港華智慧能源有限公司

Towngas Smart Energy Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

ANNUAL REPORT **2023**

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

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

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Business Overview

NO. OF PROJECTS

(Inclusive of piped gas projects, photovoltaic projects and energy and carbon projects re-invested by the Group's companies)

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Distribution of Piped Gas Projects

Anhui	Anqing, Bowang, Chizhou, Huangshan, Huizhou, Maanshan, Tunxi, Wuhu Fanchang, Wuhu Jiangbei, Zhengpugang New Area Modern Industrial Zone
Chongqing	Qijiang
Fujian	Changting
Guangdong	Foshan, Qingyuan, Shaoguan, Yangdong
Guangxi	Guilin, Liuzhou, Zhongwei (Fusui)
Guizhou	Xingyi
Hebei	Anguo, Cangxian, Mengcun, Qinhuangdao, Shijiazhuang, Yanshan
Heilongjiang	Qiqihar
Hubei	Zhongxiang
Hunan	Miluo
Inner Mongolia	Baotou, Darhan Muminggan United Banner
Jiangsu	Dafeng, Nanjing Gaochun, Tongshan
Jiangxi	Changjiu, Fuzhou, Jiujiang, Wuning, Xiushui, Yifeng
Jilin	Changchun, Gongzhuling, Siping
Liaoning	Anshan, Beipiao, Benxi, Benxi Manchu Autonomous County, Chaoyang, Dalian Changxingdao, Dalian Economic and Technical Development Zone, Dalian Taiping Bay, Fuxin, Jianping, Kazuo, Lvshun, Shenyang Coastal Economic Zone, Tieling, Wafangdian, Xinqiu, Yingkou
Shandong	Boxing Economic Development Zone, Chiping, Feicheng, Jimo, Jinan West, Laiyang, Laoshan, Laoshan Bay, Linqu, Longkou, Pingyin, Taian, Weifang, Weihai, Wulian, Yangxin, Zhaoyuan, Zibo, Zibo Lvbo
Sichuan	Cangxi, Chengdu, Dayi, Jiajiang, Jianyang, Lezhi, Mianyang, Mianzhu, Pengshan, Pengxi, Pingchang, Santai, Weiyuan, Xindu, Xinjin, Yuechi, Zhongjiang, Ziyang
Yunnan	Luliang
Zhejiang	Huzhou, Songyang, Tongxiang, Yuhang

Vehicle Gas Refilling Stations

Heilongjiang	Qiqihar (Lianfu, Xingqixiang)

Midstream Projects

Anhui	Xuancheng – Huangshan
Inner Mongolia	Baotou
Shandong	Jinan – Liaocheng, Taian

* as at the date of this Annual Report

Upstream and Other Projects

Anhui	Maanshan (Maanshan Piping Prefabrication)
Guangdong	Shenzhen (U-Tech (Guang Dong) Engineering, Zhongtejian Towngas China Technology)
Liaoning	Shenyang (Liaoning Clean Energy Group)
Shanghai	Shanghai (Towngas Natural Gas Sales)
Sichuan	Chengdu (Towngas Cosy Home (Chengdu)), Weiyuan (Towngas Sichuan United Energy)

Distribution of Smart Industrial Park Projects

Anhui	Chizhou, Chuzhou, Huangshan, Maanshan, Xuancheng
Chongqing	Chongqing
Fujian	Fuzhou, Putian, Quanzhou, Xiamen, Zhangzhou
Guangdong	Dongguan, Guangzhou, Huizhou, Jiangmen, Qingyuan, Shenzhen, Zhongshan
Guangxi	Chongzuo, Guilin, Wuzhou
Hainan	Danzhou, Haikou
Hebei	Cangzhou, Shijiazhuang, Tangshan
Heilongjiang	Qiqihar
Henan	Kaifeng, Luoyang, Nanyang, Shangqiu, Zhengzhou
Hubei	Chibi, Huanggang, Jingzhou, Wuhan, Xiaogan
Hunan	Changsha, Hengyang, Yueyang, Zhuzhou
Jiangsu	Changzhou, Huaian, Nanjing, Nantong, Suqian, Suzhou, Taizhou, Wuxi, Xuzhou, Yangzhou, Zhenjiang, Zhangjiagang
Liaoning	Benxi, Dalian, Fushun, Shenyang, Tieling, Yingkou
Shandong	Binzhou, Jining, Linyi, Taian, Weifang, Weihai, Yantai, Zibo
Shanghai	Shanghai
Shaanxi	Xi'an, Yangling Demonstration Zone
Tianjin	Tianjin
Zhejiang	Hangzhou, Huzhou, Jiaxing, Jinhua, Tongxiang

Distribution of Photovoltaic Projects

Anhui	Maanshan, Tongling
Fujian	Xiamen
Guangdong	Foshan, Guangzhou, Yangjiang, Zhuhai, Zhaoqing
Guangxi	Guilin, Liuzhou
Hainan	Danzhou, Dongfang, Qionghai
Henan	Nanyang
Hubei	Huangshi, Suizhou, Wuhan, Xiaogan, Xianning
Jiangsu	Changzhou, Zhenjiang, Suqian, Suzhou, Taizhou, Yancheng, Yangzhou
Jiangxi	Fuzhou, Yichun
Shaanxi	Xi'an
Shandong	Binzhou, Jining, Liaocheng, Qingdao, Weifang, Weihai
Shanghai	Shanghai

Distribution of Energy and Carbon Projects

Jiangsu	Huaian, Nanjing, Suzhou, Zhenjiang
Hunan	Changsha
Guangdong	Guangzhou, Shenzhen
Beijing	Beijing

Distribution of Other Renewable Energy Projects

Anhui	Anqing, Maanshan, Tongling
Guangdong	Shenzhen
Guangxi	Guilin
Hebei	Tangshan
Henan	Zhengzhou
Jiangsu	Changzhou, Suzhou, Xuzhou
Jilin	Changchun
Liaoning	Anshan, Fuxin, Shenyang
Shandong	Binzhou, Qingdao, Jinan
Shaanxi	Xi'an
Sichuan	Chengdu
Zhejiang	Hangzhou, Lishui

1 2 1
Heilongjiang
14 2 1
Jilin
Liaoning
18 1
7 6 3
3 2
Inner Mongolia
Beijing
1 1
1 5
Hebei
Tianjin
6 5 5
2
32 2
8 47 3
Shandong
3 17
70 6 5
Jiangsu
Shanghai
1 1
11
7 23 1
Henan
Anhui
17 1 1
5 14 5
3 2 3
Shaanxi
38 2 1
Sichuan
1 13 5
Hubei
5 5
2 21
Zhejiang
1 1 1
Chongqing
3 1 4 1
Hunan
10 2
Jiangxi
2 6 8
Fujian
1
Guizhou
1
Yunnan
8 3 3 1
Guangxi
24 2
8 20 8 3
Guangdong
2 5
Hainan
Piped Gas Projects
Vehicle Gas Refilling Stations
Midstream Projects
Upstream and Other Projects
Energy and Carbon Projects
Smart Industrial Park Projects
Photovoltaic Projects
Other Renewable Energy Projects

Five-Year Financial Summary

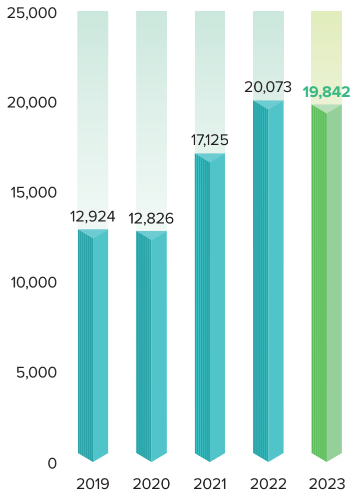
	For the year ended 31 December				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
RESULTS					
Revenue	12,924,371	12,826,237	17,125,447	20,073,010	**19,841,511**
Profit before taxation	2,014,058	2,202,701	2,144,751	1,583,706	**2,196,434**
Taxation	(501,485)	(554,893)	(617,659)	(382,667)	**(385,110)**
Profit for the year	1,512,573	1,647,808	1,527,092	1,201,039	**1,811,324**
Profit for the year attributable to:					
Shareholders of the Company*	1,308,425	1,447,113	1,253,202	964,855	**1,574,623**
Non-controlling interests	204,148	200,695	273,890	236,184	**236,701**
Profit for the year	1,512,573	1,647,808	1,527,092	1,201,039	**1,811,324**
	HK cents	HK cents	HK cents	HK cents	**HK cents**
Earnings per share					
Basic	46.06	49.56	41.53	30.17	**47.74**
Diluted	N/A	N/A	41.53	14.38	**42.47**

	As at 31 December				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	38,194,886	42,892,963	54,236,703	52,943,976	**53,464,703**
Total liabilities	(17,894,876)	(20,244,361)	(29,063,945)	(29,080,883)	**(28,234,213)**
	20,300,010	22,648,602	25,172,758	23,863,093	**25,230,490**
Equity attributable to shareholders of the Company	18,612,056	20,722,899	22,895,052	21,504,859	**22,847,212**
Non-controlling interests	1,687,954	1,925,703	2,277,706	2,358,234	**2,383,278**
Total equity	20,300,010	22,648,602	25,172,758	23,863,093	**25,230,490**

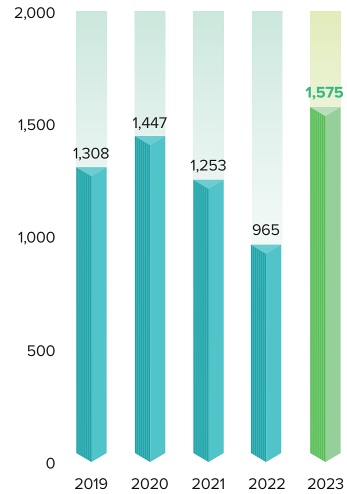
* *the Company: Towngas Smart Energy Company Limited*

Financial Highlights

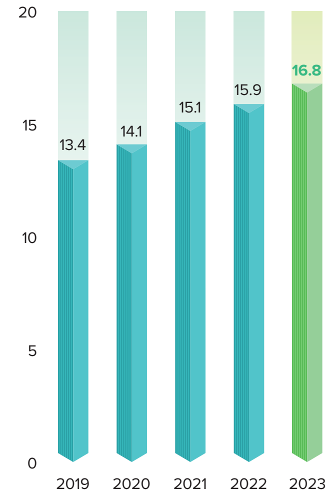
Revenue
(HK$ Millions)



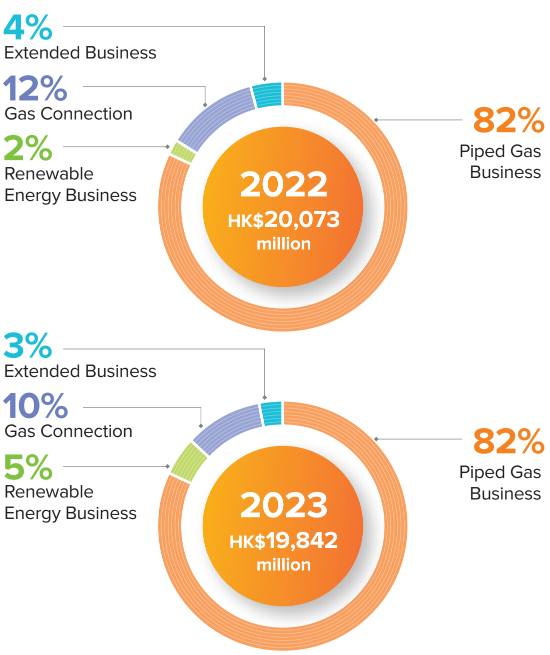
Profit Attributable to Shareholders of the Company
(HK$ Millions)



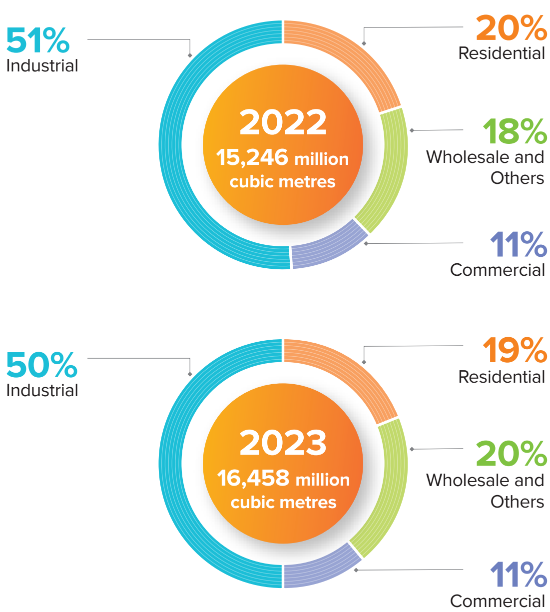
Number of Customers (All Entities)
(Millions)



Analysis of Revenue



Percentage of Gas Volume by Customer Mix (All Entities)



Chairman's Statement

"Fully capitalising on our technological strengths, extensive experiences, resources and application scenarios, we are committed to achieving our carbon reduction targets."

Dr. Lee Ka-kit
Chairman

Looking back on the past year, we were pleased to witness the conclusion of the global pandemic. The resurgence of the global economy, however, has been sluggish, creating a challenging road to recovery. The international political landscape has continued to be volatile, with various regions plagued by wars and conflicts, further exacerbating the energy crisis. During the year, life on the Chinese mainland returned to normal, albeit amidst a dampened global economy. This has led to fluctuations in the country's post-pandemic recovery whilst posing challenges to the business environment.

Despite the uncertain economic prospects, the Group put an emphasis on prudence, innovation and resilience. On the one hand, we reinforced our foothold in the gas business, leveraging the untapped potential of our existing business while maintaining rigorous discipline over capital expenditure. On the other hand, we continue to develop our renewable energy business based on an asset-light model, aiming to minimise financial leverage and provide our shareholders with stable returns.

In addition, the country has been actively committed to green development over the years. As such, it has drawn up a clear emission reduction plan to achieve the "30-60" dual carbon goals. A primary focus of this plan is to explore new green energy sources to replace fossil fuels. Relevant national policies have pointed out a clear direction for our future development, and we are well aware that this is not only an undeniable responsibility but also a precious opportunity.

Since the 1990s, we have been deeply rooted on the Chinese mainland, establishing a large industrial and commercial customer base there. Starting out as a city-gas business operator, we have built an impeccable reputation for safety and service quality. Coupled with the pressing demand from industrial and commercial customers to reduce energy costs and carbon emission, this gives us a unique advantage in developing comprehensive energy management services. In the face of the new race track and other new opportunities, we are pursuing a two-pronged approach with the business development of both the natural gas and renewable energy businesses. Leveraging our professional energy management technologies and platforms, we aim to provide our customers with a full range of energy management solutions.

All our staff members will also rise to these challenges with the utmost professionalism, entrepreneurial spirit and resilience, working together for the robust development of the Group's businesses.

Annual Results

At the end of 2023, the Group had 536 city-gas and renewable energy projects in 25 provinces, autonomous regions and municipalities, representing an increase of 173 projects as compared to last year. The gas sales volume for the year increased by 8% compared to last year. The total number of Group customers reached 16.77 million during the year, representing an increase of 840,000 customers. The renewable energy business also developed further, with 44 zero-carbon smart industrial parks developed during the year, bringing the cumulative number of projects to 124. Turnover increased by 4.2% to RMB17,915 million, but due to the exchange rate impact, turnover in Hong Kong dollars decreased slightly by 1.2% to HK$19,842 million. Profit attributable to shareholders of the Company increased significantly by 63.2% to HK$1,575 million. Core profit rose by 16.3% to HK$1,190 million (increased by 22.6% in Renminbi).

Chairman's Statement

Towngas Smart Energy announced its exit from its 25% equity interest in Shanghai Gas Co., Ltd. ("Shanghai Gas") after amicable negotiations with Shenergy (Group) Company Limited ("Shenergy Group") and Shanghai Gas, with a recovery of the fund of RMB4,663 million during the year. Both parties have established a deep and strong strategic relationship in the area of natural gas resources and supply chain, the renewable energy business, extended services, energy technology and low-carbon technology.

Final Dividend

The Board recommend a final dividend of 16 HK cents per share payable to shareholders whose names are on the Register of Members of the Company as at 6 June 2024, increased by 6.7% compared to last year. The Board also proposed to offer a scrip dividend option to allow shareholders to elect to receive the final dividend wholly or partly in the form of new and fully paid shares in lieu of cash.

Utility Business

Given the lacklustre growth of the global economy, the Chinese mainland continued to experience weak product demand in 2023. As such, its economic recovery slowed down in the second half of the year. Under the national policy of continuing to promote the use of natural gas, national consumption has seen an overall return to positive growth. The national natural gas consumption reached approximately 394.5 billion cubic metres, representing an increase of 7.6% compared to last year. With the improvement in the supply-demand structure of the natural gas industry, rational pricing has also returned.

Benefiting from these favourable policies and the improvement in the market environment, the Group's city-gas business recorded relatively satisfactory growth. During the year, we recorded an overall gas sales volume of 16,458 million cubic metres, representing an increase of 8%. Industrial gas sales rose by 6.1%, while commercial gas sales increased by 9%. The number of customers reached 16.77 million, representing an increase of 840,000 customers during the year. As for city-gas projects, 4 new projects were added during the year, totalling 187 projects (inclusive of corporate reinvestment projects).

Industrial gas consumption remains a key growth area for our city-gas business. For many years, the Group focused on attracting large-scale industrial users, providing customers with integrated energy solutions through "Gas+" services to help them optimise their energy consumption structure and efficiency. This initiative has promoted the development of low-carbon and smart industrial energy solutions, further consolidating and enhancing our gas business and increasing its contribution to gross profit.

Furthermore, with the country's encouragement and support for public institutions to adopt energy cost trusteeship services in recent years, our "Gas+" business has seen favourable progress. Through the provision of our energy-saving, carbon reduction, safe gas usage and integrated energy cost trusteeship services to government agencies, schools, hospitals and other major institutions, as well as our agreements with a number of government agencies and public institutions in the provision of services such as cooling, heating, hot water, steam, and electricity, we are contributing to the country's carbon peak and carbon neutrality goals.

In respect of residential city-gas, in June 2023, the National Development and Reform Commission issued the "Guiding Opinions on Establishing and Improving the Upstream and Downstream Natural Gas Price Linkage Mechanism" to all provinces. This initiative introduced an automatic transmission mechanism while establishing an adjustment mechanism for city-gas prices for residential users in various regions. These mechanisms can increase or decrease prices, moving flexibly to reflect changes in supply and demand. This, in turn, has allowed us to achieve significant progress in cost pass-through.

Renewable Energy Business

With the implementation of the "dual carbon" strategy, the country's renewable energy development grew rapidly in 2023. During the year, the national and local governments introduced several favourable policies, including encouraging and supporting energy transition. This positive move has helped to establish order as well as good industry norms, in addition to promoting innovation in technological products and fostering a focus on the most suitable operational approach. This excellent policy environment is driving the top-quality development of the industry.

During the year, our renewable energy business achieved profitability. As at the end of 2023, the Group developed 124 zero-carbon smart industrial parks, and laid out more than 1,000 renewable energy projects in 23 provinces, autonomous regions and municipalities. The business scope in these projects spans various aspects, such as photovoltaics, energy storage, battery charging and swapping stations, and integrated energy services for industrial and commercial customers.

The first virtual power plant built by the Group for a public institution in Shenzhen was officially put into operation during the year. This project integrates photovoltaic power generation, energy storage, charging piles, distributed power supplies, and loads. During peak power consumption periods, the virtual power plant outputs excess power to the grid to ensure smooth operation. We are excited to see more similar near-zero-carbon energy projects among other regions in the future, allowing for the expansion of our business portfolio.

With the ongoing deepening and refinement of electricity market reform, market-based green electricity trading is gradually becoming a standardised and scalable mechanism. Under our renewable energy electricity trading framework in Guangdong province, we have served a number of high-energy-consuming and export trading enterprises through renewable energy electricity trading. In 2023, the total amount of electricity sold by the Group was 1 billion kWh in Guangdong. The total amount of electricity sold by the Group on the Chinese mainland is expected to reach 10 billion kWh by 2025.

Environmental, Social and Governance

Towngas Smart Energy remains committed to integrating environmental, social and governance ("ESG") initiatives into our corporate governance and business operations. This unswerving policy allows us to respond to China's "30-60" dual carbon goals as well as the ESG concerns of stakeholders and capital markets on the highest levels. Towngas Smart Energy has received favourable evaluations from six major international ESG ratings and indices, including:

- CDP
- FTSE Russell
- Hang Seng Corporate Sustainability Index
- MSCI
- S&P Global
- Sustainalytics

In June 2023, Towngas Smart Energy, together with our parent company, The Hong Kong and China Gas Company Limited ("HKCG"), were ranked among the "Top 1%" of Chinese enterprises in ESG rating, and were also included in the first-ever S&P Global "Sustainability Yearbook (China Edition)". Just as impressively, Towngas Smart Energy was recognised as an "Industry Mover". Subsequently, in September, we were upgraded to an AA rating in the Hang Seng Corporate Sustainability Index Series, reflecting the ongoing recognition of our quality ESG performance.

Chairman's Statement

Business Outlook

Looking ahead to 2024, we do not expect to see any significant improvement in the many factors affecting the external environment. However, with a series of favourable national policies and measures to stabilise the economy, boost consumption, promote energy conservation and emission reduction, as well as to increase urbanisation rates, we anticipate a steady growth in residential gas demand and maintain an optimistic outlook on its development prospects.

The government is focusing on rectifying the safety hazards of liquefied petroleum gas bottled gas in catering establishments, and the related "bottle-to-pipe" business is expected to drive the continuous increase in natural gas sales volume. With the rapid development of the new energy industry on the Chinese mainland and the increase in demand for gas from new energy automobiles, photovoltaic glass, lithium batteries, and other industrial customers, we believe the Group will enjoy a considerable increase in gas sales volume.

The government intends to revise the "Policies on the Utilisation of Natural Gas", "Regulations on the Administration of Urban Gas" and "Measures for the Administration of Concession for Infrastructure and Public Utilities" to not only encourage investments in the public utility sector and ensure that reasonable returns can be obtained, but also to guide the quality development of the natural gas industry. It is anticipated that the relevant policies will have a positive impact on the development of the Group.

The outlook for the renewable energy business is promising. The country has proposed the multiplication of both wind and solar power generation during the "14th Five-Year Plan" period, with a total installed capacity of more than 1.2 billion kilowatts. As the installed capacity of wind power and photovoltaics continues to grow, energy storage will play an increasingly important role as a balancing resource. In 2023, the newly installed photovoltaic capacity exceeded 216GW on the Chinese mainland. As the upstream manufacturing capacity of the photovoltaic industry continues to grow, the price of photovoltaic components is dropping significantly. In turn, the investment cost of industrial and commercial distributed photovoltaic power station systems is being reduced, and returns on investment have increased. This situation is proving to be extremely beneficial to the growth of our photovoltaic business.

Additionally, the widening price differentials between peak and off-peak industrial electricity consumption on the Chinese mainland, coupled with the overcapacity in the battery manufacturing market, are creating enhanced arbitrage opportunities for commercial and industrial energy storage. The price of battery cells has dropped by almost 30% from previous highs. Coupled with the improvements in battery technology, where the number of battery cycles and efficiency have increased, the cost of power generation has been reduced. We therefore expect considerable growth in installed capacity for the industrial and commercial sectors.

Taking this positive environment further forward, the Central Commission for Comprehensively Deepening Reform has reviewed and approved multiple policies that emphasise the improvement in the total amount and intensity of energy consumption regulations, as well as the gradual shift to dual control of the total amount and intensity of carbon emissions. These policies will be conducive to enhancing the proportion of green power usage, increasing the demand for downstream green certification, accelerating voluntary emission reductions on the Chinese mainland, and stimulating the potential carbon asset value of clean energy. Guided by these policies, distributed photovoltaics, as one of the main green power sources and one of the main green energy sources covered by green certificates, will benefit significantly and is expected to create considerable additional revenue.

The country is vigorously developing the hydrogen energy economy. As a new energy source, hydrogen energy is an important element with unlimited growth potential. We are actively preparing for our pilot project, which blends hydrogen in our natural gas pipelines. In April 2023, the "Key Technology Research and Scale Application of Piped Hydrogen in the Field of Comprehensive Energy Supply in Towns" proposed by Weifang Hong Kong and China Gas Limited was approved by the Ministry of Science and Technology, and has now entered its research stage. The goal is to achieve a 10% hydrogen blending ratio covering 100,000 residential users. Furthermore, Foran Energy Group Co., Ltd., a company in which the Group has a stake, is actively advancing hydrogen energy services. It is constructing hydrogen production and refuelling stations in Foshan, Guangdong province, to support the development of public hydrogen-powered transportation. Foran Energy Group Co., Ltd. is also involved in the research and development of fuel cells and the manufacturing of hydrogen energy equipment.

In general, facing the uncertain operating environment, we believe the Group is well prepared. We continue to carefully review the operation of each business segment to improve our overall efficiency. We will also continue to capitalise on our own advantages and innovative insights to enhance our integrated energy services for industrial and commercial customers, as well as residential users, promoting our journey towards sustainable development.

On behalf of the Group's Board of Directors, I would like to express our tremendous gratitude to our customers, shareholders, investors, and members of the community who have long followed and supported the Group's development. Our many thanks, too, to all our dedicated colleagues who have consistently demonstrated resilience and innovation in their roles.

Lee Ka-kit
Chairman

Hong Kong, 19 March 2024

Financial Review

In 2023, total gas sales volume of the Group rose by **8%** to **16,458 million** cubic metres.

Profit attributable to shareholders of the Company increased significantly by **63.2%** to **HK$1,575 million**. Core profit before non-operating gains and losses increased by **16.3%** to **HK$1,190 million** (increased by **22.6%** in RMB).

The total number of Group customers rose to **16.77 million**, representing an increase of **840,000** customers during the year.

Revenue

In 2023, the Group's consolidated gas sales volume amounted to 4,823 million cubic metres, representing an increase of 7.4% over last year. The cost pass-throughs of piped gas were further improve, with cost pass-throughs having already been achieved among the majority of the industrial and commercial customers and with residential cost pass-throughs realised in multiple cities where the Group's city-gas projects are located. Nonetheless, the depreciation of RMB has offset the growth in revenue. Consequently, the revenue from sales of piped gas was at a level that was essentially flat compared to last year. Meanwhile, the real estate sector on the Chinese mainland remained in doldrums, leading to a decrease in household gas connection. On the consolidated basis, the Group had 411,000 new household connections, representing a decrease of 23.0% compared to last year, leading to a decline in gas connection revenue. Turnover increased by 4.2% to RMB17,915 million, but due to the exchange rate impact, turnover in HKD decreased slightly by 1.2% to HK$19,842 million.

Business Segments	**2023 HK$ million**	2022 HK$ million (restated)
Sales of piped gas business	**16,292**	16,416
Gas connection	**1,868**	2,412
Renewable energy business	**1,056**	508
Extended business	**626**	737
Total	**19,842**	20,073

Total Operating Expenses

Total operating expenses of the Group included gas fuel, stores and materials used, staff costs, depreciation and amortisation, and other expenses. Total operating expenses of the Group in 2023 amounted to HK$18,178 million, representing a decrease of 1.5% compared to last year.

	2023 **HK$ million**	2022 HK$ million
Gas fuel, stores and materials used	**15,125**	15,507
Staff costs	**1,306**	1,356
Depreciation and amortisation	**1,070**	918
Other expenses	**677**	679
Total	**18,178**	18,460

Total operating expenses and its ratio to total revenue remained constant compared to last year.

Other Gains, Net

Other gains, net decreased by 19.7% to HK$427 million as compared to HK$532 million in last year, mainly due to the decrease in gain from change in fair value of embedded derivative component of convertible bonds by HK$429 million, the gain on exit from the equity interest in Shanghai Gas of HK$681 million and impairment provision of goodwill of HK$306 million.

Share of Results of Associates

In 2023, the share of results of associates amounted to a profit of HK$366 million, representing an increase of HK$613 million compared to last year's loss of HK$247 million. According to the capital reduction agreement entered into between the Company, Shenergy Group and Shanghai Gas, the Group is only required to share the loss of Shanghai Gas of HK$92 million for the period from 1 January 2023 to 28 February 2023, as compared to last year's share of the loss of Shanghai Gas of HK$589 million.

Share of Results of Joint Ventures

In 2023, share of results of joint ventures increased by 3.8% from HK$306 million last year to HK$318 million (increased by 9.3% in RMB).

Finance Costs

In 2023, the finance costs of the Group increased by 2.3% from HK$753 million last year to HK$770 million.

Financial Review

Profit for the Year

In 2023, profit attributable to shareholders of the Company amounted to HK$1,575 million, representing an increase of 63.2% compared to last year. Excluding non-operating gains and losses (i.e. gain from change in fair value of embedded derivative component of convertible bonds of HK$102 million, the net gain of HK$589 million on exit from the equity interest in Shanghai Gas and share of its results and impairment provision of goodwill of HK$306 million), core profit amounted to HK$1,190 million, increased by 16.3% (increased by 22.6% in RMB). Basic earnings per share amounted to 47.74 HK cents, representing an increase of 58.2% compared to last year.

Financial Position

The Group has adopted a prudent approach in financial resources management, maintaining an appropriate level of cash and cash equivalents as well as adequate financing facilities to meet the requirements of day-to-day operations and business development, while also controlling borrowings at a healthy level.

