



Report of the Directors

The board of director (the “Board”) of Towngas Smart Energy Company Limited (the “Company”) has pleasure in presenting the Directors’ Report and the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales of piped gas, renewable energy and other types of energy, construction of gas pipelines, the sales of gas appliances and related products, and other value-added services in the People’s Republic of China (the “PRC”). Particulars of its principal subsidiaries are set out in Note 49 to the consolidated financial statements.

Results and Final Dividend

The results of the Group for the year ended 31 December 2023 are set out in the consolidated income statement on page 107.

The Directors have recommended the payment of a final dividend out of the share premium account of 16 HK cents per share (2022: 15 HK cents per share) to shareholders whose names are on the register of members of the Company on Thursday, 6 June 2024.

The proposed final dividend, if approved by the shareholders at the annual general meeting (the “AGM”), will be payable in cash, with an option granted to shareholders to receive new and fully paid shares of the Company in lieu of cash, or partly in cash and partly in new shares under the scrip dividend scheme (the “Scrip Dividend Scheme”). The new shares will, on issue, not be entitled to the proposed final dividend, but will rank *pari passu* in all other respects with the existing shares.

The circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to shareholders on or about Friday, 14 June 2024. Subject to approval by shareholders at the AGM to be held on Wednesday, 29 May 2024 and compliance with the Companies Act of the Cayman Islands, the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be distributed to shareholders on or about Friday, 12 July 2024. The register of members of the Company will be closed from Tuesday, 4 June 2024 to Thursday, 6 June 2024 (both days inclusive), for the purpose of determining shareholders who qualify for the final dividend and during which period no transfer of shares of the Company will be registered.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the AGM and the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

The final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent on or about Friday, 12 July 2024 to the shareholders whose names appear on the register of members of the Company on Thursday, 6 June 2024.



Business Review

The business review of the Group for the year ended 31 December 2023 including a fair review of the business, an indication of likely future development in the Group's business, and particulars of important events affecting the Group that have occurred since the end of the financial year of 2023 (if any), is set out on pages 6 to 25 of this Annual Report. A discussion on the Group's environmental policies and performance, an account of the Group's key relationships with its stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group can be found on pages 16 to 29 and pages 78 to 101 as well as the standalone 2023 Environmental, Social and Governance Report.

Description of possible risks and uncertainties that the Group may be facing can be found on pages 12 to 15, 33 to 35 and Notes 4 to 6 to the consolidated financial statements on pages 155 to 172 of this Annual Report.

Also, the financial risk management objectives and policies of the Group can be found in Note 6 to the consolidated financial statements on pages 157 to 172. An analysis of the Group's performance during the year using financial key performance indicators is provided in the section headed "Financial Highlights" on page 5 of this Annual Report.

Reserves

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 111 to 112.

The Company's share premium account available for distribution to shareholders as at 31 December 2023 amounted to HK\$6,068 million (2022: HK\$6,230 million), subject to the applicable statutory requirements under the Companies Act of the Cayman Islands.

Financial Summary

A summary of the results, assets and liabilities of the Group for the last five years ended 31 December 2023 is set out on page 4.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

Share Capital

During the year, the Company declared a final dividend of 15 HK cents per share for the year ended 31 December 2022 in cash (with scrip option). A total of 95,775,055 shares of the Company, fully paid, were issued and allotted in scrip form at HK\$3.49 per share on 11 July 2023. No consideration was received by the Company for the issue.

On 6 January 2023, 110,000 shares were allotted and issued to a subscriber who is a connected person of the Company at the subscription price of HK\$3.69 per share pursuant to a subscription agreement dated 18 March 2022. For details, please refer to the Company's announcement dated 18 March 2022 titled "Connected Transactions – Proposed Issue of New Shares to Connected Persons" and the Company's circular dated 10 May 2022.



Report of the Directors

Share Capital *(Continued)*

Details of movements in the share capital of the Company during the year are set out in Note 39 to the consolidated financial statements.

Debentures Issued

1. On 26 April 2022, TCCL (Finance) Limited (“TCCL (Finance)”), a direct wholly-owned subsidiary of the Company, issued US\$200,000,000 4% guaranteed sustainability linked bonds due 2027 under the US\$2,000,000,000 medium term note programme at a price of 99.57% of US\$200,000,000, being the aggregate nominal amount of the notes, with net proceeds of approximately US\$198,500,000 (approximately HK\$1,548,300,000) for refinancing part of the existing indebtedness of the Group, funding capital expenditures of the Group, and/or for general corporate purposes.
2. On 29 November 2022, TCCL (Finance) made an application to the National Association of Financial Market Institutional Investors (the “Association”) for registration of debt financing instruments in the aggregate amount of not more than RMB15 billion (the “Panda Bonds”) to be issued in multiple tranches as and when appropriate within two years from the receipt of the notice of acceptance of the registration from the Association (the “Registration Period”). The Company had provided an unconditional and irrevocable guarantee in favour of the holders of the Panda Bonds for the due payment of all sums payable by TCCL (Finance) under the Panda Bonds to be issued during the Registration Period.

On 22 February 2023, TCCL (Finance) has obtained approval from the Association and has received the registration notice with respect to the Panda Bonds from the Association. TCCL (Finance) has offered to institutional investors in the interbank market in the PRC (other than those restricted by applicable laws and regulations) for subscription (i) the 2023 Tranche 1 Medium Term Notes (Sustainability Linked and Bond Connect) (the “Notes”); and (ii) the 2023 Tranche 1 Short Term Commercial Paper (Bond Connect) (the “Commercial Paper”) under the above Panda Bonds registration. The tenors of the Notes and the Commercial Paper are three years and one year respectively. The rate of interest for both the Notes and the Commercial Paper was determined by centralized bookbuilding and placement. The interest rate of the Notes is fixed for the first two years and is linked to sustainability performance targets for the third year. The interest rate of the Commercial Paper is on an annual rate and calculated at simple interest. Both the Notes and the Commercial Paper are guaranteed by the Company on an unconditional and irrevocable basis. The net proceeds from the issuance of the Notes and the Commercial Paper were used to repay interest bearing debts such as offshore RMB borrowings of TCCL (Finance) and the Company.

On 12 June 2023, the issue of the Panda Bonds has been completed. Based on the bookbuilding and placement results, the total issue size for the Panda Bonds is RMB1.5 billion with a weighted average annual interest rate of 3.27% per annum.



Directors

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

Non-Executive Directors

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

Executive Directors

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

Independent Non-Executive Directors

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

Notes:

1. Mr. John Ho Hon-ming retired as an Executive Director, the Company Secretary and a member of the environmental, social and governance committee of the Company with effect from 1 January 2024.
2. Mr. James Kwan Yuk-choi resigned as an Independent Non-Executive Director, a member of the board audit and risk committee, remuneration committee and nomination committee of the Company with effect from 1 January 2024.

In accordance with article 112 of the Memorandum of Association and Articles of Association of the Company (“the Articles”), one-third of the Directors shall retire from rotation. Retiring Directors, being eligible, may offer themselves for re-election at the forthcoming AGM.

The Company has received from each of its Independent Non-Executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Company is of the view that all Independent Non-Executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Each of the Independent Non-Executive Directors was appointed for a period commencing from his/her appointment date and is subject to retirement by rotation at the AGM.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within 1 year without payment of compensation, other than statutory compensation.

The biographical details of the current Directors of the Company are set out on pages 36 to 43 of this Annual Report.



