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
2024

Towards
a Greener Future

You Are Always In Our Hearts

Dr. the Honourable Lee Shau-kee, GBM,
Former Chairman of HKCG
(1928-2025)

Dr. Lee Shau-kee, the former Chairman of the Group's parent company, HKCG, passed away on 17th March 2025. Under his outstanding leadership, HKCG achieved remarkable success, including being recognised as the "Company of the Year" in the gas industry. Dr. Lee earned widespread acclaim for his noble character and business acumen, whilst making significant contributions to the territory's economic prosperity. He was also a highly respected philanthropist, donating generously to many major educational and community initiatives in Hong Kong, on the Chinese mainland and overseas. The Board expresses its deepest sorrow at Dr. Lee's passing and will continue to further the mission he laid down to develop the Group's businesses.

OUR MISSION

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

OUR VISION

To be a leading clean and smart energy supplier, with a view to creating a sustainable world driven by green energy.

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2024 Awards and Recognitions

Sustainability Yearbook (China Edition) 2024
Member
"Top 1%" S&P Global CSA Score
among Chinese Companies
(Gas Utilities Sector)
S&P Global

Frontrunner of Standards in Public Organisation Energy Performance
Contracting Service Firms
China Energy Conservation Association

Enterprise of the Year for Business Value
WISE 2024 Business King
36Kr

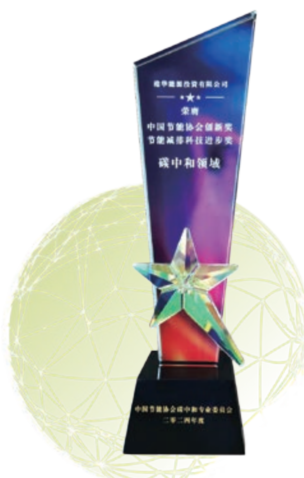
Best ESG Disclosure Award
Hong Kong International ESG Alliance

Best GRI Report Commendation
Hong Kong ESG Reporting Awards

ESG Zero Carbon Enterprise Leader Award
Energy Magazine

5A Rating for Clean Heating Supply Enterprises
Clean Heating Industrial Committee

Distinction Award
Hong Kong Sustainability Award 2024
The Hong Kong Management Association



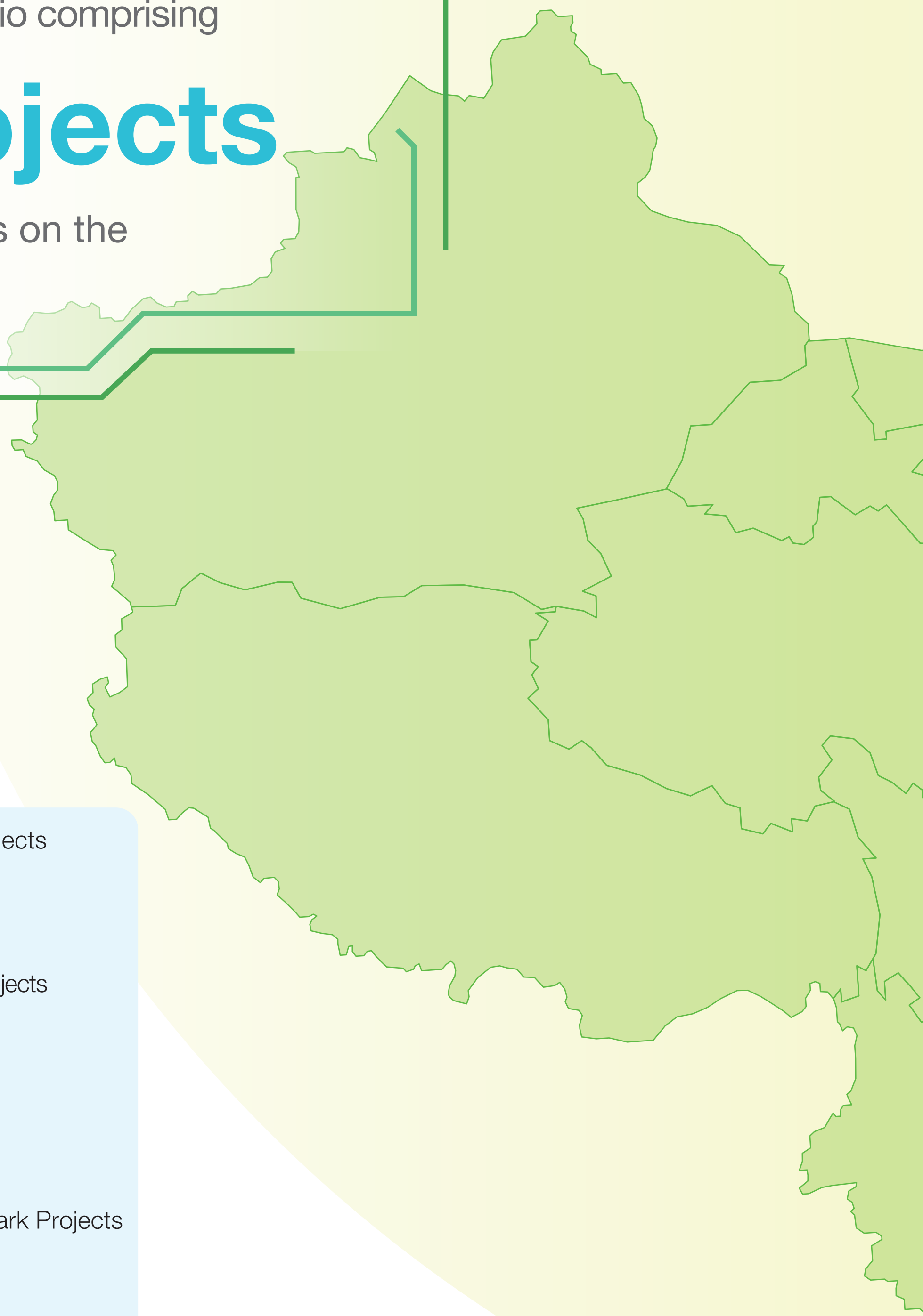
Energy Saving and Emission Reduction Technology Advancement Award (Carbon Neutral Field)
China Energy Conservation Association Innovation Award
Carbon Neutrality Committee of China Energy Conservation Association

2024 Business Coverage

The Group has a portfolio comprising

749 projects

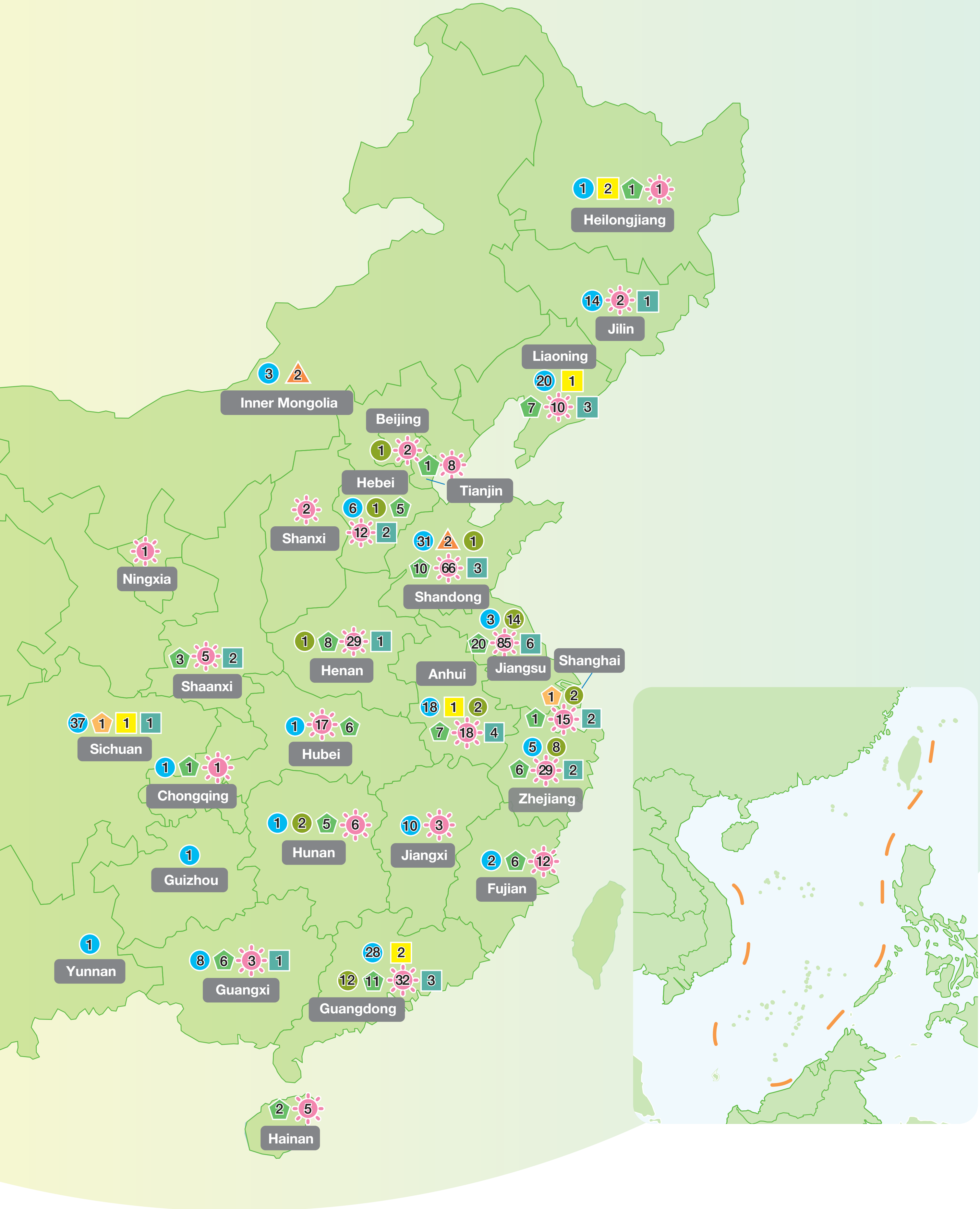
in 27 provincial regions on the Chinese mainland.