As at 31 December 2023, the Group's borrowings amounted to HK$16,282 million (31 December 2022: HK$17,583 million), of which HK$5,500 million (31 December 2022: HK$9,019 million) represented borrowings due within 1 year, HK$10,038 million (31 December 2022: HK$8,537 million) represented borrowings due between 1 to 5 years, and HK$744 million (31 December 2022: HK$27 million) represented borrowings due over 5 years. Other than the HK$12,392 million (31 December 2022: HK$12,355 million) in borrowings which bore interests at fixed rates, the Group's other borrowings were arranged on a floating interest rate basis. The maturities and interest rates of the loans were arranged to provide sound financial resources and stable interest costs for the Group. The businesses of the Group mainly occurred on the Chinese mainland and most transactions, assets and liabilities were stated in RMB. As a result, the Group bore currency risk from fluctuations of RMB exchange rate for non-RMB denominated deposits and borrowings. The Group's borrowings denominated in RMB amounted to HK$14,323 million (31 December 2022: HK$15,624 million) and the remaining HK$1,959 million borrowings were denominated mainly in United States dollars ("USD") as at the end of the year (31 December 2022: HK$1,959 million borrowings were denominated mainly in USD). Cross currency swaps contracts were made to hedge foreign currency risk for the most of non-RMB denominated borrowings so as to reduce risk arising from fluctuations of RMB. Apart from the borrowings as mentioned above, the Group also has RMB loans amounted to approximately HK$28 million (31 December 2022: HK$63 million), approximately HK$27 million (31 December 2022: HK$17 million) and approximately HK$15 million (31 December 2022: HK$23 million) from the parent company, HKCG, joint ventures, and non-controlling shareholders on a fixed interest rate basis respectively.

In June 2023, the Group successfully issued 1-year and 3-year Panda Bonds for the first time on the Chinese mainland, raising a total of RMB1.5 billion with a weighted average interest rate of 3.27% per annum. Among them is the first sustainability-linked Panda Bonds issued by a Hong Kong enterprise on the Chinese mainland, which was over-subscribed by 1.6 times.

As at 31 December 2023, the Group's cash and cash equivalents together with time deposits and restricted deposits amounted to HK$4,214 million (31 December 2022: HK$4,006 million), of which 99% (31 December 2022: 99%) are RMB-denominated and the rest are denominated in HK$ and USD. The gearing ratio (net debt to total equity plus net debt) of the Group as at 31 December 2023 was 35.8% (31 December 2022: 39.7%).

As at 31 December 2023, the Group is able to raise approximately HK$13,237 million under the MTN Programme, the issuance amount of the Panda Bonds approximately HK$14,851 million and unutilised facilities from banks and HKCG amounting to approximately HK$7,911 million.

The operating and capital expenditure of the Group is funded by cash flows from operations, internal liquidity, financing arrangements with banks, the MTN Programme, Panda Bonds, convertible bonds and equity funding. The Group maintains a strong liquidity position with its cash and cash equivalents on hand, unutilised credit facilities, its MTN Programme and Panda Bonds. We have adequate financial resources to meet our contractual obligations and operating requirements. Benefiting from our good credit ratings, the Group enjoys favourable interest rates on bank loans and notes.

Credit Ratings

Moody's Investors Service maintained the issuer rating of Towngas Smart Energy at "Baa1" with a "stable" outlook rating. Standard & Poor's also affirmed the long-term corporate credit rating of Towngas Smart Energy at "BBB+" and its rating outlook as "stable". In addition, China Chengxin International also maintained the credit rating of Towngas Smart Energy at "AAA" and its rating outlook as "stable". These ratings reflect the credit rating agencies' recognition of the Group's stable business and credit profile.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2023.

UTILITY BUSINESS

Utility Business

Business Development

Despite the end of the COVID-19 pandemic, the global economic environment remained sluggish. Economic recovery on the Chinese mainland also slowed down in the second half of the year, in view of various challenges such as the downturn in the real estate sector and the decline in exports. However, the country is taking substantial measures to stabilise the economy and stimulate consumption. As such, the economic growth rate of the Chinese mainland is expected to continue to exceed the global average in 2024, which will greatly help to boost market confidence.

Under the national policy of promoting the use of natural gas, the country's general consumption has seen an overall return to positive growth. Annual usage of natural gas reached approximately 394.5 billion cubic metres, representing an increase of 7.6% compared to last year. The supply and demand natural gas framework also improved whilst the rising urbanisation rate is leading to higher gas sale volumes. As one of the most economical, well-supported and cleanest fossil fuels available, natural gas will continue to play a vital role in the country's pursuit of its "30-60" dual carbon goals. The Group therefore remains highly optimistic about our development prospects.

In 2023, the Group's overall gas sales volume reached 16,458 million cubic metres, representing an increase of 8%, as compared to the previous year. The gas sales volume in the industrial sector increased by 6.1% while the gas sales volume in the commercial sector rose 9%. The customer base in industries related to new energy (such as "the new three" – lithium batteries, photovoltaic glass and new energy vehicles) has also seen rapid development, contributing to a significant increase in gas consumption. In 2023, the total sales volume of these industries was 240 million cubic metres, representing a year-on-year increase of 45%.

The total number of Group customers rose to 16.77 million, representing an increase of 840,000 customers during the year. As at the end of 2023, we held a total of 187 city-gas projects (including corporate reinvestment projects), representing an increase of 4 projects during the year.

City Gas

In 2023, the industrial gas sales volume was 8.33 billion cubic metres, accounting for 50% of the Group's total gas sales. The commercial gas sales volume amounted to 1.79 billion cubic metres, accounting for 11% of our total gas sales volume. During the year, we completed coal-to-gas conversion of 3,872 steam tonnes for industrial and commercial customers, representing an increase of 4% over the previous year. This increase was mainly derived from new boiler conversions while the coal-to-gas conversion for boilers contributed 3.22 billion cubic metres of annual gas consumption on a cumulative basis, representing an increase of 7%.

Leveraging our strongly performing gas business, we have put tremendous effort into expanding our "Gas+" energy services and have achieved satisfactory results. As at the end of 2023, we had acquired more than 180 new projects, which brought in an annual gross profit of RMB89 million. This figure translates into impressive growth of 124% compared to the previous year.

During the year, we actively established in-depth cooperations with national ministries, commissions and leading industry associations. These included a strategic cooperation agreement with the China Energy Conservation Association in April, as well as a technical cooperation reached with the Center of Science and Technology and Industrialisation Development under the Ministry of Housing and Urban-Rural Development in November.

In 2023, we focused on the development of energy service projects for public institutions on the mainland and provided professional integrated energy solutions. Our target customers included hospitals, schools, government agencies and commercial complexes. Successful cases included winning the bids for:

- The Huanggang Central Hospital Energy Management Service project: It was our first hospital energy cost trusteeship project. We are delighted with the results as both the area and the annual cost under management ranked top among similar projects in the country.

- The Shandong College of Tourism and Hospitality Contract Energy Management Services project: By revamping their old equipment, we established an energy management information system through technological transformation to meet their demand for heating and cooling services while saving energy and reducing consumption.

- The energy cost trusteeship service project at Taizhou Hospital of Traditional Chinese Medicine, a Class III Grade A hospital: The project provides the hospital with a comprehensive energy trusteeship service system that includes heating and cooling, domestic hot water, steam supply, energy saving for lighting and a smart platform.

In addition, we secured a total of 9 intellectual property rights in 2023, consisting of invention patents, utility model patents and software copyrights. These acquisitions fortify the intellectual property moat for our “Gas+” energy services.

Looking forward, we expect steady growth in our industrial and commercial business in 2024. We will continue to tap into the energy service demands of existing industrial customers and expand our “Gas+” low-carbon factory services.

Huanggang Central Hospital Energy Cost Trusteeship Service Project: Through a “one-stop” energy management solution, the project can help reduce the investment of the hospital and optimise the energy supply system, greatly improving energy management efficiency.

Utility Business

A new energy enterprise located in Yifeng, Jiangxi province, utilises natural gas in its kilns and boilers for roasting and drying procedures during the process of lithium battery recycling.

Tremendous efforts will also be made to develop incremental markets such as gas utilisation in the new energy industry, the integration and replacement of existing coal-fired boilers, as well as the clean transformation of industrial kilns. In response to local government concerns regarding gas usage safety, a number of our city-gas companies have actively promoted the conversion from bottled liquefied petroleum gas to piped gas locally, while taking the opportunity to acquire commercial customers such as small- to medium-sized catering companies. With the support of national policies, we actively promote clean heating services in northern regions and develop suitable centralised heating services in these areas.

On 23 May 2023, the Group entered a capital reduction agreement with Shanghai Gas and Shenergy Group, exiting from our 25% equity interest in Shanghai Gas for a consideration of RMB4.663 billion (HK$5.04 billion). We received this full amount on 2 August 2023. The exit resulted in the recognition of a net income of HK$589 million. Maintaining and strengthening our strategic relationships with Shenergy Group and Shanghai Gas, we continue to collaborate with them in areas such as natural gas resources and supply chain activities, renewable energy and extended businesses.

Gas Supply Chain

A gas supply chain business segment was officially established during the year to integrate and optimise the operation of the gas supply chain in a bid to stablise the natural gas supply while reducing the negative impact of energy price fluctuations.

During the year, our first shipment of self-purchased liquefied natural gas (LNG) was also delivered. This consolidated our success in the self-sufficient import of gas resources and the development of our complete business cycle from the importation of LNG to dock unloading and downstream distribution.

The construction of our storage base of our parent company HKCG at Jintan district, Changzhou, Jiangsu province, made rapid progress. Two new underground salt caverns for gas storage were commissioned, bringing the total storage capacity to about 400 million cubic metres. Through interconnection with national pipeline networks such as the "West-to-East Gas Pipeline" and "Sichuan-to-East Gas Pipeline", as well as provincial networks in Jiangsu, Anhui, and more, we are able to increase the gas storage turnover and distribution coverage, thus expanding the downstream client base.

Extended Businesses

Towngas Lifestyle, as the major brand of our parent company HKCG, develops businesses covering smart kitchens, insurance, home services and community retail. In terms of products, Towngas Lifestyle coordinated the upstream supply chain to improve quality. Strategic partnerships were established with well-known brands such as Viessmann, Angel and Rinnai. The launch of these co-branded products gives us the opportunity to consistently reinforce our presence in the market, while also tapping continuously into our existing customer base to seek new growth opportunities. During the year, Towngas Lifestyle put continuous effort into promoting our Mia Cucina cabinets and Bauhinia appliances. Through the smart kitchen campaign, "Trade-In for Safety in Our Homes", the Towngas China Comfort Living Festival and other marketing initiatives, we were able to achieve satisfactory sales results.

Our insurance business made steady progress in 2023. The Group joined hands with insurance service providers to develop more comprehensive home insurance products while utilising a variety of sales channels to meet the different needs of residential customers and industrial and commercial clients.

In light of the tightening safety regulatory requirements from the government and the growing safety needs of customers, Towngas Lifestyle leveraged the strength of our digital platform and launched the "Towngas Lifestyle Alarm Platform", offering a "product + platform + service" integrated total solution to meet customer needs.

In 2022, Towngas Lifestyle, in collaboration with StarFive and ChinaFive, released the first RISC-V IoT security chip, TGSE CHIP, in the gas industry. This has since been successfully used in the smart IoT gas meters with a shipment volume of over 1.6 million units in 2023. During the year, we have taken the lead, in collaboration with partners such as China Mobile IoT, XinSheng Tech and StarFive, to establish the first RISC-V & 5G Smart Gas Joint Innovation Centre on the mainland.

In view of the rapid development of digitisation and intelligence in the energy sector, Towngas Lifestyle has further optimised its smart lifestyle cloud platform, integrating three core cloud systems, namely gas services, smart kitchens and lifestyle services. This strengthens the support for our city gas business and extended businesses. As at the end of 2023, our Towngas Lifestyle Cloud Platform had more than 7.8 million registered customers.

IoT Smart Kitchen

RENEWABLE ENERGY BUSINESS

Renewable Energy Business

Business Development

The national "30-60" dual carbon goals have set the direction for the development of the country's energy systems. A number of key guiding documents have been formulated, covering national strategic planning, policy and regulatory systems, as well as community co-building initiatives. The country has also set out coordinated policies in five key areas, namely the industry, energy, transportation, construction and land use sectors, in an effort to realise the national dual carbon goals. According to the report of the International Energy Agency, the installed capacity of global renewable energy increased by 510 million KW in 2023. China accounted for more than 50% of this figure, making it the fastest-growing country in the world of renewable energy. As such, the Group faces significant development opportunities in this sector.

During the year, seizing market opportunities and adhering to the core strategic directions of integrated energy solutions, decarbonisation and digitalisation, we continued to invest in renewable energy projects, with a focus on zero-carbon smart industrial parks. We provide diverse services to a wide range of industrial and commercial customers including photovoltaics, energy storage, battery charging and swapping, carbon trading, green power trading, engineering and operational maintenance, energy saving and digitalisation.

Business Highlights

As at the end of 2023, the Group had developed 124 zero-carbon smart industrial parks, and laid out more than 1,000 renewable energy projects in 23 provinces, autonomous regions and municipalities. Moreover, we also signed contracts in an aggregate photovoltaic capacity of 2.96GW and connected 1.8GW to the grid.

We provide integrated energy services leading to the development of several national-level demonstration projects, such as zero-carbon smart industrial parks, low-carbon factories, virtual power plants and microgrids that include photovoltaics, energy storage, charging and flexible management systems. These solutions were well received not only by the government, but also by the industry and our more general customers.

During the year, we collaborated with various central and state-owned energy enterprises, jointly developing and investing in photovoltaic assets with high returns. We also strengthened our cooperation with photovoltaic owners, photovoltaic operation and maintenance enterprises, as well as power operation and maintenance companies, to further expand the scale of our asset management facilities.

The Group's Towngas Energy Academy was officially inaugurated in the Shenzhen-Hong Kong Innovation and Technology Cooperation Zone at the Loop in Futian district, Shenzhen. Established by the Group and our parent company, HKCG, the Academy has actively engaged in the research and development of cutting-edge clean energy technologies, together with industrial investment and incubation. Leveraging our smart energy projects on the Chinese mainland as a research platform, the Academy will focus on five major fields – hydrogen energy, energy storage, energy digital intelligence, renewable energy as well as low-carbon energy saving, in a bid to enhance Shenzhen's and Hong Kong's technological innovation capabilities and to explore new opportunities for economic growth. During the year, the Academy established the Joint Innovation Centre of High-efficient Energy Storage in partnership with the Shenzhen Institutes of Advanced Technology of the Chinese Academy of Sciences.

Shenzhen's First Public Institution Virtual Power Plant

In July 2023, the first virtual power plant for a public institution in Shenzhen was officially commissioned at Futian District Party Committee Compound. The project was jointly developed by Towngas Energy Investment Limited (Towngas Energy), a subsidiary of Towngas Smart Energy, and Shenzhen Fuxin Dual Carbon Industry Operation Management Company Limited. The project integrates technologies such as photovoltaics, energy storage, charging piles, Vehicle-to-Grid (V2G), central air-conditioning systems and other distributed power supplies, with a load capacity of 3.6 MW and a real-time adjustability of 300 kW. During peak electricity consumption periods, the virtual plant can output excess electricity to the grid in order to ensure stable operations.

Looking ahead, the virtual power plant is set to integrate more energy resources among public institutions in Futian district and will play a significant role in balancing the supply and demand of the power grid in Shenzhen.

Launch of Upgraded "Tera Planet 2.0"

A highlight of the year was the launching of our upgraded Towngas Smart Energy Ecological Platform, Tera Planet 2.0, which was jointly developed by Towngas Energy and Tencent Cloud. Capitalising on nearly a hundred zero-carbon smart industrial parks as scenarios, coupled with Tencent Cloud's exceptional connection and data analysis capability, the Tera Planet 2.0 platform has been able to break the "data islands" in industrial parks. It not only enhances data management in smart energy consumption, application integration and replication, but also creates greater value for zero-carbon smart industrial parks, commercial and industrial customers, as well as low-carbon factory projects.

TERA TOUR – Shenzhen

Towngas Smart Energy also organised the TERA TOUR – Shenzhen event with about 500 participants attending, including local government officials, representatives from the industrial and commercial sectors, investors and our business partners, to share future strategic plans in the zero-carbon field.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

港华林
一起守护
红树林
环保有态度！
港华智慧能源
Towngas Smart Energy
港华燃气
Towngas
守护海湾 净滩行动

Environmental, Social and Governance (ESG)

2023 Highlights

Serving as a role model in the industry, Towngas Smart Energy has continued to uphold our commitment to benefiting society and contributing to the community. We also make every effort to protect the environment to ensure a more sustainable future.

The Group's Board of Directors attaches great importance to resource investment in ESG. Together with our parent company, HKCG, we have established an ESG Steering Committee under the Board ESG Committee. The ESG Steering Committee, formed by representatives from various functional departments, covers major material ESG issues. It is responsible for setting relevant performance indicators to promote an ESG culture within the Group. This culture is integrated into our daily operations to ensure that these work practices are implemented at every business level.

To fulfill our corporate citizenship responsibilities, we also plan and coordinate community and environmental activities and set up a volunteer team comprised of Towngas Smart Energy employees. During the year, more than 5,200 employees participated in community activities, contributing to around 110,000 volunteer hours.

Improving ESG Performance

Reaffirming our ESG leading position, Towngas Smart Energy has received favourable evaluations from six major international ratings and indices. These include CDP, FTSE Russell, the Hang Seng Corporate Sustainability Index, MSCI, S&P Global and Sustainalytics.

Rated the **Top 1%** of Chinese enterprises by **S&P Global**, included in the first-ever *S&P Global Sustainability Yearbook (China Edition)* and recognised as an "Industry Mover".

Rating upgraded to **AA** in the **Hang Seng Corporate Sustainability Index Series**.

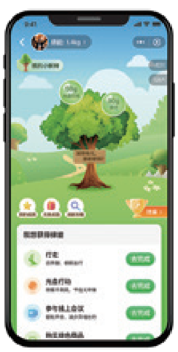
Included in the **FTSE4Good Index Series** and received an **upgraded ESG score** from FTSE Russell.

China has proposed its "30-60" dual carbon goals with a strong commitment to promoting energy transition. Furthermore, the market is seeing a huge demand for green financial products. Riding this wave, we successfully issued 1-year and 3-year Panda Bonds for the first time on the Chinese mainland during the year, raising a total of RMB1.5 billion. The weighted average interest rate for these bonds is 3.27% per annum. Included in these bonds is the first batch of sustainability-linked Panda Bond issued by a Hong Kong enterprise on the Chinese mainland. It received an enthusiastic market response and recorded an oversubscription of 1.6 times.

Greening the Next Generation

In November 2023, together with our parent company, HKCG, we organised the Towngas Green Flame Future Lab family fun fair in Hong Kong. Through game booths, interactive exhibitions, STEAM workshops and other activities, this edutainment event allowed the public, especially the next generation, to learn about future energy development and a low-carbon lifestyle. The two-day event received more than 10,000 visits. Promoting the importance of environmental protection to the next generation, we launched our new Towngas Green Flame Energy Scientist Programme education initiative at the fun fair. To facilitate the programme, we established the Green Flame Education Team which consists of employees who possess expertise in engineering or ESG. They will visit schools to provide information and further details with regard to future energy and climate change, helping students to establish a sense of ownership of our earth's future.

We also encourage employees to lead by example. During the year, we officially launched a self-developed inclusive carbon platform to promote a low-carbon lifestyle and green office practices. Employees can obtain green certificates by practising different daily environmental-protection behaviours under this initiative.



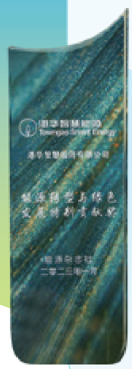
Caring for the Community

The Group, together with its parent company, HKCG, organised the "Rice Dumplings for the Community" event. Under this initiative, we made rice dumplings with different communities such as young people, the elderly and ethnic minorities. For the first time, it was held online and in person, linking employees from Hong Kong and the Chinese mainland, with a number of local groups. This innovative move successfully set a Guinness World Records™ title for "the most people making rice dumplings simultaneously online and in a single venue".

In 2023, the Group's signature community campaign, the Gentle Breeze Movement, celebrated its 10th anniversary. In June 2023, the Movement supported five primary schools in Lüshunkou district, Dalian, Liaoning province, building libraries and donating education and sports supplies. Over the past ten years, Towngas Smart Energy has donated over RMB3.6 million in support of 38 schools. Additionally, in September 2023, the inauguration of the Towngas Smart Energy – BEA Charity Fund Green Firefly Centre was held at a secondary school and a primary school in Baotou, Inner Mongolia Autonomous Region. Under the programme, audio-visual rooms were set up to help local students gain access to digital learning.

Awards and Accolades

The Group won several industry awards during the year for our ongoing ESG contributions and outstanding performance. (In chronological order)



Presented by

Energy Magazine

Award/Accolade

Energy Transformation and Green Development Special Contribution Award

Abstract

Presented to companies in recognition of their significant contribution to the energy industry

Presented by

S&P Global

Award/Accolade

Top 1% S&P Global ESG Score (China)

Industry Mover

Abstract

Presented to companies in recognition of their sustainable development

Presented by

The Hong Kong Management Association

Award/Accolade

Hong Kong Sustainability Awards 2023 – Distinction Award

Certificate of Excellence in Environmental, Social and Governance Reporting

Abstract

Presented to companies in recognition of their comprehensive performance in sustainable development in the three aspects of economy, society and the environment

Presented by

21st Century Business Herald

Award/Accolade

2023 Carbon Neutrality Pioneering Enterprise

Chief Climate Officer and Climate Neutrality Pioneering Enterprise – 2023 Case of Competitiveness

Abstract

Presented to companies in recognition of their performance and achievements in practising carbon neutrality and moving towards zero-carbon development

Presented by

Hong Kong International ESG Alliance

Award/Accolade

Best Listed Company at ESG Advancement

Best Listed Company at ESG Practices

Abstract

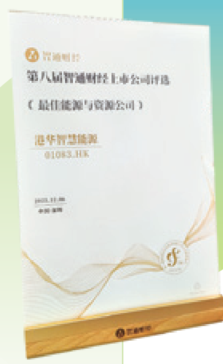
Presented to companies in recognition of their significant progress in ESG activity and performance within two years, as well as companies in recognition of their performance in the field of ESG, who can become an important force leading the progress and development of ESG in the industry

Awards and Accolades

Presented by
Zhi Tong Cai Jing and Hithink RoyalFlush Information

Award/Accolade
Best Energy and Resources Corporate Award

Abstract
Presented to energy and resources companies listed in Hong Kong and the United States with sound corporate governance, prominent industry positions and robust principal businesses, which are able to provide investors with stable value returns



Presented by
Jiemian News

Award/Accolade
2023 ESG Pioneer 60 Environmental Responsibility Excellence Award

Abstract
Presented to green enterprises that prioritise both economic efficiency and social responsibility within the industry, and industry pioneers in the ESG field

Presented by
Gelonghui

Award/Accolade
Annual ESG Pioneer Award (Large Market Cap)

Abstract
Presented to green enterprises and advanced enterprises in recognition of their importance to economic efficiency and social responsibility

Risk Factors

In the risks discussed below, we highlight the factors that could have an adverse material effect on the Group's revenues, cash flows, market competitiveness and operations on the Chinese mainland. For further details on how the Group manages its risks, please refer to the "Risk Management and Internal Control" section of our Corporate Governance Report on pages 96 to 98.

Business Environment

In 2023, global economic recovery remains slow. Countries have adopted stricter interest rate hike to combat inflation. According to the International Monetary Fund's "World Economic Outlook" in January 2024, global growth is expected to decelerate from 3.5 per cent in 2022 to 3.1 per cent in 2023 and to remain at 3.1 per cent in 2024. Global inflation rate is forecast to decline steadily, from 8.7 per cent in 2022 to 6.8 per cent in 2023, and 5.8 per cent in 2024. Factors such as the pandemic, the Russia-Ukraine war, increasing geoeconomic fragmentation, tightening monetary policy to reduce inflation, the withdrawal of fiscal support amid a high-debt environment, and extreme weather events are all hindering economic recovery.

The Federal Open Market Committee of the Federal Reserve ("the Fed") kept interest rates unchanged in January 2024. The Hong Kong Monetary Authority expected that the Fed's future interest rate decisions will be dependent on incoming data, the evolving outlook and the balance of risks. When will the Fed begin to cut rates and the interest rate path thereafter remain uncertain, and the high interest rate environment may last for some time.

Affected by geopolitics and an ongoing sluggish property market, the post-pandemic economic rebound in the Chinese mainland fell short of expectations. China's gross domestic product recorded a year-on-year growth of 5.2 per cent in 2023. The Purchasing Managers' Index for the manufacturing sector was 49.0 per cent in December 2023, a decrease of 0.4 percentage point from the previous month. The issuance of RMB1 trillion treasury bonds in the fourth quarter of 2023, as well as the arrangement outlined in the Central Economic Work Conference in December, will help drive domestic demand and further consolidate the momentum of China's economic recovery.

Business challenges faced by the Group include a slowdown in natural gas demand owing to global warming, competition from direct sales by upstream gas companies, as well as suppliers of liquefied natural gas ("LNG") and alternative energy sources. Other threats to our business include the increased number of extreme weather events, rising commodity prices due to logistics interruptions, information security risk and changes in government policy, all of which could also affect our operations.

Our strategy for dealing with business risks continues to be critical for the sustainable growth and success of the Group. We remain prudent in our capital investments and seek ways to improve the productivity and cost-effectiveness of all our operations. Credit monitoring is also reinforced to minimise the risk of customer default.

In 2023, frequent occurrences of extreme weather events were observed globally, with June to August being the hottest three months ever recorded on Earth. Therefore, sustainability remained an important focus for 2023. It is already being positioned as an opportunity for accelerating business growth in the transition to net-zero carbon emissions, and an opportunity to develop renewable energy. Policies supporting this transition could drive investment in green infrastructure, creating a turning point in the fight against climate change.

Risk Factors

We are constantly exploring new gas applications and new business opportunities to achieve business diversification, while maintaining close communication with our operational partners and governments whose support is essential for our business growth.

Reliability of Gas Supply

We continue to pursue new sources of piped gas supply. We have established a gas supply chain department to strategically coordinate natural gas supply and transmit gas flexibly through the national pipeline network for the Group's gas business. A variety of energy sources have also been obtained, including natural gas from Russia, LNG imported directly from overseas, unconventional piped natural gas in China and gas obtained through the reinforcement of our pipeline network interconnections. In addition, we continue to facilitate more efficient gas inventory management and reduce supply bottlenecks during high-demand periods, we have built LNG storage facilities.

To ensure reliable gas transmission, we have a sophisticated Supervisory Control and Data Acquisition ("SCADA") system to monitor and control our pressure-regulating stations and network. We also have a comprehensive staff training programme, asset management systems, and contingency plans with regular practice drills, in preparation for unforeseen events that might affect our customers and the public. Moreover, changes in regulatory requirements for gas reserves applicable to our gas operations on the Chinese mainland are being closely monitored.

Distribution Network Safety

Preventing gas leakages or explosions in our pipelines, networks and storage facilities is a top priority for Towngas Smart Energy. Risks include the possibility of damage to critical facilities or related infrastructure from a third party, a security threat or extreme weather events such as typhoons, floods or landslides. These and other factors affecting the safety of our infrastructure or causing an interruption to service would have a significant legal, financial and/or reputational impact on the Group.

Therefore, to mitigate these risks, Towngas Smart Energy conducts regular reviews of all operating procedures, implements targeted strategies for addressing them, and proactively enhances on-site safety inspections. For example, our Total Quality Management system covers all critical production, storage, transmission and distribution facilities, as well as renewable energy systems. We have established a centralised platform for our gas operations on the Chinese mainland to optimise operational management on safety. We also manage our assets according to international standards and external certifications, and maintain insurance coverage against any property damage or financial loss.

Financial Liquidity

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants. The Group relies on bank and other borrowings as a significant source of liquidity.

Information Security

Our business operations are dependent on information technology systems that are vulnerable to critical system failure, leakage or loss of sensitive information, which would adversely affect the Group's business. To safeguard our operations against information security threats, we have protective measures to manage data loss and monitor suspicious cyber activities. We also commission third parties to perform security assessments. There are system contingency plans with regular drills. Furthermore, China regulatory requirements relating to information security is under close scrutiny for proper compliance.

Ethics and Integrity

Maintaining strong corporate governance standards and operating ethically are among management's top concerns. Poor ethical behaviour by employees could damage our corporate reputation as well as adversely affect our long-established business relationships with stakeholders, including our customers and suppliers, which may have financial implications. In order to provide an ethical workplace with integrity, we have policies on the standards of behaviour we expect of our employees and provide them with regular training in these policies. We have also established formal channels for reporting suspected cases of fraud and encourage our business partners to follow the same ethical principles that we promote in our Anti-Fraud Policy.

Health and Safety

We recognise the importance of maintaining high levels of occupational health and safety in all our operations. Serious accidents or the outbreak of a communicable disease, among other risks, could cause injury, loss of life and operational disruption that would result in huge recovery costs, litigation or reputational damage.

To mitigate and contain the risks directly or indirectly under our control, we encourage staff at all levels to monitor and report any hazards or potential threats. We also have comprehensive safety guidelines and measures that ensure our safety performance conforms to the highest industry standards. Our safety management system, certified for compliance with international standards, is reviewed and updated regularly. We also emphasise the importance of maintaining a comprehensive and effective safety culture by providing staff and contractors with systematic professional, technical and safety-related training.