Report of the Directors

Directors' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2023, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required pursuant to: (a) Divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares and underlying shares

Name of Company	Name of Director	Capacity	Interest in shares			Number of underlying shares pursuant to share options (Note 1)	Aggregate interest	Approximate percentage of the number of issued shares of the Company or its associated corporation as at 31.12.2023
			Personal interest	Family interest	Other Interest			
Towngas Smart Energy Company Limited	Lee Ka-kit (Note 2)	Discretionary beneficiary of discretionary trusts	–	–	2,255,481,423	–	2,255,481,423	67.24%
	Peter Wong Wai-yee	Beneficial owner	7,139,000	–	–	1,800,000	8,939,000	0.27%
	John Ho Hon-ming (retired with effect from 1 January 2024)	Beneficial owner	2,933,862	–	–	900,000	3,833,862	0.11%
	Martin Kee Wai-ngai	Beneficial owner	1,800,000	–	–	900,000	2,700,000	0.08%
	John Qiu Jian-hang	Beneficial owner	2,700,000	–	–	1,350,000	4,050,000	0.12%
	James Kwan Yuk-choi (resigned with effect from 1 January 2024)	Beneficial owner	2,265,000	–	–	–	2,265,000	0.07%
HKCG	Lee Ka-kit (Note 3)	Discretionary beneficiary of discretionary trusts	–	–	7,748,692,715	–	7,748,692,715	41.53%
	John Ho Hon-ming (retired with effect from 1 January 2024)	Beneficial owner	55,710	–	–	–	55,710	0.00%
	James Kwan Yuk-choi (resigned with effect from 1 January 2024)	Beneficial owner and interest of spouse	121,275	142,299	–	–	263,574	0.00%



Directors' Interests or Short Positions in Shares, Underlying Shares and Debentures *(Continued)*

Long positions in shares and underlying shares *(Continued)*

Notes:

1. These underlying shares (being regarded for the time being as unlisted physically settled equity derivatives) represent share options granted by the Company under its existing share option scheme. Details of the share options are set out in the section headed "Share Option Scheme" below.
2. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as trustees of respective discretionary trusts, held units in a unit trust ("Unit Trust"). Hopkins (Cayman) Limited ("Hopkins") as trustee of the Unit Trust owned all the issued ordinary shares of Henderson Development Limited ("Henderson Development"). Henderson Development was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Henderson Land Development Company Limited ("Henderson Land Development"). Dr. Lee Ka-kit, as one of the discretionary beneficiaries of the discretionary trusts, is deemed under the SFO to be interested in 41.53% of the total number of issued shares in HKCG and 2,255,481,423 shares of the Company representing approximately 67.24% of the total number of issued shares of the Company.
3. Hopkins owned all the issued ordinary shares which carry the voting rights in the share capital of Henderson Development as trustee of the Unit Trust. Rimmer and Riddick, as trustees of 2 discretionary trusts, respectively, held units in the Unit Trust. Dr. Lee Ka-kit as one of the discretionary beneficiaries of 2 discretionary trusts, was taken to have duties of disclosure in relation to these 7,748,692,715 shares by virtue of Part XV of the SFO.

Save as stated above, as at 31 December 2023, there were no other interests or short positions of the Directors and the chief executives in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to an ordinary resolution passed at the AGM of the Company held on 26 May 2022 (the "SOS Adoption Date") and the Share Option Scheme was also approved by ordinary resolution of the shareholders of HKCG, the parent company of the Company, at HKCG's annual general meeting on 6 June 2022.



Report of the Directors

Share Option Scheme *(Continued)*

The major terms of the Share Option Scheme disclosed in accordance with chapter 17 of the Listing Rules are as follows:

1. The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants, attracting and retaining persons with the right calibre and experience to work for or make contribution to the Group, fostering a sense of belonging with the Group, and allowing the participants to enjoy the results of the Company achieved through their contributions to the Group.
2. The Board may at its discretion grant options to any (i) director, chief executive or employee (whether full-time or part-time) of each member of the Group; or (ii) consultant and other adviser to each member of the Group who is also a director and/or senior management staff of subsidiary(ies) of HKCG (the “Participants”).
3. The total number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the SOS Adoption Date. Subject to the Listing Rules requirements, the 10% limit may be renewed with prior shareholders’ approval.
4. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) (if any) of the Company must not exceed 30% of the total number of shares in issue from time to time. As at the date of this Annual Report, the total number of shares available for issue in respect of which options may be granted under the Share Option Scheme was 305,226,534, representing approximately 9.10% of the shares in issue as at the date of this Annual Report. As at the date of this Annual Report, the total number of shares available for issue under the Share Option Scheme (including shares available for issue in respect of options granted but not yet exercised) was 315,989,534, representing approximately 9.42% of the shares in issue as at the date of this Annual Report.”

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each Participant under the Share Option Scheme in any 12-month period shall not exceed 1% of the total number of shares in issue at the relevant time. For options granted or to be granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, the said limit is reduced to 0.1% of the total number of shares in issue and HK\$5 million in aggregate value based on the closing price of the shares on the date of such grant. Any further grant of share options in excess of such limits is subject to shareholders’ approval in general meeting.



Share Option Scheme *(Continued)*

5. The exercise period of any share option granted under the Share Option Scheme shall be determined by the Board but such period must not exceed 10 years from the date of grant of the relevant share option.
6. The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. The Board shall at its sole discretion determine and specify in the offer letter such performance targets that needs to be achieved by the selected Participants (the “Grantee(s)”) before an option can be exercised and/or any minimum period for which an option must be held before the option can be exercised.
7. The acceptance of an offer of grant of share options must be made during a period from the offer date to such date as the Board may determine and specify in the offer letter (both days inclusive), together with a non-refundable remittance in favour of the Company of HK\$1.00 from each Grantee.
8. The exercise price in relation to each option shall be at least the highest of:
 - (i) the closing price of a share as stated in the Stock Exchange’s daily quotations sheet on the date of offer, which must be a business day;
 - (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotations sheet for the 5 business days immediately preceding the date of offer; and
 - (iii) the nominal value of a share.
9. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the SOS Adoption Date. As at the date of this Annual Report, the remaining life of the Share Option Scheme is approximately 8 years and 2 months.

For further details, please refer to the Company’s circular dated 14 April 2022.



Report of the Directors

Share Option Scheme (Continued)

Details and movements of share options that were granted under the Share Option Scheme or remained outstanding during the year ended 31 December 2023 are as follows:

Grantees	Date of Grant	Exercise Period	Vesting Date (Note 1)	Exercise price (HK\$)	Number of share options				
					Outstanding as at 01.01.2023	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding as at 31.12.2023
Category 1: Directors									
Peter Wong Wai-yee	25.11.2022	25.11.2023-24.11.2025	25.11.2023	3.40	1,800,000	-	-	-	1,800,000
John Ho Hon-ming (retired with effect from 1 January 2024) (Note 2)	25.11.2022	25.11.2023-24.11.2025	25.11.2023	3.40	900,000	-	-	-	900,000
Martin Kee Wai-ngai	25.11.2022	25.11.2023-24.11.2025	25.11.2023	3.40	900,000	-	-	-	900,000
John Qiu Jian-hang	25.11.2022	25.11.2023-24.11.2025	25.11.2023	3.40	1,350,000	-	-	-	1,350,000
Category 2: Others									
(i) directors or senior management staff of the subsidiaries of the Company; and	25.11.2022	25.11.2023-24.11.2025	25.11.2023	3.40	6,713,000	-	-	-	6,713,000
(ii) directors of both subsidiaries of the Company and of HKCG									
Total					11,663,000	-	-	-	11,663,000

Notes:

- The vesting period of the share options fell on the first anniversary of the date of grant, i.e. 25 November 2023.
- The 900,000 share options held by Mr. John Ho Hon-ming were lapsed on 1 January 2024 upon his retirement as Director.
- The closing price of the shares immediately before the date of grant was HK\$3.42 per share.
- The weighted average closing price of the shares immediately before the vesting date was HK\$3.33 per share.

During the year ended 31 December 2023, no share options were granted pursuant to the Share Option Scheme, no share options were exercised, no share options were lapsed and/or cancelled, and no share options granted were in excess of the 1% individual limit.

The number of options available for grant under the scheme mandate as at 1 January 2023 and 31 December 2023 was 304,326,534, representing approximately 9.07% of the total number of shares of the Company in issue as at the date of this Annual Report. No service provider sublimit was set under the Share Option Scheme.

The number of shares that may be issued in respect of options granted under the Share Option Scheme during the year ended 31 December 2023 was 11,663,000, representing approximately 0.35% of the weighted average number of shares of the Company in issue for the financial year.



Share Option Scheme *(Continued)*

Further details of the Share Option Scheme, including the fair value of the share options at the date of grant, the accounting standard and policy adopted and the weighted average closing price of the shares immediately before the date(s) on which the options were exercised are set out in Notes 3 and 41 to the consolidated financial statements.