Numbers indicate the quantity of projects in the corresponding regions

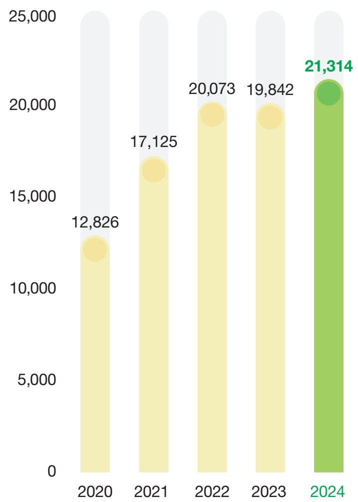
- City-Gas Projects
- Gas Resources Supply Chain Projects
- Midstream Projects
- Other Gas-Related Projects
- Photovoltaic Projects
- Zero-Carbon Smart Industrial Park Projects
- Energy and Carbon Projects
- Other Renewable Energy Projects

2023 year end: 536 projects (inclusive of city-gas projects, photovoltaic projects and energy and carbon projects re-invested by the Group's companies)

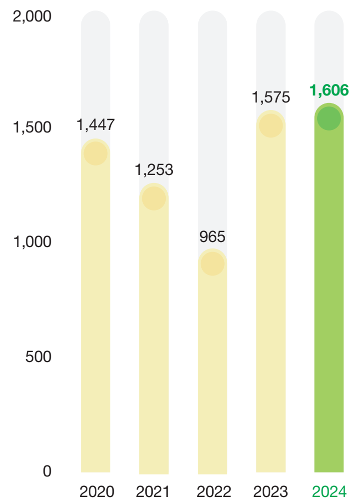

1 2 1 1
Heilongjiang
14 2 1
Jilin
Liaoning
20 1
7 10 3
3 2
Inner Mongolia
Beijing
1 2
1 8
Hebei
Tianjin
2
Shanxi
6 1 5
12 2
31 2 1
10 66 3
Shandong
1
Ningxia
3 14
20 85 6
Jiangsu
Shanghai
1 8 29 1
Henan
Anhui
3 5 2
Shaanxi
18 1 2
7 18 4
1 2
1 15 2
37 1 1 1
Sichuan
1 17 6
Hubei
5 8
6 29 2
Zhejiang
1 1 1
Chongqing
1 2 5 6
Hunan
10 3
Jiangxi
2 6 12
Fujian
1
Guizhou
1
Yunnan
8 6 3 1
Guangxi
28 2
12 11 32 3
Guangdong
2 5
Hainan

Business Highlights

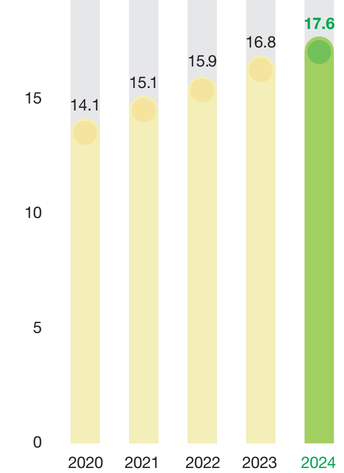
Revenue
(HK$ Millions)



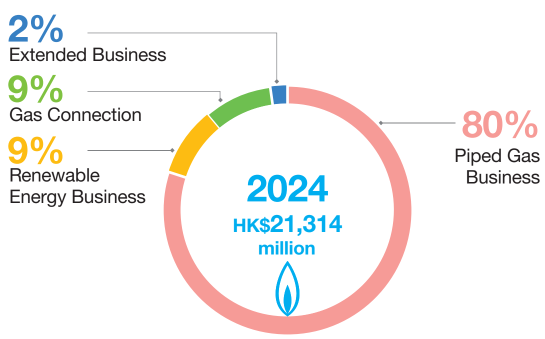
Profit Attributable to Shareholders of the Company
(HK$ Millions)

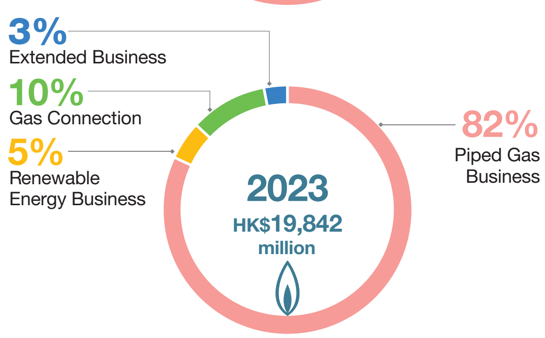


Number of Customers (All Entities)
(Millions)

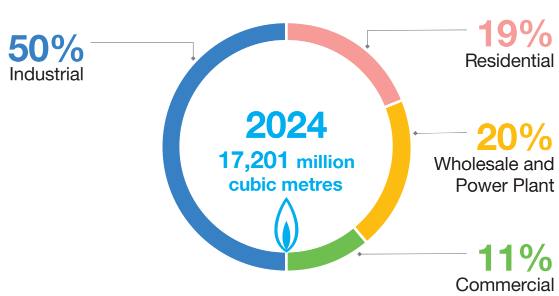


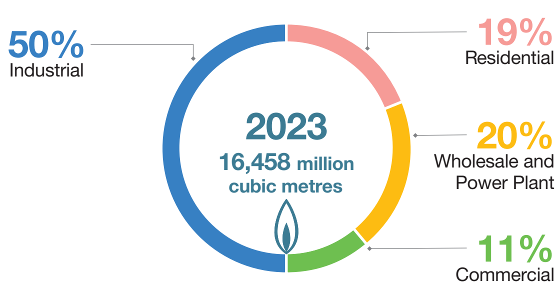
Analysis of Revenue





Percentage of Gas Volume by Customer Mix (All Entities)





Five-Year Financial Summary

	For the year ended 31 December				
	2020 HK$'M	2021 HK$'M	2022 HK$'M	2023 HK$'M	**2024** **HK$'M**
RESULTS					
Revenue	12,826	17,125	20,073	19,842	**21,314**
Profit before taxation	2,203	2,145	1,584	2,196	**2,205**
Taxation	(555)	(618)	(383)	(385)	**(409)**
Profit for the year	1,648	1,527	1,201	1,811	**1,796**
Profit for the year attributable to:					
Shareholders of the Company*	1,447	1,253	965	1,575	**1,606**
Non-controlling interests	201	274	236	236	**190**
Profit for the year	1,648	1,527	1,201	1,811	**1,796**
	HK cents	HK cents	HK cents	HK cents	**HK cents**
Earnings per share					
Basic	49.6	41.5	30.2	47.7	**47.1**
Diluted	N/A	41.5	14.4	42.5	**42.7**

	As at 31 December				
	2020 HK$'M	2021 HK$'M	2022 HK$'M	2023 HK$'M	**2024** **HK$'M**
ASSETS AND LIABILITIES					
Total assets	42,893	54,237	52,944	53,464	**53,043**
Total liabilities	(20,244)	(29,064)	(29,081)	(28,234)	**(27,285)**
	22,649	25,173	23,863	25,230	**25,758**
Equity attributable to shareholders of the Company	20,723	22,895	21,505	22,847	**23,448**
Non-controlling interests	1,926	2,278	2,358	2,383	**2,310**
Total equity	22,649	25,173	23,863	25,230	**25,758**

* *the Company: Towngas Smart Energy Company Limited*

Chairman's Statement

Actively embracing technology for the betterment of the times, and enhancing the resilience to develop our business, ensuring steady and sustainable progress.

Dr. the Hon. Lee Ka-kit

Since its establishment, the Group has been supplying safe and reliable city-gas to thousands of households. We are deeply honoured and immensely proud to have played a part in the development of the country's national energy sector. On behalf of the Board, I would like to extend our heartfelt gratitude to the members of the community who have been so supportive to us throughout our business development.

In 2024, the domestic economy of the Chinese mainland was under pressure in view of the complex and volatile international landscape and the challenging business environment. This resulted in an uncertain environment which affected business operations throughout the region. However, benefitting from the country's resolute promotion of environmental protection and its "30-60" dual carbon goals, new quality productive forces have injected a strong momentum for high-quality development, in particular the demand for green and clean energy increased. At the same time, the country's energy policies continue to drive the innovative development of the renewable energy business, from distributed photovoltaics and new energy storage methods to virtual power plants and smart microgrids. Not only do our advantages and strengths lie in these areas, but they also present opportunities for growth, creating a favourable environment and growth opportunities for the Group's business in the long term.

Final Dividend and Special Dividend

During the year, the Group's overall revenue increased by 7.4% to HK$21,314 million; while our core operating profit increased by 34.5% to HK$1,601 million (increased by 37.2% in RMB terms). Profit attributable to shareholders of the Company amounted to HK$1,606 million, representing an increase of HK$31 million over the last year, while our basic earnings per share was 47.1 HK cents. The Board recommends a final dividend of 16 HK cents per share.