Board of Directors

Dr. Lee Ka-kit
G.B.S., J.P., D.B.A. (Hon.)
Chairman and Non-Executive Director

Dr. Lee Ka-kit, aged 60, has been the Chairman and a Non-Executive Director of the Company since October 2021. Dr. Lee is the chairman and a non-executive director of the board of directors of HKCG (a listed public company and the controlling shareholder of the Company). He was educated in the United Kingdom. Dr. Lee is a chairman and managing director of Henderson Land Development Company Limited ("Henderson Land Development") and a vice chairman of Henderson Investment Limited. All of the above companies are listed public companies. Dr. Lee is a Member of the Standing Committee of the 14th National Committee of the Chinese People's Political Consultative Conference and a Member as well as the Chairman of the Board of Directors of One Country Two Systems Research Institute. He was awarded an Honorary University Fellowship by The University of Hong Kong in 2009, and was also awarded an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in 2014. He is the son of Dr. the Hon. Lee Shau-kee, the controlling shareholder of HKCG. Dr. Lee is also a vice chairman of Henderson Development Limited ("Henderson Development") and a director of each of Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land Development, Henderson Development, Hopkins, Rimmer, Riddick and HKCG have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Dr. the Hon.
Moses Cheng Mo-chi
G.B.M., G.B.S., O.B.E., J.P.
Independent Non-Executive Director

Dr. the Hon. Moses Cheng Mo-chi, aged 74, has been an Independent Non-Executive Director of the Company since May 2007 and is the Chairman of the Remuneration Committee and a member of the Board Audit and Risk Committee and the Nomination Committee of the Company. He is also an independent non-executive director of HKCG. Dr. Cheng is a practising solicitor and the senior consultant of Messrs. P.C. Woo & Co. after serving as its senior partner and consultant from 1994 to January 2023. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is a non-official member of the Executive Council of the Hong Kong Special Administrative Region since 1 July 2022. Dr. Cheng was the founder Chairman of the Insurance Authority and The Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. In addition, he is a Fellow of the Hong Kong Academy of Finance. Dr. Cheng currently holds directorships in Guangdong Investment Limited, K. Wah International Holdings Limited, Liu Chong Hing Investment Limited and Tian An China Investments Company Limited, all of which are listed public companies in Hong Kong. Dr. Cheng was previously an independent non-executive director of China Mobile Limited and China Resources Beer (Holdings) Company Limited.

Board of Directors

Mr. Brian David Li Man-bun
B.B.S., J.P., F.C.A., M.B.A., M.A. (Cantab)
Independent Non-Executive Director

Mr. Brian David Li Man-bun, aged 49, has been an Independent Non-Executive Director of the Company since May 2007 and is the Chairman of the Board Audit and Risk Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Li is Co-Chief Executive of The Bank of East Asia, Limited ("BEA") (a listed company on the Hong Kong Stock Exchange). He is responsible for the overall management and control of the BEA Group with a particular focus on its Chinese Mainland and international businesses. He was General Manager & Head of Wealth Management Division of BEA from July 2004 to March 2009, and Deputy Chief Executive of BEA from April 2009 to June 2019. Mr. Li was appointed Executive Director of BEA in August 2014 and Co-Chief Executive of BEA in July 2019. He is also an independent non-executive director of China Overseas Land & Investment Limited and Guangdong Investment Limited, all of which are listed companies on the Hong Kong Stock Exchange. Mr. Li retired as an independent non-executive director of Shenzhen Investment Holdings Bay Area Development Company Limited (a listed company on the Hong Kong Stock Exchange) with effect from 19 May 2023. Mr. Li holds a number of public and honorary positions, including being a member of the National Committee of the Chinese People's Political Consultative Conference and a Vice Chairman of its Committee on Social and Legal Affairs, a Member of the Chief Executive's Council of Advisers of the Government of the Hong Kong Special Administrative Region (the "HKSAR"), a Director of the Financial Services Development Council, a Member of the Process Review Panel for the Securities and Futures Commission, a Board Member of the Hong Kong-Shenzhen Innovation and Technology Park Limited, a Member of the Disaster Relief Fund Advisory Committee of the HKSAR and a Vice Chairman of the Asian Financial Cooperation Association. Mr. Li is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He is also a Member of the Hong Kong Academy of Finance, an Honorary Certified Banker of The Hong Kong Institute of Bankers and a Full Member of the Treasury Markets Association. Mr. Li holds an MBA degree from Stanford University as well as a BA degree from the University of Cambridge.

Dr. LOH Kung Wai Christine
S.B.S., O.B.E., J.P.,
Chevalier de l'Ordre National du Mérite
Independent Non-Executive Director

Dr. LOH Kung Wai Christine, aged 68, has been an Independent Non-Executive Director of the Company since April 2022 and is the member of Board Audit and Risk Committee, Nomination Committee, Remuneration Committee and Environmental, Social and Governance Committee of the Company. She obtained her Bachelor of Laws degree from the University of Hull and her Master of Law degree in Chinese and Comparative Law from the City University of Hong Kong. She was awarded the Honorary degrees of Doctor of Law by the University of Hull in 2001 and Doctor of Science by the University of Exeter in 2016.

Dr. Loh is the Chief Development Strategist at the Institute for the Environment of the Hong Kong University of Science and Technology. She is also a director and trustee of CDP Worldwide, a London-based organization running a global disclosure system for companies, cities, states, and regions to manage environmental impacts; a director of the Global Maritime Forum, an industry platform managed from Denmark for senior management to discuss maritime issues; and a director of New Forests Proprietary Limited, a sustainable forestry company headquartered in Australia.

Dr. Loh was the Under Secretary for the Environment in the HKSAR Government from 2012 to 2017. Her direct policy responsibilities included air quality, energy, climate change and biodiversity. She worked with Chinese mainland counterparts to define new policies to control shipping emissions, an area of work she pioneered prior to joining the HKSAR Government and changed China's national policy in this area. Between April 2019 and March 2020, she was the Special Consultant to the Office of the Chief Executive of the HKSAR Government on the ecological civilization aspects of the Outline Development Plan for the Greater Bay Area.

Board of Directors

Mr. LIU Kai Lap Kenneth
Non-Executive Director

Mr. LIU Kai Lap Kenneth, aged 49, has been a Non-Executive Director of the Company since November 2021. Mr. Liu obtained a Bachelor of Science in Computer Science degree from the University of Washington. Mr. Liu joined Affinity Equity Partners (which is a buy-out fund manager managing private equity funds focusing on control-oriented transactions, control buyouts, growth capital and public-to-private transactions with an emphasis in the regions of Korea, Australia, New Zealand, Greater China and Southeast Asia) in 2006 and was part of the founding team in 2012 to set up its franchise in Mainland China which is based in Beijing. Mr. Liu has over 20 years of experience investing in and advising companies in Greater China across a wide range of industries, including consumer and retail, industrials, business services, technology, media telecommunications, and healthcare. Mr. Liu currently sits on the board of directors of various investee companies of Affinity Equity Partners. Prior to making his career in private equity, he spent his early career in the technology sector, and worked as a senior software engineer at Amazon's headquarters in Seattle, Washington until 2000.

Mr. Peter Wong Wai-yee

C.P.A. (CANADA), C.M.A., C.P.A. (HK), A.C.G., H.K.A.C.G., F.I.G.E.M., F.H.K.I.o.D., F.H.K.M.A., M.B.A.

Executive Director and Chief Executive Officer

Mr. Peter Wong Wai-yee, aged 72, has been an Executive Director and the Chief Executive Officer of the Company since March 2007. Mr. Wong was appointed to the Board of Directors of HKCG in February 2013 and has been the Managing Director of HKCG with effect from 6 June 2022. Mr. Wong also holds directorships in various subsidiaries of the HKCG Group. He is a director and the Vice Chairman of Shenzhen Gas Corporation Ltd. ("Shenzhen Gas") and Foran Energy Group Co., Ltd. ("Foran Energy"). All of the above companies are listed public companies. Mr. Wong was named consecutively as one of "The Best CEO of Chinese Listed Companies" by Forbes in 2012 and 2013. He is a chartered professional accountant of Canada, a certified public accountant of Hong Kong and a chartered company secretary and chartered governance professional both in Hong Kong and the United Kingdom. Mr. Wong is a Fellow of The Hong Kong Institute of Directors and a Fellow of The Institution of Gas Engineers and Managers of the United Kingdom. He completed the Advanced Management Program from Harvard Business School in the United States. Mr. Wong was formerly a director of the Certified Management Accountants Society of British Columbia, Canada and the president of its Hong Kong branch, a member of the Mainland Business Advisory Committee of the Hong Kong Trade Development Council, and a member of the Advisory Committee and an External Advisor of the Career Planning and Development Steering Committee of the College of Professional and Continuing Education, The Hong Kong Polytechnic University. He is a Council Member of the Vocational Training Council and a Council Member of the Employers' Federation of Hong Kong. He is also the Chairman of the Advisory Board of The Hong Kong Management Association ("HKMA") Global Centre for ESG Education and Research, and a Council Member and a Member of Executive Committee of HKMA. Mr. Wong has over 47 years of experience in corporate finance, management and international working experience.

Board of Directors

Mr. Martin Kee Wai-ngai
C.Eng., M.I.G.E.M., M.B.A., B.Sc. (Eng)
Executive Director and Chief Operating Officer – Gas Business

Mr. Martin Kee Wai-ngai, aged 57, has been an Executive Director of the Company since May 2015 and was appointed as the Chief Operating Officer – Gas Business of the Company in July 2017. Mr. Kee graduated from the Department of Engineering, The University of Hong Kong and holds a master degree in Business Administration. He joined HKCG in 1990 and has been the Chief Operating Officer – Mainland Utilities of HKCG since 2022. In 2012, Mr. Kee was appointed as the executive vice president of Hong Kong & China Gas Investment Limited, responsible for the operation and management of the gas project companies in East China region. He was also appointed as the executive vice president of Hua Yan Water business in 2017. He is the Vice Chairman of Anhui Province Natural Gas Development Co., Ltd. Mr. Kee was appointed as a director of Changchun Gas Co., Ltd. with effect from 24 June 2021. Mr. Kee was also appointed as a director of Shenzhen Gas with effect from 26 May 2022. He was appointed as a director of Foran Energy with effect from 12 January 2024. He resigned as a director of Nanjing Public Utilities Development Co., Ltd. with effect from 27 September 2022 and resigned as chairman and supervisor of the Supervisory Board of Foran Energy with effect from 12 January 2024, all of which are listed public companies. He completed the Advanced Management Program from Harvard Business School in the United States. Mr. Kee, a Chartered Engineer, is a member of The Institution of Gas Engineers & Managers of the United Kingdom, and was formerly the chairman of its Far East District Section. Mr. Kee is a member of the 13th Hebei Committee of the Chinese People's Political Consultative Conference and was a member of the 14th Nanjing Committee of the Chinese People's Political Consultative Conference.

Dr. John Qiu Jian-hang

Executive Director and Chief Operating Officer – Renewable Business

Dr. John Qiu Jian-hang, aged 60, has been an Executive Director and the Chief Operating Officer – Renewable Business of the Company since November 2021. Dr. Qiu obtained his bachelor's degree and master's degree in engineering from Tsinghua University in the PRC, and his doctorate degree in engineering from Heriot-Watt University in the United Kingdom successively. In 2008, Dr. Qiu completed the Executive Development Programme of the Wharton School of the University of Pennsylvania. Dr. Qiu is a Chartered Engineer of the Institution of Gas Engineers & Managers of the United Kingdom. Dr. Qiu joined HKCG Group in 2003 and has been the Chief Operating Officer – Renewable Business of HKCG, leading the high potential business of renewable energy in Chinese mainland since 2021. He was appointed various management roles in different business joint ventures in Chinese mainland throughout his 20 years with the HKCG Group. These include positions of General Manager of both 馬鞍山港華燃氣有限公司 (Maanshan Hong Kong and China Gas Company Limited), a joint venture of the Company and 西安秦華天然氣有限公司 (now known as 西安秦華燃氣集團有限公司 (Xian Qinhua Gas Group Co., Ltd.)), a joint venture of HKCG, in 2003 and 2006, respectively. He successively served as Regional General Manager of the South China region in 2009 overseeing 16 joint ventures. In the same year, Dr. Qiu's role was expanded to Senior Vice-President, Commercial & Industrial Marketing on top of managing the South China region. He was previously the supervisor and Chairman of the Supervisory Board of Foran Energy.

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: Personal interest	Interest in shares: Family interest	Interest in shares: Other Interest	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
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 (ii) directors of both subsidiaries of the Company and of HKCG	25.11.2022	25.11.2023-24.11.2025	25.11.2023	3.40	6,713,000	–	–	–	6,713,000
Total					11,663,000	–	–	–	11,663,000

Notes:

1. The vesting period of the share options fell on the first anniversary of the date of grant, i.e. 25 November 2023.

2. The 900,000 share options held by Mr. John Ho Hon-ming were lapsed on 1 January 2024 upon his retirement as Director.

3. The closing price of the shares immediately before the date of grant was HK$3.42 per share.

4. 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 Aware 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:

						Number of Award Shares				
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)*	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:

1. 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.

2. 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 Shau-kee	Interest of controlled corporations	2,255,481,423 *(Note 1)*	67.24%
Rimmer	Trustee	2,255,481,423 *(Note 2)*	67.24%
Riddick	Trustee	2,255,481,423 *(Note 2)*	67.24%
Hopkins	Interest of controlled corporations	2,255,481,423 *(Note 2)*	67.24%
Henderson Development	Interest of controlled corporations	2,255,481,423 *(Note 2)*	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 *(Note 2)*	67.24%
Faxson Investment Limited ("Faxson")	Interest of controlled corporations	2,255,481,423 *(Note 2)*	67.24%
HKCG	Interest of controlled corporations	2,255,481,423 *(Note 3)*	67.24%
Towngas International Company Limited ("TICL")	Interest of controlled corporation	2,061,193,504 *(Note 3)*	61.45%
Hong Kong & China Gas (China) Limited ("HK&CG (China)")	Beneficial owner	2,061,193,504 *(Note 3)*	61.45%
Towngas Investment Company Limited ("TICL-HK")	Interest of controlled corporations	194,287,919 *(Note 3)*	5.79%
Planwise Properties Limited ("Planwise")	Beneficial owner	191,037,247 *(Note 3)*	5.69%
Tang Kok Yew	Interest of controlled corporations	471,050,984 *(Note 4)*	14.04%
Capstar Holdings ("Capstar")	Interest of controlled corporations	471,050,984 *(Note 4)*	14.04%
Affinity Fund V General Partner Limited ("Affinity Fund V")	Interest of controlled corporations	471,050,984 *(Note 4)*	14.04%
Converging Worldview Investments Pte. Ltd. ("Converging Worldview")	Interest of controlled corporations	471,050,984 *(Note 4)*	14.04%
Clean Energy Ecosystem Pte. Ltd. ("Clean Energy Ecosystem")	Beneficial owner	471,050,984 *(Note 4)*	14.04%
Central Huijin Investment Ltd. ("Central Huijin")	Interest of controlled corporation	350,350,000 *(Note 5)*	10.44%
Industrial and Commercial Bank of China Limited ("ICBC")	Interest of controlled corporation	350,350,000 *(Note 5)*	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 *(Note 5)*	10.44%
ICBC International Investment Management Limited ("ICBC International Management")	Interest of controlled corporation	350,350,000 *(Note 5)*	10.44%
Victory Ride Holdings Limited ("Victory Ride")	Interests held jointly with another person	350,350,000 *(Note 5)*	10.44%

Notes:

1. 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.

2. 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.

3. 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 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 *(Note 1)*	Actual amount for the year ended 31 December 2023 *(Note 5)*
(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 *(Note 2)*)	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 *(Note 3)*)	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 *(Note 4)*)	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-yee
Executive Director and Chief Executive Officer

Hong Kong, 19 March 2024

Corporate Governance Report

Corporate Governance Practices

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

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

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

Corporate Vision, Mission, Values and Culture

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

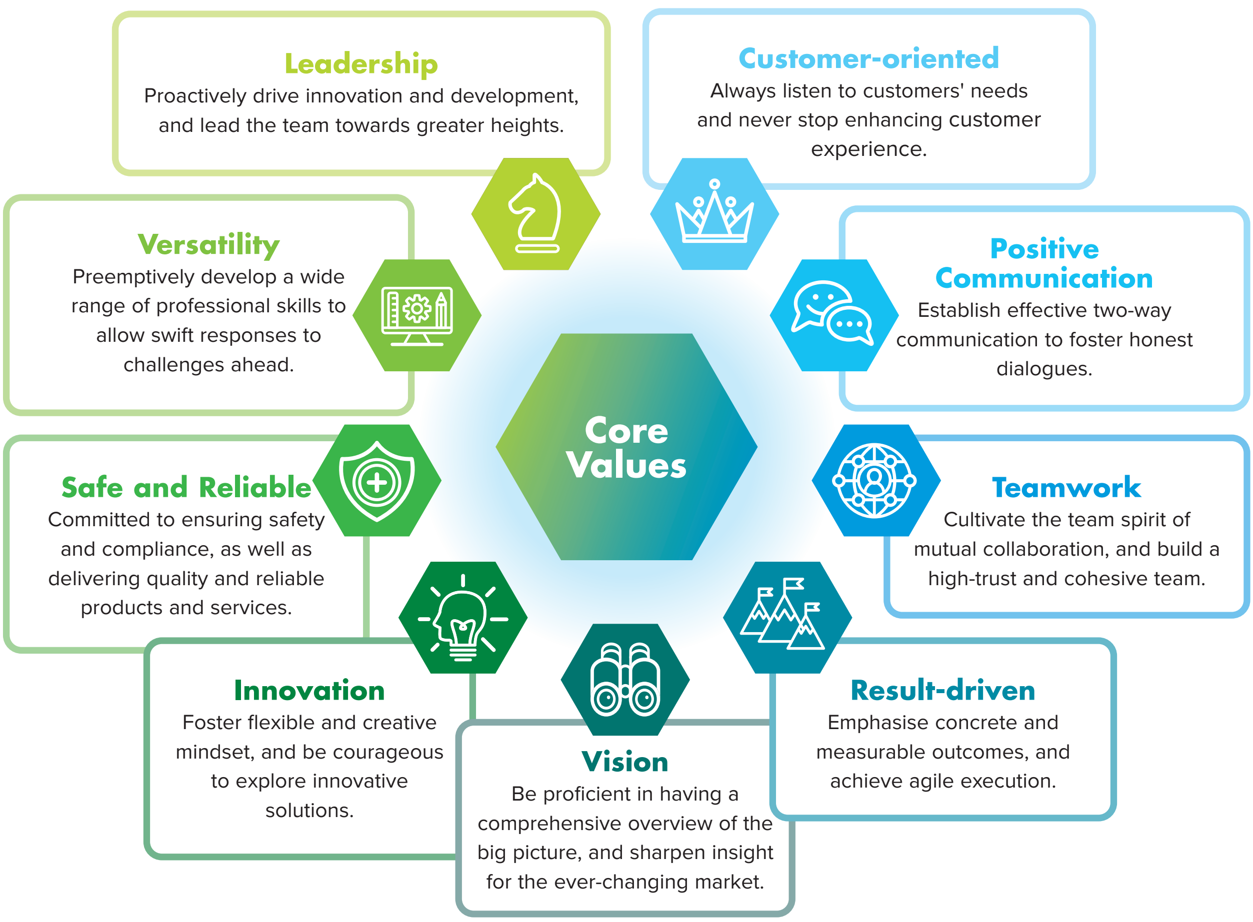
Vision

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

Mission

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

Values



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

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

Corporate Governance Report

Board of Directors

Key Role and Responsibilities of the Board

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

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

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

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

Corporate Governance Functions

The Board is responsible for performing corporate governance duties including:

(a) developing and reviewing the Company's policies and practices on corporate governance and considering recommendations addressed to the Board;

(b) reviewing and monitoring the training and continuous professional development of the Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board of Directors *(Continued)*

Chairman and Chief Executive Officer

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

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

Board Composition

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

Non-Executive Directors

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

Executive Directors

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

Independent Non-Executive Directors

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

Notes:

1. Mr. John Ho Hon-ming retired as an Executive Director and the Company Secretary with effect from 1 January 2024.

2. Mr. James Kwan Yuk-choi resigned as an Independent Non-Executive Director with effect from 1 January 2024.

Corporate Governance Report

Board of Directors *(Continued)*

Board Composition *(Continued)*

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

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

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

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

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

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

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

Board of Directors *(Continued)*

Board Process

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

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

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

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

Corporate Governance Report

Board of Directors *(Continued)*

Board Process *(Continued)*

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

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

Notes:

1. Mr. John Ho Hon-ming retired as an Executive Director and the Company Secretary with effect from 1 January 2024.

2. Mr. James Kwan Yuk-choi resigned as an Independent Non-Executive Director with effect from 1 January 2024.

Board of Directors *(Continued)*

Directors' Training and Continuous Professional Development

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

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

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

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

Notes:

1. Mr. John Ho Hon-ming retired as an Executive Director and the Company Secretary with effect from 1 January 2024.

2. Mr. James Kwan Yuk-choi resigned as an Independent Non-Executive Director with effect from 1 January 2024.

Corporate Governance Report

Board of Directors *(Continued)*

Dividend Policy

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

Securities Transactions

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

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

Board Committees

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

Remuneration Committee

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

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

Board Committees *(Continued)*

Remuneration Committee *(Continued)*

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

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

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

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

1 Independent Non-Executive Director

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

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

Board Audit and Risk Committee

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

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

Corporate Governance Report

Board Committees *(Continued)*

Board Audit and Risk Committee *(Continued)*

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

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

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

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

1 Independent Non-Executive Director

Notes:

1. Mr. James Kwan Yuk-choi resigned as a member of the Board Audit and Risk Committee with effect from 1 January 2024.

2. Dr. LOH Kung Wai Christine was appointed as a member of the Board Audit and Risk Committee with effect from 1 January 2024.

Board Committees *(Continued)*

Nomination Committee

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

Nomination Process

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

Nomination Policy

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

Board Diversity Policy

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

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

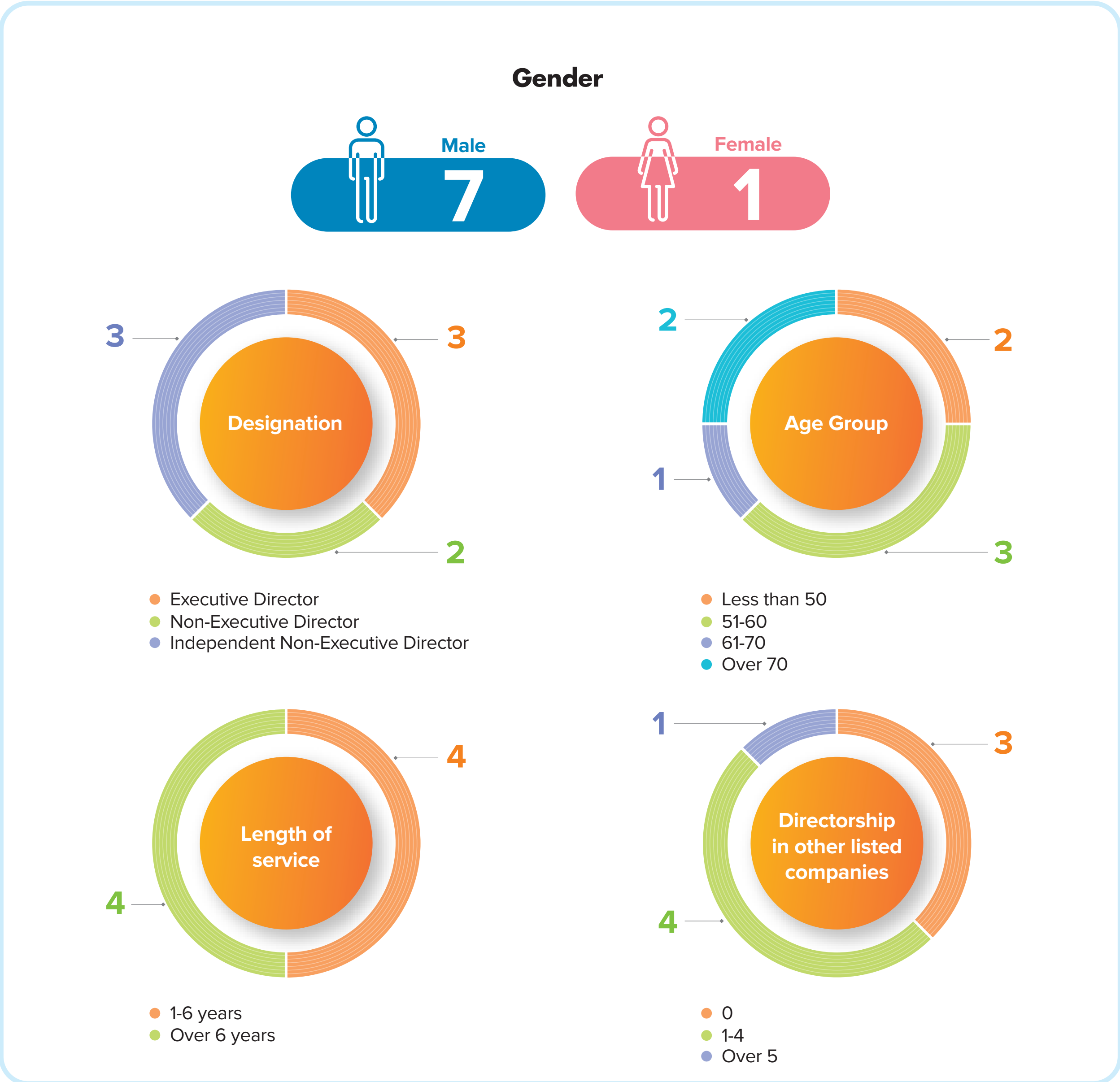
Corporate Governance Report

Board Committees *(Continued)*

Nomination Committee *(Continued)*

Board Diversity Policy *(Continued)*

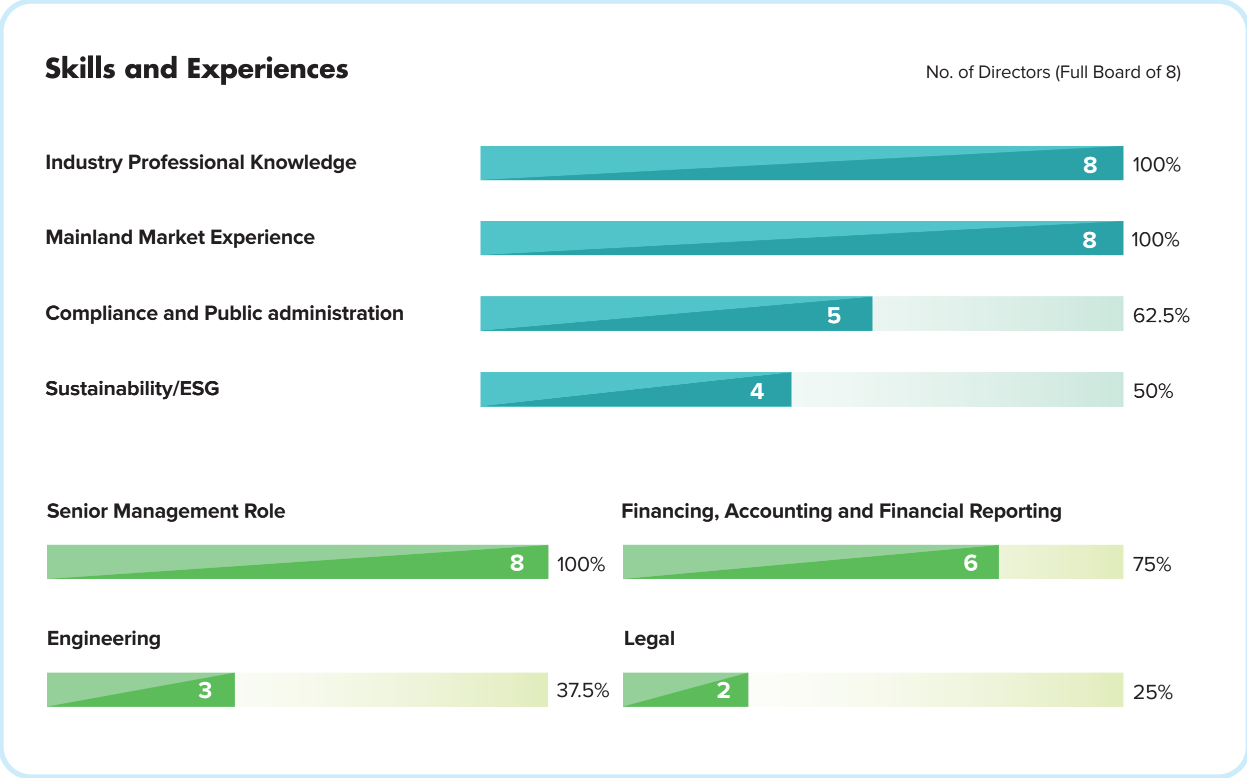
The following chart shows the diversity profile of the Board as at the date of this Annual Report *(after Mr. John Ho Hon-ming and Mr. James Kwan Yuk-choi resigned as Directors with effect from 1 January 2024):*



Board Committees *(Continued)*

Nomination Committee *(Continued)*

Board Diversity Policy *(Continued)*



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

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

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

Corporate Governance Report

Board Committees *(Continued)*

Nomination Committee *(Continued)*

Board Diversity Policy *(Continued)*

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

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

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

- recommended the nomination of Directors for re-election at the AGM of the Company held on 25 May 2023 ("2023 AGM");

- reviewed the independence of Independent Non-Executive Directors;

- reviewed the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board; and

- reviewed the implementation and effectiveness of the Board Diversity Policy.