Share Award Scheme

The Company adopted a share award scheme (the “Share Award Scheme”) on 17 August 2021 (the “Adoption Date”). The major terms of the Share Award Scheme disclosed in accordance with the Listing Rules are as follows:

1. The purpose of the Share Award Scheme is to (a) recognise the contributions by certain eligible participants and providing them with incentives in order to retain them for the continual operation and development of the Group; and (b) attract suitable personnel for the further development of the Group and to contribute to the long-term growth of the Group.
2. Pursuant to the Share Award Scheme, the scheme committee may, from time to time, at its absolute discretion select any director or employee of the Company or any subsidiary of the Company (other than anyone who is resident in a place where the grant of award shares of the Company and/or vesting and transfer of the award shares is not permitted under the laws or regulations of such place or where in the view of the scheme committee compliance with such applicable laws or regulations would make it necessary or expedient to exclude such person from participating in the Share Award Scheme) to be a selected participant (“SAS Selected Participant(s)”) under the Share Award Scheme and determine the number of award shares of the Company to be granted (the “Award Share(s)”) and the vesting conditions of such Award Shares.
3. Pursuant to the Share Award Scheme, the scheme’s trustee, based on the scheme committee’s recommendation, applies Company’s shares that have been purchased from the market at the prevailing market price, to satisfy the Award Shares for allocation to the SAS Selected Participants.
4. No shares shall be purchased pursuant to the Share Award Scheme if as a result of such purchase, the number of shares administered under the Share Award Scheme (including both shares forming part of the trust fund and shares which have been awarded to and vested in the SAS Selected Participants) in aggregate exceed 5% of the total number of issued shares of the Company from time to time (being 167,725,029 shares as at the date of this Annual Report based on the total number of 3,354,500,581 shares of the Company in issue as at the date of this Annual Report). For the avoidance of doubt, no account shall be taken into the calculation of the limit of the Share Award Scheme of any shares where the right to acquire such shares has been released or lapsed in accordance with the relevant provisions of the rules relating to the Share Award Scheme.
5. The maximum aggregate number of shares held by the trustee under the trust at any time under the Share Award Scheme shall not exceed 2% of the total number of issued shares of the Company from time to time (being 67,090,011 shares as at the date of this Annual Report based on the total number of 3,354,500,581 shares of the Company in issue as at the date of this Annual Report).



Report of the Directors

Share Award Scheme *(Continued)*

6. During any 12-month period, the maximum number of Award Shares which may be granted to a SAS Selected Participant under the Share Award Scheme (including Award Shares relevant to a lapsed grant) shall not exceed 0.1% of the total number of issued shares of the Company from time to time. No service provider sublimit was set under the Share Award Scheme.
7. The Share Award Scheme does not specify a minimum period for which an award must be held before it can be vested. The scheme committee shall at its sole discretion determine and specify in the award letter such performance targets that need to be achieved by the SAS Selected Participants before an award can be vested and/or any minimum period for which an award must be held before vesting.
8. Tricor Trust (Hong Kong) Limited was appointed as a trustee of the Share Award Scheme. Subject to the terms and conditions of the Share Award Scheme and the fulfilment of all vesting conditions, the Award Shares held by the trustee on behalf of a SAS Selected Participant shall vest in such SAS Selected Participant and the trustee shall transfer the Award Shares to such SAS Selected Participant. The trustee shall not exercise the voting rights in respect of any Shares held by it under the trust.
9. No consideration is payable by SAS Selected Participants for the grant of awards.
10. The Share Award Scheme shall be valid and effective for a term of 10 years commencing from the Adoption Date. As at the date of this Annual Report, the remaining life of the Share Award Scheme is approximately 7 years and 5 months.

For further details, please refer to the Company's announcement dated 17 August 2021.



Share Award Scheme (Continued)

Details and movements of Award Shares that were granted under the Share Award Scheme or remained unvested at any time during the year ended 31 December 2023 are as follows:

SAS Selected Participants	Date of Grant	Closing price of the shares immediately before the date(s) of grant (HK\$)	Fair value of Award Shares at the date(s) of grant (HK\$)	Vesting Period	Vesting Date (Note)	Number of Award Shares				
						Unvested as at 01.01.2023	Granted during the year	Vested during the year	Forfeited/Lapsed during the year	Unvested as at 31.12.2023
Category 1: Directors										
Peter Wong Wai-yee	15.08.2023	3.43	3.38	15.08.2023-18.09.2023	18.09.2023	-	1,800,000	1,800,000	-	-
John Ho Hon-ming (retired with effect from 1 January 2024)	15.08.2023	3.43	3.38	15.08.2023-18.09.2023	18.09.2023	-	900,000	900,000	-	-
Martin Kee Wai-ngai	15.08.2023	3.43	3.38	15.08.2023-18.09.2023	18.09.2023	-	900,000	900,000	-	-
John Qiu Jian-hang	15.08.2023	3.43	3.38	15.08.2023-18.09.2023	18.09.2023	-	1,350,000	1,350,000	-	-
Category 2:										
One highest paid employee (excluding the above 4 Executive Directors who were 4 of the 5 highest paid individuals) during the year	17.03.2023	3.83	3.41	17.03.2023-28.04.2023	28.04.2023	-	138,000	138,000	-	-
Category 3:										
Other employee participants	17.03.2023	3.83	3.41	17.03.2023-28.04.2023	28.04.2023	-	5,555,000	5,555,000	-	-
	17.03.2023	3.83	3.41	17.03.2023-29.05.2023	29.05.2023	-	120,000	120,000	-	-
	15.08.2023	3.43	3.38	15.08.2023-18.09.2023	18.09.2023	-	900,000	900,000	-	-
Total						-	11,663,000	11,663,000	-	-

Note:

- The vesting of the Award Shares is subject to the SAS Selected Participant remaining as an eligible participant at all times from the date of the grant to the Vesting Date.
- The weighted average closing price of the shares immediately before the vesting date of the Award Shares was HK\$3.35 per share.

During the year ended 31 December 2023, no Award Shares were lapsed and/or forfeited, and no Award Shares granted were in excess of the 0.1% of the total number of issued shares.

As at 1 January 2023, the trustee had 10,737,000 shares held in trust for the Share Award Scheme. During the year ended 31 December 2023, the trustee purchased a total of 950,000 shares of the Company on the market for the purpose of the Share Award Scheme and accordingly an aggregate of 11,687,000 shares were available for granting during the year.



Report of the Directors

Share Award Scheme *(Continued)*

During the year ended 31 December 2023, 11,663,000 Award Shares were granted to SAS Selected Participants and 11,663,000 Award Shares were vested.

Further details of the Share Award Scheme, including the fair value of the Award Shares at the date(s) of grant, the accounting standard and policy adopted and the weighted average closing price of the shares immediately before the date(s) on which the Award Shares were vested are set out in Notes 3 and 41 to the consolidated financial statements.

Arrangements to Purchase Shares or Debentures

Other than the Share Option Scheme and Share Award Scheme as mentioned above, at no time during the year was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the Directors (including their spouses and children under the age of 18) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-linked Agreements

Issue of New Shares and Convertible Bonds under General Mandate

Pursuant to the subscription agreement dated 25 October 2021 (the “Subscription Agreement”) entered into between the Company and Clean Energy Ecosystem Pte. Ltd. (the “Investor”), the Company had on 18 November 2021 issued (a) 116,783,333 subscription shares at the aggregate subscription price of HK\$583,916,665 (equivalent to HK\$5.00 per subscription share) (the “Share Issue”) and (b) the 1% unsecured convertible bonds due 2026 in the principal amount of RMB1,835,603,119.35 (equivalent to HK\$2,217,715,500 at the exchange rate agreed with the Investor) (the “Convertible Bonds”) to the Investor. Based on the adjusted conversion price of HK\$6.26 per share subsequent to the adjustment event on 12 July 2022 (completion of issue of scrip shares at the value of HK\$4.028 per share pursuant to the scrip dividend scheme in relation to 2021 final dividend), a maximum number of 354,267,651 shares of the Company may be allotted and issued by the Company upon full conversion of the Convertible Bonds. No application has been or will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. As at 31 December 2023, none of the Convertible Bonds was converted.

As a result of the completion of issue of scrip shares at the value of HK\$3.49 per share pursuant to the scrip dividend scheme of the Company (as detailed in the relevant circular of the Company dated 9 June 2023) on 11 July 2023, the conversion price of the Convertible Bonds has been further adjusted from HK\$6.26 per share to HK\$6.18 per share and the maximum number of shares to be issued by the Company upon full conversion of the Convertible Bonds has been increased from 354,267,651 shares to 358,853,640 shares.

For further details, please refer to the Company’s announcements dated 25 October 2021, 18 November 2021, 12 July 2022 and 11 July 2023.



Equity-linked Agreements *(Continued)*

Issue of New Shares and Convertible Bonds under General Mandate *(Continued)*

The aggregate gross proceeds from the Share Issue and the issue of Convertible Bonds were approximately HK\$2,802 million and the aggregate net proceeds were approximately HK\$2,800 million. As at 31 December 2023, none of the Convertible Bonds were converted. The net proceeds raised from the Share Issue and the issue of Convertible Bonds have been fully utilized for business expansion – including investment in smart energy business in years 2021 and 2022. There were no remaining unutilized net proceeds as at 31 December 2023.