In addition to the final dividend, in light of encouraging performance of renewable energy business, the Board also proposes a one-off special dividend of 3 HK cents per share, in recognition of shareholders' unwavering support. The proposed distribution of final dividend and special dividend is subject to shareholders' approval at the annual general meeting. It is anticipated that the final dividend and special dividend will be distributed to shareholders whose names appear on the Register of Members of the Company as at 6th June 2025.

Renewable Energy Business

The Group carried out a series of optimisation, integration, cost-reduction, and efficiency-enhancement measures during the year. An emphasis was placed on strengthening core businesses, enhancing competitiveness, and delivering long-term value through a new growth model.

In terms of our renewable energy and smart energy systems, after several years of effort, the Group has made significant progress and is well on track to growth. Our distributed photovoltaic projects have a cumulative grid-connected installed capacity of 2.3 GW, with electricity generation reaching 1,830 million kWh. The customer base covers 20 sub-sectors under the eight major emission-control industries such as petrochemical, building materials and non-ferrous metals, etc., serving both private companies as well as large-scale central and state-owned enterprises, which has become a new driving force for the Group's profit growth.

Building on our photovoltaic customer base, we have been able to leverage our unique smart microgrid technologies and products to expand our "Energy as a Service" ("EaaS") projects. Our customers thus enjoy one-stop energy management services that integrate "photovoltaics + energy storage + electricity sales" facilities. Our competitive advantages are becoming increasingly apparent, earning steady income for the Group. Capitalising on these synergies even further, we have been actively developing virtual power plants, using our smart microgrids to integrate both our own and third-party resources to participate in electricity market transactions. During the year, we actively implemented an asset-light business model. As a result, we successfully signed up a number of strategic investors who jointly invested in our photovoltaic assets.

Additionally, we became the first Hong Kong-listed company to issue an "Asset-Backed Securities Program" ("Quasi-REITs") for industrial and commercial distributed photovoltaic and energy storage facilities on the Chinese mainland market during the year. The issuance amounted to RMB515 million and was oversubscribed by 2.5 times, reflecting a positive market response. The funds raised will be used for continued investment in renewable energy projects, including photovoltaic power generation and energy storage stations.

City-Gas Business

As for our city-gas business, the Group, together with our parent company, The Hong Kong and China Gas Company Limited ("HKCG"), has continued to focus on all aspects of upstream, midstream and downstream operations. This strategy ensures diversified and sufficient gas resources with safe and reliable gas supplies. The gas sales volume grew steadily during the year. Together with our parent company, the Group is fully committed to our "1+3" strategic cooperation with PipeChina and the three major national petroleum corporations, as we work to build a dual gas model comprising both "offshore gas + onshore gas" resources. Looking to the future, we will continue to strengthen our internal infrastructure and seek further cooperation with external parties to improve the mobility of our resource pool, secure supplies and reduce costs.

In response to the advancement of the "One City, One Enterprise" policy by a number of local governments in the country, two companies in Jinan, Shandong Province, in which the Group and our parent company respectively hold shares, began merger and restructuring processes during the year. This strategic move not only aligns with the local government's gas development plans to unify local operating scope, but also optimises resource allocation and enhances asset value, giving us the ability to pursue higher-quality development and provide better services to customers.

Environmental, Social and Governance

We are pleased to see the significant recognition and encouragement Towngas Smart Energy has received throughout our transition and development. These include the excellent ratings we have received in the S&P Global ESG Scores and being consistently ranked among the "Top 1%" in S&P Global CSA Score among Chinese gas utilities. We firmly believe that our business development is on the right track – promoting green energy transformation is the necessary path for social and national development.

Business Outlook for 2025

The complex geopolitical landscape and the global economy will continue to present challenges to the business environment in the near term. However, the healthy development of the city-gas business will be supported by energy-friendly policies at the state level. In 2025, in alignment with the implementation of state policies on energy trusteeship for public institutions as well as large-scale equipment renewals, the Group will press ahead with our "Gas+" business with an emphasis on public institutions, the industrial sector and the construction industry. Our approach is to not only provide top-quality integrated energy services to our customers, but also to enhance the effectiveness of energy saving and carbon emission reduction through advanced technologies and smart management. At the same time, we are also actively developing biomass natural gas grid connection projects and exploring business opportunities for hydrogen blending in natural gas pipelines.

The Group and our parent company will bolster the development of international trading platforms while also seizing opportunities to import spot liquefied natural gas. In 2025, we will see two new gas wells commence operation as part of the second phase of the parent company's gas storage facility in Jintan District, Changzhou, Jiangsu Province. This will raise the facility's total storage capacity to approximately 480 million cubic metres, further bolstering the injection/extraction and emergency peak-shaving capabilities of the "West-to-East Gas Pipeline" and the "Sichuan-to-East Gas Pipeline", as well as strengthening our synergy with the Group.

In terms of renewable energy, the Group will continue to expand our energy storage projects and actively accelerate the development of our EaaS business to seize the opportunities, and tackle the challenges, arising from time-of-use electricity pricing reforms as well as the rapid market integration of new energy power generation developments.

Enhance Resilience
Ensure Sustainability

Looking forward, the Group remains committed to addressing the numerous challenges ahead. On the one hand, we will continue to reduce costs, improve efficiencies, maintain stringent risk controls, enhance team performance and optimise cash flow management; on the other hand, we will actively embrace technology for the betterment of the times to enhance resilience, ensure steady and sustainable progress, and contribute even more positively to the country's dual carbon goals with our strengths and dedication.

Dr. the Hon. Lee Ka-kit
Chairman

14th March 2025

Board of Directors

Dr. the Hon. Lee Ka-kit
GBM, GBS, JP, DBA (Hon)
Chairman and Non-Executive Director

Aged 61, Dr. the Hon. Lee 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). Dr. Lee was awarded the Grand Bauhinia Medal (GBM) by the Government of the Hong Kong Special Administrative Region in 2024 in recognition of his dedicated service and tremendous contributions to the community. 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. Dr. Lee is 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

GBM, GBS, OBE, JP

Independent Non-Executive Director

Aged 75, Dr. the Hon. Cheng 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 Government 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.

Mr. Brian David Li Man-bun

BBS, JP, FCA, MBA, MA (Cantab)

Independent Non-Executive Director

Aged 50, Mr. Li 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 The Stock Exchange of Hong Kong Limited (the "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 2004 to 2009. He was appointed Deputy Chief Executive of BEA in 2009 and Co-Chief Executive of BEA in 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 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 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, a Board Member of Hong Kong-Shenzhen Innovation and Technology Park Limited and a Member of the Disaster Relief Fund Advisory Committee. 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. Christine Loh Kung-wai

SBS, OBE, JP,

Chevalier de l'Ordre National du Mérite

Independent Non-Executive Director

Aged 69, Dr. Loh 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 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.

Mr. Kenneth Liu Kai-lap

Non-Executive Director

Aged 50, Mr. Liu 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 Chinese mainland 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

CPA (CANADA), CMA, CPA (HK), ACG, HKACG, FIGEM, FHKIoD, FHKMA, MBA

Executive Director and Chief Executive Officer

Aged 73, Mr. Wong 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 received the inaugural Climate Governance Award in the "Listed Company – Executive Directors" category from The Hong Kong Institute of Directors in 2024. 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 48 years of experience in corporate finance, management and international working experience.

Mr. Martin Kee Wai-ngai
CEng, MIGEM, MBA, BSc (Eng)
Executive Director and Chief Operating Officer – Gas Business

Aged 58, Mr. Kee 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 the 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 the 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

CEng, MIGEM, DSc (Eng),
MSc (Eng), BSc (Eng)

Executive Director and Chief Operating Officer – Renewable Business

Aged 61, Dr. Qiu 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, a member 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 Maanshan Hong Kong and China Gas Company Limited (馬鞍山港華燃氣有限公司), a joint venture of the Company and Xian Qinhua Gas Group Co., Ltd. (西安秦華燃氣集團有限公司), 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.

REVIEW OF OPERATIONS – CITY-GAS BUSINESS

Since its establishment, the Group has been actively involved in the country's energy and environmental protection efforts, and has joined hands with various sectors to promote clean energy applications. During the year, benefitting from the country's dynamic measures to stimulate consumption and stabilise the real estate sector, as well as the introduction of policies conducive to the development of the natural gas industry, the Group has been able to capitalise on these favourable policies and market opportunities to achieve steady development of our its city-gas business on the Chinese mainland.

In 2024, under the national "dual carbon" strategies and the acceleration of comprehensive green transformation, natural gas consumption maintained growth. The national natural gas "production, supply, storage and sales" system has also been further improved with enhanced pipeline network interconnection and pipeline transmission capacity.

The Group had a total of 191 city-gas projects (inclusive of corporate reinvestment projects) across 19 provincial regions in 2024, with four new projects added during the year. The total number of customers reached 17.64 million, representing an increase of 870,000 customers during the year. The Group recorded a gas sales volume of 17,201 million cubic metres, representing a year-on-year increase of 5%.

With the country's strong push to rapidly develop a new energy industry, demand for gas from industrial customers in the "new trio" industries — namely new energy vehicles, lithium batteries and photovoltaic cells — showed consistent growth, driving expansion in the Group's business.