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

Board Committees *(Continued)*

Nomination Committee *(Continued)*

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

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

1 Non-Executive Director

2 Independent Non-Executive Director

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

Environmental, Social and Governance Committee

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

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

Corporate Governance Report

Board Committees *(Continued)*

Environmental, Social and Governance Committee *(Continued)*

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

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

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

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

1 Executive Director

2 Independent Non-Executive Director

3 Head of Corporate ESG/Head of Corporate Affairs

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

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

Independence of External Auditor

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

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

Directors' and Auditor's Responsibility in Preparing Financial Statements

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

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

Going Concern Basis in Preparing Financial Statements

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

Corporate Governance Report

Risk Management and Internal Control

Internal Control

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

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

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

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

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

Risk Management

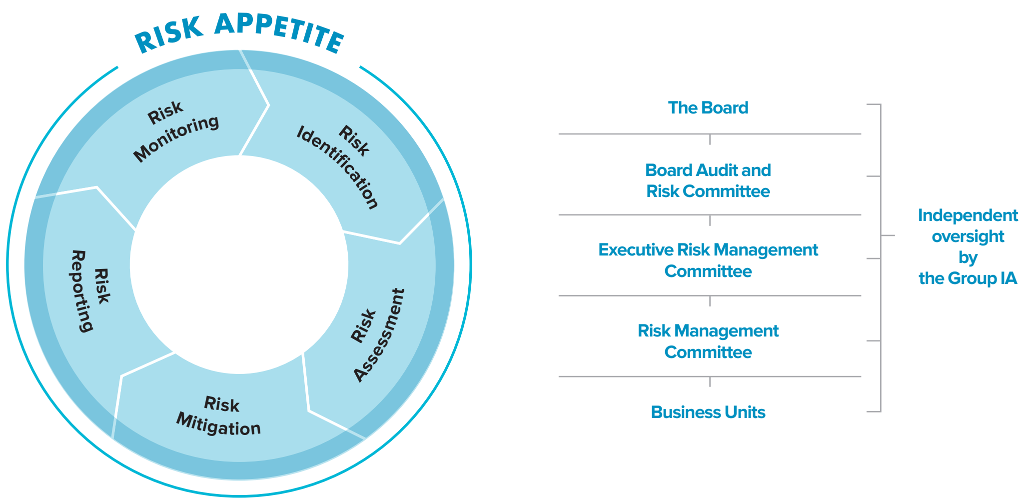
Risk Management Framework

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

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

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

Risk Appetite



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

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

Corporate Governance Report

Risk Management *(Continued)*

Risk Management Structure

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

Risk Management Process

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

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

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

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

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

Company Secretary

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

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

Communication with Shareholders

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

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

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

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

Corporate Governance Report

Communication with Shareholders *(Continued)*

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

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

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

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

Notes:

1. Mr. John Ho Hon-ming retired as an Executive Director and the Company Secretary with effect from 1 January 2024.

2. Mr. James Kwan Yuk-choi resigned as an Independent Non-Executive Director with effect from 1 January 2024.

Shareholders' Rights

Convening an Extraordinary General Meeting by Shareholders and Putting Forward Proposals

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

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

Making Enquiries to the Board

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

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

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

Investor Relations

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

Company's Constitutional Documents

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

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF TOWNGAS SMART ENERGY COMPANY LIMITED
港華智慧能源有限公司
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Towngas Smart Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 107 to 252, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified impairment assessment of goodwill as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole, combined with the significant judgments made by management in assessing the recoverable amounts of cash-generating units ("CGUs") comprising goodwill, which are derived from value in use calculations by using a discounted cash flow model. At 31 December 2023, the Group has goodwill with carrying value of approximately HK$4,821 million relating to CGUs principally engaged in the sales of piped gas business, gas connection and extended business in the People's Republic of China. Based on the assessment made by management of the Group, an additional impairment provision of HK$306 million was considered necessary and was recognised in profit or loss during the year ended 31 December 2023 and an accumulated impairment provision of HK$445 million was recognised as at 31 December 2023. Details are disclosed in Note 21 to the consolidated financial statements. As disclosed in Note 4 to the consolidated financial statements, during the process of impairment assessment of goodwill, the management considered the assessment of certain CGUs is highly judgemental and is dependent on key inputs and assumptions used including the discounted cash flow forecast based on budgets approved by management of Group, discount rates and growth rates.	Our procedures in relation to impairment assessment of goodwill of the identified CGUs included: • Understanding the Group's impairment assessment process, including the impairment model adopted, and the key inputs and assumptions used; • Evaluating the appropriateness of impairment model applied by the management; • Evaluating the historical accuracy of cash flow forecasts prepared by management by comparing the actual results to the historical cash flow forecast; • Evaluating the discount rates applied in the forecast by comparing them to economic data relevant to the risk specific to the CGUs; and • Assessing the reasonableness of the inputs and assumptions made in the budgets and growth rates.

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Leung Chui Shan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

19 March 2024

Consolidated Income Statement

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue	7 & 8	**19,841,511**	20,073,010
Total operating expenses	9	**(18,177,618)**	(18,460,572)
		1,663,893	1,612,438
Other income	10	**192,630**	132,586
Other gains, net	11	**426,559**	532,256
Share of results of associates	22	**365,660**	(246,837)
Share of results of joint ventures	23	**317,531**	306,026
Finance costs	12	**(769,839)**	(752,763)
Profit before taxation	13	**2,196,434**	1,583,706
Taxation	15	**(385,110)**	(382,667)
Profit for the year		**1,811,324**	1,201,039
Profit for the year attributable to:			
Shareholders of the Company		**1,574,623**	964,855
Non-controlling interests		**236,701**	236,184
		1,811,324	1,201,039
		HK cents	HK cents
Proposed final dividend per ordinary share	16	**16**	15
		HK cents	HK cents
Earnings per share	17		
– Basic		**47.74**	30.17
– Diluted		**42.47**	14.38

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Profit for the year	**1,811,324**	1,201,039
Other comprehensive (expense) income for the year		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on translation from functional currency to presentation currency	**(301,668)**	(2,078,755)
Fair value change on investments in equity instruments at fair value through other comprehensive income	**146,914**	(141,010)
Income tax relating to items that will not be reclassified to profit or loss	**(35,880)**	36,112
Items that may be reclassified subsequently to profit or loss		
Cash flow hedge:		
Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve	**64,585**	44,734
Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	**(54,579)**	(151,211)
	(180,628)	(2,290,130)
Total comprehensive income (expense) for the year	**1,630,696**	(1,089,091)
Total comprehensive income (expense) for the year attributable to:		
Shareholders of the Company	**1,448,706**	(1,287,188)
Non-controlling interests	**181,990**	198,097
Total comprehensive income (expense) for the year	**1,630,696**	(1,089,091)

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	18	28,555,243	23,500,341
Right-of-use assets	19	1,012,469	845,134
Intangible assets	20	384,994	413,533
Goodwill	21	4,820,508	5,296,236
Interests in associates	22	5,251,449	9,760,067
Interests in joint ventures	23	3,803,404	3,574,969
Loans to associates	22	47,701	49,000
Equity instruments at fair value through other comprehensive income	24	1,353,339	1,239,653
Other financial assets	30	70,628	16,927
Deposits paid for acquisition of subsidiaries		–	178,662
Restricted deposit	29	108,691	–
		45,408,426	44,874,522
Current assets			
Inventories	25	588,608	682,235
Loans to associates	22	9,851	53,197
Loans to joint ventures	23	166,507	171,042
Trade and other receivables, deposits and prepayments	26	2,782,350	2,912,168
Amounts due from non-controlling shareholders	27	219,806	174,422
Financial assets at fair value through profit or loss	28	–	70,064
Other financial assets	30	10,708	–
Time deposits over three months	29	21,562	5,650
Bank balances and cash	29	4,080,302	4,000,676
		7,879,694	8,069,454
Assets classified as held for sale	31	176,583	–
		8,056,277	8,069,454
Current liabilities			
Trade and other payables and accrued charges	32	3,705,656	3,067,180
Contract liabilities	33	3,632,142	3,850,134
Lease liabilities	34	48,433	23,687
Amounts due to non-controlling shareholders	27	73,356	82,298
Taxation payable		1,412,241	1,532,249
Borrowings - amounts due within one year	35	5,499,842	9,018,808
Loan from ultimate holding company	36	28,453	62,816
Loans from non-controlling shareholders	36	–	7,379
Loan from an associate	36	24	–
Loans from joint ventures	36	27,467	17,404
		14,427,614	17,661,955
Liabilities associated with assets classified as held for sale	31	10,090	–
		14,437,704	17,661,955
Net current liabilities		(6,381,427)	(9,592,501)
Total assets less current liabilities		39,026,999	35,282,021

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Lease liabilities	34	206,846	64,162
Borrowings – amounts due after one year	35	10,782,229	8,563,734
Deferred taxation	37	839,983	719,637
Loans from non-controlling shareholders	36	15,187	15,601
Other financial liabilities	30	–	175
Convertible bonds	38	1,952,264	2,055,619
		13,796,509	11,418,928
Net assets		25,230,490	23,863,093
Capital and reserves			
Share capital	39	335,450	325,862
Reserves		22,511,762	21,178,997
Equity attributable to shareholders of the Company		22,847,212	21,504,859
Non-controlling interests		2,383,278	2,358,234
Total equity		25,230,490	23,863,093

The consolidated financial statements on pages 107 to 252 were approved and authorised for issue by the Board of Directors ("the Board") on 19 March 2024 and are signed on its behalf by:

Peter Wong Wai-yee
DIRECTOR

Brian David Li Man-bun
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to shareholders of the Company											
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Hedge reserve HK$'000	General reserves HK$'000 (Note 40)	Investment revaluation reserve HK$'000	Share-based payment reserve HK$'000	Shares held for share award scheme HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	315,989	6,315,127	2,041,619	4,019	466,044	825,049	–	(19,928)	12,947,133	22,895,052	2,277,706	25,172,758
Exchange differences on translation from functional currency to presentation currency	–	–	(2,040,668)	–	–	–	–	–	–	(2,040,668)	(38,087)	(2,078,755)
Fair value change on investments in equity instruments at fair value through other comprehensive income	–	–	–	–	–	(141,010)	–	–	–	(141,010)	–	(141,010)
Income tax relating to items that will not be reclassified to profit or loss	–	–	–	–	–	36,112	–	–	–	36,112	–	36,112
Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve	–	–	–	44,734	–	–	–	–	–	44,734	–	44,734
Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	–	–	–	(151,211)	–	–	–	–	–	(151,211)	–	(151,211)
Profit for the year	–	–	–	–	–	–	–	–	964,855	964,855	236,184	1,201,039
Total comprehensive (expense) income for the year	–	–	(2,040,668)	(106,477)	–	(104,898)	–	–	964,855	(1,287,188)	198,097	(1,089,091)
Issue of shares upon scrip dividend scheme (Note 39)	8,717	342,393	–	–	–	–	–	–	–	351,110	–	351,110
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	623	623	(26,416)	(25,793)
Purchase of shares under share award scheme (Note 41)	–	–	–	–	–	–	–	(29,897)	–	(29,897)	–	(29,897)
Recognition of share-based payments upon grant of subscription shares	–	–	–	–	–	–	4,941	–	–	4,941	–	4,941
Issue of subscription shares (Note 39)	1,156	46,392	–	–	–	–	(4,918)	–	–	42,630	–	42,630
Recognition of share-based payments upon grant of share options (Note 41)	–	–	–	–	–	–	1,007	–	–	1,007	–	1,007
Transfer	–	–	–	–	43,325	–	–	–	(43,325)	–	–	–
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	53,794	53,794
Dividends declared to shareholders of the Company (Note 16)	–	(473,419)	–	–	–	–	–	–	–	(473,419)	–	(473,419)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(144,947)	(144,947)
	9,873	(84,634)	–	–	43,325	–	1,030	(29,897)	(42,702)	(103,005)	(117,569)	(220,574)
At 31 December 2022	325,862	6,230,493	951	(102,458)	509,369	720,151	1,030	(49,825)	13,869,286	21,504,859	2,358,234	23,863,093

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to shareholders of the Company											
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Hedge reserve HK$'000	General reserves HK$'000 (Note 40)	Investment revaluation reserve HK$'000	Share-based payment reserve HK$'000	Shares held for share award scheme HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2023	325,862	6,230,493	951	(102,458)	509,369	720,151	1,030	(49,825)	13,869,286	21,504,859	2,358,234	23,863,093
Exchange differences on translation from functional currency to presentation currency	–	–	(246,957)	–	–	–	–	–	–	(246,957)	(54,711)	(301,668)
Fair value change on investments in equity instruments at fair value through other comprehensive income	–	–	–	–	–	146,914	–	–	–	146,914	–	146,914
Income tax relating to items that will not be reclassified to profit or loss	–	–	–	–	–	(35,880)	–	–	–	(35,880)	–	(35,880)
Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve	–	–	–	64,585	–	–	–	–	–	64,585	–	64,585
Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	–	–	–	(54,579)	–	–	–	–	–	(54,579)	–	(54,579)
Profit for the year	–	–	–	–	–	–	–	–	1,574,623	1,574,623	236,701	1,811,324
Total comprehensive (expense) income for the year	–	–	(246,957)	10,006	–	111,034	–	–	1,574,623	1,448,706	181,990	1,630,696
Issue of shares upon scrip dividend scheme (Note 39)	9,577	324,678	–	–	–	–	–	–	–	334,255	–	334,255
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	(224)	(224)	(36,782)	(37,006)
Purchase of shares under share award scheme (Note 41)	–	–	–	–	–	–	–	(3,172)	–	(3,172)	–	(3,172)
Issue of subscription shares (Note 39)	11	418	–	–	–	–	(23)	–	–	406	–	406
Recognition of share-based payments upon grant of share options (Note 41)	–	–	–	–	–	–	9,240	–	–	9,240	–	9,240
Recognition of share-based payments upon grant of shares under share award scheme (Note 41)	–	–	–	–	–	–	–	52,889	(13,293)	39,596	–	39,596
Transfer	–	–	–	–	61,091	–	–	–	(61,091)	–	–	–
Deemed disposal of partial interest in a subsidiary	–	–	(1,306)	–	–	–	–	–	2,034	728	14,973	15,701
Release of exchange reserve upon exit from investment in an associate	–	–	422,034	–	–	–	–	–	(422,034)	–	–	–
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	54,545	54,545
Dividends declared to shareholders of the Company (Note 16)	–	(487,182)	–	–	–	–	–	–	–	(487,182)	–	(487,182)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(189,682)	(189,682)
	9,588	(162,086)	420,728	–	61,091	–	9,217	49,717	(494,608)	(106,353)	(156,946)	(263,299)
At 31 December 2023	335,450	6,068,407	174,722	(92,452)	570,460	831,185	10,247	(108)	14,949,301	22,847,212	2,383,278	25,230,490

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	2,196,434	1,583,706
Adjustments for:		
Interest income	(78,420)	(66,692)
Interest expenses	763,569	746,932
Share of results of associates	(365,660)	246,837
Share of results of joint ventures	(317,531)	(306,026)
Dividend income from equity instruments at fair value through other comprehensive income	(36,634)	(39,252)
Share-based payment expenses	48,836	5,948
Amortisation of intangible assets	18,057	19,028
Depreciation of right-of-use assets	53,703	49,138
Depreciation of property, plant and equipment	997,803	849,960
Impairment provision of goodwill	306,000	–
Impairment loss of trade receivables, net of reversal	22,435	40,330
Loss on deemed disposal of a subsidiary	4,597	277
Loss on deemed partial disposal of an associate	31,775	–
Loss on disposal of property, plant and equipment	17,662	1,535
Gain on disposal of right-of-use assets	–	(3,333)
Gain on exist from investment in an associate	(681,020)	–
Change in fair value of embedded derivative component of convertible bonds	(101,573)	(531,488)
Exchange (gain) loss, net	(4,000)	753
Operating cash flows before movements in working capital	2,876,033	2,597,653
Decrease (increase) in inventories	74,361	(70,998)
Decrease (increase) in trade receivables	90,865	(587,998)
Decrease (increase) in other receivables, deposits and prepayments	11,668	(257,040)
(Increase) decrease in amounts due from non-controlling shareholders	(50,346)	24,974
Increase in trade payables	97,562	397,657
(Decrease) increase in contract liabilities	(86,856)	270,712
(Decrease) increase in other payables and accrued charges	(785,096)	90,996
Decrease in amounts due to non-controlling shareholders	(6,806)	(16,755)
Cash generated from operations	2,221,385	2,449,201
Interest paid	(702,064)	(730,939)
Taxation paid	(218,627)	(378,624)
NET CASH GENERATED FROM OPERATING ACTIVITIES	1,300,694	1,339,638

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(4,676,561)**	(3,342,149)
Payments for acquisition of associates		**(4,065)**	(26,199)
Deposits paid for acquisition of subsidiaries		**–**	(178,662)
Acquisition of equity instruments at fair value through other comprehensive income		**(4,897)**	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		**(98,918)**	17,017
Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired)	42	**(238,183)**	–
Payments for right-of-use assets		**(44,698)**	(28,906)
Capital contribution to associates		**(59,808)**	–
Capital contribution to joint ventures		**(14,301)**	–
Placement of restricted deposit		**(109,425)**	–
(Increase) decrease in time deposits over three months		**(16,171)**	3,269
Acquisition of financial assets at fair value through profit or loss		**(68,668)**	(72,362)
Advances to associates		**(973)**	(5,957)
Advances to joint ventures		**–**	(43,152)
Dividends received from associates		**278,625**	230,739
Dividends received from joint ventures		**137,685**	124,183
Repayment of loans to joint ventures		**43,191**	51,867
Repayment of loans to associates		**–**	9,340
Dividend income from equity instruments at fair value through other comprehensive income		**36,634**	39,252
Deemed disposal/disposal of a subsidiary (net of cash and cash equivalents disposed)	42	**(7,064)**	(70,557)
Disposal of an associate		**683**	–
Proceeds from deemed disposal of partial interest in a subsidiary		**15,701**	–
Disposal of a joint venture		**2,243**	–
Interest received		**78,420**	66,692
Proceeds from disposal of property, plant and equipment		**24,097**	13,741
Proceeds from disposal of right-of-use assets		**–**	46,428
Proceeds from exit from investment in an associate	22	**5,225,075**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**137,335**	–
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		**635,957**	(3,165,416)

	NOTE	2023 HK$'000	2022 HK$'000
FINANCING ACTIVITIES			
New bank and other loans raised		14,101,835	11,267,339
Repayments of bank and other loans		(15,078,818)	(8,975,568)
Dividends paid to shareholders of the Company		(152,927)	(122,309)
Dividends paid to non-controlling shareholders of subsidiaries		(189,682)	(144,947)
Repayment of lease liabilities		(412,014)	(28,057)
Capital contribution from non-controlling shareholders of subsidiaries		54,545	53,794
Acquisition of additional interests in subsidiaries		(37,006)	–
Repayment of loans from non-controlling shareholders		(7,135)	(11,843)
Repayment of loans from associates		(833)	–
Advances from joint ventures		83,090	17,283
Repayment of loans from joint ventures		(72,494)	(3)
Loan from ultimate holding company		17,881	18,980
Repayment of loan from ultimate holding company		(50,800)	(17,471)
Issue of subscription shares		406	42,630
Purchase of shares held for share award scheme		(3,172)	(29,897)
Repayment of other financial liabilities		–	(33,639)
Advance from an associate		858	–
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES		(1,746,266)	2,036,292
NET INCREASE IN CASH AND CASH EQUIVALENTS		190,385	210,514
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		4,000,676	4,071,107
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(107,177)	(280,945)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		4,083,884	4,000,676
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		4,080,302	4,000,676
Assets classified as held for sale	31	3,582	–
		4,083,884	4,000,676

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands on 16 November 2000 under the Companies Law (Revised) Chapter 22 of the Cayman Islands as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company ("Directors"), the Group's parent holding company and the ultimate controlling shareholder is The Hong Kong and China Gas Company Limited ("HKCG"), a company incorporated in Hong Kong with its shares listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the Annual Report.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"). The reason for selecting HKD as its presentation currency is because the Company is a public company incorporated in the Cayman Islands with its shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

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").

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of new and the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the other disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to HKAS 8 "Definition of Accounting Estimates"

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group disclose the related deferred tax assets of HK$18,871,000 and deferred tax liabilities of HK$18,024,000 at 1 January 2022 on a gross basis in Note 37 but it has no material impact on the retained earnings at the earliest period presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has applied the amendments for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs in issue but not yet effective *(Continued)*

Except for the amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 "Non-current Liabilities with Covenants" (the "2022 Amendments") *(Continued)*

As at 31 December 2023, the Group's right to settle the revolving loans of HK$2,264 million upon their final maturities which are more than 12 months from the reporting date are subject to compliance with certain financial ratios. Such revolving loans were classified as non-current as the Group met such ratios as at 31 December 2023. Upon the application of the 2022 Amendments, such borrowings will still be classified as non-current as the covenants which the Group is required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting date.

As at 31 December 2023, the Group's outstanding convertible bonds include counterparty conversion options that do not meet equity instruments classification by applying HKAS 32. The Group classified as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The host debt component is measured at amortised cost with carrying amount of HK$1,857,795,000 and the embedded derivative component (including the conversion options) is measured at fair value with carrying amount of HK$94,469,000 as at 31 December 2023, both of which are classified as non-current as set out in Note 38. Upon the application of the 2020 Amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible instruments. Given that the conversion options are exercisable anytime, the host liability and the embedded derivative component amounting to HK$1,952,264,000 would be reclassified to current liabilities as the holders have the option to convert within 12 months after the reporting period.

Except for as disclosed above, the application of the 2020 and 2022 Amendments will not affect the classification of the Group's other liabilities as at 31 December 2023.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence the decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately HK$6,381 million as at 31 December 2023. The Group's liabilities as at 31 December 2023 included borrowings of approximately HK$5,500 million that are repayable within one year from the end of the reporting period.

As at 31 December 2023, the Group is able to raise approximately HK$13,237 million through a Medium Term Note Programme ("MTN Programme"), the remaining issuance amount under the debt financing instruments programme registered in the National Association of Financial Market Institutional Investors (the "Panda Bonds") amounting to approximately HK$14,851 million and unutilised facilities from banks and HKCG amounting to approximately HK$7,911 million ("Facilities"). When considering the Group's ability to continue as a going concern, the Directors considered that the Group's borrowings of approximately HK$3,573 million that are repayable within one year from the end of the reporting period will be rolled over or refinanced as the Group has a good relationship with the banks and has good credibility.

Taking into account the internally generated funds, the amount of funds to be raised from the MTN Programme, the remaining issuance amount of Panda Bonds and those available Facilities, the Directors are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisition

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Business combinations or asset acquisition *(Continued)*

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or HK(IFRIC) - Int 21 "Levies", in which the Group applies HKAS 37 or HK(IFRIC) - Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Business combinations or asset acquisition *(Continued)*

Business combinations ***(Continued)***

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash- generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Investments in associates and joint ventures *(Continued)*

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Investments in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Changes in the Group’s interests in associates and joint ventures

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Assets classified as held for sale

Assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Assets classified as held for sale *(Continued)*

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Revenue from contracts with customers *(Continued)*

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which recognises revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, contracts in which the Group bills the construction work performed for gas connection facilities), the Group recognises revenue in the amount to which the Group has the right to invoice.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Revenue from contracts with customers *(Continued)*

Performance obligations for contracts with customers

Sales of piped gas and energy and extended business

Revenue from sales of piped gas and energy is recognised when control of the piped gas and energy has transferred to the customers, being at the point the gas and energy is delivered to the customers.

Revenue from sales of other goods is recognised when control of the goods has transferred to the customers, being at the point the goods are delivered to the customers.

Gas connection

Revenue from gas connection, which relates to contracts for construction of gas connection facilities, is recognised when control of the services underlying the performance obligations in the contracts are transferred to the customers, which is recognised over time or at a point in time depending on the terms of the contracts and actual work performed.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method, as follows:

Buildings	15-30 years
Gas and other pipelines	25-40 years
Plant and equipment and others	5-30 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment *(Continued)*

Ownership interest in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Construction in progress

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments represent fixed payments (including in-substance fixed payment) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases *(Continued)*

The Group as a lessee ***(Continued)***

Lease liabilities ***(Continued)***

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Exclusive operating rights for city pipeline network

Exclusive operating rights for city pipeline network are stated at cost less accumulated amortisation and any identified impairment loss. The cost incurred for the acquisition of exclusive operating rights is capitalised and amortised on a straight-line basis over the estimated useful life.

Distribution network

Distribution network is stated at cost less accumulated amortisation and any identified impairment loss.

The estimated useful life and amortisation method of intangible assets are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Impairment on property, plant and equipment, right-of-use assets and intangible assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets is estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets (other than goodwill) *(Continued)*

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit or a group of cash-generating units in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except derivatives designated in cash flow hedging relationships and except that at the initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) *Equity instruments designated as at FVTOCI*

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL, except for derivatives designated as cash flow hedges.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains, net" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loans to associates and joint ventures, trade and other receivables, deposits, amounts due from non-controlling shareholders, restricted deposit, time deposits over three months and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognise lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(ii) *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

The Group uses a practical expedient in estimating ECL on not credit-impaired trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis after taking into consideration of past due information and relevant credit information such as forward-looking information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets *(Continued)*

(v) *Measurement and recognition of ECL (Continued)*

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset (which is the gross carrying amount less any impairment allowance).

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Derecognition of financial assets *(Continued)*

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL *(Continued)*

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Other financial liabilities

Other financial liabilities including trade and other payables, borrowings, debt component of convertible bonds, amounts due to non-controlling shareholders, loans from ultimate holding company, non-controlling shareholders, an associate and joint ventures are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Convertible bonds *(Continued)*

At the date of issue, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments *(Continued)*

Hedge accounting *(Continued)*

Cash flow hedges

The effective portion of changes in the fair value of derivatives that is designated and qualifies as cash flow hedges is recognised in other comprehensive income and accumulated in the hedge reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains, net" line item.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedge reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss or the hedged item otherwise affects profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation *(Continued)*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. HKD) are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in the exchange reserve are not reclassified to profit or loss subsequently.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other grants are presented under "other income".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Retirement benefits costs

Payments to defined contribution retirement benefit schemes including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

Share award scheme

The consideration paid by the trustee for purchasing the Company's shares from the market is presented as "shares held for share award scheme" and the amount is deducted from total equity.

Share-based payments

Shares and share options granted to employees and connected persons

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve and shares held for share award scheme). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium. When shares held for share award scheme are vested, the difference on the amounts previously recognised in shares held for share award scheme and the amount recognised in profit or loss as share-based payments is transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Share-based payments *(Continued)*

Shares and share options granted to employees and connected persons **(Continued)**

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained earnings.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management has made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment of goodwill

The assessment for each of the city-gas projects is based on value in use approach using the discounted cash flow method. The estimated cash flows used in the assessment are derived based on the most recent financial budget for the next five years approved by management. Cash flows beyond 5-year period until the end of the relevant concession periods have been extrapolated using growth rates from 3% to 9% (2022: 3% to 11%) per annum, which is based on internal and external factors relating to the CGUs. Discount rates ranging between 9.0% to 15.5% (2022: 8.2% to 12.0%) were used to reflect the current market assessments of the time value of money and the risks specific to the CGUs. In relation to the city-gas business in the PRC operated by the Group's subsidiaries, the carrying value of goodwill related to these individual city-gas projects as at 31 December 2023 amounted to HK$4,820,508,000 (2022: HK$5,296,236,000), net of an impairment provision of HK$445,352,000 (2022: HK$204,781,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment assessment of goodwill *(Continued)*

The key inputs and assumptions used in the assessment of certain CGUs are highly judgemental and are heavily dependent on the discounted cash flow forecast based on budgets approved by management of Group, the discount rates and growth rates. The adoption of key assumptions and input data may be subject to changes in facts and circumstances and may result in significant financial impact. During the year ended 31 December 2023, the management of the Group considered that an additional impairment provision HK$306,000,000 (2022: nil) was necessary, which was recognised in profit or loss. The assessment is sensitive to changes in estimates. Details are disclosed in Note 21.

ECL assessment of trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar common risk characteristics. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information including but not limited to the expected economic conditions in the PRC (i.e. the corporate default rate forecasts for utilities and construction sectors affecting the ability of the customers to settle the debtors), that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

These assessments and measurements are sensitive to changes in estimates. Details are disclosed in Note 6.

Fair value measurement of embedded derivative in convertible bonds

Embedded derivative in convertible bonds amounting to HK$94,469,000 (2022: HK$200,680,000) as at 31 December 2023 is measured at fair values which are determined based on unobservable inputs, including expected volatility of share price, using valuation technique. Judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair value of embedded derivative in convertible bonds. Further disclosures of the embedded derivative in convertible bonds are set out in Notes 6 and 38.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes convertible bonds, borrowings, loans from ultimate holding company, non-controlling shareholders, an associate and joint ventures disclosed in Notes 38, 35 and 36, respectively, equity attributable to shareholders of the Company, comprising issued share capital and reserves, and non-controlling interests.

5. CAPITAL RISK MANAGEMENT *(Continued)*

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 40% determined as the proportion of net debt to total equity plus net debt (the "Gearing Ratio").

The Gearing Ratio at the reporting date was as follows:

	2023 HK$'000	2022 HK$'000
Debt[(i)]	16,353,202	17,685,742
Convertible bonds	1,952,264	2,055,619
Restricted deposit	(108,691)	–
Time deposits over three months	(21,562)	(5,650)
Bank balances and cash (including assets classified as held for sale)	(4,083,884)	(4,000,676)
Net debt	14,091,329	15,735,035
Total equity[(ii)]	25,230,490	23,863,093
Gearing Ratio[(iii)]	35.8%	39.7%

(i) Debt is defined as long-term and short-term borrowings and loans from ultimate holding company, non-controlling shareholders, an associate and joint ventures, as detailed in Notes 35 and 36, respectively.

(ii) Total equity includes all capital and reserves of the Group and non-controlling interests.

(iii) Being the proportion of net debt of HK$14,091,329,000 (2022: HK$15,735,035,000) to total equity plus net debt of HK$39,321,819,000 (2022: HK$39,598,128,000).

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 HK$'000	2022 HK$'000
Financial assets		
Amortised cost	6,882,084	6,548,821
Derivative financial instruments	81,336	16,927
Equity instruments at FVTOCI	1,353,339	1,239,653
Financial assets at FVTPL	–	70,064
Financial liabilities		
Amortised cost	21,420,989	22,175,914
Derivative financial instruments	–	175
Embedded derivative component of convertible bonds	94,469	200,680
Lease liabilities	255,279	87,849

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, loans to associates, loans to joint ventures, other financial assets, trade and other receivables, deposits, amounts due from non-controlling shareholders, financial assets at FVTPL, restricted deposit, time deposits over three months, bank balances and cash, trade and other payables, amounts due to non-controlling shareholders, loans from ultimate holding company, non-controlling shareholders, an associate and joint ventures, convertible bonds, borrowings, and other financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain bank balances and cash and bank and other borrowings are denominated in foreign currencies which expose the Group to foreign currency risk.

Details of the Group's bank balances and cash, time deposits over three months and bank and other borrowings, denominated in United States dollars ("US$" or ''USD'') and HKD at the end of the reporting period are set out in Notes 29 and 35. In addition, the Group has intra-group balances denominated in a currency other than the functional currency of the respective group entities.