Save as disclosed above, no equity-linked agreement(s) was entered into by the Group, or existed during the year.

Directors' Material Interests in Transactions, Arrangements or Contracts

Other than the transactions disclosed under the heading “Connected Transactions and Continuing Connected Transactions” below, there were no transactions, arrangements or contracts of significance in relation to the Group’s business to which the Company, or any of its subsidiaries, fellow subsidiaries or its holding company was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, which were entered into in the year or subsisted at the end of the year or at any time during the year.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Permitted Indemnity Provision

The Articles provides that every Director, auditor or other officer of the Company is entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director, auditor or other officer of the Company in defending any proceedings, in which judgement is given in his/her favour, or in which he/she is acquitted.

The permitted indemnity provision was in force during the year and the Company has arranged appropriate directors’ and officers’ liabilities insurance coverage for the Directors and officers of the Company.

Competing Business

During the year and up to the date of this report, the following Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:



Report of the Directors

Competing Business *(Continued)*

Dr. Lee Ka-kit, the Chairman and a Non-Executive Director of the Company, is one of the Chairmen and a Non-Executive Director of HKCG; Mr. Peter Wong Wai-yee, an Executive Director and the Chief Executive Officer of the Company, is an Executive Director and the Managing Director of HKCG; Mr. John Ho Hon-ming, an Executive Director and the Company Secretary of the Company (retired with effect from 1 January 2024), was an Executive Director of HKCG (retired with effect from 1 January 2024); and Dr. the Hon. Moses Cheng Mo-chi, an Independent Non-Executive Director of the Company, is an Independent Non-Executive Director of HKCG.

HKCG and its subsidiaries (excluding the Group) (the “HKCG Group”) are principally engaged in the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the Chinese mainland. Although some of the businesses carried out by the HKCG Group are similar to the businesses carried out by the Group, they are of different scales and/or in different locations. Therefore, the Directors are of the view that the businesses of the HKCG Group do not compete directly with the businesses of the Group.

Save as disclosed above, none of the Directors had any interest in any business (apart from the Group’s business) which competes or is likely to compete, either directly or indirectly, with the Group’s business.

Substantial Shareholders

As at 31 December 2023, so far as the Directors are aware, the interests or short positions of every person, other than the Directors or chief executive of the Company, in the issued shares of the Company (the “Shares”) as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Name of shareholder	Capacity	Aggregate interest in Shares	Approximate percentage of the number of Shares as at 31.12.2023
Lee Chau-kee	Interest of controlled corporations	2,255,481,423 <i>(Note 1)</i>	67.24%
Rimmer	Trustee	2,255,481,423 <i>(Note 2)</i>	67.24%
Riddick	Trustee	2,255,481,423 <i>(Note 2)</i>	67.24%
Hopkins	Interest of controlled corporations	2,255,481,423 <i>(Note 2)</i>	67.24%
Henderson Development	Interest of controlled corporations	2,255,481,423 <i>(Note 2)</i>	67.24%



Substantial Shareholders *(Continued)*

Long positions in Shares *(Continued)*

Name of shareholder	Capacity	Aggregate interest in Shares	Approximate percentage of the number of Shares as at 31.12.2023
Henderson Land Development	Interest of controlled corporations	2,255,481,423 <i>(Note 2)</i>	67.24%
Faxson Investment Limited ("Faxson")	Interest of controlled corporations	2,255,481,423 <i>(Note 2)</i>	67.24%
HKCG	Interest of controlled corporations	2,255,481,423 <i>(Note 3)</i>	67.24%
Towngas International Company Limited ("TICL")	Interest of controlled corporation	2,061,193,504 <i>(Note 3)</i>	61.45%
Hong Kong & China Gas (China) Limited ("HK&CG (China)")	Beneficial owner	2,061,193,504 <i>(Note 3)</i>	61.45%
Towngas Investment Company Limited ("TICL-HK")	Interest of controlled corporations	194,287,919 <i>(Note 3)</i>	5.79%
Planwise Properties Limited ("Planwise")	Beneficial owner	191,037,247 <i>(Note 3)</i>	5.69%
Tang Kok Yew	Interest of controlled corporations	471,050,984 <i>(Note 4)</i>	14.04%
Capstar Holdings ("Capstar")	Interest of controlled corporations	471,050,984 <i>(Note 4)</i>	14.04%
Affinity Fund V General Partner Limited ("Affinity Fund V")	Interest of controlled corporations	471,050,984 <i>(Note 4)</i>	14.04%
Converging Worldview Investments Pte. Ltd. ("Converging Worldview")	Interest of controlled corporations	471,050,984 <i>(Note 4)</i>	14.04%
Clean Energy Ecosystem Pte. Ltd. ("Clean Energy Ecosystem")	Beneficial owner	471,050,984 <i>(Note 4)</i>	14.04%
Central Huijin Investment Ltd. ("Central Huijin")	Interest of controlled corporation	350,350,000 <i>(Note 5)</i>	10.44%
Industrial and Commercial Bank of China Limited ("ICBC")	Interest of controlled corporation	350,350,000 <i>(Note 5)</i>	10.44%



Report of the Directors

Substantial Shareholders *(Continued)*

Long positions in Shares *(Continued)*

Name of shareholder	Capacity	Aggregate interest in Shares	Approximate percentage of the number of Shares as at 31.12.2023
ICBC International Holdings Limited ("ICBC International")	Interest of controlled corporation	350,350,000 <i>(Note 5)</i>	10.44%
ICBC International Investment Management Limited ("ICBC International Management")	Interest of controlled corporation	350,350,000 <i>(Note 5)</i>	10.44%
Victory Ride Holdings Limited ("Victory Ride")	Interests held jointly with another person	350,350,000 <i>(Note 5)</i>	10.44%

Notes:

- The entire issued share capital of Rimmer, Riddick and Hopkins were owned by Dr. the Hon. Lee Shau-kee. Dr. the Hon. Lee Shau-kee was therefore taken to be interested in the same 2,255,481,423 Shares as set out in Notes 2 and 3 below by virtue of Part XV of the SFO.
- Rimmer and Riddick as trustees of respective discretionary trusts, held units in a unit trust ("Unit Trust"). Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of Henderson Development. Henderson Development was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Henderson Land Development. Henderson Land Development through its subsidiaries (including Faxson) was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HKCG. Each of Rimmer, Riddick, Hopkins, Henderson Development, Henderson Land Development and Faxson was therefore taken to be interested in the same 2,255,481,423 Shares in which HKCG was deemed interested as described in Note 3 below by virtue of Part XV of the SFO.
- As HK&CG (China) was a wholly-owned subsidiary of TICL, which in turn was a wholly-owned subsidiary of HKCG, each of TICL and HKCG was therefore taken to be interested in the 2,061,193,504 Shares held by HK&CG (China) by virtue of Part XV of the SFO. In addition, as Planwise and Superfun Enterprises Limited ("Superfun") were wholly-owned subsidiaries of TICL-HK, which in turn was a wholly-owned subsidiary of HKCG, each of TICL-HK and HKCG was therefore taken to be interested in 194,287,919 Shares, which included (a) the 191,037,247 Shares held by Planwise; and (b) the 3,250,672 Shares held by Superfun by virtue of Part XV of the SFO.



Substantial Shareholders *(Continued)*

Long positions in Shares *(Continued)*

Notes: (Continued)

4. Mr. Tang Kok Yew was taken to be interested in these 471,050,984 Shares which were held by Clean Energy Ecosystem through his controlled corporations Capstar, Affinity Fund V and Converging Worldview, including (i) 116,783,333 Shares (representing approximately 3.48% of the number of issued Shares as at 31 December 2023); and (ii) unlisted Convertible Bonds, which may be fully converted into 358,853,640 Shares based on the conversion price (subject to adjustment events) of HK\$6.18 per convertible Share (as adjusted after the allotment and issue of scrip shares pursuant to the scrip dividend schemes of the Company on 12 July 2022 and 11 July 2023), pursuant to the Subscription Agreement dated 25 October 2021.
5. Central Huijin was taken to have acquired a security interest in these unlisted Convertible Bonds, which might be fully converted into 350,350,000 Shares through its controlled corporations, ICBC, ICBC International, ICBC International Management and Victory Ride. Victory Ride held these security interests of unlisted Convertible Bonds jointly with another person. The interests were disclosed according to the disclosure of interest filing made by each of Victory Ride, Central Huijin, ICBC, ICBC International and ICBC International Management on 17 August 2022.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 December 2023, were entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Short Positions in Shares and Underlying Shares

As at 31 December 2023, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares.