Further Development of the "Gas+" Business

With a focus on low-carbon energy supply and smart energy-saving applications, the Group made significant strides forward in developing its Gas+ energy service business and moved beyond the provision of natural gas and services to include comprehensive energy solutions that enhance market value. During the year, the Group's Gas+ energy service projects developed rapidly, with comprehensive energy sales reaching the equivalent of 1,160 million kWh of electricity, representing a 22% year-on-year growth.

Integrated Regional Energy Supply

A leading automobile production company in Anqing, Anhui Province, uses natural gas provided by the Group at various stages of the production process, including temperature control, coating drying and exhaust gas treatment, with an annual gas consumption of 3.8 million cubic metres.

To support national policies on energy trusteeship for public institutions and large-scale equipment replacement, the Group and its parent company entered into strategic cooperation agreements with the Administration of Authorities of Jiangsu Province and Jiangxi Province. Through these partnerships, the Group has advanced more than ten energy-saving projects for public institutions, by adopting approaches such as asset-light energy trusteeship and multi-energy complementary supply.

Under the national strategy to promote large-scale equipment modernisation and green, low-carbon transformation, the Group is actively expanding its energy-saving business in the industrial and construction sectors.

Energy-Saving Project

The energy-saving project launched by the Group at a large-scale chemical company in Zibo, Shandong Province, enabled the customer to achieve waste heat utilisation and enhanced energy efficiency by upgrading its boiler system. This project is laying the foundation for the Group to open up the energy-saving market in the chemical industry.

Energy Trusteeship Project

The Group manages an energy trusteeship project for a prefecture-level administrative centre in Jiangxi Province. With a total building area of 23,000 square metres, the project involves energy-efficient renovations of air-conditioning, lighting, lifts and water supply systems, utilising the Group's smart energy platform to achieve cost reductions through improved efficiency.

Achieving Cost Pass-Throughs

At the Third Plenary Session of the Twentieth Central Committee of the Communist Party of China, improvements to the market pricing mechanism were proposed that included market-oriented reform of natural gas, as well as the accelerated establishment of a price linkage mechanism for upstream and downstream natural gas for households. During the year, the Group essentially achieved cost pass-throughs for non-residential customers. Among the Group's city-gas joint ventures, 75% completed cost pass-throughs for residential customers. At the same time, the Group recorded a recovery in the gas sales dollar margin. The average dollar margin of city gas was RMB0.56 per cubic metre, representing an increase of RMB0.02 per cubic metre compared to 2023.

Low-Carbon Transition

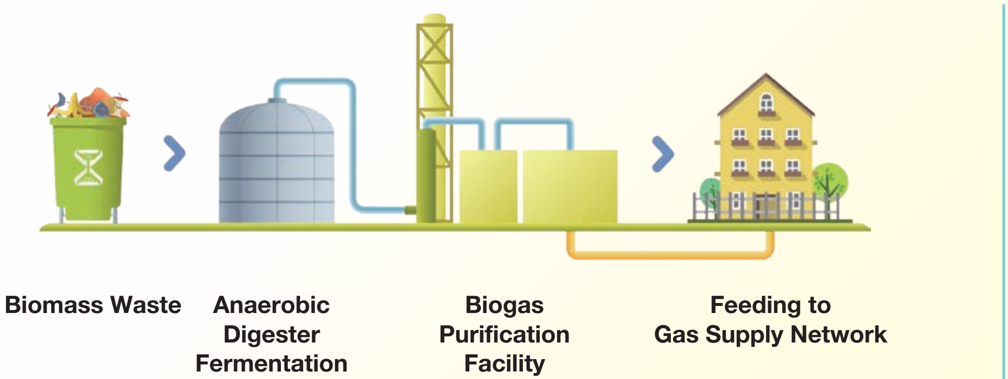
In line with the national push for a green, low-carbon energy transition, the Group continued to gather biomass natural gas and feed it into the city-gas network, providing users with lower-carbon gas resources. Currently, the Group has developed biomass natural gas application projects across Jiangsu Province, Zhejiang Province, Shandong Province, Sichuan Province and other regions, with six projects already connected to the network, delivering 20 million cubic metres of biomass natural gas per year.

During the year, a new project of biomass natural gas grid connection of Hangzhou Hong Kong and China Gas Company Limited was added to the Group's portfolio. The gas source comes from biogas produced from biomass waste, with an annual grid-connected capacity of approximately 4 million cubic metres, effectively transforming waste into energy.

Leading the "One City, One Enterprise" Initiative

Several enterprises within the Group led the implementation of the "One City, One Enterprise" initiative during the year, with the aim of optimising and restructuring gas projects in Chaozhou, Jinan, Dalian and other locations. By achieving resource integration and allocation through this initiative, the Group has been able to enhance the value of its city-gas assets and improve risk resilience.

Waste to Energy: Feeding Biomass Natural Gas to the Network



Integrating its city-gas enterprises with Chaozhou Shenzhen Energy Gas Company Limited (潮州深能燃氣有限公司) has enabled the Group to expand its local gas operations, thereby enhancing supply capacity and improving economic returns.

Shandong Towngas and Shandong Jihua started a merger and restructuring process. After the merger, Shandong Towngas will serve 2.45 million customers, with annual gas sales exceeding 1,000 million cubic metres. Shandong Towngas will become the largest city-gas enterprise in Shandong Province, expanding the Group's business scale in Jinan and surrounding areas.

Exploring Hydrogen Blending in Natural Gas

The Group has actively responded to the national hydrogen energy development plan and has been exploring applications for hydrogen-natural gas blending. In Shandong Province, Weifang Hong Kong and China Gas Company Limited's pipeline blending demonstration project — Bringing Hydrogen into Households — made steady progress towards its ultimate aim of serving 100,000 residential customers. The Group is also advancing a hydrogen blending collaboration between Damao Hong Kong and China Gas Company Limited (達茂港華燃氣有限公司) in Baotou, Inner Mongolia Autonomous Region, and China Huadian Baotou Branch, targeting large industrial customers. This initiative tests the impact of hydrogen-natural gas mixtures on industrial burners, while also exploring the development of pricing mechanisms for blended hydrogen.

REVIEW OF OPERATIONS — RENEWABLE ENERGY BUSINESS

The country aims to achieve a national renewable energy consumption target of more than 1,500 million tonnes of standard coal by 2030. This has accelerated the shift towards renewable energy in key areas such as industrial, transportation, construction and new infrastructure, creating significant opportunities for the development of the business. In 2024, the Group's renewable energy business entered a growth trajectory.

Five-Fold Profit Growth

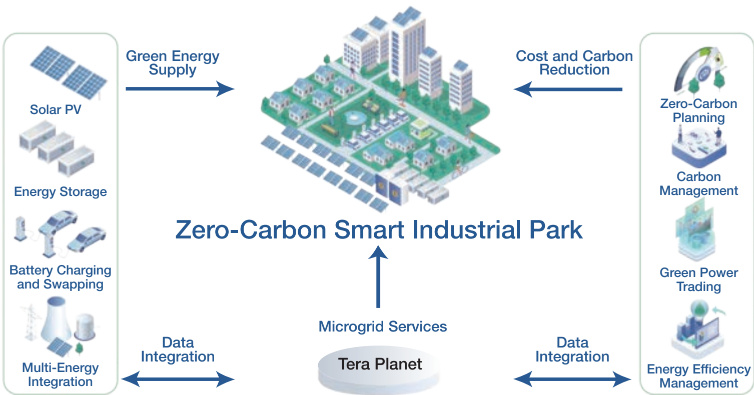
The Group's renewable energy business continued to grow rapidly. It covered 20 sub-sectors under the eight major emission-control industries, such as petrochemicals, building materials and non-ferrous metals, among others, serving both private companies as well as large-scale central and state-owned enterprises. As at the end of 2024, the Group had investments in more than 1,000 renewable energy projects in 24 provinces, autonomous regions and municipalities. The cumulated grid-connected installed capacity of the Group's distributed photovoltaic projects reached 2.3 GW, while commercial and industrial energy storage contracts exceeded 400,000 kWh. Electricity sales volume reached 8,400 million kWh, with carbon asset management and service operations developing steadily. The annual net profit from the renewable energy business during the year amounted to HK$479 million, representing a quintupled year-on-year increase.

Developing Zero-Carbon Smart Industrial Parks

The Central Economic Work Conference in 2024 proposed to "create a cluster of zero-carbon industrial parks to support the development of a national carbon market". Under the *2025 Government Work Report*, further plans were outlined to "create multiple zero-carbon industrial parks and factories". This presents significant opportunities for the development of the Group's renewable energy business.

In 2021, Group Chairman Dr. the Hon. Lee Ka-kit submitted the *Proposal on Promoting Smart Energy-Centric Zero-Carbon City Pilots to Support the National 2060 Carbon Neutrality Goal* during the Two Sessions, advocating the development of zero-carbon smart industrial parks. The Group maintained its three strategic priorities — integrated energy solutions, decarbonisation and digitalisation — while advancing renewable energy projects centred on these parks. To date, a total of 128 projects have been developed in parks across 24 provinces, autonomous regions, and municipalities, including demonstration projects in Taizhou in Jiangsu Province, Jining in Shandong Province, and Shenzhen in Guangdong Province that contribute to the dual carbon goals and generate sound economic returns.