The Group entered into cross currency interest rate swap contracts and cross currency swap contracts with certain financial institutions to reduce or hedge its exposure to currency fluctuation risk. Those cross currency interest rate swap contracts and cross currency swap contracts are designated as effective hedging instrument for certain borrowings denominated in USD with hedge accounting used (see Note 30 for details). The Group reviewed the continuing effectiveness of the designated hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instrument and the hedged item for assessing the hedge effectiveness. The Directors considered the Group's net exposure to foreign currency risk to the extent that it is under an effective hedging relationship as insignificant.

The management continues to monitor foreign exchange exposure and will consider hedging other significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 10% (2022: 10%) in exchange rate of USD and HKD against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (excluding derivative financial instruments) and adjusts their translation at the end of each reporting period for a 10% (2022: 10%) change in foreign currency rates.

The sensitivity analysis includes bank balances and cash denominated in a currency other than the functional currency of the respective group entities. The sensitivity analysis excludes the effect on foreign currency denominated borrowings that are under an effective hedging relationship as the Group's net exposure to currency risk arising from the hedging relationship is insignificant. A positive number below indicates an increase in profit before taxation where RMB strengthens by 10% (2022: 10%) against USD and HKD. For a 10% (2022: 10%) weakening of RMB against USD and HKD, there would be an equal but opposite impact on the profit before taxation, and the balances below would be negative. This is mainly attributable to the Group's exposure to foreign exchange on its foreign currency borrowings to which hedge accounting is not applied.

	2023 **HK$'000**	2022 HK$'000
Profit before taxation	**4,543**	2,261

No sensitivity analysis has been presented for derivatives that are designated as hedging instruments because the Group's net exposure to currency risk arising from the hedging relationship is insignificant.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, short-term bank deposits, loans to joint ventures and associates, loans from non-controlling shareholders, ultimate holding company, an associate and joint ventures, debt component of convertible bonds and lease liabilities. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, sustainability-linked bonds (the "SLB") and the Panda Bonds. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and RMB Prime Rate arising from the Group's HKD and RMB bank loans, the fluctuation of basic borrowing rate announced by the People's Bank of China arising from the Group's RMB bank loans and the interest rate adjustment mechanism arising from the satisfaction of conditions of SLB and the Panda Bonds as disclosed in Note 35.

The Group entered into cross currency interest rate swaps to reduce or hedge against its exposures to the interest rate on the variable-rate bank borrowings. The Group's cross currency interest rate swap contracts are designated as effective hedging instrument for a variable-rate bank borrowing as detailed above. The Directors considered the Group's net exposure to interest rate risk to the extent that it is under an effective hedging relationship as insignificant.

The management continues to monitor interest rate exposure and will consider hedging other significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments (excluding derivative financial instruments) at the end of the reporting period. The sensitivity analysis excludes the effect on variable-rate bank borrowings that are under an effective hedging relationship as the Group's net exposure to interest rate risk arising from the hedging relationship is insignificant. For remaining variable-rate bank loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2022: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates. As a result of the volatile financial market in 2023, the management adjusted the sensitivity rate from 50 basis points to 100 basis points for the purpose of assessing interest rate risk.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

Sensitivity analysis **(Continued)**

If interest rates had been 100 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's profit before taxation for the year ended 31 December 2023 would decrease/increase by HK$34,991,000 (2022: HK$24,189,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings to which hedge accounting is not applied.

No sensitivity analysis has been presented for derivatives that are designated as hedging instruments because the Group's net exposure to interest rate risk arising from the hedging relationship is insignificant.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities measured at FVTOCI. In addition, the Group also invested in certain unquoted equity securities for long-term strategic purposes which had been designated as FVTOCI. The Group currently does not have a hedging policy in relation to the price risk. However, the management will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date. Sensitivity analysis for the unquoted equity securities with fair value measurement categorised within Level 3 is disclosed in the fair value measurement section of this note.

If the prices of the respective listed equity securities with fair value measurement categorised within Level 1 had been 10% (2022: 10%) higher/lower, the Group's investment revaluation reserve would increase/decrease by HK$92,824,000 (2022: HK$84,215,000) as a result of the changes in fair value of the investments, net of tax.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amounts of the Group's financial assets (excluding equity instruments at FVTOCI) as stated in the consolidated statement of financial position.

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For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Category	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due date but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

Financial assets at amortised cost	Notes	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount as at 31 December 2023 HK$'000	2022 HK$'000
Loans to associates	22	Low risk	12m ECL	**57,552**	102,197
Loans to joint ventures	23	Low risk	12m ECL	**166,507**	171,042
Trade receivables	26	(note)	Lifetime ECL – not credit-impaired	**1,500,120**	1,578,364
		Loss	Lifetime ECL – credit-impaired	**178,462**	159,268
				1,678,582	1,737,632
Other receivables and deposits	26	Low risk	12m ECL	**762,996**	556,786
Amounts due from non-controlling shareholders	27	Low risk	12m ECL	**219,806**	174,422
Restricted deposit	29	N/A	12m ECL	**108,691**	–
Time deposits over three months	29	N/A	12m ECL	**21,562**	5,650
Bank balances and cash	29	N/A	12m ECL	**4,080,302**	4,000,676

note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items grouped by past due status. When there are indicators that the relevant trade receivables maybe credit impaired, the relevant amount will be assessed for ECL individually.

The Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The Group used estimated loss rates based on aging for classes with different credit risk characteristics and exposures, and the estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is effectively managed. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on provision matrix.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Provision matrix – debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the Group's assessment of historical credit loss experience of the existing debtors, including the business relationships with the debtors and historical subsequent settlements, the Group does not consider that default occurs for those contractual payments that are more than 90 days past due. The Group used estimated loss rates ranging from less than 0.7% to 40.8% (2022: 0.1% to 35%) for trade receivables not credit-impaired based on aging for classes with different credit risk characteristics and exposures, and the estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information, including but not limited to the expected economic conditions in the PRC, i.e. the corporate default rate forecasts for utilities and construction sectors affecting the ability of the customers to settle the debtors, that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired)* HK$'000	Total HK$'000
At 1 January 2022	39,051	130,851	169,902
Exchange realignment	(2,318)	(5,862)	(8,180)
Impairment written-off	–	(2,468)	(2,468)
Impairment losses recognised, net	3,583	36,747	40,330
At 31 December 2022	**40,316**	**159,268**	**199,584**
Exchange realignment	**(902)**	**(3,465)**	**(4,367)**
Impairment written-off	**–**	**(3,738)**	**(3,738)**
Impairment losses recognised, net	**138**	**22,297**	**22,435**
Transfer to credit-impaired	**(4,100)**	**4,100**	**–**
At 31 December 2023	**35,452**	**178,462**	**213,914**

* Full provision was made for respective credit-impaired trade receivables.

During the year ended 31 December 2023, the Group provided HK$22,435,000 (2022: HK$40,330,000) impairment allowance, net of reversals, for trade receivables based on the provision matrix and individual assessment.

Restricted deposit, time deposits over three months and bank balances

The management considered the credit risks on restricted deposit, time deposits over three months and bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies, and the loss allowance is immaterial.

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For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Loans to joint ventures and associates and amounts due from non-controlling shareholders

The credit risks of loans to joint ventures and associates and amounts due from non-controlling shareholders are concentrated in one (2022: one) joint venture, three (2022: five) associates and thirteen (2022: thirteen) non-controlling shareholders, respectively. However, the management, having considered the financial background and good creditability of the joint ventures, associates and non-controlling shareholders, believes the credit risk is minimal and the loss allowance is immaterial. Management will closely monitor the financial position of each counterparty to ensure overdue debts are recovered in a timely manner.

Other receivables and deposits

Based on the ECL assessment, the credit exposures for other receivables and deposits are considered as low risk and the loss allowance is immaterial because the counterparties consistently have low historical default rate in connection with payments.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings as a significant source of liquidity. As stated in Note 3, the Directors have considered the Group's liquidity and going concern in light of the fact that the Group's current liabilities exceed its current assets by approximately HK$6,381 million (2022: HK$9,593 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate	Repayable on demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2023 HK$'000
2023								
Trade payables	–	149,819	774,870	624,685	571,765	19,198	2,140,337	2,140,337
Other payables	–	996,299	–	–	–	–	996,299	996,299
Lease liabilities	5.00%	5,791	11,059	46,092	171,134	122,906	356,982	255,279
Amounts due to non-controlling shareholders	–	73,356	–	–	–	–	73,356	73,356
Loan from ultimate holding company	3.70%	28,556	–	–	–	–	28,556	28,453
Loans from non-controlling shareholders	4.99%	–	–	–	17,575	–	17,575	15,187
Loan from an associate	1.80%	24	–	–	–	–	24	24
Loans from joint ventures	1.80%	27,516	–	–	–	–	27,516	27,467
Bank loans	3.93%	439,871	418,640	3,168,282	8,448,505	821,765	13,297,063	12,238,142
Debt component of convertible bonds	4.00%	–	–	20,249	2,057,428	–	2,077,677	1,857,795
Other loans	1.15%	–	–	72	289	6,425	6,786	6,281
Medium term note ("MTN")	3.43%	–	–	853,135	–	–	853,135	825,083
SLB	4.04%	–	–	62,416	1,716,440	–	1,778,856	1,562,400
Panda Bonds	3.40%	–	–	1,154,015	589,659	–	1,743,674	1,650,165
		1,721,232	1,204,569	5,928,946	13,572,795	970,294	23,397,836	21,676,268
Derivatives – gross settlement								
Cross currency interest rate swap/cross currency swap								
– inflow		(6,171)	–	(455,098)	(1,718,640)	–	(2,179,909)	N/A
– outflow		20,527	–	438,215	1,568,630	–	2,027,372	N/A
		14,356	–	(16,883)	(150,010)	–	(152,537)	(81,336)

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For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2022 HK$'000
2022								
Trade payables	–	110,513	488,280	683,710	331,864	68,101	1,682,468	1,682,468
Other payables	–	870,467	–	–	–	–	870,467	870,467
Lease liabilities	5.00%	2,228	4,279	21,096	62,319	8,465	98,387	87,849
Amounts due to non-controlling shareholders	–	82,298	–	–	–	–	82,298	82,298
Loan from ultimate holding company	4.35%	63,043	–	–	–	–	63,043	62,816
Loans from non-controlling shareholders	2.80%	–	–	7,586	16,948	–	24,534	22,980
Loans from joint ventures	2.15%	17,435	–	–	–	–	17,435	17,404
Bank loans	3.70%	33,959	5,455,471	3,702,209	7,504,628	31,525	16,727,792	15,166,516
Debt component of convertible bonds	4.00%	–	–	20,744	2,134,262	–	2,155,006	1,854,939
Other loans	1.15%	–	–	1,425	7,037	–	8,462	8,073
MTN	3.40%	–	–	28,817	997,583	–	1,026,400	847,553
SLB	4.00%	–	–	62,416	1,887,660	–	1,950,076	1,560,400
		1,179,943	5,948,030	4,528,003	12,942,301	108,091	24,706,368	22,263,763
Derivatives – gross settlement								
Cross currency interest rate swap/cross currency swap								
– inflow		(4,710)	–	(80,165)	(2,174,294)	–	(2,259,169)	N/A
– outflow		21,086	–	62,571	2,082,587	–	2,166,244	N/A
		16,376	–	(17,594)	(91,707)	–	(92,925)	(16,752)

6. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/liabilities		Fair value as at 31.12.2023	Fair value as at 31.12.2022	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
1)	Listed equity investments classified as FVTOCI	Assets – HK$1,237,657,000	Assets – HK$1,122,866,000	Level 1	Quoted market price	N/A
2)	Cross currency interest rate swaps classified as other financial assets or liabilities	Assets – HK$10,708,000 Liabilities – Nil	Assets – Nil Liabilities – HK$175,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period) and yield curve of relevant interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
3)	Cross currency swaps classified as other financial assets	Assets – HK$70,628,000	Assets – HK$16,927,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period).	N/A
4)	Unquoted equity investments	Assets – Nil	Assets – HK$96,276,000	Level 2	Guideline transaction method	N/A
		Assets – HK$115,682,000	Assets – HK$20,511,000	Level 3	Market comparable approach	Market multiples ranging from 0.1 to 1.8 (2022: 0.6 to 2.4) and discount for lack of marketability ranging from 0% to 30% (2022: 0% to 30%) (note a)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements *(Continued)*

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/liabilities		Fair value as at 31.12.2023	Fair value as at 31.12.2022	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
5)	Embedded derivative component of convertible bonds	Liabilities – HK$94,469,000	Liabilities – HK$200,680,000	Level 3	Binomial option pricing model	Expected volatility of 43.2% (2022: 39.9%) (note b)
6)	Financial assets at FVTPL	Assets – Nil	Assets – HK$70,064,000	Level 3	Discounted cash flow	Discount rate (note c)

notes:

(a) The higher the market multiples, the higher the fair value, and vice versa. The higher the discount, the lower the fair value, and vice versa. A reasonably possible change in the unobservable inputs used would not result in a significantly higher or lower fair value measurement.

(b) An increase in the expected volatility used in isolation would result in an increase in the fair value of the embedded derivative component of convertible bonds and vice versa. A 5% increase/decrease in the expected volatility holding all other variables constant would increase/decrease the fair value of the embedded derivative component of convertible bonds by HK$27,837,000 (2022: HK$45,074,000).

(c) The higher the discount rate, the lower the fair value, and vice versa.

6. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements *(Continued)*

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL HK$'000	Unquoted equity investments HK$'000	Embedded derivative component of convertible bonds HK$'000
At 1 January 2022	–	119,493	(776,639)
Transfer to Level 2 due to change of valuation technique	–	(97,222)	–
Addition	72,362	–	–
Fair value change recognised in profit or loss	–	–	531,488
Currency realignment	(2,298)	(1,760)	44,471
At 31 December 2022	**70,064**	**20,511**	**(200,680)**
Transfer to Level 3 due to change of valuation technique	**–**	**96,276**	**–**
Addition	**68,668**	**4,897**	**–**
Disposal	**(137,335)**	**–**	**–**
Fair value change recognised in other comprehensive income	**–**	**(2,811)**	**–**
Fair value change recognised in profit or loss	**–**	**–**	**101,573**
Currency realignment	**(1,397)**	**(3,191)**	**4,638**
At 31 December 2023	**–**	**115,682**	**(94,469)**

The fair value gain recognised in profit or loss relating to embedded derivative component of convertible bonds of HK$101,573,000 (2022: HK$531,488,000) is included in "other gains, net" line item.

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation for embedded derivative component of convertible bonds. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the Directors half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

Except for as disclosed above, there were no transfer between Level 1, 2 and 3 during both years.

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For the year ended 31 December 2023

6. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements *(Continued)*

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities (except for debt component of convertible bonds, SLB and Panda Bonds) recorded at amortised cost in the consolidated financial statements approximate their fair values. For debt component of convertible bonds, SLB and Panda Bonds, the fair values at 31 December 2023 amounted to HK$1,865,465,000, HK$1,500,029,000 and HK$1,654,912,000 (2022: HK$1,807,787,000, HK$1,456,072,000 and nil), respectively.

7. REVENUE

As at 31 December 2023, the amounts of transaction price allocated to the remaining performance obligations of gas connection (unsatisfied or partially unsatisfied) are expected to be recognised as revenue within one year and over one year are HK$1,516,707,000 and HK$833,200,000 (2022: HK$1,684,175,000 and HK$1,035,735,000), respectively, and the Group's contract liabilities of HK$1,597,363,000 (2022: HK$1,550,235,000) relating to sales of piped gas business, renewable energy business and extended business, in which the respective performance obligations have not been satisfied, are expected to be recognised as revenue within one year.

8. SEGMENT INFORMATION

Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker of the Group has been identified as the executive directors of the Company (the "Executive Directors").

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors to facilitate strategic decision making.

The Group currently organises its operations into four operating divisions, which also represent the operating segments of the Group for financial reporting purposes. The principal activities of the operating and reportable segments are as follows:

Sales of piped gas business	–	Sales of piped gas and other gas-related energy
Gas connection	–	Construction of gas pipeline networks under gas connection contracts
Renewable energy business	–	Sales of renewable energy (mainly photovoltaic power) and other related energy and services
Extended business	–	Sales of gas related household appliances and related products, and other related value-added services

In prior years, the Executive Directors assessed the Group's businesses by three operating segments, namely (a) sales of piped gas and energy; (b) gas connection and (c) extended business. During the year ended 31 December 2023, the Executive Directors have reassessed and restructured its businesses into (i) sales of piped gas business; (ii) gas connection; (iii) renewable energy business and (iv) extended business. The comparative information for operating segments and certain disclosure notes has been restated to conform with the current year's presentation.

Segments results represent the profit before taxation earned by each segment, excluding finance costs, share of results of associates, share of results of joint ventures, other income, other gains, net and unallocated corporate expenses such as central administration costs and directors' emoluments. These are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

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For the year ended 31 December 2023

8. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

Information regarding these segments is presented below:

	Sales of piped gas business HK$'000	Gas connection HK$'000	Renewable energy business HK$'000	Extended business HK$'000	Consolidated HK$'000
For the year ended 31 December 2023					
REVENUE					
Revenue recognised at a point in time	16,291,454	1,391,601	1,056,327	625,868	19,365,250
Revenue recognised over time	–	476,261	–	–	476,261
External	16,291,454	1,867,862	1,056,327	625,868	19,841,511
Segment results	893,321	728,233	84,967	123,183	1,829,704
Other income					192,630
Other gains, net					426,559
Unallocated corporate expenses					(165,811)
Share of results of associates					365,660
Share of results of joint ventures					317,531
Finance costs					(769,839)
Profit before taxation					2,196,434
Taxation					(385,110)
Profit for the year					1,811,324

8. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

	Sales of piped gas business HK$'000	Gas connection HK$'000	Renewable energy business HK$'000	Extended business HK$'000	Consolidated HK$'000
For the year ended 31 December 2022 (restated)					
REVENUE					
Revenue recognised at a point in time	16,416,067	1,793,201	507,873	737,427	19,454,568
Revenue recognised over time	–	618,442	–	–	618,442
External	16,416,067	2,411,643	507,873	737,427	20,073,010
Segment results	861,576	979,294	(83,426)	75,144	1,832,588
Other income					132,586
Other gains, net					532,256
Unallocated corporate expenses					(220,150)
Share of results of associates					(246,837)
Share of results of joint ventures					306,026
Finance costs					(752,763)
Profit before taxation					1,583,706
Taxation					(382,667)
Profit for the year					1,201,039

Segment results included depreciation and amortisation of HK$1,069,563,000 (2022: HK$918,126,000), most of which are attributable to the sales of piped gas business.

Amounts of segment assets and liabilities of the Group are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors. Therefore, segment assets and liabilities are not presented.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

All of the Group's revenue was generated in the PRC (place of domicile of the group entities that derive revenue) and over 90% of the Group's non-current assets other than financial instruments were also located in the PRC (place of domicile of the group entities that hold such assets). No individual customer of the Group had contributed sales of over 10% of the total revenue of the Group for both years.

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For the year ended 31 December 2023

9. TOTAL OPERATING EXPENSES

	2023 HK$'000	2022 HK$'000
Gas fuel, stores and materials used	**15,124,809**	15,507,390
Staff costs	**1,306,363**	1,355,758
Depreciation and amortisation	**1,069,563**	918,126
Other expenses	**676,883**	679,298
	18,177,618	18,460,572

10. OTHER INCOME

	2023 HK$'000	2022 HK$'000
Dividend income from equity instruments at fair value through other comprehensive income	**36,634**	39,252
Government grants	**37,689**	10,258
Interest income	**78,420**	66,692
Others	**39,887**	16,384
	192,630	132,586

11. OTHER GAINS, NET

	2023 HK$'000	2022 HK$'000
Exchange gain (loss), net	**4,000**	(753)
Loss on disposal of property, plant and equipment	**(17,662)**	(1,535)
Gain on disposal of right-of-use assets	**–**	3,333
Impairment provision of goodwill	**(306,000)**	–
Loss on deemed disposal of a subsidiary	**(4,597)**	(277)
Loss on deemed partial disposal of an associate	**(31,775)**	–
Change in fair value of embedded derivative component of convertible bonds	**101,573**	531,488
Gain on exit from investment in an associate (Note 22)	**681,020**	–
	426,559	532,256

12. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on bank and other borrowings	679,887	680,882
Effective interest expense on convertible bonds	79,323	77,125
Bank charges	6,270	5,831
Interest on lease liabilities	17,723	4,608
	783,203	768,446
Less: amounts capitalised	(13,364)	(15,683)
	769,839	752,763

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate 5.03% (2022: 2.6%) per annum to expenditure on qualifying assets.

13. PROFIT BEFORE TAXATION

	2023 HK$'000	2022 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (Note 14)	46,706	33,059
Other staff costs	1,117,946	1,217,760
Share-based payments for other staff	28,200	3,422
Retirement benefit scheme contributions for other staff	113,511	101,517
Total staff costs	1,306,363	1,355,758
Impairment loss of trade receivables, net of reversal	22,435	40,330
Amortisation of intangible assets	18,057	19,028
Depreciation of right-of-use assets	53,703	49,138
Auditor's remuneration		
– audit services	9,250	8,750
– non-audit services	1,897	1,918
Cost of inventories sold	16,278,678	16,489,492
Depreciation of property, plant and equipment	997,803	849,960

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For the year ended 31 December 2023

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments:

The emoluments paid or payable to each of the 10 (2022: 12) directors were as follows:

	Year ended 31 December 2023										
	Executive Directors				Non-Executive Directors		Independent Non-Executive Directors				
	Peter Wong Wai-yee HK$'000 (note d)	John Ho Hon-ming HK$'000 (note e)	Martin Kee Wai-ngai HK$'000 (note f)	John Qiu Jian-hang HK$'000 (note g)	Lee Ka-kit HK$'000	LIU Kai Lap Kenneth HK$'000	Moses Cheng Mo-chi HK$'000	Brian David Li Man-bun HK$'000	James Kwan Yuk-choi HK$'000 (note h)	LOH Kung Wai Christine HK$'000	Total HK$'000
Directors' fees (note a)	200	200	200	200	300	–	500	500	500	500	3,100
Other emoluments (note b)											
Salaries and other benefits	1,398	1,531	1,863	1,936	–	–	–	–	–	–	6,728
Retirement benefit scheme contributions	140	131	895	642	–	–	–	–	–	–	1,808
Performance and discretionary bonus (note c)	6,907	2,155	2,753	2,619	–	–	–	–	–	–	14,434
Share-based payments	7,504	3,752	3,752	5,628	–	–	–	–	–	–	20,636
Total emoluments	16,149	7,769	9,463	11,025	300	–	500	500	500	500	46,706

	Year ended 31 December 2022												
	Executive Directors					Non-Executive Directors		Independent Non-Executive Directors					
	Peter Wong Wai-yee HK$'000 (note d)	John Ho Hon-ming HK$'000 (note e)	Martin Kee Wai-ngai HK$'000 (note f)	John Qiu Jian-hang HK$'000 (note g)	Alfred Chan Wing-kin HK$'000 (note i)	Lee Ka-kit HK$'000	LIU Kai Lap Kenneth HK$'000	Moses Cheng Mo-chi HK$'000	Brian David Li Man-bun HK$'000	James Kwan Yuk-choi HK$'000	LOH Kung Wai Christine HK$'000 (note j)	Hu Zhang-hong HK$'000 (note k)	Total HK$'000
Directors' fees (note a)	200	200	200	200	80	300	–	500	500	500	373	55	3,108
Other emoluments (note b)													
Salaries and other benefits	1,344	1,256	1,782	1,825	–	–	–	–	–	–	–	–	6,207
Retirement benefit scheme contributions	134	126	1,077	629	–	–	–	–	–	–	–	–	1,966
Performance and discretionary bonus (note c)	6,928	4,709	4,009	3,606	–	–	–	–	–	–	–	–	19,252
Share-based payments	919	459	459	689	–	–	–	–	–	–	–	–	2,526
Total emoluments	9,525	6,750	7,527	6,949	80	300	–	500	500	500	373	55	33,059

notes:

(a) The directors' fees of executive directors were mainly for their services as directors of the Company and its subsidiaries and the directors' fees of non-executive directors and independent non-executive directors were mainly for their services as directors of the Company.

(b) The other emoluments were mainly for their services in connection with the management of the affairs of the Company and the Group.

(c) The performance and discretionary bonus are determined by the Board from time to time with reference to directors' duties and responsibilities and the Group's performance and profitability.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' emoluments: *(Continued)*

notes: *(Continued)*

(d) Mr. Peter Wong Wai-yee is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive Officer.

(e) Mr. John Ho Hon-ming was the Company Secretary of the Company and his emoluments disclosed above include those for services rendered by him as Company Secretary. Mr. John Ho Hon-ming retired as an Executive Director and the Company Secretary with effect from 1 January 2024.

(f) Mr. Martin Kee Wai-ngai is also the Chief Operating Officer – Gas Business of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Operating Officer – Gas Business.

(g) Dr. John Qiu Jian-hang is also the Chief Operating Officer – Renewable Business of the Company and his emoluments disclosed above include those for services rendered by him as Chief Operating Officer – Renewable Business.

(h) Mr. James Kwan Yuk-choi resigned as an Independent Non-executive Director with effect from 1 January 2024.

(i) Mr. Alfred Chan Wing-kin retired as an Executive Director with effect from the conclusion of the annual general meeting of the Company held on 26 May 2022.

(j) Dr. LOH Kung Wai Christine was appointed as an Independent Non-executive Director on 4 April 2022.

(k) Dr. Hu Zhang-hong resigned as an Independent Non-executive Director with effect from 9 March 2022.

(l) No other service contracts were entered into by any directors with the Company.

Employees' emoluments:

For the year ended 31 December 2023, the 5 highest paid individuals of the Group included 4 (2022: 4) Directors, details of their emoluments are included above. The emoluments of the remaining 1 (2022: 1) highest paid individuals are as follows:

	2023	2022
	HK$'000	HK$'000
Salaries and other benefits	**2,883**	1,464
Performance and discretionary bonus	**1,900**	1,114
Share-based payments	**580**	78
Retirement benefit scheme contributions	**220**	138
	5,583	2,794

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14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments: *(Continued)*

The emoluments were within the following bands:

	Number of employees	
	2023	2022
HK$2,500,001 to HK$3,000,000	–	1
HK$5,500,001 to HK$6,000,000	**1**	–
	1	1

During both years, no remuneration was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any remunerations for both years.

15. TAXATION

	2023	2022
	HK$'000	HK$'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	**223,448**	330,555
Deferred taxation (Note 37)	**161,662**	52,112
	385,110	382,667

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both years.

The EIT rates applicable for the Group's PRC subsidiaries range from 15% to 25% (2022: 15% to 25%).

Following the 2020 edition of "Catalogue of Encouraged Industries in Western Region (Order No. 40 [2021])" released by the National Development and Reform Commission of the PRC in 2021, certain subsidiaries which are operating in the Western China were granted a concessionary tax rate of 15% by the local tax bureau.

Regarding the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"), as the Group is operating in jurisdictions where the Pillar Two legislation has not been enacted or substantially enacted, the Group is yet to apply the temporary exception during the year. Additional disclosures will be made when the Pillar Two legislation is enacted or substantially enacted in the future.

15. TAXATION *(Continued)*

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2023 HK$'000	2022 HK$'000
Profit before taxation	**2,196,434**	1,583,706
Tax at the applicable rate of 25% (note)	**549,109**	395,926
Tax effect of expenses that are not deductible for tax purposes	**272,718**	169,182
Tax effect of income that are not taxable for tax purposes	**(214,792)**	(146,461)
Effect of different tax rates of subsidiaries operating in different regions	**(126,059)**	(106,178)
Tax effect of share of results of associates	**(91,415)**	61,709
Tax effect of share of results of joint ventures	**(79,383)**	(76,507)
Tax effect of utilisation of tax losses not previously recognised	**(10,251)**	(16,210)
Tax effect of tax losses not recognised	**25,226**	28,030
Withholding tax on undistributed profits	**59,957**	73,176
Tax charge for the year	**385,110**	382,667

note: The tax rate of 25% represents EIT which is applicable to most of the Group's operations in the PRC for both years.

16. DIVIDENDS

During the year, a final dividend in respect of the year ended 31 December 2022 of approximately HK$487,182,000 (2022: HK$473,419,000 in respect of the year ended 31 December 2021) was recognised as distribution, being 15 HK cents per ordinary share (2022: 15 HK cents per ordinary share).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of 16 HK cents (2022: 15 HK cents) per ordinary share, in an aggregate amount of approximately HK$536,717,000 (2022: HK$487,182,000) has been proposed by the Board and is subject to approval by shareholders at the annual general meeting and compliance with the Companies Act of the Cayman Islands.

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17. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the shareholders of the Company is based on the following data:

	2023 HK$'000	2022 HK$'000
Earnings		
Profit for the year attributable to shareholders of the Company for the purpose of basic earnings per share	1,574,623	964,855
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds	79,323	77,125
Change in fair value of embedded derivative component of convertible bonds	(101,573)	(531,488)
Profit for the year attributable to shareholders of the Company for the purpose of diluted earnings per share	1,552,373	510,492

	Number of shares 2023 '000	 2022 '000
Number of shares		
Weighted average number of ordinary shares in issue less shares held for share award scheme for the purpose of basic earnings per share	3,298,521	3,197,552
Effect of dilutive potential ordinary shares:		
Convertible bonds	356,454	352,207
Share options	469	104
Weighted average number of subscription shares	1	2,552
Weighted average number of subscription shares that would have issued at market	(1)	(2,347)
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,655,444	3,550,068

The weighted average number of ordinary shares in issue for the calculation of basic and diluted earnings per share for both years presented have been adjusted for the effect of shares held by the trustee pursuant to the share award scheme.