Other Persons

As at 31 December 2023, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executive and the substantial shareholders of the Company as disclosed above) in the Shares or underlying Shares that was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the Listing Rules.



Report of the Directors

Connected Transactions and Continuing Connected Transactions

Set out below is the information in relation to the connected transactions and continuing connected transactions that existed during the year ended 31 December 2023 which are required to be disclosed in this Annual Report in accordance with Chapter 14A of the Listing Rules.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The auditor has issued an unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group below, as appropriate, in accordance with Rule 14A.56 of the Listing Rules.

Related party transactions set out in note 45 to the consolidated financial statements on page 226 include transactions that constitute connected transactions/continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Connected Transactions

1. Acquisition of Towngas Renewable Energy (HK) Company Limited

On 21 June 2023, Towngas China Energy Investment Limited (the "Purchaser", a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company), entered into an agreement with Towngas Renewable Energy Company Limited (the "Share Vendor", a company incorporated in the British Virgin Islands) and HKCG (Finance) Limited (the "Loan Vendor", a company incorporated in Hong Kong with limited liability) (together, the "Renewal Energy Vendors") to acquire all issued shares in Towngas Renewable Energy (HK) Company Limited ("Towngas Renewable Energy (HK)", a company incorporated in Hong Kong with limited liability) and the loan owing to the HKCG Group by Towngas Renewable Energy (HK) from the Renewal Energy Vendors (the "Renewal Energy Transfer Agreement") at the consideration of HK\$27,507,000. The acquisition was completed on 26 July 2023.

As HKCG is a controlling shareholder of the Company and the Renewal Energy Vendors are both wholly-owned subsidiaries of HKCG, the Renewal Energy Vendors are connected persons of the Company under the Listing Rules. The acquisition under the Renewal Energy Transfer Agreement therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the acquisition under the Renewal Energy Transfer Agreement were more than 0.1% but all of them were less than 5%, the acquisition was subject to the reporting and announcement requirements but was exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.



Connected Transactions *(Continued)*

1. Acquisition of Towngas Renewable Energy (HK) Company Limited *(Continued)*

The Group is developing a long-term strategic partnership with State Power Investment Corporation Limited (國家電力投資集團有限公司) (“SPIC”, a wholly State-owned enterprise established by the approval of the State Council of the PRC). China Power International Development Limited (“China Power”, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 2380)) is an important backbone enterprise of SPIC, and is vigorously developing renewable energy and comprehensive smart energy projects in the Greater Bay Area. Through Ruihua (Shenzhen) Integrated Smart Energy Co., Ltd. (睿華(深圳)綜合智慧能源有限公司) (“Ruihua Smart Energy”, a company established in the PRC with China Power as one of the shareholders having 50% interest and Towngas Renewable Energy (HK) as the other shareholder having 50% interest), the Group can benefit from China Power’s rich resources, efficiency and experience in the power market and low-cost financing to develop and implement a comprehensive smart energy business more quickly and effectively. The continuing development of the photovoltaic projects and asset-light service business of Ruihua Smart Energy as already being vigorously pursued would bring practical benefits out of, and serves as an example of the success of, the strategic cooperation between the Group and SPIC, and would reinforce the Company’s leading position in smart energy businesses.

Particulars of the Renewal Energy Transfer Agreement and the acquisition were disclosed in the announcement of the Company dated 21 June 2023.

2. Acquisition of 49% Equity Interest in Guangzhou Science City-Towngas Smart Energy Co., Ltd. (廣州科城港華智慧能源有限公司)

On 25 August 2023, Towngas China Energy Investment Limited (“TCEI”, a company established in the PRC) as purchaser, a wholly-owned subsidiary of the Company, entered into an agreement with Hong Kong and China Integrated Power Investment (Shenzhen) Limited (港華綜合電能投資(深圳)有限公司) (“HKCIP”, a company established in the PRC) as vendor (the “GZ Science City Transfer Agreement”) to acquire 49% equity interest in Guangzhou Science City-Towngas Smart Energy Co., Ltd. (廣州科城港華智慧能源有限公司) (the “Target Company”, a company established in the PRC) from HKCIP at the consideration of approximately RMB2,338,000. The acquisition was completed on 14 November 2023.

As HKCG is a controlling shareholder of the Company and HKCIP is a wholly-owned subsidiary of HKCG, HKCIP is a connected person of the Company under the Listing Rules. The acquisition under the GZ Science City Transfer Agreement therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the acquisition under the GZ Science City Transfer Agreement was more than 0.1% but all of them were less than 5%, the acquisition was subject to the reporting and announcement requirements but was exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.



Report of the Directors

Connected Transactions *(Continued)*

2. Acquisition of 49% Equity Interest in Guangzhou Science City-Towngas Smart Energy Co., Ltd. (廣州科城港華智慧能源有限公司) *(Continued)*

The Group is developing a long-term strategic partnership with Science City (Guangzhou) Investment Group Co., Ltd. (科學城 (廣州) 投資集團有限公司) (a wholly State-owned enterprise established by the approval of the State-owned Assets Supervision and Administration Commission of the Guangzhou Development Zone, which indirectly owns the remaining 51% equity interest in the Target Company) and its subsidiaries (the “Science City GZ Group”). Through its interest in the Target Company, the Group can have access to the resources of the industrial parks managed and operated by the Science City GZ Group, including Guangde Industrial Park (廣德產業園), Beijing-Guangzhou Collaborative Innovation Center (京廣協同創新中心), Sino-Singapore Knowledge City (中新知識城), Guangqing Industrial Park (廣清產業園), etc., while at the same time promote the Group’s offerings of integrated energy project development, investment and operations in these industrial parks. The Company believes that the Target Company will benefit from the State-owned background of the Science City GZ Group and be able to work with local government and businesses, giving full play to the strengths of the Group in the fields of energy planning, scheme design, operation management and high-quality services. The Company further believes that a complementary and mutually beneficial strategic cooperation with the Science City GZ Group can be formed for the pursuance of renewable energy and smart energy development in the Guangdong-Hong Kong-Macao Greater Bay Area.

Particulars of the GZ Science City Transfer Agreement and the acquisition were disclosed in the announcement of the Company dated 25 August 2023.

3. Formation of Joint Venture Company and Injection of Equity Interest in a Subsidiary into the Joint Venture Company

On 22 November 2023, Chaozhou Shenzhen Energy Gas Co., Ltd. (潮州深能燃氣有限公司) (“Chaozhou Shenneng”, a company established in the PRC with limited liability), Fanico Investments Limited (“Enfa”, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of HKCG), Chao Sheng Investments Limited (“Chaosheng”, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company) and Apex Time Holdings Limited (“Zongcheng”, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of HKCG) entered into an agreement in relation to the setting up of a joint venture proposed to be named Chaozhou Shenzhen Energy Hong Kong and China Gas Co., Ltd. (潮州深能港華燃氣有限公司) (the “JV Company”) in the PRC (the “JV Agreement”). The JV Company has been established on 6 February 2024.



Connected Transactions *(Continued)*

3. Formation of Joint Venture Company and Injection of Equity Interest in a Subsidiary into the Joint Venture Company *(Continued)*

Pursuant to the JV Agreement, the parties agreed to arrange to establish the JV Company and contribute the initial registered capital of the JV Company of RMB1 million in cash as to 63.47% by Chaozhou Shenneng, 21.54% by Enfa, 14.95% by Chaosheng and 0.04% by Zongcheng. The parties also agreed to increase the registered capital of the JV Company by RMB859,616,060, which was to be contributed by them in proportion to their respective equity interests in the JV Company referred to above through transfer into the JV Company by (1) Chaozhou Shenneng of its 100% equity interest in Chaozhou Shenzhen Energy City Gas Development Co., Ltd. (潮州深能城市燃氣發展有限公司) (“CS City Gas”, a company established in the PRC with limited liability); (2) Enfa of its entire 60% equity interest in Chaozhou Hong Kong and China Gas Co., Ltd. (潮州港華燃氣有限公司) (“CZ Gas”, a company established in the PRC with limited liability); (3) Chaosheng of its entire 60% equity interest in Chaozhou Fengxi Hong Kong and China Gas Co., Ltd. (潮州楓溪港華燃氣有限公司) (“Fengxi Gas”, a company established in the PRC with limited liability); and (4) Zongcheng of its entire 60% equity interest in Raoping Hong Kong and China Gas Co., Ltd. (饒平港華燃氣有限公司) (“Raoping Gas”, a company established in the PRC with limited liability).

