

**THE HONG KONG AND CHINA GAS COMPANY LIMITED &  
TOWNGAS SMART ENERGY COMPANY LIMITED**

**APPENDIX 12: ANTI - FRAUD POLICY**

(inclusive of Anti-corruption)

**1. EFFECTIVE DATE**

1.1 This policy is effective on 21 August 2018.

**2. PURPOSE**

2.1 The Anti-Fraud Policy applies to all employees, including directors and staff at all levels, of The Hong Kong and China Gas Company Limited (“the Company”) (stock code: 003), Towngas Smart Energy Company Limited (“Towngas Smart Energy”) (stock code: 1083) and their subsidiaries, joint ventures or companies in which the Company or Towngas Smart Energy holds a controlling interest (collectively the “HKCG Group”). We encourage all of our business partners, including joint venture partners, associated companies, agents, consultants, contractors and suppliers to follow the principles of this policy.

2.2 HKCG Group is committed to preventing, detecting and reporting any, or suspected, fraud, irregularity, misconduct, or malpractice in order to maintain good corporate governance.

2.3 Integrity is the Group’s core value. As such, this policy aims to promote an ethical culture, facilitate the continuous control’s enhancement to detect and prevent fraud, and to foster consistent organisational behavior.

**3. DEFINITION OF FRAUD**

3.1 Fraud is defined as the intentional acts (such as bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, collusion, false representation or concealment of material fact) for the purpose of deceiving others, resulting in the victim suffering a loss and/or the perpetrator achieving an unjust advantage or gain.

3.2 It is impossible to give an exhaustive list of activities that constitute fraud, misconduct, malpractice or irregularity covered by this policy while examples of conduct that would be considered fraudulent include, but are not limited to:

- Theft of company assets;
- Misstatement of assets, liabilities, expenses and/or account balances;
- False invoicing, false expenses or settlement of contracts;
- Unauthorised adjustments to related parties customer account balances (e.g. friends and relatives gas billing records);
- Improper use of business information not released to the public and/or commercially sensitive information;
- Collusion with trading counterparts such as customers and/or suppliers, or competitors;
- Unauthorised trading activities involved conflict of interest and/or gaining of personal interests;
- False accounting and/or misleading disclosures;
- False declaration of work performed or misstatement of material used in projects;
- Offering or accepting bribes in the course of employment; and
- Deliberate misuse of company credit cards.

#### **4. GENERAL POLICY**

- 4.1 HKCG Group is governed by the Prevention of Bribery Ordinance and any anti-bribery laws, which include zero tolerance towards corruption and related malpractice.
- 4.2 Key integrity and conduct requirements for employees are included in the Code of Conduct, which has been distributed throughout the organisation.
- 4.3 This Anti-Fraud Policy will be effectively communicated to all levels of employees and stakeholders, and the procedures for reporting fraud allegations by employees and stakeholders who deal with the HKCG Group (e.g. customers, contractors, suppliers, creditors and debtors, etc.) are also clearly communicated through our Whistleblowing Policy.
- 4.4 Control activities are designed and continuously enhanced to mitigate fraud risks, while risk-based audits to monitor the effectiveness of these controls are also performed.
- 4.5 Training on the Code of Conduct and relevant anti-bribery laws is regularly conducted for employees.

#### **5. REPORTING AND RESPONSIBILITY**

- 5.1 This policy is approved by the respective Board of Directors of the Company and Towngas Smart Energy.
- 5.2 HKCG Group expects and encourages our employees and stakeholders to report immediately any suspected cases of fraud, misconduct, malpractice or irregularity as stipulated in the Whistleblowing Policy.
- 5.3 All reported fraud cases will be treated seriously with proper investigation by the Corporate Audit & Risk Management Department and these investigations will be handled confidentially.
- 5.4 Summary of investigated, substantiated and material fraud cases will be reported to the Board Audit and Risk Committee (“BARC”) semi-annually who will in turn report to the Board.

#### **6. REVISIONS OF ANTI-FRAUD POLICY**

- 6.1 The respective BARC shall be vested by the Board with the full power to implement, monitor, review, update and revise this policy.

#### **7. LANGUAGE**

- 7.1 This policy is prepared in both Chinese and English languages. In case of any discrepancies between the Chinese and English versions, the English version shall prevail.