The computation of diluted earnings per share for the year ended 31 December 2022 does not assume the issue of remaining subscription shares because the subscription price of those shares was higher than the average market price.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Gas and other pipelines HK$'000	Plant and equipment and others HK$'000	Construction in progress HK$'000	Total HK$'000
COST					
At 1 January 2022	3,050,540	20,288,874	2,401,429	2,900,215	28,641,058
Currency realignment	(254,273)	(1,664,292)	(217,457)	(245,372)	(2,381,394)
Additions	88,866	599,668	383,903	2,285,394	3,357,831
Acquisition of subsidiaries (Note 42)	–	16,165	48,145	18,336	82,646
Deemed disposal of a subsidiary (Note 42)	(513)	–	(1,146)	(8,468)	(10,127)
Disposals	(8,357)	(3,603)	(45,511)	–	(57,471)
Transfers	187,228	1,175,742	241,581	(1,604,551)	–
At 31 December 2022	**3,063,491**	**20,412,554**	**2,810,944**	**3,345,554**	**29,632,543**
Currency realignment	**(96,690)**	**(518,846)**	**(165,864)**	**(99,769)**	**(881,169)**
Additions	**241,783**	**999,968**	**575,954**	**2,872,220**	**4,689,925**
Transfer from right-of-use assets	**–**	**–**	**281,763**	**–**	**281,763**
Acquisition of subsidiaries (Note 42)	**9,011**	**10,282**	**1,894,681**	**80,712**	**1,994,686**
Deemed disposal of a subsidiary (Note 42)	**(17,834)**	**(38,128)**	**(6,766)**	**(71,419)**	**(134,147)**
Disposals	**(22,899)**	**(8,872)**	**(71,759)**	**–**	**(103,530)**
Reclassified as held for sale (Note 31)	**(35,514)**	**–**	**(55,533)**	**(8)**	**(91,055)**
Transfers	**85,682**	**1,071,373**	**1,028,202**	**(2,185,257)**	**–**
At 31 December 2023	**3,227,030**	**21,928,331**	**6,291,622**	**3,942,033**	**35,389,016**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2022	686,964	3,872,081	1,271,601	–	5,830,646
Currency realignment	(62,280)	(328,510)	(115,270)	–	(506,060)
Provided for the year	115,910	560,921	173,129	–	849,960
Eliminated on deemed disposal of a subsidiary (Note 42)	(34)	–	(115)	–	(149)
Eliminated on disposals	(4,729)	(701)	(36,765)	–	(42,195)
At 31 December 2022	**735,831**	**4,103,791**	**1,292,580**	**–**	**6,132,202**
Currency realignment	**(27,539)**	**(111,633)**	**(49,273)**	**–**	**(188,445)**
Provided for the year	**122,232**	**593,016**	**282,555**	**–**	**997,803**
Eliminated on deemed disposal of a subsidiary (Note 42)	**(1,179)**	**(4,497)**	**(3,978)**	**–**	**(9,654)**
Eliminated on disposals	**(6,801)**	**(3,041)**	**(51,929)**	**–**	**(61,771)**
Reclassified as held for sale (Note 31)	**(26,170)**	**–**	**(10,192)**	**–**	**(36,362)**
At 31 December 2023	**796,374**	**4,577,636**	**1,459,763**	**–**	**6,833,773**
CARRYING VALUES					
At 31 December 2023	**2,430,656**	**17,350,695**	**4,831,859**	**3,942,033**	**28,555,243**
At 31 December 2022	2,327,660	16,308,763	1,518,364	3,345,554	23,500,341

The buildings situated on land in the PRC are held under medium-term leases.

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19. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties and others HK$'000	Total HK$'000
As at 31 December 2023			
Carrying amount	**768,675**	**243,794**	**1,012,469**
As at 31 December 2022			
Carrying amount	763,209	81,925	845,134
For the year ended 31 December 2023			
Depreciation charge	**(21,177)**	**(32,526)**	**(53,703)**
For the year ended 31 December 2022			
Depreciation charge	(22,794)	(26,344)	(49,138)

	2023 HK$'000	2022 HK$'000
Total cash outflow for leases	**456,712**	56,963
Transfer to property, plant and equipment	**281,763**	–
Additions to right-of-use assets	**80,769**	71,283
Additions through acquisition of subsidiaries	**464,904**	–

For both years, the Group leases various offices, warehouses, staff dormitory, equipment and vehicles for its operations. Lease contracts other than land leases are entered into for fixed terms ranging from 12 months to 30 years (2022: 12 months to 30 years) while for land leases are entered into for fixed terms ranging from 15 years to 70 years (2022: 15 years to 70 years). Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

20. INTANGIBLE ASSETS

	HK$'000
COST	
At 1 January 2022	687,126
Currency realignment	(53,947)
At 31 December 2022	**633,179**
Currency realignment	**(16,787)**
At 31 December 2023	**616,392**
AMORTISATION	
At 1 January 2022	216,043
Currency realignment	(15,425)
Provided for the year	19,028
At 31 December 2022	**219,646**
Currency realignment	**(6,305)**
Provided for the year	**18,057**
At 31 December 2023	**231,398**
CARRYING VALUES	
At 31 December 2023	**384,994**
At 31 December 2022	413,533

The intangible assets represent the Group's exclusive operating rights and distribution network for piped city gas.

The exclusive operating rights and distribution network are amortised on a straight-line basis over a period of 25 to 50 years.

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21. GOODWILL

	HK$'000
COST	
At 1 January 2022	5,972,822
Currency realignment	(471,805)
At 31 December 2022	**5,501,017**
Currency realignment	**(148,134)**
Acquisition of subsidiaries	**63,148**
Reclassified as held for sale (Note 31)	**(150,171)**
At 31 December 2023	**5,265,860**
IMPAIRMENT	
At 1 January 2022	222,344
Currency realignment	(17,563)
At 31 December 2022	**204,781**
Currency realignment	**(5,429)**
Impairment provision recognised	**306,000**
Reclassified as held for sale (Note 31)	**(60,000)**
At 31 December 2023	**445,352**
CARRYING VALUES	
At 31 December 2023	**4,820,508**
At 31 December 2022	5,296,236

21. GOODWILL *(Continued)*

Goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from that business combination. The CGUs are principally engaged in the sales of piped gas business, gas connection and extended business in the PRC. At the end of the reporting period, the carrying amount of goodwill is presented as follows:

	2023 HK$'000	2022 HK$'000
Hong Kong & China Gas (Qingdao) Limited	314,883	323,459
Hong Kong & China Gas (Zibo) Limited	338,666	347,889
Hong Kong & China Gas (Yantai) Limited	210,123	215,846
Hong Kong & China Gas (Weifang) Limited	108,026	110,968
Hong Kong & China Gas (Weihai) Limited	262,012	269,147
Hong Kong & China Gas (Taian) Limited	202,692	208,212
Hong Kong & China Gas (Maanshan) Limited	275,151	282,644
Hong Kong & China Gas (Anqing) Limited	260,796	267,898
Mianyang Hong Kong & China Gas Co., Ltd.	280,356	287,991
成都新都港華燃氣有限公司	213,074	218,877
Towngas (BVI) Holdings Limited*	390,551	401,187
阜新新邱港華燃氣有限公司	117,240	120,434
Ji Nan Ping Yin Hong Kong & China Gas Co., Ltd.	118,990	122,231
Shenyang business	14,765	104,424
Mianzhu Hong Kong and China Gas Co., Ltd.	100,908	103,657
潮州楓溪港華燃氣有限公司	–	92,627
Boxing Hong Kong & China Gas Co., Ltd.	85,677	88,011
Dafeng Hong Kong and China Gas Company Limited	241,119	247,686
廣西中威管道燃氣發展集團有限責任公司	23,359	127,004
Baotou Hong Kong & China Gas Company Limited	158,039	162,343
Xingyi Hong Kong & China Gas Company Limited	99,436	102,144
Others	1,004,645	1,091,557
	4,820,508	5,296,236

* Its operating entities are located in the Liaoning and Zhejiang provinces in the PRC.

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21. GOODWILL *(Continued)*

The recoverable amounts of CGUs are determined from value in use calculations. The value in use calculations are derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management. The key assumptions for the value in use calculations are those regarding the discounted cash flow forecast based on budgets approved by management of Group, discount rates and growth rates. Management estimates discount rates of 9.0% to 15.5% (2022: 8.2% to 12.0%) that reflect the current market assessments of the time value of money and the risks specific to the CGUs. The inputs and assumptions made in the budgets are based on past practices and economic data relevant to the industry.

Cash flows beyond 5-year period until the end of the relevant concession periods have been extrapolated using growth rates from 3% to 9% (2022: 3% to 11%) per annum, which is based on internal and external factors relating to the CGUs. During the year ended 31 December 2023, an impairment provision of HK$306,000,000 was recognised in respect of certain CGUs principally engaged in sales of piped gas business, gas connection and extended business in the Northern and North-Eastern China which would be unable to achieve the expected growth due to estimated delay in following the pricing mechanism. The recoverable amount of those CGUs based on value in use was HK$1,725,000,000 at 31 December 2023 and the management applied discount rates ranging from 11.0% to 15.5% (2022: 8.2% to 10.5%). No other write-down of the assets was recognised as amount involved is insignificant. No additional impairment provision was recognised during the year ended 31 December 2022.

Sensitivity analysis

The effect of the reasonably possible change in key assumptions on the calculation of value in use of the CGUs of the sales of piped gas business, gas connection and extended business, which would cause the carrying amounts to exceed their recoverable amounts is disclosed below.

If the discount rate is increased by 50 basis points and all other variables are held constant, the carrying amounts of the CGUs would be decreased by approximately HK$459 million.

22. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES

Details of the Group's interests in associates are as follows:

	2023 HK$'000	2022 HK$'000
Cost of investments in associates	2,772,116	7,967,493
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,479,333	1,792,574
	5,251,449	9,760,067
Fair value of listed investments (note)	3,666,613	3,904,948
Loans to associates		
– Non-current portion	47,701	49,000
– Current portion	9,851	53,197
	57,552	102,197

note: The fair value of listed investments is determined based on the quoted market bid price multiplied by the quantity of shares held by the Group.

Details of the Group's principal associates as at the end of the reporting period are as follows:

Name of entity	Place/form of establishment and operation	Equity interest attributable to the Group 2023	Equity interest attributable to the Group 2022	Principal activities
Anguo Huagang Gas Company Limited	PRC – Sino-foreign equity joint venture	49.0%	49.0%	Provision of natural gas and related services and gas pipeline construction
Anhui Province Wenery Towngas Natural Gas Company Limited	PRC – Sino-foreign equity joint venture	49.0%	49.0%	Midstream project
Changchun Gas Co., Ltd.*	PRC – Company limited by shares	28.2%	28.2%	Provision of natural gas and related services and gas pipeline construction
Dalian DETA Towngas Co., Ltd.	PRC – Sino-foreign equity joint venture	40.0%	40.0%	Provision of natural gas and related services and gas pipeline construction

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22. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES *(Continued)*

Details of the Group's principal associates as at the end of the reporting period are as follows: *(Continued)*

Name of entity	Place/form of establishment and operation	Equity interest attributable to the Group 2023	Equity interest attributable to the Group 2022	Principal activities
Dalian DETA Towngas China Energy Co., Ltd.	PRC – Limited liability company	**49.0%**	49.0%	Renewable energy
Foran Energy Group Co., Ltd**	PRC – Company limited by shares	**37.0%**	38.4%	Provision of natural gas and related services and gas pipeline construction
Jiangsu Jinzhuo Construction Engineering Co., Ltd.	PRC – Sino-foreign equity joint venture	**49.9%**	49.9%	Provision of engineering work services
撫州市撫北天然氣有限公司	PRC – Limited liability company	**40.0%**	40.0%	Provision of natural gas and related services and gas pipeline construction
臨朐港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**42.4%**	42.4%	Provision of natural gas and related services and gas pipeline construction
內蒙古西部天然氣包北管道有限公司	PRC – Limited liability company	**30.0%**	–	Provision of natural gas and related services and gas pipeline construction
四川能投分布式能源有限公司	PRC – Limited liability company	**24.4%**	24.4%	Provision of natural gas distributed energy
Shandong Jihua Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	**49.0%**	49.0%	Provision of natural gas and related services and gas pipeline construction
石家莊華博燃氣有限公司	PRC – Sino-foreign equity joint venture	**45.0%**	45.0%	Provision of natural gas and related services and gas pipeline construction
Shanghai Gas Co., Ltd. ("Shanghai Gas")	PRC – Limited liability company	**–**	25.0%	Provision of natural gas and related services and gas pipeline construction

22. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES *(Continued)*

Details of the Group's principal associates as at the end of the reporting period are as follows: *(Continued)*

Name of entity	Place/form of establishment and operation	Equity interest attributable to the Group 2023	2022	Principal activities
Zhuojia Public Engineering (Maanshan) Co., Ltd.	PRC – Sino-foreign equity joint venture	37.5%	37.5%	Provision of gas pipe assembly
Zibo Lubo Gas Company Limited	PRC – Sino-foreign equity joint venture	27.0%	27.0%	Provision of natural gas and related services and gas pipeline construction

* Its shares are listed on the Shanghai Stock Exchange and its financial information is publicly available.

** Its shares are listed on the Shenzhen Stock Exchange and its financial information is publicly available.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

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22. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES *(Continued)*

Summarised financial information of a material associate

Summarised financial information in respect of a material associate of the Group is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

Shanghai Gas

	31.12.2022 HK$'000
Current assets	**10,458,495**
Non-current assets	**15,896,578**
Current liabilities	**(13,907,138)**
Non-current liabilities	**(4,038,308)**

	From 1.1.2023 to 28.2.2023 HK$'000	From 1.7.2022 to 31.12.2022 HK$'000
Revenue	**7,890,040**	19,146,347
Loss for the period	**(321,620)**	(2,366,270)
Other comprehensive income (expense) for the period	**907**	(115,519)
Total comprehensive expense for the period	**(320,713)**	(2,481,789)

22. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES *(Continued)*

Summarised financial information of a material associate *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2022 HK$'000
Net assets of Shanghai Gas	8,409,627
Add: Unrecognised share of results from Shanghai Gas by the Group (note a)	2,217,225
Fair value adjustment on identifiable assets and liabilities of Shanghai Gas	2,935,884
Less: Non-controlling interest of Shanghai Gas' subsidiaries	(1,380,710)
Distribution of pre-acquisition profits of Shanghai Gas not shared by the Group	(261,046)
	11,920,980
Proportion of the Group's ownership interest in Shanghai Gas	25%
The Group's share of net assets of Shanghai Gas	2,980,245
Goodwill	1,685,242
Carrying amount of the Group's interest in Shanghai Gas	4,665,487

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22. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES *(Continued)*

Summarised financial information of a material associate *(Continued)*

notes:

(a) Pursuant to a supplemental agreement and a shareholder's agreement entered between Shenergy (Group) Company Limited ("Shenergy Group"), the controlling shareholder of Shanghai Gas, and the Company, the financial results of Shanghai Gas for the period from the date of acquisition of Shanghai Gas by the Company to 30 June 2022 were borne by Shenergy Group.

(b) In view of the operating losses of Shanghai Gas, which was an indication of impairment, the management of the Group performed impairment assessment on interest in Shanghai Gas as a single asset at 31 December 2022. The key inputs and assumptions for the fair value less costs of disposal performed by an independent qualified professional valuer engaged by the Company and approved by the management of the Group were discounted cash flow forecast based on budget approved by management of Shanghai Gas, long-term growth rate of 2% per annum and discount rate of 11%. As the recoverable amount was higher than the carrying amount of interest in Shanghai Gas, accordingly the management of the Group considered no impairment loss had been recognised as at 31 December 2022.

(c) On 23 May 2023, the Company entered into a capital reduction agreement ("Capital Reduction Agreement") with Shenergy Group and Shanghai Gas pursuant to which the parties agreed the exit by the Company from its entire investment of 25% equity interest in Shanghai Gas through a reduction of the capital of Shanghai Gas by the amount held by the Company (the "Capital Reduction"). The consideration payable by Shanghai Gas to the Company for the exit is RMB4,662,577,702.32. Details of the exit were set out in the Company's joint announcement dated 23 May 2023 and the Company's circular dated 14 June 2023.

Pursuant to the Capital Reduction Agreement, during the period from 1 March 2023 to date of completion of the Capital Reduction, the financial results of Shanghai Gas would be borne by Shenergy Group. Accordingly, only the financial results of Shanghai Gas for the period from 1 January 2023 to 28 February 2023 were equity accounted for by the Company during the year ended 31 December 2023.

The Capital Reduction Agreement became effective on 23 May 2023 upon satisfaction of the following conditions: (a) the Capital Reduction having been approved by the shareholders of the Company at a general meeting or, if permitted under applicable laws (including but not limited to the Listing Rules), by the majority shareholders of the Company in writing; (b) the Capital Reduction having been approved by the internal decision-making body of Shenergy Group; and (c) the Capital Reduction having been approved by the shareholders of Shanghai Gas at a general meeting. Accordingly, at 23 May 2023, the interest in Shanghai Gas was derecognised and a gain of HK$681,020,000 was recognised and included in "other gains, net" line item. The consideration was received during the year.

22. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material

	2023 HK$'000	2022 HK$'000
The Group's share of profit for the year	**458,100**	341,925
Aggregate carrying amount of the Group's interests in these associates	**5,251,449**	5,094,580

The loans to associates are unsecured and interest bearing at fixed rates ranging from 3.70% to 4.90% (2022: 4.35% to 5.00%) per annum, except for a loan amounted to HK$5,501,000 (2022: HK$5,650,000) which is interest-free. Included in the loans are HK$4,350,000 (2022: HK$4,435,000) repayable on demand, HK$5,501,000 (2022: HK$48,762,000) repayable within one year and HK$47,701,000 (2022: HK$49,000,000) repayable after one year.

23. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	2023 HK$'000	2022 HK$'000
Cost of investments in joint ventures	**1,510,140**	1,393,883
Share of post-acquisition profits and other comprehensive income, net of dividends received	**2,293,264**	2,181,086
	3,803,404	3,574,969
Loans to joint ventures – current	**166,507**	171,042

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23. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES *(Continued)*

Details of the Group's principal joint ventures at the end of the reporting period are as follows:

Name of entity	Place/form of establishment and operation	Equity interest attributable to the Group 2023	Equity interest attributable to the Group 2022	Principal activities
Anqing Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	50.0%	50.0%	Provision for natural gas and related services and gas pipeline construction
重慶港華燃氣有限公司	PRC – Limited liability company	50.0%	50.0%	Provision of natural gas and related services and gas pipeline construction
Hangzhou Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	50.0%	50.0%	Provision of natural gas and related services and gas pipeline construction
Maanshan Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	50.0%	50.0%	Provision of natural gas and related services and gas pipeline construction
Ruihua (Shenzhen) Integrated Smart Energy Co., Ltd.	PRC – Limited liability company	50.0%	–	Engaging in renewable energy projects and asset-light service projects
泰安市泰港燃氣有限公司 (note)	PRC – Sino-foreign equity joint venture	49.0%	49.0%	Midstream project
Taian Taishan Hong Kong and China Gas Company Limited (note)	PRC – Sino-foreign equity joint venture	49.0%	49.0%	Provision of natural gas and related services and gas pipeline construction
Tongling Towngas China Energy Co., Ltd. (note)	PRC – Sino-foreign equity joint venture	40.0%	40.0%	Provision of natural gas distributed energy

23. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES

(Continued)

Details of the Group's principal joint ventures at the end of the reporting period are as follows: *(Continued)*

Name of entity	Place/form of establishment and operation	Equity interest attributable to the Group 2023	Equity interest attributable to the Group 2022	Principal activities
Weifang Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	**50.0%**	50.0%	Provision of natural gas and related services and gas pipeline construction
Weihai Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	**50.0%**	50.0%	Provision of natural gas and related services and gas pipeline construction
Wuhu Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	**50.0%**	50.0%	Provision of natural gas and related services and gas pipeline construction
Zibo Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	**50.0%**	50.0%	Provision of natural gas and related services and gas pipeline construction

note: The Group is able to exercise the joint control over these companies which the decisions about the relevant activities require the unanimous consent of the Group and the joint venturers. Accordingly, these companies are regarded as joint ventures of the Group.

The above table lists the joint ventures of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

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23. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES

(Continued)

Aggregate information of joint ventures that are not individually material

	2023 HK$'000	2022 HK$'000
The Group's share of profit for the year	317,531	306,026
Aggregate carrying amount of the Group's interests in these joint ventures	3,803,404	3,574,969

The loans to joint ventures are unsecured, interest-free and repayable on demand.

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK$'000	2022 HK$'000
Listed shares in the PRC	1,237,657	1,122,866
Unlisted shares in the PRC	115,682	116,787
	1,353,339	1,239,653

These investees are primarily engaged in the provision of natural gas and related services and gas pipeline construction business. These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

25. INVENTORIES

	2023 HK$'000	2022 HK$'000
Finished goods	**96,307**	128,989
Materials and consumables	**492,301**	553,246
	588,608	682,235

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 HK$'000	2022 HK$'000
Trade receivables (net of allowance for credit losses)	**1,464,668**	1,538,048
Prepayments	**541,501**	715,002
Other receivables and deposits (note)	**776,181**	659,118
	2,782,350	2,912,168

At 1 January 2022, trade receivables from contracts with customers amounted to HK$1,241,290,000 (after deducting the allowance for credit losses of HK$169,902,000).

note: Included in the balance of other receivables and deposits are amounts due from related companies of HK$81,687,000 (2022: HK$66,283,000). The amounts are unsecured, interest-free and repayable on demand.

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables with gross carrying amount of HK$1,678,582,000 (2022: HK$1,737,632,000) and allowance for credit losses of HK$213,914,000 (2022: HK$199,584,000). The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. Longer credit period is also allowed on a case-by-case basis. The following is an aged analysis of trade receivables net of allowance of credit losses presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	2023 HK$'000	2022 HK$'000
0 to 90 days	**1,039,121**	1,217,418
91 to 180 days	**224,505**	52,244
Over 180 days	**201,042**	268,386
	1,464,668	1,538,048

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26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$79,249,000 (2022: HK$10,515,000) which are past due as at the reporting date. Out of the past due balances, HK$47,765,000 (2022: HK$7,263,000) has been past due 90 days or more and is not considered as in default based on the Group's assessment of historical credit loss experience of the existing debtors and all available forward-looking information, including but not limited to the expected economic conditions in the PRC affecting the ability of the customers to settle the debtors and expected subsequent settlements. The Group does not hold any collateral over these balances.

Details of the impairment assessment of trade and other receivables are set out in Note 6.

27. AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS

The amounts due from/to non-controlling shareholders are unsecured, interest-free and repayable on demand.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2022, the balance represented wealth management products issued by banks in the PRC with maturity within one year and expected returns ranging from 1.70% to 3.45% per annum. They are classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

29. RESTRICTED DEPOSIT, TIME DEPOSITS OVER THREE MONTHS AND BANK BALANCES AND CASH

The deposits and bank balances carry interest at prevailing market rates ranging from 0.00% to 2.60% (2022: 0.00% to 3.65%) per annum. The restricted deposit represents a deposit placed in a bank for backing of operation at an energy trading platform.

At the end of the reporting period, included in the bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant entities to which it relates.

	2023 HK$'000	2022 HK$'000
USD	11,211	11,706
HKD	34,222	10,906

30. OTHER FINANCIAL ASSETS/LIABILITIES

	2023 HK$'000	2022 HK$'000
Other financial assets		
Derivatives (under hedge accounting)		
Cash flow hedge – cross currency swap contract under non-current assets	70,628	16,927
Cash flow hedge – cross currency interest rate swap contract under current assets	10,708	–
Other financial liabilities		
Derivatives (under hedge accounting)		
Cash flow hedge – cross currency interest rate swap contract under non-current liabilities	–	175

The classification of the measurement of the derivative financial instruments at 31 December 2023 and 2022 using the fair value hierarchy is Level 2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Cash flow hedge

In prior years, the Group entered into a cross currency interest rate swap contract with notional amount of USD50,000,000 to minimise the exposure to fluctuations in foreign currency exchange rates and interest rates of the USD bank loan with principal amount of USD50,000,000. During the year ended 31 December 2022, the Group also entered into cross currency swap contracts with total notional amounts of USD200,000,000 to minimise the exposure to fluctuations in foreign currency exchange rates of the USD borrowings with total principal amount of USD200,000,000. The critical terms of the cross currency interest rate swap and cross currency swap and the corresponding USD borrowings were closely aligned and the Directors considered that the cross currency interest rate swap and cross currency swap were highly effective hedging instruments and qualified as cash flow hedge. During the year ended 31 December 2023, the fair value change of HK$64,585,000 (2022: HK$44,734,000) on derivative instruments designated as cash flow hedge was recorded in hedge reserve, and a fair value change of HK$54,579,000 (2022: HK$151,211,000) on derivative instrument designated as cash flow hedge reclassified to finance costs as a debit of HK$6,699,000 (2022: HK$8,275,000) and to exchange differences (included in other gains, net) as a credit of HK$54,579,000 (2022: HK$91,789,000) in profit or loss.

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30. OTHER FINANCIAL ASSETS/LIABILITIES *(Continued)*

Cash flow hedge *(Continued)*

For the purpose of reclassifying the amount of gains and losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

The major terms of the cross currency interest rate swap and cross currency swap as at 31 December 2023 and 2022 were set out below:

Notional amount	Maturity	Exchange rate	Interest rate	
			Receive	Pay
Cross currency interest rate swap				
USD50,000,000	2024	USD1 to RMB6.9270	SOFR+1.06% (2022: LIBOR+0.80%) (note)	4.05%
Cross currency swaps				
USD100,000,000	2027	USD1 to RMB6.3885	N/A	N/A
USD100,000,000	2027	USD1 to RMB6.3760	N/A	N/A

note: During the year, the Company transited from USD London Interbank Offered Rate ("LIBOR") to the Secured Overnight Financing Rate ("SOFR") due to the interest rate benchmark reform.

31. DISPOSAL GROUP HELD FOR SALE

On 22 November 2023, Chao Sheng Investments Limited ("Chaosheng"), a wholly-owned subsidiary of the Company which holds 60% equity interest in Chaozhou Fengxi Hong Kong and China Gas Co., Ltd. ("Fengxi Gas"), entered into a joint venture agreement with an independent third party and two wholly-owned subsidiaries of HKCG. Pursuant to the joint venture agreement, each of the shareholders agreed to contribute the initial registered capital by cash and additional capital by equity interests in certain subsidiaries. Chaosheng will contribute RMB149,500 in cash as initial registered capital of the joint venture company and further contribute 60% equity interest in Fengxi Gas to the joint venture company and will hold an equity interest of 14.95% in the joint venture company. Upon completion of the transaction, the Company will cease to have control in Fengxi Gas. Fengxi Gas forms part of the segments of sales of piped gas business, gas connection and extended business. Details are set out in the Company's announcement dated 22 November 2023.

In the opinion of the Directors, the completion of the transaction is considered to be highly probable and hence the assets and liabilities attributable to Fengxi Gas have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. The fair value of attributable interest in the joint venture company is expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of Fengxi Gas classified as held for sale are as follows:

	HK$'000
Property, plant and equipment	54,693
Right-of-use assets	34
Goodwill	90,171
Inventories	1,265
Trade and other receivables	26,838
Bank balances and cash	3,582
Total assets classified as held for sale	176,583
Trade and other payables	7,842
Contract liabilities	1,940
Deferred tax liabilities	308
Total liabilities classified as held for sale	10,090

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32. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2023 HK$'000	2022 HK$'000
Trade payables	2,140,337	1,682,468
Consideration payable for acquisitions of businesses	176,968	74,464
Other payables and accruals	1,385,681	1,308,972
Amount due to ultimate holding company (note)	2,670	1,276
	3,705,656	3,067,180

note: The amount is unsecured, interest-free and repayable on demand.

The Group normally receives credit terms of 0 to 60 days from its suppliers. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2023 HK$'000	2022 HK$'000
0 to 90 days	1,100,516	945,467
91 to 180 days	376,030	209,601
181 to 360 days	299,408	204,877
Over 360 days	364,383	322,523
	2,140,337	1,682,468

33. CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000 (restated)
Sales of piped gas business	1,514,038	1,445,027
Gas connection	2,034,779	2,299,899
Renewable energy business	7,630	9,831
Extended business	75,695	95,377
	3,632,142	3,850,134

At 1 January 2022, contract liabilities amounted to HK$3,939,179,000.

33. CONTRACT LIABILITIES *(Continued)*

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Sales of piped gas business HK$'000	Gas connection HK$'000	Renewable energy business HK$'000	Extended business HK$'000
For the year ended 31 December 2023				
Revenue recognised that was included in the contract liability balance at the beginning of the year	**1,445,027**	**748,050**	**9,831**	**95,377**
For the year ended 31 December 2022				
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,412,023	873,318	–	76,197

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Sales of piped gas business

The Group typically receives deposits or prepayments from customers for piped gas and other gas-related energy before the respective sales and distribution, and this will give rise to contract liabilities at the start of a contract.

Gas connection

The Group receives deposits from customers before the construction work commences, and this will give rise to contract liabilities at the start of a contract.

Renewable energy business

The Group may receive prepayments from certain customers for renewable energy and other related energy before the respective sales and distribution, and this will give rise to contract liabilities at the start of a contract.

Extended business

The Group may receive deposits from customers for sales of gas related household appliances and related products, and other related value-added services at the start of a contract, and this will give rise to contract liabilities at the start of a contract. Balance payments will be received after delivery of goods and services.