As HKCG is a controlling shareholder of the Company and Enfa and Zongcheng are wholly-owned subsidiaries of HKCG, Enfa and Zongcheng are connected persons of the Company under the Listing Rules. The initial and further contributions of registered capital of the JV Company by Chaosheng contemplated under the JV Agreement (the “Transactions”) therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Transactions were more than 0.1% but all of them were less than 5%, the Transactions were subject to the reporting and announcement requirements but were exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Guangdong Provincial Government issued an implementation plan for accelerating the high quality development of city natural gas enterprises in the Guangdong Province in 2021. The City of Chaozhou is one of the pilot cities for the comprehensive reform of city gas enterprises under the plan. The Government of the City of Chaozhou takes the leading role in promoting the construction of “One City, One Enterprise” in the City of Chaozhou. Chaozhou Shenneng, with its State-owned background, will consolidate the gas companies in the city, optimise resources allocation and share high-quality development results in the market. The establishment of the JV Company can take advantage of the State-owned background of Chaozhou Shenneng to improve the gas operation status of the Group in the Chaozhou area, share resources with Chaozhou Shenneng and the HKCG Group, broaden the customer base and increase the overall sale of gas. By leveraging on the franchise right of Chaozhou Shenneng to develop pipeline gas sources, Fengxi Gas, CZ Gas and Raoping Gas can eliminate their dependence on liquefied natural gas (which has relatively large price fluctuations) and maintain a relatively stable dollar margin and promote development.

Particulars of the JV Agreement and the transactions contemplated therein were disclosed in the announcement of the Company dated 22 November 2023.



Report of the Directors

Connected Transactions *(Continued)*

4. Acquisition of Equity Interests in Shanghai Electric & Towngas Energy Technology Co., Ltd. (上海上電港華能源科技有限公司), Jilin Electric Power & Towngas Smart Energy (Jinan) Co., Ltd. (吉電港華智慧能源(濟南)有限公司) and Suqian Towngas China Photovoltaic Co., Ltd. (宿遷港能投光伏有限公司)

On 8 December 2023, Towngas China Energy Investment Limited (港華能源投資有限公司) (the “Purchaser”, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company) entered into 3 transfer agreements (the “Transfer Agreements”) to acquire from Hong Kong and China Integrated Power Investment (Shenzhen) Limited (港華綜合電能投資(深圳)有限公司) (the “Vendor”, a company established in the PRC with limited liability and a wholly-owned subsidiary of HKCG) its entire equity interests of 50% in Shanghai Electric & Towngas Energy Technology Co., Ltd. (上海上電港華能源科技有限公司) (“Shanghai Electric Energy”, a company established in the PRC with limited liability), 50% in Jilin Electric Power & Towngas Smart Energy (Jinan) Co., Ltd. (吉電港華智慧能源(濟南)有限公司) (“Jilin Electric Energy”, a company established in the PRC with limited liability) and 100% in Suqian Towngas China Photovoltaic Co., Ltd. (宿遷港能投光伏有限公司) (“Suqian Photovoltaic”, a company established in the PRC with limited liability) for the consideration of RMB7,371,549, RMB603,912 and RMB53,118,256 respectively (the “Acquisitions”). The transfer of Jilin Electric Energy and Suqian Photovoltaic was completed on 5 February 2024 and 16 January 2024 respectively.

As HKCG is a controlling shareholder of the Company and the Vendor is a wholly-owned subsidiary of HKCG, the Vendor is a connected person of the Company under the Listing Rules. The Acquisitions under the Transfer Agreements therefore constituted connected transactions of the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisitions under the Transfer Agreements, when aggregated with the acquisition transactions of the Group with the HKCG Group during the 12 months before the date of the Transfer Agreements (including the acquisition of equity interests in two companies announced by the Company on 21 June 2023 and 25 August 2023 respectively referred to above), were more than 0.1% but all of them were less than 5%, the Acquisitions were subject to the reporting and announcement requirements but were exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.



Connected Transactions *(Continued)*

4. Acquisition of Equity Interests in Shanghai Electric & Towngas Energy Technology Co., Ltd. (上海上電港華能源科技有限公司), Jilin Electric Power & Towngas Smart Energy (Jinan) Co., Ltd. (吉電港華智慧能源(濟南)有限公司) and Suqian Towngas China Photovoltaic Co., Ltd. (宿遷港能投光伏有限公司)

(Continued)

The Group is developing a long-term strategic partnership with SPIC. Shanghai Electric Power Co., Ltd. (上海電力股份有限公司) (“Shanghai Power” a joint stock limited company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600021)) is an important backbone enterprise of SPIC, and is vigorously developing renewable energy and comprehensive smart energy projects in the PRC. Jilin Electric Power Co., Ltd. (吉林電力股份有限公司) (“Jilin Power”, a joint stock limited company established in the PRC and the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000875)) is an important backbone enterprise of SPIC. It has established new energy bases in more than 30 provinces, autonomous regions and municipalities within the Northeastern, Northwestern, Eastern, Central and Northern regions of the PRC. Through Shanghai Electric Energy and Jilin Electric Energy, the Group can benefit from Shanghai Power and Jilin Power’s rich resources, efficiency and experience in the power market and low-cost financing to develop and implement a comprehensive smart energy business more quickly and effectively.

Jilin Electric Energy can also leverage on Jilin Power’s in-depth cooperation with local governments and businesses and the Group’s expertise in energy planning, program design, operation management and quality services, creating a strategic cooperation with mutual benefits through development of renewable energy and smart energy projects.

Acquisition of Suqian Photovoltaic will facilitate the development by the Group of renewable energy and smart energy projects in Suqian.

Particulars of the Transfer Agreements and the transactions contemplated therein were disclosed in the announcement of the Company dated 8 December 2023.



Report of the Directors

Continuing Connected Transactions

1. Gas Purchase Transactions and Pipeline Materials Purchase Transactions

On 10 December 2021, the Company and HKCG entered into two master agreements, namely:

- (i) an agreement (the “2021 Gas Purchase Master Agreement”) relating to the purchase of various types of fuel gas (including but not limited to liquefied coalbed methane, compressed natural gas and liquefied natural gas) by members of the Group from members of the HKCG Group (the “2021 Gas Purchase Transactions”); and
- (ii) an agreement (the “2021 Pipeline Materials Purchase Master Agreement”, and together with the 2021 Gas Purchase Master Agreement, collectively referred to as the “2021 CCT Master Agreements”) relating to the purchase of various pipeline construction materials, gas meters and measuring tools by members of the Group from members of the HKCG Group (the “2021 Pipeline Materials Purchase Transactions”),

each for a term commencing from 1 January 2022 to 31 December 2024 (both days inclusive). Particulars of the 2021 Gas Purchase Transactions, the 2021 Pipeline Materials Purchase Transactions and the 2021 CCT Master Agreements were disclosed in the announcement of the Company dated 10 December 2021. The 2021 Gas Purchase Master Agreement was terminated with effect from 17 March 2023 pursuant to the Master Gas and Smart Energy Related Agreement dated 17 March 2023 referred to below.

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The transactions contemplated under the 2021 Gas Purchase Master Agreement and the 2021 Pipeline Materials Purchase Master Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The annual cap amounts and the actual amounts of the above transactions are disclosed in the section headed “Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31 December 2023” below.



Continuing Connected Transactions *(Continued)*

2. Engineering Work and Consultation Services Transactions and Healthy and Lifestyle Products and Services Purchase Transactions

On 10 December 2021, the Company, HKCG and U-Tech (Guang Dong) Engineering Construction Co., Ltd (卓裕 (廣東) 工程建設有限公司) (“U-Tech (Guang Dong)”, being an indirect wholly-owned subsidiary of the Company) entered into an agreement (the “2021 Master Engineering Work and Consultation Services Agreement”) to set out the principal terms and conditions governing the provision of engineering work and consultation services, including but not limited to non-excavation engineering work services, pipeline positioning measurement services, bidding agency services, cost consultation services, sale of innovative tools, urban pipeline engineering services, water supply, drainage and heating engineering work services, technical consultation services for engineering projects, pipeline inspection services, maintenance services, rapid leak detection services and promotion and marketing consulting services (the “Engineering Work and Consultation Services”) by members of the Group to members of the HKCG Group and the payment by the relevant member of the HKCG Group to the relevant member of the Group of the relevant service fees in connection therewith (the “2021 Engineering Work and Consultation Services Transactions”).

