (%)	**397 (2.9)**	881 (6.2)	1,184 (8.0)	1,492 (9.8)	1,535
Female	Number (%)	**138 (2.3)**	405 (6.4)	500 (7.8)	594 (9.1)	658
By age group						
≤35	Number (%)	**360 (4.9)**	947 (11.3)	1,232 (13.5)	1,575 (16.6)	1,690
36-55	Number (%)	**169 (1.5)**	330 (3.0)	418 (3.7)	498 (4.4)	492
≥56	Number (%)	**6 (0.5)**	9 (0.9)	34 (3.5)	13 (1.3)	11
Performance and Career Reviews						
Total percentage	%	**99.2**	98.6	95.5	96.0	–
By gender						
Male	%	**99.3**	98.8	95.8	95.9	–
Female	%	**99.0**	98.3	94.8	96.3	–
By employee category						
Managerial employee	%	**97.0**	97.0	95.9	97.0	–
Supervisory employee	%	**99.2**	98.6	96.9	93.3	–
General employee	%	**99.3**	98.7	95.2	96.4	–
Training						
Total	Hours	**1,289,958**	1,283,444	2,074,140	1,350,836	1,392,042
Average (per employee)	Hours	**66.4**	63.1	100	62	51.5
Average training spend (per employee)	HKD	**976**	1,327	–	–	–
Anti-corruption training	Hours	**24,731**	24,604	–	–	–
Percentage of employees who received anti-corruption training	%	**98.8**	81.3	–	–	–

	Unit	2025	2024	2023	2022	2021
By gender (average training hours and percentage of employees who received training)						
Male	Hours (%)	**69.4 (99.7)**	66.5 (92.4)	102.7 (92.8)	61.8 (97.6)	51.2 (96.6)
Female	Hours (%)	**59.7 (99.2)**	55.6 (89.4)	94.5 (90.7)	62.2 (96.6)	52.1 (95.8)
By employee category (average training hours and percentage of employees who received training)						
Managerial employee	Hours (%)	**86.8 (97.8)**	47.6 (93.3)	60.1 (93.0)	39.8 (97.4)	45.7 (93.2)
Supervisory employee	Hours (%)	**53.5 (99.3)**	53.0 (64.5)	72.0 (87.2)	47.0 (93.9)	46.7 (91.2)
General employee	Hours (%)	**68.5 (99.6)**	66.3 (98.0)	106.9 (93.0)	65.4 (97.9)	52.4 (97.2)
Diversity Ratio (Male to Female)						
Managerial employee	Ratio	**3.8:1**	3.8:1	3.7:1	5.6:1	–
Supervisory employee	Ratio	**2.4:1**	2.3:1	2.5:1	2.5:1	–
General employee	Ratio	**2.2:1**	2.2:1	2.2:1	2.3:1	–
Parental Leave						
Number of employees that were entitled to parental leave						
Male	Number	**154**	259	–	–	–
Female	Number	**115**	173	–	–	–
Number of employees took parental leave						
Male	Number	**154**	259	–	–	–
Female	Number	**115**	173	–	–	–
Number of employees returned to work in the reporting year after parental leave ended						
Male	Number	**154**	259	–	–	–
Female	Number	**112**	171	–	–	–
Return to work rate						
Male	%	**100**	100	–	–	–
Female	%	**97**	99	–	–	–
Legal Rights [3)]						
Coverage of labour contract	%	**100**	100	100	100	100
Coverage of social insurance	%	**100**	100	100	100	100

Note:

1) Starting from 2022, both "Number of Voluntary Turnover" and "Voluntary Turnover Rate" are disclosed. Numbers prior to 2022 are reported as "Turnover Rate".

2) Starting from 2022, both "Number of New Recruitment" and "New Recruitment Rate" are disclosed. Numbers prior to 2022 are reported as "Number of New Recruitment".

3) Reporting scope includes Chinese mainland only.

Key Statistics

Safety

	Unit	2025	2024	2023	2022	2021
Employees						
Recordable work-related injuries	Number (per 1,000,000 work-hours)	**5 (0.11)**	5 (0.12)	6 (0.15)	13 (0.3)	–
Lost days due to work injuries [1)]	Number of work-days	**724**	348	448	395	1,072
High-consequence work-related injuries	Number (per 1,000,000 work-hours)	**3 (0.066)**	0 (0)	0 (0)	0 (0)	–
Recordable work-related ill health	Number (per 1,000,000 work-hours)	**0 (0)**	0 (0)	0 (0)	0 (0)	–
Fatalities [2)]	Number (per 1,000,000 work-hours)	**0 (0)**	0 (0)	0 (0)	1 (0.02)	0
Contractors						
Recordable work-related injuries	Number (per 1,000,000 work-hours)	**0**	1 (0.06)	0 (0)	2	–
Lost days due to work injuries	Number of work-days	**0**	120	0	18	–
High-consequence work-related injuries	Number (per 1,000,000 work-hours)	**0 (0)**	0 (0)	0 (0)	0	–
Recordable work-related ill health	Number (per 1,000,000 work-hours)	**0 (0)**	0 (0)	0 (0)	0	–
Fatalities [2)]	Number (per 1,000,000 work-hours)	**0 (0)**	0 (0)	0 (0)	1	–