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34. LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	48,433	23,687
Within a period of more than one year but not more than two years	43,032	21,055
Within a period of more than two years but not more than five years	87,788	35,350
Within a period of more than five years	76,026	7,757
	255,279	87,849
Less: Amounts due for settlement with 12 months shown under current liabilities	(48,433)	(23,687)
Amounts due for settlement after 12 months shown under non-current liabilities	206,846	64,162

35. BORROWINGS

	2023 HK$'000	2022 HK$'000
Bank loans – unsecured	12,238,142	15,166,516
Other loans – unsecured	6,281	8,073
MTN – unsecured	825,083	847,553
SLB – unsecured (note a)	1,562,400	1,560,400
Panda Bonds – unsecured (note b)	1,650,165	–
	16,282,071	17,582,542
Carrying amount repayable:		
On demand or within one year	5,499,842	9,018,808
Within a period of more than one year but not exceeding two years	5,414,097	2,221,594
Within a period of more than two years but not exceeding five years	4,624,321	6,315,538
Within a period of more than five years	743,811	26,602
	16,282,071	17,582,542
Less: Amount due within one year shown under current liabilities	(5,499,842)	(9,018,808)
Amount due after one year shown under non-current liabilities	10,782,229	8,563,734

35. BORROWINGS *(Continued)*

notes:

(a) The USD200 million guaranteed SLB is listed in the Stock Exchange for professional investors, due in 2027, guaranteed by the Company and carries interest at a fixed rate of 4% subject to an interest rate adjustment mechanism based on the achievement of sustainability performance targets. The sustainability performance targets represent the photovoltaic installed capacity and the ratio of solar energy sales to total energy sales of the Group by 31 December 2025. If the Group fails to meet these targets, additional interests will be paid.

(b) During the year ended 31 December 2023, TCCL (Finance) Limited, a wholly-owned subsidiary of the Company, issued Panda Bonds of RMB1,500 million, which are guaranteed by the Company, to the institutional investors in the interbank market in the PRC. Included in the RMB1,500 million Panda Bonds are RMB1,000 million which is due in 2024 and carries interest at 3.10% per annum and RMB500 million due in 2026 and carries interest at 3.60% per annum subject to an interest rate adjustment mechanism based on the achievement of sustainability performance targets. The sustainability performance targets represent increasing the total photovoltaic installed capacity and increasing solar energy sales to total energy sales ratio of the Group by 31 December 2024. If the Group fails to meet these targets, additional interests will be paid.

The borrowings mainly comprise of:

	Effective interest rate		Carrying amount 2023 HK$'000	2022 HK$'000
Floating-rate loans:				
Unsecured RMB bank loans	3.26%	(2022: 2.86%)	**3,499,097**	4,837,878
Unsecured USD bank loans	6.36%	(2022: 2.60%)	**390,600**	390,100
Fixed-rate loans:				
Unsecured RMB bank loans	3.96%	(2022: 3.31%)	**8,348,445**	9,938,538
Unsecured other loans	1.15%	(2022: 1.15%)	**6,281**	8,073
Unsecured RMB MTN	3.43%	(2022: 3.40%)	**825,083**	847,553
Unsecured USD SLB	4.04%	(2022: 4.00%)	**1,562,400**	1,560,400
Unsecured RMB Panda Bonds	3.40%	(2022: N/A)	**1,650,165**	–
Total bank loans and other loans			**16,282,071**	17,582,542

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36. LOANS FROM ULTIMATE HOLDING COMPANY, NON-CONTROLLING SHAREHOLDERS, AN ASSOCIATE AND JOINT VENTURES

At the end of the reporting period, the loan from ultimate holding company carries interest at a fixed rate of 3.70% (2022: 4.35%) per annum and is unsecured and repayable on demand.

At the end of the reporting period, the loans from joint ventures carry interest at a fixed rate of 1.80% (2022: 2.15%) per annum and are unsecured and repayable on demand.

At the end of the reporting period, the loan from an associate carries interest at a fixed rate of 1.80% (2022: nil) per annum and is unsecured and repayable on demand.

At the end of the reporting period, the loans from non-controlling shareholders carry interest at a fixed rate of 4.99% (2022: ranging from 1% to 4.99%) per annum and are unsecured. Other than an amount of nil (2022: HK$7,379,000) repayable within one year, the remaining amount of HK$15,187,000 (2022: HK$15,601,000) repayable after one year.

37. DEFERRED TAXATION

The following is the major deferred tax liabilities (assets) recognised and movements thereon during the current year:

	Intangible assets HK$'000	Undistributed profits of joint ventures/ associates/ subsidiaries HK$'000	Fair value revaluation of equity instruments at FVTOCI HK$'000	Right-of-use assets HK$'000	Lease liabilities HK$'000	Others HK$'000	Total HK$'000
At 1 January 2022 (as originally stated)	116,322	359,648	299,091	–	–	55,778	830,839
Adjustments (Note 2)	–	–	–	18,024	(18,871)	847	–
At 1 January 2022 (restated)	116,322	359,648	299,091	18,024	(18,871)	56,625	830,839
Currency realignment	(6,119)	(56,170)	(22,929)	(485)	382	(3,333)	(88,654)
(Credit) charge to profit or loss	(4,690)	73,176	–	2,942	(3,473)	(15,843)	52,112
Credit to other comprehensive income	–	–	(36,112)	–	–	–	(36,112)
Withholding tax paid	–	(38,548)	–	–	–	–	(38,548)
At 31 December 2022 (restated)	105,513	338,106	240,050	20,481	(21,962)	37,449	719,637
Currency realignment	(3,165)	(10,143)	(7,202)	(820)	869	(1,728)	(22,189)
(Credit) charge to profit or loss	(5,044)	59,957	–	41,287	(42,726)	108,188	161,662
Charge to other comprehensive income	–	–	35,880	–	–	–	35,880
Deemed disposal of a subsidiary (Note 42)	–	–	–	–	–	(3,348)	(3,348)
Reclassified as held for sale (Note 31)	–	–	–	–	–	(308)	(308)
Withholding tax paid	–	(51,351)	–	–	–	–	(51,351)
At 31 December 2023	97,304	336,569	268,728	60,948	(63,819)	140,253	839,983

Others mainly include accelerated tax depreciation and ECL provision.

At the end of the reporting period, the Group has unused tax losses of HK$388,695,000 (2022: HK$461,316,000) available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will expire progressively until the year 2028 (2022: year 2027).

At the end of the reporting period, the Group has certain temporary differences associated with undistributed earnings of subsidiaries for which no deferred tax liabilities have been recognised as the Group is able to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

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38. CONVERTIBLE BONDS

Pursuant to a subscription agreement dated 25 October 2021 entered into by the Company and Clean Energy Ecosystem Pte. Ltd. (the "Investor"), the Company issued and allotted 116,783,333 shares at HK$5.0 per share and convertible bonds due 2026 of principal amount of RMB1,835,603,000 (equivalent to HK$2,217,716,000 at an agreed exchange rate) on 18 November 2021. Details of the transactions were disclosed in the Company's announcements dated 25 October 2021 and 18 November 2021.

There was no movement in the number of the convertible bonds during the years ended 31 December 2023 and 2022. The convertible bonds entitle the Investor to convert them into ordinary shares of the Company in whole or in part at any time during the conversion period at a conversion price of HK$6.33 per share, subject to adjustments. Effective from 12 July 2022, the conversion price of the convertible bonds has been adjusted from HK$6.33 per share to HK$6.26 per share as a result of distributions of scrip shares at HK$4.028 per share made by the Company to the shareholders for the year ended 31 December 2021. Effective from 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 as a result of distributions of scrip shares at HK$3.49 per share made by the Company to the shareholders for the year ended 31 December 2022. The conversion period commences from the date of issue and will expire on the close of business on the earlier of (i) the date which is 5 business days prior to the maturity date, i.e. 18 November 2026, and (ii) if the convertible bonds shall have been called for redemption prior to the maturity date, the date which is 5 business days prior to the date fixed for redemption. The convertible bonds carry interest at a rate of 1% per annum, which is payable annually in arrears.

The convertible bonds comprise two components:

(a) The debt component was initially measured at fair value and subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs. The effective interest rate of the debt component is 4% (2022: 4%) per annum.

(b) The embedded derivative component comprises conversion options, which were initially measured at fair value at date of issuance and the end of each reporting period.

38. CONVERTIBLE BONDS *(Continued)*

	Debt component HK$'000	Embedded derivative component HK$'000	Total HK$'000
As at 1 January 2022	1,956,598	776,639	2,733,237
Currency realignment	(156,607)	(44,471)	(201,078)
Interest expense	77,125	–	77,125
Interest paid	(22,177)	–	(22,177)
Gain arising on change of fair value	–	(531,488)	(531,488)
As at 31 December 2022	**1,854,939**	**200,680**	**2,055,619**
Currency realignment	**(54,290)**	**(4,638)**	**(58,928)**
Interest expense	**79,323**	**–**	**79,323**
Interest paid	**(22,177)**	**–**	**(22,177)**
Gain arising on change of fair value	**–**	**(101,573)**	**(101,573)**
As at 31 December 2023	**1,857,795**	**94,469**	**1,952,264**

39. SHARE CAPITAL

	Number of shares	HK$'000
At 31 December 2023		
– Authorised:		
Shares of HK$0.10 each	5,000,000,000	500,000
– Issued and fully paid:		
Shares of HK$0.10 each	3,354,500,581	335,450

Details of the authorised share capital are as follows:

	Number of shares	HK$'000
At 1 January 2022, 31 December 2022 and 31 December 2023	5,000,000,000	500,000

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39. SHARE CAPITAL *(Continued)*

A summary of the movements in the issued and fully paid capital of the Company is as follows:

	Number of shares	HK$'000
At 1 January 2022	3,159,895,343	315,989
Issue of subscription shares (note a)	11,553,000	1,156
Issue of shares upon scrip dividend scheme (note b)	87,167,183	8,717
At 31 December 2022	**3,258,615,526**	**325,862**
Issue of subscription shares (note a)	**110,000**	**11**
Issue of shares upon scrip dividend scheme (note c)	**95,775,055**	**9,577**
At 31 December 2023	**3,354,500,581**	**335,450**

notes:

(a) On 18 March 2022, the Company entered into a number of subscription agreements with the subscribers pursuant to which the subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to issue, in aggregate 11,663,000 subscription shares at the subscription price of HK$3.69 per subscription share in cash. During the year ended 31 December 2022, 11,553,000 subscription shares were allotted and issued in respect of these subscription agreements with total proceed of HK$42,630,000. During the year ended 31 December 2023, the remaining 110,000 subscription shares were allotted and issued with total proceed of HK$406,000. Details of the subscription shares were disclosed in the announcements of the Company dated 18 March 2022 and 6 June 2022.

(b) On 17 March 2022, a scrip dividend scheme was proposed by the Board, which offers the shareholders of the Company may elect to receive the dividend wholly or partly by the allotment of new shares in lieu of cash. This proposal was approved at the Company's annual general meeting held on 26 May 2022. On 12 July 2022, 87,167,183 shares of HK$0.10 each were allotted and issued at HK$4.028 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2021 final dividend under the scrip dividend scheme.

(c) On 16 March 2023, a scrip dividend scheme was proposed by the Board, which offers the shareholders of the Company may elect to receive the dividend wholly or partly by the allotment of new shares in lieu of cash. This proposal was approved at the Company's annual general meeting held on 25 May 2023. On 11 July 2023, 95,775,055 shares of HK$0.10 each were allotted and issued at HK$3.49 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2022 final dividend under the scrip dividend scheme.

All the shares which were issued during the years ended 31 December 2022 and 2023 rank pari passu with the then existing shares in all respects.

40. RESERVES

General reserves represent the Enterprise Expansion Fund and General Reserve Fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the PRC. They are not available for distribution.

41. SHARE-BASED PAYMENT TRANSACTIONS

Share award scheme

On 17 August 2021, the Company adopted the share award scheme (the "Scheme") for the purposes of (a) recognising the contributions by certain directors or employees of the Group (the "eligible participants") and providing them with incentives in order to retain them for the continual operation and development of the Group; and (b) attracting suitable personnel for the further development of the Group and to contribute to the long-term growth of the Group. Unless terminated earlier by the Board pursuant to the Scheme, the Scheme shall be valid and effective for a period of 10 years commencing on 17 August 2021. Tricor Trust (Hong Kong) Limited was appointed as a trustee of the Scheme. Subject to the terms and conditions of the Scheme and the fulfilment of all vesting conditions, the award shares held by the trustee on behalf of a selected participant shall vest in such selected participant and the trustee shall transfer the award shares to such selected participant. Details of the Scheme were disclosed in the announcement of the Company dated 17 August 2021.

At 31 December 2023, there are 24,000 shares (2022: 10,737,000 shares) held by the trustee. During the year ended 31 December 2023, an additional 950,000 shares (2022: 6,965,000 shares) were purchased by the trustee from the market at an average price of approximately HK$3.34 per share (2022: HK$4.29 per share), with an aggregate amount of approximately HK$3,172,000 (2022: approximately HK$29,897,000). During the year ended 31 December 2023, 11,663,000 shares (2022: nil) were granted to the selected eligible employees with amount of HK$39,596,000 (2022: nil) recognised as share-based payment expenses and included in staff costs when vested during the year.

Share option scheme

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 26 May 2022 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. The participants include employees and directors of the Group, consultants and other advisors to members of the Group who are also directors and/or senior management staff of subsidiaries of HKCG. The Share Option Scheme is valid and effective for a period of ten years commencing on 26 May 2022.

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.

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For the year ended 31 December 2023

41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option scheme *(Continued)*

The maximum number of shares which may be issued under the Share Option Scheme must not (when aggregate with any shares to be issued under any other share option schemes of the Company) exceed 10% of the total number of shares in issue at the date of adoption of the Share Option Scheme. The number of shares in respect of which options may be granted under the Share Option Scheme as at 31 December 2023 was 304,326,534 (2022: 304,326,534).

The maximum number of shares issuable upon the exercise of the share options granted to each eligible participant of the Share Option Scheme within any 12-month period, is limited to 1% of the total number of shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company with such grantee and his associate(s) abstaining from voting.

The exercise period of the share options under Share Option Scheme is determined by the board of directors of the Company and shall end on a date which is not later than ten years from the date of grant of the options. At the time of grant of the share options, the Company must (a) specify the minimum period(s), if any, for which a share option must be held before it can be exercised in whole or in part, and (b) specify the minimum performance target(s), if any, which must be achieved before the share options can be exercised in whole or in past. The amount payable on acceptance of an offer for grant of share options is HK$1.00.

The exercise price in respect of any particular option of the Share Option Scheme may be determined by the board of directors of the Company in its absolute discretion and notified to each offeree but may be at least the highest of (i) the closing price of the Company's shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets on the date of offer, which must be a business day; (ii) the average closing price of the Company's shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share.

At 31 December 2023, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 11,663,000 (2022: 11,663,000), representing 0.35% (2022: 0.36%) of the shares of the Company in issue at that date.

Details of options granted under the Share Option Scheme are as follows:

Date of grant	Vesting date	Exercise period	Exercise price HK$
25 November 2022	25 November 2023	25 November 2023 – 24 November 2025	3.40

41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option scheme *(Continued)*

The following table discloses movements of the Company's share options held by the participants pursuant to the Share Option Scheme during the year:

	Date of grant	Exercise price HK$	Number of share options: Outstanding at beginning of the year	Granted during the year	Outstanding at end of the year
For the year ended 31 December 2023					
Directors	25.11.2022	3.40	4,950,000	–	4,950,000
Others (note)	25.11.2022	3.40	6,713,000	–	6,713,000
			11,663,000	–	11,663,000
Exercisable at the end of the year					11,663,000
Weighted average exercise price (HK$)			3.40	–	3.40

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41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option scheme *(Continued)*

	Date of grant	Exercise price HK$	Number of share options: Outstanding at beginning of the year	Granted during the year	Outstanding at end of the year
For the year ended 31 December 2022					
Directors	25.11.2022	3.40	–	4,950,000	4,950,000
Others (note)	25.11.2022	3.40	–	6,713,000	6,713,000
			–	11,663,000	11,663,000
Exercisable at the end of the year					–
Weighted average exercise price (HK$)			–	3.40	3.40

The closing price per share immediately before 25 November 2022 was HK$3.42.

note:

Other participants represent:

(i) directors or senior management staff of the subsidiaries of the Company; and

(ii) directors of both subsidiaries of the Company and of HKCG.

During the year ended 31 December 2022, 11,663,000 options were granted pursuant to the Share Option Scheme on 25 November 2022. The estimated fair value of the options granted on that date was HK$10,247,000.

41. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option scheme *(Continued)*

These fair values were calculated using the Trinomial option pricing model. The inputs into the model were as follows:

Grant date	25 November 2022
Share price (HK$)	3.40
Exercise price (HK$)	3.40
Expected volatility	42.67%
Expected life (years)	3
Risk-free rate	4.26%
Expected dividend yield	4.41%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Change in the subjective input may materially affect the fair value estimates.

The Group recognised a total expense of HK$9,240,000 (2022: HK$1,007,000) for the year ended 31 December 2023 in relation to share options granted by the Company.

42. ACQUISITION/DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2023

(i) Acquisition of assets through acquisition of renewable energy companies

During the year ended 31 December 2023, the Group has acquired 100% interests in numerous entities which are principally engaged in the business of photovoltaics in the PRC, at the aggregate consideration of RMB511,801,000 (equivalent to HK$563,037,000). The primary reason for the acquisition is for the expansion of the Group's renewable energy business and to increase returns to its shareholders. The acquisitions are individually immaterial and therefore presented on an aggregated basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

42. ACQUISITION/DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2023 *(Continued)*

(i) Acquisition of assets through acquisition of renewable energy companies *(Continued)*

The net identifiable assets acquired in the acquisition are as follows:

	HK$'000
Property, plant and equipment	1,961,542
Right-of-use assets	455,667
Trade and other receivables	328,801
Bank balances and cash	43,067
Trade and other payables	(1,518,874)
Taxation payable	(13,742)
Contract liabilities	(401)
Bank borrowings	(149,227)
Lease liabilities	(543,796)
	563,037

Result on the acquisition:	
Consideration paid	281,250
Deposits paid at 31 December 2022	183,296
Consideration payable for acquisition of subsidiaries	98,491
Acquirees' fair values of net identifiable assets	(563,037)
	–

Net cash outflow on acquisition:	
Consideration paid	(281,250)
Bank balances and cash acquired	43,067
	(238,183)

The Group elected to apply the optional concentration test for these acquisitions in accordance with HKFRS 3 "Business Combinations" and concluded that the photovoltaic equipment together with the in-place lease are considered a single identifiable asset. Consequently, the Group determined that substantially all of the fair values of the gross assets acquired are concentrated in property, plant and equipment and right-of-use assets and concluded that the acquired set of activities and assets are not businesses.

42. ACQUISITION/DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2023 *(Continued)*

(ii) Acquisition of a gas company

During the year ended 31 December 2023, the Group acquired 100% equity interest in 達茂港華燃氣有限公司 ("達茂港華") at a consideration of RMB70,000,000 (equivalent to HK$79,945,000), RMB63,000,000 (equivalent to HK$71,951,000) was settled during the year while the remaining amount of RMB7,000,000 (equivalent to HK$7,994,000) was recorded as consideration payable. 達茂港華 is principally engaged in the provision for natural gas and related services.

The net identifiable assets acquired in the acquisition are as follows:

	HK$'000
Property, plant and equipment	33,144
Right-of-use asset	9,237
Inventories	143
Trade and other receivables	4,843
Bank balances and cash	533
Trade and other payables	(21,428)
Contract liabilities	(1,848)
Taxation payable	(166)
Bank borrowings	(6,772)
	17,686

Goodwill arising on acquisition:	
Consideration paid	71,951
Consideration payable for acquisition of a subsidiary	7,994
Acquiree's fair value of net identifiable assets	(17,686)
	62,259

Net cash outflow on acquisition:	
Consideration paid	(71,951)
Less: Bank balances and cash acquired	533
	(71,418)

No proforma information of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023 is presented as contributions are insignificant.

The goodwill recognised above mainly consists of the expected synergies from combining operations of 達茂港華 and the Group. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

42. ACQUISITION/DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2023 *(Continued)*

(iii) Deemed disposal of interest in a subsidiary

During the year ended 31 December 2023, an independent third party has made an additional capital injection of RMB100,000,000 (equivalent to HK$106,575,000) to 蕪湖江北港華燃氣有限公司 ("蕪湖江北"), a subsidiary of the Group. The shareholding held by the Group decreased from 100% to 50% and 蕪湖江北 ceased to be a subsidiary and became a joint venture of the Group.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	124,493
Right-of-use assets	1,676
Inventories	565
Trade and other receivables	5,635
Bank balances and cash	7,064
Amount due from a shareholder	32,033
Trade and other payables	(26,795)
Deferred taxation	(3,348)
Contract liabilities	(30,151)
	111,172

Loss on deemed disposal of a subsidiary:	
Retained interest in a joint venture	106,575
Net assets disposed of	(111,172)
	(4,597)

Net cash outflow on deemed disposal:	
Bank balances and cash disposed	(7,064)

42. ACQUISITION/DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2022

(i) Acquisition of renewable energy companies

During the year ended 31 December 2022, Towngas China Energy Investment Limited, an indirectly wholly-owned subsidiary of the Group, has acquired the controlling interests in six companies which are principally engaged in the business of encompassing photovoltaics, energy conservation, charging and Zero Carbon Smart City in the PRC from Hong Kong and China Integrated Power Investment (Shenzhen) Limited, an indirect wholly-owned subsidiary of HKCG, at the aggregate consideration of HK$97,795,000. The primary reason for the acquisition is for the expansion of the Group's renewable energy business and to increase returns to its shareholders.

The net identifiable assets acquired in the acquisition are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	82,646
Trade and other receivables	11,677
Bank balances and cash	17,017
Trade and other payables	(13,545)
	97,795
Result on the acquisition:	
Deposit paid at 31 December 2021	97,795
Acquirees' fair values of net identifiable assets	(97,795)
	–
Net cash inflow on acquisition:	
Bank balances and cash acquired	17,017

No proforma information of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022 is presented as contributions are insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

42. ACQUISITION/DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2022 *(Continued)*

(ii) Disposal of a subsidiary

On 5 December 2022, 南京高淳港華燃氣有限公司("Nanjing Gaochun"), an indirect wholly-owned subsidiary of the Company, and Hong Kong and China Gas International Energy Trading Co., Ltd. ("HKCG International Energy"), an indirect wholly-owned subsidiary of HKCG, entered into the Equity Transfer Agreement, pursuant to which Nanjing Gaochun has agreed to sell and HKCG International Energy has agreed to purchase the entire equity interest in 南京淳港能源科技有限公司 at the consideration of RMB2,000,000 (approximately HK$2,340,000), resulting in loss of control.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Inventories	3,837
Trade and other receivables	130,578
Bank balances and cash	4,529
Trade and other payables	(136,604)
	2,340

Result on disposal of a subsidiary:	
Consideration	2,340
Net assets disposed of	(2,340)
	–
Satisfied by:	
Cash consideration received	2,340
Net cash outflow on disposal:	
Consideration received	2,340
Bank balances and cash disposed	(4,529)
	(2,189)

42. ACQUISITION/DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2022 *(Continued)*

(iii) Deemed disposal of interest in a subsidiary

During the year ended 31 December 2022, Towngas Lifestyle (Shenzhen) Information Services Co., Ltd., an indirect wholly-owned subsidiary of HKCG, has completed the capital injection of RMB15,000,000 (equivalent to HK$17,641,000) to Towngas Cosy Home (Chengdu) Technological Services Co., Ltd. ("Cosy Home (Chengdu)"), a subsidiary of the Group. The shareholding held by the Group decreased from 100% to 40% and Cosy Home (Chengdu) ceased to be a subsidiary of the Company.

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	9,978
Right-of-use assets	949
Inventories	32,689
Trade and other receivables	21,009
Bank balances and cash	68,368
Trade and other payables	(46,585)
Lease liabilities	(1,025)
Contract liabilities	(41,308)
	44,075
Loss on deemed disposal of a subsidiary:	
Retained interest in an associate	43,798
Net assets disposed of	(44,075)
	(277)
Net cash outflow on deemed disposal:	
Bank balances and cash disposed	(68,368)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

43. MAJOR NON-CASH TRANSACTIONS

The Group issued additional shares as scrip dividends during both years as set out in Note 39.

During the year ended 31 December 2023, the Group entered into new lease agreements for the use of offices, warehouses, staff dormitory and equipment for 2 to 30 years (2022: 2 to 18 years) while for leasehold land for 15 to 50 years (2022: 15 to 50 years). On the lease commencement, the Group recognised HK$36,071,000 (2022: HK$42,377,000) of right-of-use assets and HK$36,071,000 (2022: HK$42,377,000) of lease liabilities.

During the year ended 31 December 2023, the Group exercised options to purchase certain leased assets for use in its operations. Accordingly, right-of-use assets of HK$281,763,000 was transferred to property, plant and equipment (2022: nil).

During the year ended 31 December 2022, the Group has acquired additional interest in a subsidiary, 徐州港華能源有限公司, from the non-controlling shareholders. The consideration of HK$25,793,000 was settled through amounts due from non-controlling shareholders.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other loans HK$'000	Loans from non-controlling shareholders HK$'000	Loan from an associate HK$'000	Loans from joint ventures HK$'000	Loan from ultimate holding company HK$'000	Dividend payable HK$'000	Debt component of convertible bonds HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2022	16,623,412	37,518	–	730	66,617	–	1,956,598	75,486	18,760,361
Financing cash flows	2,291,771	(11,843)	–	17,280	1,509	(267,256)	–	(28,057)	2,003,404
New leases entered	–	–	–	–	–	–	–	42,377	42,377
Interest expenses	–	–	–	–	–	–	77,125	4,608	81,733
Interest paid	–	–	–	–	–	–	(22,177)	–	(22,177)
Exchange differences	(1,332,641)	(2,695)	–	(606)	(5,310)	–	(156,607)	(5,540)	(1,503,399)
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	(1,025)	(1,025)
Dividend declaration									
– shareholders of the Company	–	–	–	–	–	473,419	–	–	473,419
– non-controlling shareholders	–	–	–	–	–	144,947	–	–	144,947
Issue of shares upon scrip dividend scheme	–	–	–	–	–	(351,110)	–	–	(351,110)
At 31 December 2022	17,582,542	22,980	–	17,404	62,816	–	1,854,939	87,849	19,628,530
Financing cash flows	(976,983)	(7,135)	25	10,596	(32,919)	(342,609)	–	(412,014)	(1,761,039)
New leases entered	–	–	–	–	–	–	–	36,071	36,071
Interest expenses	–	–	–	–	–	–	79,323	17,723	97,046
Interest paid	–	–	–	–	–	–	(22,177)	–	(22,177)
Exchange differences	(479,487)	(658)	(1)	(533)	(1,444)	–	(54,290)	(18,146)	(554,559)
Acquisition of subsidiaries	155,999	–	–	–	–	–	–	543,796	699,795
Dividend declaration									
– shareholders of the Company	–	–	–	–	–	487,182	–	–	487,182
– non-controlling shareholders	–	–	–	–	–	189,682	–	–	189,682
Issue of shares upon scrip dividend scheme	–	–	–	–	–	(334,255)	–	–	(334,255)
At 31 December 2023	16,282,071	15,187	24	27,467	28,453	–	1,857,795	255,279	18,466,276

note: The amounts reclassified from hedge reserve are excluded in the reconciliation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

45. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, the Group has the following transactions with related parties:

	2023 HK$'000	2022 HK$'000
Transactions with fellow subsidiaries (note a):		
Purchase of goods and services	**363,850**	315,515
Sale of goods and services	**93,919**	28,499
Transactions with associates of ultimate controlling shareholder (note b):		
Purchase of goods and services	**27,358**	55,167
Sales of goods and services	**23,496**	3,764
Transactions with a joint venture (note c):		
Purchase of goods	**48,531**	15,842
Transactions with associates (note d):		
Purchase of goods	**104,734**	161,567
Sale of goods	**12,032**	10,752

notes:

(a) HKCG has controlling interests in these companies.

(b) HKCG has significant influences in these companies.

(c) The Group jointly controlled this company with an independent third party.

(d) The Group has significant influences in these companies.

During the year ended 31 December 2022, the Group acquired 100% interest in nine companies from an indirect wholly-owned subsidiary of HKCG with nil consideration. These companies have no assets and liabilities on the acquisition date. The Group also acquired 49% interest in an associate from an indirect wholly-owned subsidiary of HKCG at a consideration of RMB65,709,000 (equivalent to HK$76,970,000). During the year ended 31 December 2023, the Group acquired 100% interest in Towngas Renewable Energy (HK) Company Limited from a wholly-owned subsidiary of HKCG at a consideration of HK$27,507,000.

Emoluments paid to the key management personnel of the Company which represents the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors are set out in Note 14.

46. COMMITMENTS

	2023 HK$'000	2022 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	**267,179**	484,710
– Investments	**–**	27,684

47. RETIREMENT BENEFIT SCHEMES

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. The Group is required to make specific contributions to the retirement schemes at a rate of 12 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions charge for the year ended 31 December 2023 amounted to HK$113,291,000 (2022: HK$101,229,000).