On 10 December 2021, the Company and HKCG entered into an agreement (the “2021 Master Healthy and Lifestyle Products and Services Purchase Agreement”) relating to the purchase of flour, edible oils, tea leaves, chili sauce, rice, wine, ginger, other quality agricultural products, quality healthy food and household products, quality gas safety products (such as gas alarms) and quality home gas safety inspection services by members of the Group from members of the HKCG Group (the “Healthy and Lifestyle Products and Services Purchase Transactions”).

Each of the 2021 Master Engineering Work and Consultation Services Agreement and the 2021 Master Healthy and Lifestyle Products and Services Purchase Agreement is for a term commencing from 1 January 2022 to 31 December 2024 (both days inclusive). Particulars of the Engineering Work and Consultation Services Transactions, Healthy and Lifestyle Products and Services Purchase Transactions, 2021 Master Engineering Work and Consultation Services Agreement and 2021 Master Healthy and Lifestyle Products and Services Purchase Agreement were disclosed in the announcement of the Company dated 10 December 2021. Both agreements were terminated with effect from 17 March 2023 pursuant to the Master Engineering Works and Consultation Services Agreement and Master Comprehensive Products and Services Agreement dated 17 March 2023 referred to below respectively.

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The transactions contemplated under the 2021 Master Engineering Work and Consultation Services Agreement and 2021 Master Healthy and Lifestyle Products and Services Purchase Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The annual cap amounts and the actual amounts of the above transactions are disclosed in the section headed “Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31 December 2023” below.



Report of the Directors

Continuing Connected Transactions *(Continued)*

3. Gas and Smart Energy Related Purchase and Sale Transactions, Engineering Works and Consultation Provision and Acquisition Services Transactions and Comprehensive Products and Services Purchase and Sale Transactions

On 17 March 2023, the Company and HKCG entered into 3 master agreements (the “CCT Master Agreements”), each for the term commencing from 17 March 2023 to 31 December 2023 (both days inclusive) unless terminated earlier by agreement signed by the parties thereto, namely:

- (i) the Master Gas and Smart Energy Related Agreement with respect to the purchase of various types of fuel gas (including but not limited to liquefied coalbed methane, compressed natural gas and liquefied natural gas) (“Fuel Gas”) and energy related products (including but not limited to electricity, steam, heating, cooling and hot water which are generated through the use of energy efficient technology to capture residual heat) (“Energy”) by members of the Group from members of the HKCG Group and the payment by the relevant member of the Group to the relevant member of the HKCG Group of the relevant fees in connection therewith (the “Gas and Smart Energy Related Purchase Transactions”) and the purchase of Fuel Gas, Energy and various forms of smart energy services (including but not limited to carbon inventory, carbon verification, carbon peak research, carbon neutrality route planning and carbon neutrality routing) (“Smart Energy Services”) by members of the HKCG Group from members of the Group and the payment by the relevant member of the HKCG Group to the relevant member of the Group of the relevant fees in connection therewith (the “Gas and Smart Energy Related Sale Transactions”);
- (ii) the Master Engineering Works and Consultation Services Agreement with respect to the provision of engineering work and consultation services, including but not limited to non-excavation engineering work services, pipeline positioning measurement services, bidding agency services, cost consultation services, sale of innovative tools, urban pipeline engineering services, water supply, drainage and heating engineering work services, technical consultation services for engineering projects, pipeline inspection services (the “Engineering Works and Consultation Provision Services”) by members of the Group to members of the HKCG Group and the payment by the relevant member of the HKCG Group to the relevant member of the Group of the relevant service fees in connection therewith (the “Engineering Works and Consultation Services Provision Transactions”) and the provision of engineering work and consultation services in relation to gas pipelines and corollary equipment installation, construction of municipal building projects, and project management services (including the provision of project management services for the gas facilities projects and construction and installation projects invested or managed by members of the Group) (the “Engineering Works and Consultation Acquisition Services”) by members of the HKCG Group to members of the Group and the payment by the relevant member of the Group to the relevant member of the HKCG Group of the relevant fees in connection therewith (the “Engineering Works and Consultation Services Acquisition Transactions”); and



Continuing Connected Transactions *(Continued)*

3. Gas and Smart Energy Related Purchase and Sale Transactions, Engineering Works and Consultation Provision and Acquisition Services Transactions and Comprehensive Products and Services Purchase and Sale Transactions *(Continued)*

- (iii) the Master Comprehensive Products and Services Agreement with respect to the purchase of flour, edible oils, tea leaves, chili sauce, rice, wine, ginger, other quality agricultural products, quality healthy food and household products, gas stoves, quality gas safety products (such as gas alarms) and quality home gas safety inspection services (“Healthy and Lifestyle Products and Services”) and the user authorisation, installation, management and maintenance and the provision of technical supporting services relating to, among others, system software (including but not limited to Towngas Customer Information System (燃氣客戶資訊管理系統), Geographic Information System (燃氣地理信息系統), Supervisory Control and Data Acquisition System (燃氣管網監控及數據採集系統), Mobility Meter Reading Application (移動抄表應用系統), Mobility Regular Safety Inspection Application (移動安檢應用系統) and Mobility Maintenance Service Application (移動維修應用系統)) and the cloud computing hardware system which will manage, operate and monitor the network infrastructure of information system (“IT Related Products and Services”) by members of the Group from members of the HKCG Group and the payment by the relevant member of the Group to the relevant member of the HKCG Group of the relevant fees in connection therewith (the “Comprehensive Products and Services Purchase Transactions”) and the purchase of maintenance services, rapid leak detection services and promotion and marketing consulting services and household related services by members of the HKCG Group from members of the Group and the payment by the relevant member of the HKCG Group to the relevant member of the Group of the relevant fees in connection therewith (the “Comprehensive Products and Services Sale Transactions”).

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The entering into of the CCT Master Agreements and the transactions contemplated thereunder, which were all to be carried out in the ordinary and usual course of business of the Group and were expected to continue and extend over a period of time, therefore constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Particulars of the (1) Gas and Smart Energy Related Purchase Transactions; (2) Gas and Smart Energy Related Sale Transactions; (3) Engineering Works and Consultation Provision Services Transactions; (4) Engineering Works and Consultation Services Acquisition Transactions; (5) Comprehensive Products and Services Purchase Transactions; and (6) Comprehensive Products and Services Sale Transactions were disclosed in the announcement of the Company dated 17 March 2023.

The annual cap amounts and the actual amounts of the above transactions are disclosed in the section headed “Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31 December 2023” below.



Report of the Directors

Continuing Connected Transactions *(Continued)*

4. LNG Storage Rental Transactions

On 27 August 2021, the Company and HKCG entered into an agreement (the “2021 Master LNG Storage Rental Agreement”) pursuant to which members of the Group shall from time to time according to their needs rent liquefied natural gas storage facilities (“LNG Storage Facilities”) from members of the HKCG Group (the “LNG Storage Rental Transactions”). The 2021 Master LNG Storage Rental Agreement was for a term commencing from 1 September 2021 to 31 December 2023 (both days inclusive). Particulars of the LNG Storage Rental Transactions and the 2021 Master LNG Storage Rental Agreement were disclosed in the announcement of the Company dated 27 August 2021.

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The transactions contemplated under the 2021 Master LNG Storage Rental Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The annual cap amount and the actual amount of the above transactions are disclosed in the section headed “Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31 December 2023” below.