Note:

1) Starting from 2022, "Lost days due to work injuries" replaces "Industrial injury man-days lost". Numbers prior to 2022 are reported as "Industrial injury man-days lost".

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

Value Chain

	Unit	2025	2024	2023	2022	2021
Customers [1)]						
Products sold or shipped subject to recalls for safety and health reasons	%	**0**	0	0	0	0
Product-and service-related complaints received	Number	**121**	186	109	–	–
Suppliers [MG, RB]						
Critical tier 1 suppliers	Number	**54**	64	–	–	–
Suppliers' profile by geographical location (Chinese Mainland)	%	**100**	100	–	–	–
Suppliers' profile by geographical location (Others)	%	**0**	0	–	–	–
Payment to supplier by geographical location (Chinese Mainland) [2)]	%	**100**	100	–	–	–
Payment to supplier by geographical location (Others) [2)]	%	**0**	0	–	–	–

Note:

1) Reporting scope includes gas-related businesses only.

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

Community

	Unit	2025	2024	2023	2022	2021
Employees participating in voluntary services	Number	**12,141**	14,322	10,765	13,379	12,923
Voluntary service hours	Hours	**200,385**	212,090	440,607	584,329	578,586
Beneficiaries	Number	**172,244**	74,316	–	–	–

Key Statistics

Environmental

	Unit	2025	2024	2023	2022	2021
Energy Consumption [1]						
Natural gas	GJ	**850,112**	856,654	1,464,808	1,194,172	903,818
Unleaded petrol	GJ	**90,362**	99,929	101,550	107,095	110,901
Diesel	GJ	**93,716**	74,420	87,806	98,121	107,864
LPG	GJ	**846**	15	39,009	55,220	54,105
Others	GJ	**3,377,599**	4,183,612	3,821,540	5,233,363	10,973,756
Electricity	GJ	**2,857,176**	2,784,814	2,611,937	2,822,163	2,876,782
Total energy consumption	GJ	**7,269,811**	7,999,444	8,126,750	9,510,134	15,027,226
Water Withdrawal/ Discharge						
Water withdrawal – from municipal water supplies	Million m^3	**4.6**	4.8	4.5	4.6	5.1
Water withdrawal – from fresh surface water [2]	Million m^3	**518**	505	472	469	459
Wastewater discharged – to sewage [3]	Million m^3	**1.4**	1.7	1.6	1.2	1.2
Waste Management [4]						
Hazardous waste [3]	Tonnes	**1,816**	1,867	3,929	2,185	2,441
Non-hazardous waste	Tonnes	**279,145**	282,530	280,820	368,734	359,085
Air Emissions [5]						
Nitrogen oxides (NO_x)	Tonnes	**164.0**	157.4	184.0	175.9	190.0
Sulphur dioxides (SO_x)	Tonnes	**96.1**	105.1	89.0	133.6	256.6
Respirable suspended particulates (PM_{10})	Tonnes	**16.1**	15.1	2.6	4.6	2.6
Packaging Material Use [6]						
Total packaging	Tonnes	**1,216**	1,186	–	–	–
Weight intensity	kg/piece	**1.8**	1.8	–	–	–

Note:

1) The categorisation of energy consumption has been revised, historical numbers are restated accordingly.

2) Reporting scope includes Water and Environmental Businesses only.

3) All hazardous waste and wastewater discharged – to sewage handling procedures comply with the national regulations. Historical figures have been updated and presented based on revised calculation methodology.

4) Solid and liquid waste have been combined.

5) Includes fuel combustion and vehicle emissions.

6) Reporting scope includes gas-related businesses only.