The Group has joined a MPF Scheme for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. For the year ended 31 December 2023, the Group made retirement benefit scheme contributions amounting to HK$2,028,000 (2022: HK$2,254,000). At 31 December 2023 and 2022, no forfeited contributions are available to reduce the contribution payable in future years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of the financial position of the Company:

	2023 HK$'000	2022 HK$'000
Non-current assets		
Property, plant and equipment	**630**	409
Investments in subsidiaries	**2,117,855**	2,175,534
Investment in an associate	**–**	4,665,487
Loan to subsidiaries	**17,102,297**	13,601,800
	19,220,782	20,443,230
Current assets		
Amounts due from subsidiaries	**1,159,195**	1,696,017
Other financial assets	**10,708**	–
Bank balances and cash	**364,767**	543,325
	1,534,670	2,239,342
Current liabilities		
Other payables and accrued charges	**19,037**	24,323
Amounts due to subsidiaries	**791,967**	132,302
Amount due to ultimate holding company	**2,439**	753
Borrowings – amounts due within one year	**775,639**	3,265,906
	1,589,082	3,423,284
Net current liabilities	**(54,412)**	(1,183,942)
Total assets less current liabilities	**19,166,370**	19,259,288
Non-current liabilities		
Loan from a subsidiary	**11,448,623**	11,007,737
Borrowings – amounts due after one year	**–**	390,100
Convertible bonds	**1,952,264**	2,055,619
Other financial liability	**–**	175
	13,400,887	13,453,631
Net assets	**5,765,483**	5,805,657
Capital and reserves		
Share capital	**335,450**	325,862
Reserves	**5,430,033**	5,479,795
Total equity	**5,765,483**	5,805,657

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

(b) Movement of share capital and reserves of the Company:

	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Shares held for share award scheme HK$'000	Others* HK$'000	Total HK$'000
At 1 January 2022	315,989	6,315,127	–	(19,928)	289,021	6,900,209
Total comprehensive expense for the year	–	–	–	–	(990,924)	(990,924)
Issue of shares upon scrip dividend scheme	8,717	342,393	–	–	–	351,110
Dividends declared to shareholders	–	(473,419)	–	–	–	(473,419)
Issue of subscription shares	1,156	46,392	(4,918)	–	–	42,630
Recognition of share-based payments upon grant of share options	–	–	1,007	–	–	1,007
Recognition of share-based payments upon grant of subscription shares	–	–	4,941	–	–	4,941
Purchase of shares under share award scheme	–	–	–	(29,897)	–	(29,897)
At 31 December 2022	325,862	6,230,493	1,030	(49,825)	(701,903)	5,805,657
Total comprehensive income for the year	–	–	–	–	66,683	66,683
Issue of shares upon scrip dividend scheme	9,577	324,678	–	–	–	334,255
Dividends declared to shareholders	–	(487,182)	–	–	–	(487,182)
Issue of subscription shares	11	418	(23)	–	–	406
Recognition of share-based payments upon grant of share options	–	–	9,240	–	–	9,240
Recognition of share-based payments upon grant of shares under share award scheme	–	–	–	52,889	(13,293)	39,596
Purchase of shares under share award scheme	–	–	–	(3,172)	–	(3,172)
At 31 December 2023	335,450	6,068,407	10,247	(108)	(648,513)	5,765,483

* Others represent hedge reserve, exchange reserve and accumulated losses.

(c) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries are unsecured, interest-free and are repayable on demand.

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows:

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Directly-owned subsidiaries					
Hong Kong & China Gas (Anqing) Limited	British Virgin Islands ("BVI") – Limited liability company/Hong Kong ("HK")	US$1	100.0%	100.0%	Investment holding
Hong Kong & China Gas (Maanshan) Limited	BVI – Limited liability company/HK	US$1	100.0%	100.0%	Investment holding
Hong Kong & China Gas (Qingdao) Limited	BVI – Limited liability company/HK	US$1	100.0%	100.0%	Investment holding
Hong Kong & China Gas (Taian) Limited	BVI – Limited liability company/HK	US$1	100.0%	100.0%	Investment holding
Hong Kong & China Gas (Weifang) Limited	BVI – Limited liability company/HK	US$1	100.0%	100.0%	Investment holding
Hong Kong & China Gas (Weihai) Limited	BVI – Limited liability company/HK	US$1	100.0%	100.0%	Investment holding
Hong Kong & China Gas (Yantai) Limited	BVI – Limited liability company/HK	US$1	100.0%	100.0%	Investment holding
Hong Kong & China Gas (Zibo) Limited	BVI – Limited liability company/HK	US$1	100.0%	100.0%	Investment holding
TCCL (Finance) Limited	HK – Public company limited by shares	HK$1	100.0%	100.0%	Financing
Towngas China Group Limited	BVI – Limited liability company/HK	US$12,821	100.0%	100.0%	Investment holding

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Directly-owned subsidiaries *(Continued)*					
Towngas China Holdings Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding
TSEL (Gas) Holdings Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding
TSEL (Gas) Investment Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding
Indirectly-owned subsidiaries					
An Shan Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	US$20,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Baotou Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB20,000,000	**85.0%**	85.0%	Provision of natural gas and related services and gas pipeline construction
Beipiao Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB56,000,000	**80.0%**	80.0%	Provision of natural gas and related services and gas pipeline construction
Ben Xi Hongkong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB335,000,000	**80.0%**	80.0%	Provision of natural gas and related services and gas pipeline construction
本溪滿族自治縣港華天然氣有限公司	PRC – Wholly foreign-owned enterprise	RMB40,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Boxing Hongkong & China Gas Co., Ltd	PRC – Sino-foreign equity joint venture	RMB40,000,000	65.0%	65.0%	Provision of natural gas and related services and gas pipeline construction
博興港能投智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB90,000,000	100.0%	100.0%	Renewable energy
Cang Xi Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB20,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Cangxian Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	90.0%	90.0%	Provision of natural gas and related services and gas pipeline construction
Changting Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB22,000,000	90.0%	90.0%	Provision of natural gas and related services and gas pipeline construction
Changzhou Towngas China Energy Co., Ltd. (note)	PRC – Sino-foreign equity joint venture	RMB31,000,000	45.0%	45.0%	Provision of natural gas distributed energy
Chao Sheng Investments Limited	HK – Limited liability company	HK$100	100.0%	100.0%	Investment holding
Chaoyang Hongkong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	US$10,791,838	90.0%	90.0%	Provision of natural gas and related services and gas pipeline construction

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
潮州楓溪港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB60,000,000	60.0%	60.0%	Provision of natural gas and related services and gas pipeline construction
成都新都港華燃氣有限公司	PRC – Limited liability company	RMB50,000,000	100.00%	100.00%	Provision of natural gas and related services and gas pipeline construction
Chi Ping Hongkong & China Gas Co. Ltd.	PRC – Sino-foreign equity joint venture	RMB40,000,000	85.0%	85.0%	Provision of natural gas and related services and gas pipeline construction
Chizhou Hong Kong and China Gas Company Ltd.	PRC – Wholly foreign-owned enterprise	RMB70,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Dafeng Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB80,000,000	51.0%	51.0%	Provision of natural gas and related services and gas pipeline construction
Dalian Changxing Hong Kong and China Gas Co. Ltd.	PRC – Wholly foreign-owned enterprise	US$14,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Dalian Lvshun Hong Kong and China Gas Co. Ltd.	PRC – Wholly foreign-owned enterprise	US$15,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Dalian Taipingwan Hongkong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB40,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
大連瓦房店港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB40,000,000	90.0%	90.0%	Provision of natural gas and related services and gas pipeline construction
達茂港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	–	Provision of natural gas and related services
Dangtu Towngas China Energy Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB30,000,000	75.0%	75.0%	Renewable energy
Da Yi Hong Kong and China Gas Company Limited	PRC – Limited liability company	RMB20,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Feicheng Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB32,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Fuxin Hongkong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB77,200,000	90.0%	90.0%	Provision of natural gas and related services and gas pipeline construction
Fuxin Towngas China Energy Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB145,000,000	58.0%	58.0%	Renewable energy
阜新大力燃氣有限責任公司	PRC – Wholly foreign-owned enterprise	RMB13,900,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
阜新新邱港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB34,000,000	100.0%	100.0%	Provision of gas and related services

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Gao Chun Hong Kong and China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	US$11,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Gongzhuling Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB88,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
廣西中威管道燃氣發展集團有限責任公司	PRC – Wholly foreign-owned enterprise	RMB30,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
廣西港華智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB10,000,000	100.0%	100.0%	Provision of natural gas distributed energy
Guilin Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB30,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Heilongjiang Hong Kong & China Lianfu New Energy Company Limited	PRC – Sino-foreign equity joint venture	RMB13,000,000	55.0%	55.0%	Vehicle gas refilling stations
Hong Kong and China Gas (Dalian) Limited	HK – Limited liability company	HK$100	100.0%	100.0%	Investment holding
Hong Kong & China Gas (Hangzhou) Limited	BVI – Limited liability company/HK	US$1	100.0%	100.0%	Investment holding
Hong Kong & China Gas (Huzhou) Limited	BVI – Limited liability company/HK	US$1	100.0%	100.0%	Investment holding

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Hong Kong & China Gas (Tongxiang) Limited	BVI – Limited liability company/HK	US$1	100.0%	100.0%	Investment holding
Hong Kong & China Gas (Yingkou) Limited	BVI – Limited liability company/HK	US$1	100.0%	100.0%	Investment holding
Hong Kong and China Gas (Zhumadian) Limited	HK – Limited liability company	HK$100	100.0%	100.0%	Investment holding
Huang Shan Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB40,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Huangshan Huizhou Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	US$2,100,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Huang Shan Taiping Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	US$3,500,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Huzhou Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	US$10,500,000	98.9%	98.9%	Provision of natural gas and related services and gas pipeline construction
Jiajiang Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB20,000,000	70.0%	70.0%	Provision of natural gas and related services and gas pipeline construction
Jianping Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB58,000,000	80.0%	80.0%	Provision of natural gas and related services and gas pipeline construction
簡陽港華燃氣有限公司	PRC – Limited liability company	RMB150,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Ji Nan Ping Yin Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB200,000,000	82.2%	82.2%	Provision of natural gas and related services and gas pipeline construction
九江港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000	60.0%	60.0%	Provision of natural gas and related services and gas pipeline construction
Kazuo Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	US$6,400,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Laiyang Hong Kong and China Gas Co. Ltd.	PRC – Wholly foreign-owned enterprise	US$11,520,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Lezhi Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB30,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Liuzhou Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Longkou Hongkong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	US$7,070,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Luliang Hong Kong & China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB52,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Maanshan Bowang Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	US$10,000,000	75.1%	75.1%	Provision of natural gas and related services and gas pipeline construction

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For the year ended 31 December 2023

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	Attributable equity interest of the Group 2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Maanshan Jiangbei Hong Kong and China Towngas Company Limited	PRC – Wholly foreign-owned enterprise	US$10,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Maanshan Towngas China Energy Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB50,000,000	85.0%	85.0%	Provision of natural gas distributed energy
Mengcun Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	90.0%	90.0%	Provision of natural gas and related services and gas pipeline construction
Mianyang Heqing Towngas Co., Ltd	PRC – Sino-foreign equity joint venture	RMB10,000,000	80.0%	80.0%	Provision of natural gas and related services and gas pipeline construction
Mianyang Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB90,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Mianzhu Hong Kong and China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB30,000,000	80.0%	80.0%	Provision of natural gas and related services and gas pipeline construction
Mianzhu Yuquan Hong Kong and China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB5,000,000	80.0%	80.0%	Provision of natural gas and related services and gas pipeline construction
Miluo Hong Kong and China Gas Co. Ltd	PRC – Sino-foreign equity joint venture	RMB50,000,000	70.0%	70.0%	Provision of natural gas and related services and gas pipeline construction
Meishan Peng Shan Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB20,000,000	70.0%	70.0%	Provision of natural gas and related services and gas pipeline construction

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Peng Xi Hong Kong and China Gas Company Limited	PRC – Limited liability company	RMB20,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
平昌港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB20,000,000	90.0%	90.0%	Provision of natural gas and related services and gas pipeline construction
Qingdao Dong Yi Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB30,000,000	60.0%	60.0%	Provision of natural gas and related services and gas pipeline construction
Qingdao Towngas China Energy Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB15,380,000	62.4%	62.4%	Provision of natural gas distributed energy
青島嶗山灣港華能源有限公司	PRC – Sino-foreign equity joint venture	RMB30,000,000	60.0%	60.0%	Provision of natural gas and related services and gas pipeline construction
Qingdao Zhongji Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB150,000,000	90.0%	90.0%	Provision of natural gas and related services and gas pipeline construction
清遠港華燃氣有限公司	PRC – Limited liability company	RMB50,000,000	80.0%	80.0%	Provision of natural gas and related services and gas pipeline construction
Qinhuangdao Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB15,000,000	51.0%	51.0%	Provision of natural gas and related services and gas pipeline construction
齊齊哈爾港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB128,561,800	61.7%	61.7%	Provision of natural gas and related services and gas pipeline construction

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For the year ended 31 December 2023

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Qiqihar Xingqixiang Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB60,000,000	100.0%	100.0%	Vehicle gas refilling stations
Santai Hong Kong & China Co., Ltd.	PRC – Limited liability company	RMB30,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
韶關港華燃氣有限公司	PRC – Limited liability company	RMB50,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Shenyang Hong Kong & China Gas Company Limited	PRC – Wholly foreign-owned enterprise	US$24,532,434	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
瀋陽智慧能源系統科技有限公司	PRC – Sino-foreign equity joint venture	RMB100,000,000	55.0%	55.0%	Provision of natural gas distributed energy
Shenzhen Towngas China Energy Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB6,000,000	100.00%	100.00%	Provision of natural gas distributed energy
四川港華合縱能源有限公司	PRC – Limited liability company	RMB230,000,000	98.8%	98.8%	Upstream project
Siping Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB45,000,000	80.0%	80.0%	Provision of natural gas and related services and gas pipeline construction
松陽港華燃氣有限公司	PRC – Limited liability company	RMB80,000,000	51.4%	51.4%	Provision of natural gas and related services and gas pipeline construction
Songyang Towngas China Energy Co., Ltd	PRC – Sino-foreign equity joint venture	RMB30,000,000	85.4%	85.4%	Provision of natural gas distributed energy
唐山港能投智慧能源有限公司 (note)	PRC – Sino-foreign equity joint venture	RMB80,000,000	49.0%	49.0%	Provision of natural gas distributed energy

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Tangshan Fengnan Towngas China Energy Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB96,000,000	51.0%	51.0%	Provision of natural gas distributed energy
TCCL (Project Finance) Limited	HK – Limited liability company	HK$100	100.0%	100.0%	Financing
Tie Ling Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB332,960,000	80.0%	80.0%	Provision of natural gas and related services and gas pipeline construction
Tongshan Hong Kong and China Gas Co. Ltd	PRC – Wholly foreign-owned enterprise	RMB124,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Tongxiang Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	US$7,000,000	76.0%	76.0%	Provision of natural gas and related services and gas pipeline construction
Towngas (BVI) Holdings Limited	BVI – Limited liability company/HK	US$1	100.0%	100.0%	Investment holding
Towngas China Energy Investment Limited	HK – Limited liability company	HK$100	100.0%	100.0%	Investment holding
Towngas China Energy Investment Limited	PRC – Wholly foreign-owned enterprise	RMB2,250,000,000	100.0%	100.0%	Investment holding
Towngas China (Fengxi) Limited	HK – Limited liability company	HK$100	100.0%	100.0%	Investment holding
Towngas China (Zhengpugang) Limited	HK – Limited liability company	HK$100	100.0%	100.0%	Investment holding
Towngas Investments Limited	PRC – Wholly foreign-owned enterprise	US$200,000,000	100.0%	100.0%	Investment holding

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Towngas Natural Gas Sales Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	100.0%	Procurement of natural gas sources
Towngas Renewable Energy (HK) Company Limited	HK – Limited liability company	HK$100	100.0%	–	Investment holding
U-Tech (Guang Dong) Engineering Construction Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB77,400,000	100.0%	100.0%	Provision of engineering work services
威遠港華燃氣有限公司	PRC – Limited liability company	RMB30,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Wuning Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB40,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Wulian Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB20,000,000	70.0%	70.0%	Provision of natural gas and related services and gas pipeline construction
Xin Jin Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB40,000,000	60.0%	60.0%	Provision of natural gas and related services and gas pipeline construction
Xingyi Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB50,000,000	70.0%	70.0%	Provision of natural gas and related services and gas pipeline construction
徐州工業園區中港熱力有限公司 (note)	PRC – Sino-foreign equity joint venture	RMB160,000,000	49.8%	49.8%	Provision of natural gas distributed energy
Xuzhou Economic and Technological Development Zone Towngas China Energy Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB56,000,000	100.0%	70.0%	Provision of natural gas distributed energy
修水港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB30,000,000	60.0%	80.0%	Provision of natural gas and related services and gas pipeline construction

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Yang Jiang Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
YanShan Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	90.0%	90.0%	Provision of natural gas and related services and gas pipeline construction
Yangxin Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB18,000,000	51.0%	51.0%	Provision of natural gas and related services and gas pipeline construction
陽信港能投智慧能源有限公司	PRC – Sino-foreign equity joint venture	RMB15,000,000	67.8%	67.8%	Provision of natural gas distributed energy
Yifeng Hong Kong and China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB32,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Yingkou Hong Kong and China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	US$9,400,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Yue Chi Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB30,000,000	90.0%	90.0%	Provision of natural gas and related services and gas pipeline construction
Zhao Yuan Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB22,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
Zhong Jiang Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB30,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction

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For the year ended 31 December 2023

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Zhongxiang Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB42,000,000	100.0%	100.0%	Provision of natural gas and related services and gas pipeline construction
資陽港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB30,000,000	90.0%	90.0%	Provision of natural gas and related services and gas pipeline construction
內蒙古港億天然氣有限公司	PRC – Sino-foreign equity joint venture	RMB80,000,000	85.0%	85.0%	Midstream project
內蒙古港華天然氣有限公司	PRC – Wholly foreign-owned enterprise	RMB2,000,000	100.0%	100.0%	Gas related business
Anqiu Towngas China PV Power Generation Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB47,000,000	100.0%	100.0%	Renewable energy
Qingdao Towngas China PV Power Generation Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB29,000,000	100.0%	100.0%	Renewable energy
Shuyang Zhongye Shukai New Energy Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB30,000,000	100.0%	100.0%	Renewable energy
Binzhou Xinrunfeng New Energy Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB15,000,000	100.0%	100.0%	Renewable energy
Yancheng Towngas China Smart Energy Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB60,000,000	100.0%	100.0%	Renewable energy
Maanshan Zhengpugang New District Towngas China Photovoltaic Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB3,500,000	100.0%	100.0%	Renewable energy
Qingdao Towngas China Photovoltaic Co, Ltd.	PRC – Wholly foreign-owned enterprise	RMB80,000,000	100.0%	100.0%	Renewable energy

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Ben Xi Towngas China Energy Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	100.0%	Renewable energy
Wuhan Towngas China Energy Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB120,000,000	100.0%	100.0%	Renewable energy
Tangshan Towngas China Integrated Energy Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB200,000,000	100.0%	100.0%	Renewable energy
Yangtze River Delta Integrated Development Demonstration Zone (Suzhou Wujiang) Towngas China Energy Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB150,000,000	100.0%	100.0%	Renewable energy
Liyang Hengdian Towngas China PV Power Generation Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB22,500,000	60.0%	60.0%	Renewable energy
Danyang Towngas China Energy Storage Power Plant Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB30,000,000	90.0%	90.0%	Renewable energy
Suzhou Guangchen Towngas China PV Power Generation Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB15,000,000	80.0%	80.0%	Renewable energy
Taizhou Towngas China Energy Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB210,000,000	80.0%	80.0%	Renewable energy
聊城港能投光伏發電有限公司	PRC – Wholly foreign-owned enterprise	RMB60,000,000	100.0%	100.0%	Renewable energy
港華(深圳)碳資產運營有限公司	PRC – Wholly foreign-owned enterprise	RMB189,000,000	100.0%	100.0%	Renewable energy
濟寧港華智慧能源有限公司	PRC – Sino-foreign equity joint venture	RMB200,000,000	85.0%	85.0%	Renewable energy
Xinye Qidian Photovoltaic Technology Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB13,000,000	100.0%	100.0%	Renewable energy

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For the year ended 31 December 2023

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Shenzhen Towngas China Integrated Energy Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB94,000,000	100.0%	100.0%	Renewable energy
Jining Daohong New Energy Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB11,000,000	100.0%	100.0%	Renewable energy
Guangzhou Towngas China Energy Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	100.0%	Renewable energy
Guangzhou Zhensen New Energy Co., Ltd.	PRC – Limited liability company	RMB19,540,000	100.0%	100.0%	Renewable energy
Cangzhou Towngas China Energy Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB50,000,000	90.0%	100.0%	Renewable energy
陝西港華建能電力工程有限公司	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	100.0%	Renewable energy
中山港能智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	100.0%	Renewable energy
Xuzhou Jiawang Towngas China Energy Co., Ltd	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	100.0%	Renewable energy
池州港能投智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB60,000,000	100.0%	100.0%	Renewable energy
Weihai Towngas Energy Investment Photovoltaic Power Generation Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB7,000,000	100.0%	100.0%	Renewable energy
馬鞍山市博望區港華智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB7,000,000	100.0%	100.0%	Renewable energy
石家莊港能新能源有限公司	PRC – Limited liability company	RMB100,000,000	100.0%	65.0%	Renewable energy

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
廈門港華智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	100.0%	Renewable energy
廣州晴盈新能源科技有限公司	PRC – Wholly foreign-owned enterprise	RMB12,000,000	100.0%	100.0%	Renewable energy
鐵嶺港能投智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB150,000,000	100.0%	100.0%	Renewable energy
鞏義市港華新能源有限公司	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	100.0%	Renewable energy
Nantong Towngas Electric Smart Energy Co., Ltd	PRC – Wholly foreign-owned enterprise	RMB210,000,000	100.0%	100.0%	Renewable energy
陝西港華智慧新能源有限公司 (formerly known as 陝西港華匯達智慧能源有限公司)	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	100.0%	Renewable energy
泰州姜堰港能投智慧能源有限公司	PRC – Sino-foreign equity joint venture	RMB75,000,000	90.0%	90.0%	Renewable energy
Towngas Energy Huai'an Smart Energy Co., Ltd	PRC – Wholly foreign-owned enterprise	RMB200,000,000	100.0%	100.0%	Renewable energy
揚州港華智慧能源有限公司	PRC – Limited liability company	RMB200,000,000	95.0%	95.0%	Renewable energy
Yingkou Towngas China Energy Co., Ltd.	PRC – Limited liability company	RMB60,000,000	100.0%	100.0%	Renewable energy
漳浦港能投新能源科技有限公司	PRC – Limited liability company	RMB50,000,000	100.0%	100.0%	Renewable energy
廣州森樂新能源有限公司	PRC – Wholly foreign-owned enterprise	RMB14,000,000	100.0%	100.0%	Renewable energy

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49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
江門港華智慧能源有限公司 (formerly known as 江門天森新能源有限公司)	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	100.0%	Renewable energy
福州港能投新能源科技有限公司	PRC – Wholly foreign-owned enterprise	RMB128,000,000	100.0%	100.0%	Renewable energy
齊齊哈爾港能投智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	100.0%	Renewable energy
佛山順德港投智慧能源有限公司 (formerly known as 佛山振森光能有限公司)	PRC – Wholly foreign-owned enterprise	RMB213,800,000	100.0%	100.0%	Renewable energy
鄭州港能清潔能源有限公司	PRC – Wholly foreign-owned enterprise	RMB38,000,000	100.0%	100.0%	Renewable energy
遼寧撫順港能智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB80,000,000	100.0%	100.0%	Renewable energy
港華(深圳)綠電有限公司	PRC – Wholly foreign-owned enterprise	RMB200,000,000	100.0%	100.0%	Renewable energy
漳州台商投資區港華智慧新能源有限公司	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	100.0%	Renewable energy
洋浦港華智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB60,000,000	100.0%	100.0%	Renewable energy
Changsha Towngas China Energy Co., Ltd	PRC – Limited liability company	RMB14,550,000	100.0%	100.0%	Renewable energy
Guangdong Shenggui Electric Power Co., Ltd	PRC – Wholly foreign-owned enterprise	RMB15,000,000	100.0%	100.0%	Renewable energy
遼寧港能智慧能源科技有限公司	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	100.0%	Renewable energy

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
大連港華智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	100.0%	Renewable energy
楊凌港華綜能新能源有限公司	PRC – Wholly foreign-owned enterprise	RMB80,000,000	100.0%	100.0%	Renewable energy
南陽港能投清潔能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	100.0%	Renewable energy
南京港能智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB40,000,000	100.0%	100.0%	Renewable energy
濰坊港能投清潔能源有限公司	PRC – Wholly foreign-owned enterprise	RMB130,000,000	100.0%	100.0%	Renewable energy
株洲市國華智慧能源有限公司	PRC – Limited liability company	RMB92,870,000	55.0%	55.0%	Renewable energy
上海港華智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB3,800,000,000	100.0%	100.0%	Renewable energy
青島市萊西港能清潔能源有限公司	PRC – Wholly foreign-owned enterprise	RMB140,000,000	100.0%	100.0%	Renewable energy
咸寧港能投智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB80,000,000	100.0%	100.0%	Renewable energy
Xuzhou gangran Intelligent Energy Co., Ltd	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	100.0%	Renewable energy
蘇州綠創港華太瓦時投資中心	PRC – Limited partnership	RMB283,000,000	95.0%	95.0%	Renewable energy
惠州港華能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	100.0%	Renewable energy

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	Attributable equity interest of the Group 2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
銅陵港華綜合智慧能源有限公司	PRC – Limited liability company	RMB70,000,000	90.0%	90.0%	Renewable energy
港華能源創科(深圳)有限公司	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	100.0%	Renewable energy
桐鄉港能投智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB1,000,000	100.0%	100.0%	Renewable energy
西安港華新能源有限公司	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	100.0%	Renewable energy
扶綏港能投智慧能源有限公司	PRC – Limited liability company	RMB110,000,000	100.0%	100.0%	Renewable energy
泰安港華智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB80,000,000	100.0%	100.0%	Renewable energy
宜豐縣港能投新能源有限公司	PRC – Wholly foreign-owned enterprise	RMB70,000,000	100.0%	100.0%	Renewable energy
莆田港華智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	100.0%	Renewable energy
東莞港能投智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	100.0%	Renewable energy
Towngas Smart Energy Maanshan Comprehensive Co., Ltd.	PRC – Limited liability company	RMB74,500,000	90.0%	100.0%	Renewable energy
泉州港華智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	100.0%	Renewable energy
臨沂港能投清潔能源有限公司	PRC – Wholly foreign-owned enterprise	RMB80,000,000	100.0%	100.0%	Renewable energy
漢川港能投智慧能源有限公司 (formerly known as 漢川港能投新能源科技有限公司)	PRC – Wholly foreign-owned enterprise	RMB80,000,000	100.0%	100.0%	Renewable energy

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
宿遷港華能源有限公司	PRC – Wholly foreign-owned enterprise	RMB84,500,000	100.0%	–	Renewable energy
龍口港能投清潔能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	–	Renewable energy
淄博港能投清潔能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	–	Renewable energy
徐州港能投智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	–	Renewable energy
張家港港電智慧能源有限公司	PRC – Limited liability company	RMB100,000,000	80.0%	–	Renewable energy
青島港能投清潔能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	–	Renewable energy
上海浦東港華數智慧源發展有限公司	PRC – Wholly foreign-owned enterprise	RMB100,000,000	100.0%	–	Renewable energy
深圳坪山港能投智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	–	Renewable energy
濟南港能投清潔能源有限公司	PRC – Limited liability company	RMB74,500,000	100.0%	–	Renewable energy
泰州高港港電智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	–	Renewable energy
清遠港能投智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	–	Renewable energy
武漢經濟技術開發區港華智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	–	Renewable energy
開封市港華新能源有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100.0%	–	Renewable energy

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For the year ended 31 December 2023

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows: *(Continued)*

Name of company	Place/form of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2023	2022	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
港華數智慧源科技(深圳)有限公司	PRC – Wholly foreign-owned enterprise	RMB90,000,000	100.0%	–	Renewable energy
長沙港華智慧能源有限公司	PRC – Limited liability company	RMB100,000,000	100.0%	–	Renewable energy
衡陽高新技術產業開發區港華能源有限公司	PRC – Wholly foreign-owned enterprise	RMB65,000,000	100.0%	–	Renewable energy
威海港能投清潔能源有限公司	PRC – Wholly foreign-owned enterprise	RMB24,500,000	100.0%	–	Renewable energy
滁州港華綜合能源有限公司	PRC – Wholly foreign-owned enterprise	RMB58,000,000	100.0%	–	Renewable energy
黃山港華智慧能源有限公司	PRC – Wholly foreign-owned enterprise	RMB60,000,000	100.0%	–	Renewable energy
汨羅港能投新能源科技有限公司	PRC – Wholly foreign-owned enterprise	RMB80,000,000	100.0%	–	Renewable energy

note: The Group is able to exercise power in making decisions over the relevant activities over these companies in accordance with memorandum of associations and able to appoint more than half of the board of directors of each of the companies. Accordingly, these companies are regarded as subsidiaries of the Group.

None of the subsidiaries had issued any debt securities at the end of the year except for TCCL (Finance) Limited which has issued SLB of approximately HK$1,562 million and Panda Bonds of approximately HK$1,650 million, in which the Group has no interest.

No financial information of the non-wholly owned subsidiaries is disclosed in the consolidated financial statements as the non-controlling interests are not individually material to the Group.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

50. EVENT AFTER THE REPORTING PERIOD

On 7 March 2024, the transfer of 60% equity interest in Fengxi Gas with details set out in Note 31 has been completed.

Corporate Information

Board of Directors

Non-Executive Directors

Lee Ka-kit (Chairman)
LIU Kai Lap Kenneth

Executive Directors

Peter Wong Wai-yee (Chief Executive Officer)
Martin Kee Wai-ngai (Chief Operating Officer – Gas Business)
John Qiu Jian-hang (Chief Operating Officer – Renewable Business)

Independent Non-Executive Directors

Moses Cheng Mo-chi
Brian David Li Man-bun
LOH Kung Wai Christine

Authorised Representatives

Peter Wong Wai-yee
Elsa Wong Lai-kin

Company Secretary

Elsa Wong Lai-kin

Board Audit and Risk Committee

Brian David Li Man-bun (Chairman)
Moses Cheng Mo-chi
LOH Kung Wai Christine

Remuneration Committee

Moses Cheng Mo-chi (Chairman)
Brian David Li Man-bun
LOH Kung Wai Christine

Nomination Committee

Lee Ka-kit (Chairman)
Moses Cheng Mo-chi
Brian David Li Man-bun
LOH Kung Wai Christine

Environmental, Social and Governance Committee

Peter Wong Wai-yee (Chairman)
Martin Kee Wai-ngai
John Qiu Jian-hang
LOH Kung Wai Christine

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants and Registered Public Interest Entity Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

Registered Office

P.O. Box 309
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Grand Cayman
KY1-1104
Cayman Islands

Head Office and Principal Place of Business

23rd Floor, 363 Java Road
North Point, Hong Kong
Telephone: (852) 2963 3298
Facsimile: (852) 2561 6618
Stock Code: 1083
Website: www.towngassmartenergy.com

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Hong Kong Branch Share Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Towngas Smart Energy Company Limited

23rd Floor, 363 Java Road, North Point, Hong Kong

www.towngassmartenergy.com

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