The Group's Zero-Carbon Smart Industrial Park Model



Zero-carbon smart industrial parks are a core scenario for the Group. By investing in and building diversified energy infrastructure, the Group can offer industrial parks a green energy supply with energy and carbon services that help them reduce their costs and cut carbon emissions. Based on a smart energy ecosystem platform, this solution will enable them to achieve the dual carbon goals.

Shenzhen Smart Microgrid Demonstration Project

Towngas Energy, a subsidiary of the Group, invested in, operated and maintained a smart energy demonstration project for an automobile enterprise in Shenzhen. Comprising distributed photovoltaic systems, energy storage, energy routers, microgrid energy management systems, virtual power plants and other innovative technologies and models, the project has become a successful case for the Group's smart energy and carbon services.

Advancing the Development of Energy and Carbon Services (EaaS)

The Group promoted its EaaS business model to industrial and commercial customers as a one-stop energy management service that integrates "photovoltaics + energy storage + electricity sales" for reducing costs and carbon emissions. During the year, the EaaS business made steady progress, contributing stable revenue to the Group. The annual profit from energy and carbon services amounted to HK$110 million, representing a double year-on-year growth.

Successful Capital Cooperation

The Group has successfully introduced multiple projects for joint investment in photovoltaic assets to strategic investors. Through this strategy of capital cooperation, the Group has been able to strengthen its relationships with investors and industry partners to launch pilot projects and expand its asset management scale.

The Group has also been innovating its financing channels. During the year, the Group issued the Smart Zero Carbon Phase 1 Green Assets Support Program (Carbon Neutral) ("Quasi-REITs") on the Shenzhen Stock Exchange. The size of the issue was RMB515 million, representing the first tranche of the RMB5,000 million shelf issue. The market response was strong, as the issue was oversubscribed 2.5 times.

This was the first successful Quasi-REITs issuance by a Hong Kong-invested company on the Chinese mainland and the first Quasi-REITs for industrial and commercial distributed photovoltaic and energy storage facilities. The funds raised will be used for continued investment in the Group's renewable energy projects, including photovoltaic power generation and energy storage stations.

The Group hosted a bell-ringing ceremony to mark the listing of its first Quasi-REITs on the Shenzhen Stock Exchange.

REVIEW OF OPERATIONS — ENVIRONMENTAL, SOCIAL AND GOVERNANCE

香港中华煤气集团经理人戈壁挑战赛
Tough Times Create Stronger Team

Achievements and Highlights

MSCI ESG Ratings 2024	**A**	**S&P Global ESG Score 2024**	**66**
FTSE4Good Index 2024	A Constituent of the FTSE4Good Index Series	**Hang Seng Corporate Sustainability Index ESG Rating 2024***	**AA**
CDP Climate Change Score 2024	**B**	**Sustainalytics ESG Risk Ratings 2024**	**Medium Risk**

* A constituent of the Hang Seng Corporate Sustainability Index Series

Robust Governance

- **No** significant non-compliance
- Collecting nearly **400** questionnaires, inviting over **20** stakeholders to participate in four focus group discussions

United in Effort

- **No** work-related fatalities of among employees or contractors
- Over **520,000** hours of safety training
- Over **8.59 million**[1] household safety inspections were conducted

Towards Carbon Neutral

- Scope 1 and 2 greenhouse gas emissions dropped by approximately **26%** compared to 2023
- Renewable energy projects in **128** zero-carbon smart industrial parks were developed cumulatively
- Accumulated a total grid-connected photovoltaic capacity of **2.3 GW**

Effective Collaboration

- **100%**[2] of new suppliers were screened using environmental and social standards as one of the screening factors
- More than **90%**[2] of suppliers have adopted S-Carbon to complete the quantification of greenhouse gas emissions
- Overall customer satisfaction rate: **96%**[3]

1 Including city-gas business only.
2 Based on total purchase value of products and materials of the city-gas operations of Towngas Smart Energy and its parent company, HKCG.
3 Applies to the related city-gas operations of Towngas Smart Energy and its parent company, HKCG.

Tough Times Create Smarter Teams

In September 2024, 70 staff members from HKCG and the Group embarked on a remarkable journey of retracing the ancient Xuanzang Route over three challenging days. Together, they took around 6,600 kilometres of footsteps across the Gobi Desert, supporting one another under a scorching sun and through bitter rains. During this arduous journey, they overcame countless obstacles and successfully completed this formidable challenge.

This expedition not only strengthened bonds among our people but also embodied the Group's guiding principle of "Tough Times Create Smarter Teams".

In an ever-shifting global landscape, we remain firm in our belief that by harnessing our collective wisdom and strengths, we can continue to rise above difficulties, drive steady development, secure our century-old foundation and transform challenges into opportunities.

The opening ceremony of the Biodiversity and New Energies Symposium.

Working Together to Drive Green Energy Transformation

In celebration of National Ecology Day on 15th August, Towngas Smart Energy, in collaboration with its parent company, HKCG, and sustainability partner, The Hong Kong Management Association (HKMA), co-organised the "Biodiversity and New Energies Symposium" during the year. The event featured discussions by experts from different sectors, covering opportunities and challenges of green transport energy, nature-related ESG disclosure and regulatory developments, and ways in which corporations can integrate biodiversity considerations into their operations.

The symposium recorded more than 5,000 in-person and virtual participations, including representatives from foreign consulates and economic and trade organisations. This demonstrated that new energies and biodiversity have become a global focus.

The Biodiversity and New Energies Symposium saw over 5,000 participations, both online and offline.

Improving Corporate Governance to Achieve Sustainable Development

Towngas Smart Energy continues to strengthen its governance structure to ensure that the Group's operations align with global best practices. The Board regularly holds ESG training sessions to enhance decision makers' awareness of sustainable development issues. During the year, the Group invited an independent third party to organise a training session on "Latest Trends in Climate Change and Green Finance" for the Board members to further deepen their understanding of the relevant areas. In addition, the Group has linked 5% of the variable compensation of senior executives to the achievement of ESG objectives such as the improvement of ESG ratings, the reduction of greenhouse gas emissions, and the achievement of health and safety targets to encourage their ongoing efforts toward sustainable development.

Building a Safe Community and Fulfilling Social Responsibilities

The Group initiated the Gentle Breeze Movement and the Green Firefly Project to support the underprivileged by improving the teaching environment in remote areas. As at the end of the year, the Gentle Breeze Movement reached 13 provincial regions across the country, with cumulative donations exceeding HK$4.1 million, bringing tangible improvements to the communities.

In terms of safety, the Group has always upheld the principle of "Safety First". During the year, the Group actively participated in the 23rd National Safety Production Month by organising and carrying out 1,038 safety inspections and 396 safety drills. Through the implementation of a regular inspection mechanism, the Group is committed to identifying potential risks promptly and addressing them swiftly to ensure that all aspects of its operations comply with the stringent safety standards, thus providing a safer operating environment for its employees and the community.

Towngas Smart Energy set up a charity library for a primary school in Qiqihar, Heilongjiang Province.

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 89 to 91.

Business Environment

According to the United Nations' "World Economic Situation and Prospects 2025" published in January 2025, global economy continued to show resilience in 2024, with an estimated economic growth rate of 2.8 per cent, the same as in 2023. Global economic growth is forecasted to be 2.8 per cent in 2025. Enduring the impact of weak investment, sluggish productivity, and high debt levels on global economic performance, global economic growth has stagnated and remains below the pre-pandemic 10-year annual average of 3.2 per cent. According to the International Monetary Fund ("IMF")'s "World Economic Outlook" published in January 2025, the global headline inflation rate is forecasted to decline steadily, from 5.8 per cent in 2024, to 4.2 per cent in 2025. Factors such as intensification of protectionist policies, exacerbated trade frictions and geopolitical tensions contribute to the uncertainty in global economic growth and inflation.

The Federal Open Market Committee ("FOMC") of the Federal Reserve ("the Fed") lowered interest rates by 100 basis points in 2024. In January 2025, FOMC decided to keep the target range for the federal funds rate unchanged, and stated that the economic outlook is uncertain and FOMC is attentive to the risks to achieving its employment and inflation goals. The Hong Kong Monetary Authority expected that the Fed's pace of future rate cuts remains uncertain as it is dependent on US inflation and labour market data developments, the effect of previous rate cuts, as well as the impact of fiscal, economic and trade policies adopted by the new administration on economic activity.

According to preliminary estimates by the National Bureau of Statistics, the Chinese mainland's gross domestic product ("GDP") recorded a year-on-year growth of 5.0 per cent in 2024, similar to the growth in 2023. In December 2024, the annual Central Economic Work Conference highlighted that the adverse effects of changes in the external environment have deepened. The Chinese mainland economy continues to face numerous difficulties and challenges, primarily due to insufficient domestic demand, operational difficulties for some enterprises, and pressure on employment and income growth for the population. The Chinese mainland's Purchasing Managers' Index ("PMI") for the manufacturing sector was 50.1 per cent in December 2024, a decrease of 0.2 percentage point from the previous month. In 2024, the Chinese mainland supported economic development through a series of policies, including lowering the reserve requirement ratio for financial institutions, reducing policy interest rates, lowering existing mortgage rates, ratcheting up efforts to further reverse the downturn of and stabilise the real estate market, and the RMB 12 trillion local government debt swap programme.

According to the annual Central Economic Work Conference in December 2024, the Chinese mainland will implement more proactive and impactful macro policies in 2025. These policies include vigorously boosting consumption, improving investment efficiency, expanding domestic demand on all fronts, driving development of new quality productive forces through scientific and technological innovation, and adopting a more proactive fiscal policy and moderately loose monetary policy.