Scope 3 Emissions Reporting Methodology

The total Scope 3 carbon emissions in 2025 amounted to approximately 24,357,000 tCO_2e, 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.	• 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.	• US Environmental Protection Agency Supply Chain Greenhouse Gas Emission Factors v1.3
3. Fuel-and energy related activities (Not included in Scope 1 or Scope 2)	**Average-data** Quantities of consumed fuels and electricity consumed in production process from the internal system.	• Australian Government "National Greenhouse Accounts Factors 2025"
4. Upstream transportation and distribution	**Distance-based** Quantities, types of gas appliances procured and regional split of purchase from the internal system.	• US Environmental Protection Agency "2025 GHG Emission Factors Hub"
5. Waste generated in operations	**Waste-type-specific** Quantities of waste generated during operation by type from internal system.	• US Environmental Protection Agency "2025 GHG Emission Factors Hub" • Hong Kong Drainage Services Department Sustainability Report 2023-2024
6. Business travel	**Distance-based** Air travel data collected from corporate travel service providers.	• 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.	• 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.	

Key Statistics

Category	Methodology & Activity Data	Emission Factor
9. Downstream transportation and distribution	**Distance-based** Annual revenue data of sold gas appliances and energy products (where applicable) from internal system with estimated travel mode and distance travelled.	• US Environmental Protection Agency "2025 GHG Emission Factors Hub"
10. Processing of sold products	Exclusion – Major products are end products which processing is not required.	
11. Use of sold products	**Average-data (gas and methanol)** Quantities and types of products sold from internal system. **Spend-based (others)** Annual revenue data from sales of products from internal system.	• 2006 IPCC Guidelines for National Greenhouse Gas Inventories
12. End-of-life treatment of sold products	**Average-data** Data of sold gas appliances and water sales collected from internal system. For energy products, no end-of-life treatment is required.	• US Environmental Protection Agency "2025 GHG Emission Factors Hub" • Australian Government "National Greenhouse Accounts Factors 2025"
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-839769-000

The Hong Kong and China Gas Company Limited

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

The British Standards Institution is independent of The Hong Kong and China Gas Company Limited and its subsidiaries (hereinafter referred to as "Towngas" collectively in this statement) and has no financial interest in the operation of Towngas other than for the assessment and assurance of Towngas 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. 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 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, 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' 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' 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 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' efforts to pursue sustainable development are recognized by its stakeholders.

Our work was carried out by a team of sustainability report assurors 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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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' policies to provide a check on the appropriateness of statements made in the Report.
- Discussion with staff on Towngas' 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' 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 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	Naphtha, Natural gas, Synthetic natural gas and landfill gas, Town gas, Diesel, Unleaded petrol, Electricity, and Total energy consumption (Hong Kong)
	Natural Gas, Diesel, Unleaded Petrol, LPG, Electricity, Total Energy Consumption, and Others (Outside Hong Kong)
Waste Disposal	Non-hazardous waste landfilled (Hong Kong and Outside Hong Kong)
	Chemical waste generated - process related (Hong Kong)
	Hazardous waste (Outside Hong Kong)
Water Withdrawal / Discharge	Water withdrawal - from municipal water suppliers (Hong Kong and Outside Hong Kong)
	Water withdrawal - from fresh surface water (Outside Hong Kong)
	Wastewater discharged - to marine water bodies (treated) (Hong Kong)
	Wastewater discharged - to sewage (Hong Kong and Outside Hong Kong)
Air Emissions	NOx and SOx emissions (Hong Kong and Outside Hong Kong)
	Respirable suspended particulates (PM10) (Outside Hong Kong)
Fuel Mix	Natural gas, Naphtha and Landfill gas (Hong Kong)
Greenhouse Gas ("GHG") Emissions	Direct GHG emissions (Scope 1) and Indirect GHG emissions (Scope 2 and Scope 3) (Group)
	Carbon intensity (Hong Kong Gas Production)
Number of Employees	Full time (by gender, age, employee category) (Hong Kong and Outside Hong Kong)
Gender Pay Ratio	Base salary by employee category (Hong Kong)
Gender Ratio	By employee category (Hong Kong and Outside Hong Kong)
Fatalities	Employees and contractors (Hong Kong and Outside Hong Kong)
Lost-Time Injury Frequency Rate (LTIFR)	Employees and contractors (Group)
Critical Tier-1 Supplier	Number and percentage of total purchased amount (Hong Kong)
Supplier Screening	Percentage of new suppliers that were screened using ESG criteria (in terms of total purchased amount) (Hong Kong)
Supplier Assessment and Development	Number of tier-1 supplier conducted ESG assessment and with potential negative impacts (Hong Kong)
	Percentage of critical tier-1 supplier used S-carbon platform (in terms of total purchased amount) (Hong Kong)
Scrap Metal Recycled from Used Gas Appliances	Hong Kong
Emergency Team's Average Arrival Time	Hong Kong

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We considered Towngas 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 is fairly stated and the Report is considered acceptable in meeting the principles as set out in AA1000AP (2018).

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' 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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