5. Gas and Smart Energy Related Purchase and Sale Transactions, Engineering Works and Consultation Provision and Acquisition Services Transactions and Comprehensive Products and Services Purchase and Sale Transactions

As it is anticipated that members of the Group and members of the HKCG Group will continue to enter into similar transactions from time to time after expiry of the CCT Master Agreements of 17 March 2023 abovementioned, on 12 December 2023, the Company and HKCG had entered into:

- (i) the Master Gas and Smart Energy Related Agreement with respect to the purchase of various types of Fuel Gas and Energy and renting of LNG Storage Facilities by members of the Group from members of the HKCG Group (the “2024 Gas and Smart Energy Related Purchase Transactions”) and the purchase of Fuel Gas, Energy and Smart Energy Services by members of the HKCG Group from members of the Group (the “2024 Gas and Smart Energy Related Sale Transactions”);
- (ii) the Master Engineering Works and Consultation Services Agreement with respect to the provision of Engineering Works and Consultation Provision Services by members of the Group to members of the HKCG Group (the “2024 Engineering Works and Consultation Services Provision Transactions”) and the provision of Engineering Works and Consultation Acquisition Services by members of the HKCG Group to members of the Group (the “2024 Engineering Works and Consultation Services Acquisition Transactions”); and



Continuing Connected Transactions *(Continued)*

5. Gas and Smart Energy Related Purchase and Sale Transactions, Engineering Works and Consultation Provision and Acquisition Services Transactions and Comprehensive Products and Services Purchase and Sale Transactions *(Continued)*

- (iii) the Master Comprehensive Products and Services Agreement with respect to the purchase of the Healthy and Lifestyle Products and Services and the IT Related Products and Services (the “Comprehensive Purchase Products and Services”) by members of the Group from members of the HKCG Group (the “2024 Comprehensive Products and Services Purchase Transactions”) and the purchase of Comprehensive Sale Products and Services by members of the HKCG Group from members of the Group (the “2024 Comprehensive Products and Services Sale Transactions”),

each for a term of 3 years from 1 January 2024 to 31 December 2026 (the “2024 CCT Master Agreements”).

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The entering into of the 2024 CCT Master Agreements and the transactions contemplated thereunder (the “2024 CCT Transactions”) therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Particulars of the (1) 2024 Gas and Smart Energy Related Purchase Transactions; (2) 2024 Gas and Smart Energy Related Sale Transactions; (3) 2024 Engineering Works and Consultation Services Provision Transactions; (4) 2024 Engineering Works and Consultation Services Acquisition Transactions; (5) 2024 Comprehensive Products and Services Purchase Transactions; and (6) 2024 Comprehensive Products and Services Sale Transactions were disclosed in the announcement of the Company dated 12 December 2023.

Since one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual cap amounts for each category of such transactions were more than 0.1% but all of them were less than 5%, such transactions were subject to the reporting, announcement and annual review requirements but were exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The annual cap amounts and the actual amounts for the year ended 31 December 2024 of the 2024 CCT Transactions will be disclosed in the 2024 Annual Report of the Company.



Report of the Directors

Continuing Connected Transactions *(Continued)*

Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31 December 2023

The annual caps and actual amounts of the continuing connected transactions of the Group for the year ended 31 December 2023 are summarised below:

Transactions	Annual cap amount for the year ended 31 December 2023 <i>(Note 1)</i>	Actual amount for the year ended 31 December 2023 <i>(Note 5)</i>
(1) 2021 Pipeline Materials Purchase Transactions	RMB230,000,000 (approximately HK\$254,735,000)	RMB102,242,000 (approximately HK\$113,237,000)
(2) Gas and Smart Energy Related Purchase Transactions (including the 2021 Gas Purchase Transactions <i>(Note 2)</i>)	RMB450,000,000 (approximately HK\$498,394,000)	RMB74,120,000 (approximately HK\$82,091,000)
(3) Gas and Smart Energy Related Sale Transactions	RMB50,000,000 (approximately HK\$55,377,000)	RMB24,311,000 (approximately HK\$26,925,000)
(4) Engineering Works and Consultation Provision Services Transactions (including the 2021 Engineering Work and Consultation Services Transactions <i>(Note 3)</i>)	RMB100,000,000 (approximately HK\$110,754,000)	RMB51,118,000 (approximately HK\$56,615,000)
(5) Engineering Works and Consultation Services Acquisition Transactions	RMB40,000,000 (approximately HK\$44,302,000)	RMB10,815,000 (approximately HK\$11,978,000)
(6) Comprehensive Products and Services Purchase Transactions (including the Healthy and Lifestyle Products and Services Purchase Transactions <i>(Note 4)</i>)	RMB220,000,000 (approximately HK\$243,659,000)	RMB141,755,000 (approximately HK\$157,000,000)
(7) Comprehensive Products and Services Sale Transactions	RMB200,000,000 (approximately HK\$221,508,000)	RMB24,523,000 (approximately HK\$27,160,000)
(8) LNG Storage Rental Transactions	RMB50,000,000 (approximately HK\$55,377,000)	Nil



Continuing Connected Transactions *(Continued)*

Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31 December 2023 *(Continued)*

Notes:

1. Since one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual cap amounts for each category of such transactions were more than 0.1% but all of them were less than 5%, such transactions were subject to the reporting, announcement and annual review requirements but were exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.
2. The 2021 Gas Purchase Transactions was subject to the annual cap amount of RMB80,000,000 (approximately HK\$88,603,000) for the year ended 31 December 2023. The actual amount of the 2021 Gas Purchase Transactions (before termination of the 2021 Gas Purchase Master Agreement on 17 March 2023) was RMB7,626,000 (approximately HK\$8,446,000).
3. The 2021 Engineering Work and Consultation Services Transactions were subject to the annual cap amounts of RMB45,000,000 (approximately HK\$49,839,000) for the year ended 31 December 2023. The actual amount of the Engineering Work and Consultation Services Transactions (before termination of the 2021 Master Engineering Work and Consultation Services Agreement on 17 March 2023) was RMB4,305,000 (approximately HK\$4,768,000).
4. The Healthy and Lifestyle Products and Services Purchase Transactions were subject to the annual cap amounts of RMB90,000,000 (approximately HK\$99,679,000) for the year ended 31 December 2023. The actual amount of the Healthy and Lifestyle Products and Services Purchase Transactions (before termination of the 2021 Master Healthy and Lifestyle Products and Services Purchase Agreement on 17 March 2023) was RMB18,446,000 (approximately HK\$20,430,000).
5. The actual amounts had not exceeded the annual cap amounts as stated in the corresponding master agreements as referred to above.

The Board, including the Independent Non-Executive Directors, had reviewed and confirmed that the continuing connected transactions as referred to in the section headed "Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31 December 2023" were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Board also considers that the transactions had been conducted in accordance with the pricing policies under the relevant master agreement and the Company's internal control procedures are adequate and effective.



Report of the Directors

Related Party Transactions

Details of the related party transactions undertaken in the normal course of business are set out in Note 45 to the consolidated financial statements. In relation to those related party transactions that also constituted connected transactions under the Listing Rules, they are in compliance with applicable requirements under the Listing Rules and are reported in this Annual Report in accordance with the Listing Rules.

Borrowings

Particulars of borrowings of the Group as at 31 December 2023 are set out in Note 35 to the consolidated financial statements.

Donations

During the year, the Group made charitable and other donations amounting to approximately HK\$696,000.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report and during the year, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Major Customers and Suppliers

The percentage of the operating cost attributable to the Group's 5 largest suppliers was less than 30% during the year. The percentage of the turnover attributable to the Group's 5 largest customers was less than 30% during the year.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles or the Companies Act of the Cayman Islands which would oblige the Company to offer new Shares on pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 950,000 Shares at a total consideration of approximately HK\$3,172,000.



Emolument Policy

As at 31 December 2023, the Group had 24,220 employees (31 December 2022: 23,663), with 99% located in mainland China. Employee remuneration is based on individual performance, job nature and the relevant responsibilities involved. On-the-job training is provided as well as optimal benefits packages for employees, which include medical and retirement plans, year-end bonuses and other incentives. Employees are also encouraged to adopt a work-life balance, whilst improving the work environment on a continuing basis. The Group aims to help employees realise their full potential as well as their contribution to the Group.

The emoluments of the Directors are recommended by the Remuneration Committee of the Company for the Board's approval, having regard to the Group's operating results, individual performance and comparable market statistics. No Director or executive, nor any of his/her associates, is involved in deciding his/her own remuneration.

The Company has adopted a Share Option Scheme on 26 May 2022 and a Share Award Scheme on 17 August 2021 providing incentives to Directors and eligible participants, details of which are set out above and in Note 41 to the consolidated financial statements.

Corporate Governance

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code as contained in Appendix C1 to the Listing Rules, as amended from time to time (the "CG Code") throughout the year ended 31 December 2023.

Details of the corporate governance of the Group are set out in the "Corporate Governance Report" on pages 78 to 101 of this Annual Report.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by Messrs. Deloitte Touche Tohmatsu ("Deloitte"). A resolution will be submitted to the forthcoming AGM of the Company to re-appoint Deloitte as the auditor of the Company.

This report is signed for and on behalf of the Board.

Peter Wong Wai-ye

Executive Director and Chief Executive Officer

Hong Kong, 19 March 2024