Additionally, 2024 was a significant year for the development of generative artificial intelligence, with the rapid decline in the cost of large model services and the rise of open-source large models in the Chinese mainland. This technological breakthrough will further advance the development and application of artificial intelligence, bringing more convenience and progress to human society.

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 2024, frequent occurrences of extreme weather events were observed globally, intensely impacting public services. The Group has implemented various climate resilience measures, including enhancing flood prevention facilities and introducing ultrasonic technology for pipeline inspections, ensuring a safe and reliable gas supply.

According to the World Meteorological Organisation's analysis, 2024 was the hottest year ever recorded on Earth. The global average temperature from 1850 to 2024 is 1.55°C higher than the average from 1850 to 1900, surpassing the 1.5°C threshold for the first time. In response to global climate change, the Group actively introduces strategic investors and partners to develop renewable energy business using an asset-light model, contributing to the sustainable development of the country.

Reliability of Gas Supply

We continue to pursue new sources of piped gas supply. The Group's gas source business segment strategically coordinates natural gas supply and transmits gas flexibly through the national pipeline network for the Group's gas business. A variety of energy sources have also been obtained, including unconventional piped natural gas on the Chinese mainland 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 transportation, 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.

Transportation Network Safety

Preventing gas leakages or explosions in our gas transportation 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. We enhance employees' awareness of information security and have developed system contingency plans for system failure with regular drills. Furthermore, regulatory requirements relating to information security on the Chinese mainland are 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 long-established business relationships with stakeholders, including our customers and suppliers, and subsequently may result in negative reputational and financial impact on the Group. To foster a culture of integrity and trust within the team and ensure employees adhere to ethical standards, 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 encouraging 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 and/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 and health culture by providing staff and contractors with systematic professional, technical and safety-related training.

Financial Review

In 2024, total gas sales volume of the Group rose by **5%** to **17,201 million** cubic metres.

Profit attributable to shareholders of the Company increased by **2.0%** to **HK$1,606 million**. Core operating profit before non-operating gains and losses increased significantly by **34.5%** to **HK$1,601 million** (increased by **37.2%** in RMB terms).

The total number of Group customers rose to **17.64 million**, representing an increase of **870,000** customers during the year.

Revenue

In 2024, the Group's consolidated gas sales volume amounted to 5,087 million cubic metres, representing an increase of 5.5% from last year. The cost pass-throughs of piped gas further improved, with cost pass-throughs having already been achieved among most of the industrial and commercial customers and with residential cost pass-throughs realised in many cities where the Group's city-gas projects are located. However, the depreciation of the RMB partially offset some of the revenue growth. The revenue amounted to RMB19,626 million, representing an increase of 9.6% compared to last year. However, due to exchange rate impact, the revenue in HK$ terms increased by 7.4% to HK$21,314 million.

Business Segments	**2024 HK$ million**	2023 HK$ million
Sales of piped gas business	**17,056**	16,292
Gas connection	**1,865**	1,868
Renewable energy business	**1,864**	1,056
Extended business	**529**	626
Total	**21,314**	19,842

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 2024 amounted to HK$19,420 million, representing an increase of 6.8% compared to last year.

	2024 HK$ million	2023 HK$ million
Gas fuel, stores and materials used	**15,847**	15,125
Staff costs	**1,421**	1,306
Depreciation and amortisation	**1,238**	1,070
Other expenses	**914**	677
Total	**19,420**	18,178

Other Gains, Net

In 2024, net other gains decreased by 57.9% from HK$427 million in last year to HK$180 million. The main reasons for the difference during the year were the increase of HK$200 million in gain on deemed disposal/disposal of subsidiaries, the gain from restructuring of extended business of HK$34 million, the decrease of HK$159 million in provisions for impairment of fixed assets and goodwill and the gain on exit from equity interest in Shanghai Gas of HK$681 million in last year.

Share of Results of Associates

In 2024, share of results of associates decreased by 3.3% from HK$366 million in last year to HK$354 million (decreased by 1.4% in RMB terms).

Share of Results of Joint Ventures

In 2024, share of results of joint ventures decreased by 10.1% from HK$318 million in last year to HK$286 million (decreased by 8.3% in RMB terms). The real estate sector on the Chinese mainland remained in doldrums, which leading to the decrease in number of customers and sales amount of gas connection.

Finance Costs

In 2024, the finance costs of the Group decreased by 5.4% from HK$770 million in last year to HK$729 million. Stringent control of capital expenditure and successful securing of low-interest loans have reduced financing costs.

Profit for the Year

In 2024, profit attributable to shareholders of the Company amounted to HK$1,606 million, representing an increase of 2.0% 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$76 million and loss from non-recurring items totalling HK$71 million), core operating profit amounted to HK$1,601 million, increased significantly year-on-year by 34.5% (increased by 37.2% in RMB terms). Basic earnings per share amounted to 47.1 HK cents, representing a decrease of 1.3% year-on-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 2024, the Group’s borrowings amounted to HK$15,427 million (2023: HK$16,282 million), of which HK$3,696 million (2023: HK$5,500 million) represented borrowings due within 1 year, HK$10,640 million (2023: HK$10,038 million) represented borrowings due between 1 to 5 years, and HK$1,091 million (2023: HK$744 million) represented borrowings due over 5 years. Other than the HK$12,044 million (2023: HK$12,392 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 were mainly engaged on the Chinese mainland and most of the transactions, assets and liabilities were denominated 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$13,859 million (2023: HK$14,323 million) and the remaining HK$1,568 million borrowings were denominated mainly in United States dollars (“USD”) as at the end of the year (2023: 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$15 million (2023: HK$28 million), approximately HK$5 million (2023: HK$20,000), approximately HK$4 million (2023: HK$27 million) and approximately HK$15 million (2023: HK$15 million) from the parent company HKCG, associates, joint ventures, and non-controlling shareholders on a fixed interest rate basis respectively.

In order to expand funding channels, enhance the flexibility and ability of financing and strengthen its financial position, the Group issued its first “asset-backed securities program” on the Chinese mainland in 2024, with a scale of RMB515 million, featuring a senior class security coupon rate of 2.3%.

As at 31 December 2024, the Group’s cash and cash equivalents together with time deposits and restricted deposits amounted to HK$2,730 million (2023: HK$4,214 million, including assets classified as held for sale), of which 99% (2023: 99%) are RMB-denominated and the rest are denominated in HK$ and USD. The gearing ratio (net debt to total equity plus net debt) of the Group as at 31 December 2024 was 36% (2023: 36%).

In June 2021, the Group established its Medium Term Note Programme ("MTN") of US$2 billion, which add flexibility and capacity to its financing, and thus strengthening its financial position. In April 2022, the Group issued its first 5-year Sustainability-Linked Bond (the "SLB") and raised a total of US$200 million. As at 31st December 2024, the total nominal amount of medium term notes issued has reached RMB1.8 billion, mainly at fixed interest rates with an average of 4.2 per cent per annum and an average tenor of 4.4 years. The carrying value of the issued notes in Renminbi ("RMB") and United States dollar under the Programmes (the "MTNs") as at 31 December 2024 was HK$2,088 million (31 December 2023: HK$2,387 million).

To further diversify the funding sources, the Group issued its first 1-year and 3-year Panda Bonds on the Chinese mainland in June 2023, raising a total of RMB1.5 billion with an average annual interest rate of 3.27 per cent. Among them is the first sustainability-linked Panda Bond issued by a Hong Kong enterprise on the Chinese mainland. The 1-year RMB1 billion Panda Bond was repaid on 12 June 2024. The carrying value of the Panda Bond as at 31 December 2024 was HK$533 million.

As at 31 December 2024, the Group is able to raise approximately HK$13,452 million under the MTN Programme, the remaining issuance amount of the Panda Bonds approximately HK$15,432 million and unutilised facilities from banks and HKCG amounting to approximately HK$10,248 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 2024.

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 2024.

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 48 to the consolidated financial statements.

Results and Final Dividend

The results of the Group for the year ended 31 December 2024 are set out in the consolidated income statement on page 100.

The Board have recommended the payment of a final dividend of 16 HK cents per share (2023: 16 HK cents per share) and, in light of the encouraging performance of renewable energy business, the Board also proposed a one-off special dividend of 3 HK cents per share, totalling 19 HK cents per share, out of the share premium account to shareholders whose names are on the register of members of the Company on Friday, 6 June 2025.

The proposed final dividend and special 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 and special 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, 13 June 2025. Subject to approval by shareholders at the AGM to be held on Thursday, 29 May 2025 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 Monday, 14 July 2025. The register of members of the Company will be closed from Wednesday, 4 June 2025 to Friday, 6 June 2025 (both days inclusive), for the purpose of determining shareholders who qualify for the final dividend and special 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 and special 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 and special dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent on or about Monday, 14 July 2025 to the shareholders whose names appear on the register of members of the Company on Friday, 6 June 2025.

Business Review

The business review of the Group for the year ended 31 December 2024 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 2024 (if any), is set out on pages 8 to 11, pages 20 to 29 and pages 39 to 42 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 20 to 34 and pages 72 to 94 as well as the standalone 2024 Environmental, Social and Governance Report.

Description of possible risks and uncertainties that the Group may be facing can be found on pages 35 to 42 and Notes 4 to 6 to the consolidated financial statements on pages 147 to 162 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 149 to 162. An analysis of the Group's performance during the year using financial key performance indicators is provided in the section headed "Business Highlights" on page 6 of this Annual Report.

The Company has complied with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), the Companies Act of the Cayman Islands (as revised from time to time) and any other applicable laws and regulations relating to anti-corruption and prevention of bribery including but not limited to the disclosure of information and corporate governance practices.

The Group requires its businesses on the Chinese mainland to abide by the laws and regulations of the Chinese mainland in the process of their development and operation. Major areas include foreign investment access, corporate governance, taxation, labour contracts and social insurance, land administration, environmental protection, work safety, anti-monopoly and anti-unfair competition, intellectual property, price control, administration of urban gas, administration of distributed photovoltaic ("PV") power generation, administration of internet and telecommunications, internet security, data and privacy protection, and administration of mineral resources.

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 104 to 105.

The Company's share premium account available for distribution to shareholders as at 31 December 2024 amounted to HK$5,885 million (2023: HK$6,068 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 2024 is set out on page 7.

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 16 HK cents per share for the year ended 31 December 2023 in cash (with scrip option). A total of 126,151,356 shares of the Company were allotted and issued on 12 July 2024 to the shareholders of the Company who elected to receive all or part of such final dividend in scrip form, which were fully paid up at HK$2.9 per share by way of applying the corresponding amounts of dividends to which those shareholders were entitled.

The Company did not hold any treasury shares during the year and as at 31 December 2024.

Details of movements in the share capital of the Company during the year are set out in Note 37 to the consolidated financial statements.

Bank Loans, Medium Term Note Programme, Debentures and Convertible Bonds

Particulars of the bank loans, Medium Term Note Programme, debentures and convertible bonds of the Company and the Group issued or outstanding during the year and as at 31 December 2024 are set out in Notes 3, 33, and 36 to the consolidated financial statements on pages 115 to 147, pages 188 to 189 and pages 191 to 192 and Financial Review on pages 39 to 42, respectively.

Asset-backed Securities Program

On 3 December 2024, the "Smart Zero Carbon Phases 1-10 Green Assets Support Program (Carbon Neutral)" ("ABS Program") backed by industrial and commercial distributed photovoltaic and energy storage assets in the mainland injected by the Group was established and launched on the Shenzhen Stock Exchange. The issuance of the first tranche of asset-backed securities ("ABS") under the ABS Program has raised RMB515 million, marking the initial issuance under a RMB5 billion shelf offering. The coupon rate for the senior class ABS is 2.3% and the ABS Program is structured with an initial three-year term, extendable for additional terms of 3 years each, up to a maximum duration of 18 years. Under a Subscription Agreement entered into with Huatai Securities Asset Management (the "ABS Manager", acting on behalf of the ABS Program), the Group subscribed for equity class ABS in the amount of RMB38 million (representing approximately 7.4% of the total principal amount of all ABS issued under the first tranche of the ABS Program).

Asset-backed Securities Program *(Continued)*

The Company intends to utilise the net proceeds from the ABS Program for investments in rooftop photovoltaic power generation and energy storage power station projects, repayment of bank borrowings and general working capital purpose.

For details of the ABS Program, please refer to the announcement dated 3 December 2024.

Directors

The directors of the Company (the "Directors") during the year and up to the date of this Annual Report are as follows:

Non-Executive Directors

Dr. the Hon. Lee Ka-kit *(Chairman)*
Mr. Kenneth Liu Kai-lap

Executive Directors

Mr. Peter Wong Wai-yee *(Chief Executive Officer)*
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
Dr. Christine Loh Kung-wai

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 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 12 to 19 of this Annual Report.

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

As at 31 December 2024, 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 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

			Interest in shares					
Name of Company	**Name of Director**	**Capacity**	**Personal interest**	**Family interest**	**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 31.12.2024**
Towngas Smart Energy Company Limited	Lee Ka-kit *(Notes 2 & 4)*	Discretionary beneficiary of discretionary trusts	–	–	2,379,921,776	–	2,379,921,776	68.38%
	Peter Wong Wai-yee	Beneficial owner	7,532,000	–	–	1,800,000	9,332,000	0.27%
	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%
HKCG	Lee Ka-kit *(Notes 3 & 4)*	Discretionary beneficiary of discretionary trusts	–	–	7,748,692,715	–	7,748,692,715	41.53%

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. the Hon. 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 2,379,921,776 shares of the Company representing approximately 68.38% 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. the Hon. 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.

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

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

Notes: (Continued)

4. Dr. the Hon. Lee Shau-kee passed away on 17 March 2025 and his sons, each of Dr. the Hon. Lee Ka-kit and Dr. Lee Ka-shing will inherit certain shares in Rimmer, Riddick and Hopkins. Rimmer and Riddick (the relevant trustees of the respective discretionary trusts) hold units in the Unit Trust but each is not entitled to any interest in its trust assets which are, in the ordinary course of business, held by Hopkins as trustee of the Unit Trust independently without any reference to shareholders of Hopkins, and each of Dr. the Hon. Lee Ka-kit and Dr. Lee Ka-shing remains to be one of the discretionary beneficiaries of such discretionary trusts.

Save as stated above, as at 31 December 2024, 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 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.

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.

Share Option Scheme *(Continued)*

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 305,515,534, representing approximately 8.78% 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 9.08% 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.

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 7 years and 2 months.

Share Option Scheme *(Continued)*

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

Details and movements of share options that were granted under the Share Option Scheme or remained outstanding during the year ended 31 December 2024 are as follows:

				Number of share options					
Grantee	Date of Grant	Exercise Period	Exercise price (HK$)	Outstanding as at 01.01.2024	Granted during the year	Vested during the year	Cancelled/ lapsed during the year	Exercised during the year	Outstanding as at 31.12.2024
Category 1: Directors									
Peter Wong Wai-yee	25.11.2022	25.11.2023–24.11.2025	3.40	1,800,000	–	–	–	–	1,800,000
John Ho Hon-ming *(retired with effect from 1 January 2024)*	25.11.2022	25.11.2023–24.11.2025	3.40	900,000	–	–	(900,000)	–	–
Martin Kee Wai-ngai	25.11.2022	25.11.2023–24.11.2025	3.40	900,000	–	–	–	–	900,000
John Qiu Jian-hang	25.11.2022	25.11.2023–24.11.2025	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	3.40	6,713,000	–	–	(289,000)	–	6,424,000
Total				11,663,000	–	–	(1,189,000)#	–	10,474,000

Notes:

1. The vesting period of the share options was from 25 November 2022 to the first anniversary of the date of grant, i.e. 25 November 2023.

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

3. The weighted average closing price of the shares immediately before the vesting date was HK$3.33 per share.

The share options were lapsed upon grantees' retirement.

During the year ended 31 December 2024, no share options were granted pursuant to the Share Option Scheme (and thus no share options granted were in excess of the 1% individual limit) and no share options were exercised.

The number of options available for grant under the scheme mandate as at 1 January 2024 and 31 December 2024 were 305,226,534 and 305,515,534, respectively, representing approximately 8.77% and 8.78% 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.

Share Option Scheme *(Continued)*

The number of shares that may be issued in respect of options granted under the Share Option Scheme during the year ended 31 December 2024 was 10,474,000, representing approximately 0.30% of the weighted average number of shares of the Company in issue for the financial year.

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 39 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 174,032,596 shares as at the date of this Annual Report based on the total number of 3,480,651,937 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 69,613,038 shares as at the date of this Annual Report based on the total number of 3,480,651,937 shares of the Company in issue as at the date of this Annual Report).

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 6 years and 5 months.

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

During the year ended 31 December 2024, no Award Shares were granted (and thus no awards granted were in excess of the 0.1% of the total number of issued shares individual limit), vested, lapsed and/or forfeited, and no awards were outstanding.

As at 1 January 2024, the trustee had 24,000 shares held in trust for the Share Award Scheme and no shares of the Company were purchased by the trustee during the year ended 31 December 2024 for the purpose of the Share Award Scheme, and accordingly 24,000 shares were available for granting during the year.

Further details of the Share Award Scheme are set out in Notes 3 and 39 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 Agreement

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$6.18 per share subsequent to the adjustment events on 12 July 2022 and 11 July 2023 (completion of issue of scrip shares at the value of HK$4.028 per share and HK$3.49 per share pursuant to the scrip dividend schemes in relation to 2021 final dividend and 2022 final dividend respectively), a maximum number of 358,853,640 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 a result of the completion of issue of scrip shares at the value of HK$2.9 per share pursuant to the scrip dividend scheme of the Company (as detailed in the relevant circular of the Company dated 13 June 2024) on 12 July 2024, the conversion price of the Convertible Bonds has been further adjusted from HK$6.18 per share to HK$6.06 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 358,853,640 shares to 365,959,653 shares.

For further details, please refer to the Company's announcements dated 25 October 2021, 18 November 2021, 12 July 2022, 11 July 2023 and 12 July 2024.

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 2024, 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 unutilised net proceeds as at 31 December 2023 and 31 December 2024.

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:

Dr. the Hon. 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; 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 2024, 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 31.12.2024
Lee Shau-kee	Interest of controlled corporations	2,379,921,776 *(Notes 1 & 6)*	68.38%
Rimmer	Trustee	2,379,921,776 *(Notes 2 & 6)*	68.38%
Riddick	Trustee	2,379,921,776 *(Notes 2 & 6)*	68.38%
Hopkins	Interest of controlled corporations	2,379,921,776 *(Notes 2 & 6)*	68.38%
Henderson Development	Interest of controlled corporations	2,379,921,776 *(Notes 2 & 6)*	68.38%
Henderson Land Development	Interest of controlled corporations	2,379,921,776 *(Notes 2 & 6)*	68.38%
Faxson Investment Limited ("Faxson")	Interest of controlled corporations	2,379,921,776 *(Notes 2 & 6)*	68.38%
HKCG	Interest of controlled corporations	2,379,921,776 *(Notes 3 & 6)*	68.38%
Towngas International Company Limited ("TICL")	Interest of controlled corporation	2,174,914,524 *(Notes 3 & 6)*	62.49%
Hong Kong & China Gas (China) Limited ("HK&CG (China)")	Beneficial owner	2,174,914,524 *(Notes 3 & 6)*	62.49%
Towngas Investment Company Limited ("TICL-HK")	Interest of controlled corporations	205,007,252 *(Notes 3 & 6)*	5.89%

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 31.12.2024
Planwise Properties Limited ("Planwise")	Beneficial owner	201,577,233 *(Notes 3 & 6)*	5.79%
Tang Kok Yew	Interest of controlled corporations	471,050,984 *(Note 4)*	13.53%
Capstar Holdings ("Capstar")	Interest of controlled corporations	471,050,984 *(Note 4)*	13.53%
Affinity Fund V General Partner Limited ("Affinity Fund V")	Interest of controlled corporations	471,050,984 *(Note 4)*	13.53%
Converging Worldview Investments Pte. Ltd. ("Converging Worldview")	Interest of controlled corporations	471,050,984 *(Note 4)*	13.53%
Clean Energy Ecosystem Pte. Ltd. ("Clean Energy Ecosystem")	Beneficial owner	471,050,984 *(Note 4)*	13.53%
Central Huijin Investment Ltd. ("Central Huijin")	Interest of controlled corporation	350,350,000 *(Note 5)*	10.07%
Industrial and Commercial Bank of China Limited ("ICBC")	Interest of controlled corporation	350,350,000 *(Note 5)*	10.07%
ICBC International Holdings Limited ("ICBC International")	Interest of controlled corporation	350,350,000 *(Note 5)*	10.07%
ICBC International Investment Management Limited ("ICBC International Management")	Interest of controlled corporation	350,350,000 *(Note 5)*	10.07%
Victory Ride Holdings Limited ("Victory Ride")	Interests held jointly with another person	350,350,000 *(Note 5)*	10.07%

Substantial Shareholders *(Continued)*

Long positions in Shares *(Continued)*

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 2,379,921,776 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 2,379,921,776 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 2,174,914,524 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 205,007,252 Shares, which included (a) the 201,577,233 Shares held by Planwise; and (b) the 3,430,019 Shares held by Superfun by virtue of Part XV of the SFO.

4. Mr. Tang Kok Yew was taken to be interested in the 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 3.36% of the number of issued Shares as at 31 December 2024); and (ii) unlisted Convertible Bonds, which may be fully converted into 365,959,653 Shares based on the conversion price (subject to adjustment events) of HK$6.06 per convertible Share (as adjusted after the allotment and issue of scrip shares pursuant to the scrip dividend schemes of the Company on 12 July 2022, 11 July 2023 and 12 July 2024), 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.

6. Dr. the Hon. Lee Shau-kee passed away on 17 March 2025 and his sons, each of Dr. the Hon. Lee Ka-kit and Dr. Lee Ka-shing will inherit certain shares in Rimmer, Riddick and Hopkins. Rimmer and Riddick (the relevant trustees of the respective discretionary trusts) hold units in the Unit Trust but each is not entitled to any interest in its trust assets which are, in the ordinary course of business, held by Hopkins as trustee of the Unit Trust independently without any reference to shareholders of Hopkins, and each of Dr. the Hon. Lee Ka-kit and Dr. Lee Ka-shing remains to be one of the discretionary beneficiaries of such discretionary trusts.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 December 2024, 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 2024, 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 2024, 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.

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 2024 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 44 to the consolidated financial statements on pages 205 to 206 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 25% Equity Interest in Yangxin Hongkong & China Gas Company Limited

On 28 March 2024, Towngas Investments Limited (港華燃氣投資有限公司) ("Towngas Investments", a company established in the PRC and a wholly-owned subsidiary of the Company), entered into a transfer agreement (the "Yangxin Transfer Agreement") with Shandong Longlin Information Technology Co., Ltd. (山東隆霖信息科技有限公司) (the "Yangxin Vendor", a company established in the PRC) to acquire 25% equity interest in Yangxin Hongkong & China Gas Company Limited (陽信港華燃氣有限公司) ("HKCG Yangxin", a company established in the PRC) from the Yangxin Vendor at the consideration of RMB20 million. The acquisition was completed on 2 April 2024.

Connected Transactions *(Continued)*

1. Acquisition of 25% Equity Interest in Yangxin Hongkong & China Gas Company Limited *(Continued)*

As HKCG is a controlling shareholder of the Company, and is therefore a controller of the Company under Chapter 14A of the Listing Rules. Shandong Towngas Group Co., Ltd. (山東港華燃氣集團有限公司) ("Shandong Towngas", a company established in the PRC, and a substantial shareholder of the HKCG Yangxin), is owned as to 49% by HKCG and is therefore an associate of HKCG. Accordingly, the acquisition of 25% equity interest in HKCG Yangxin by Towngas Investments from the Yangxin Vendor (the "Yangxin Acquisition") under the Yangxin Transfer Agreement constituted a connected transaction of the Company under Rule 14A.28(2) 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 Yangxin Acquisition under the Yangxin Transfer Agreement were more than 0.1% but all of them were less than 5%, the Yangxin 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.

After the Yangxin Acquisition, HKCG Yangxin is owned by Towngas Investments, Shandong Towngas and Yangxin County City Construction and Investment Group Co., Ltd., (陽信縣城市建設投資集團有限公司) ("Yangxin Investment", a company established in the PRC), with a more stable and reasonable shareholding structure. It is expected that such optimisation of the equity holding structure would further increase the recognition and support of HKCG Yangxin by the government, thereby enhancing the local brand presence of HKCG Yangxin. HKCG Yangxin would also be able to further cooperate with Yangxin Investment to explore business opportunities in integrated energies and natural gas extended businesses. The increase in the Group's equity interest in HKCG Yangxin has increased the Group's management control of HKCG Yangxin and enjoyment of the benefits from the development of HKCG Yangxin's business.

Particulars of the Yangxin Transfer Agreement and the Yangxin Acquisition were disclosed in the announcement of the Company dated 28 March 2024.

2. Merger of Joint Venture Companies in Jinan

On 26 September 2024, Towngas Investments entered into a merger agreement with Shandong Towngas Group Co., Ltd. (山東港華燃氣集團有限公司) ("Shandong Towngas", a company established in the PRC), Shandong Jihua Gas Co., Ltd. (山東濟華燃氣有限公司) ("Shandong Jihua", a company established in the PRC), Jinan Energy Group Co., Ltd. (濟南能源集團有限公司) ("Jinan Energy Group", a company established in the PRC) and Hong Kong & China Gas (Jinan) Limited ("HKCG (Jinan)", a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of HKCG) (the "Merger Agreement") and the revised joint venture agreement and articles of association of Shandong Towngas with Jinan Energy Group and HKCG (Jinan) (the "JV Documents") (the Merger Agreement and the JV Documents are collectively referred to as the "Merger Transaction Agreements"). The Merger Agreement would take effect upon the shareholders of the Company approving the merger by absorption of Shandong Jihua by Shandong Towngas contemplated under the Merger Agreement (the "Merger") at a general meeting. Shandong Towngas was owned as to 51% by Jinan Energy Group and 49% by HKCG (Jinan), and Shandong Jihua was owned as to 51% by Jinan Energy Group and 49% by Towngas Investments. At the extraordinary general meeting of the Company held on 20 November 2024 (the "2024 EGM"), the Merger Transaction Agreements and the transactions contemplated thereunder were approved, confirmed and ratified. As at 31 December 2024, the Merger is still in progress.

Connected Transactions *(Continued)*

2. Merger of Joint Venture Companies in Jinan *(Continued)*

After the Merger, Shandong Towngas will be owned as to 51% by Jinan Energy Group, as to 30.3% by HKCG (Jinan) and as to 18.7% by Towngas Investments, and Shandong Jihua will cease to exist as a legal entity. The Merger is conducted by the existing shareholders of Shandong Jihua and Shandong Towngas to align with the development strategy in the supply of gas under the "One Net" plan promulgated by Jinan Municipal People's Government, with a view to taking advantage of and being placed in a leading position in the "One City, One Enterprise" gas supply reform through enlarging the scope and scale of operation and increasing the market share of Shandong Towngas (in which the Group will have an 18.7% equity interest as a result of the Merger) in Jinan City.

As HKCG is a controlling shareholder of the Company and HKCG (Jinan) and Shandong Towngas are a wholly-owned subsidiary and an associate (as defined in the Listing Rules) of HKCG respectively, HKCG (Jinan) and Shandong Towngas are connected persons of the Company under the Listing Rules. The disposal of Towngas Investments' 49% equity interest in Shandong Jihua (the "Shandong Jihua Equity Disposal") and the acquisition of a 18.7% equity interest in Shandong Towngas by Towngas Investments (the "Shandong Towngas Equity Acquisition") pursuant to the Merger Agreement (collectively, the "Transaction") contemplated under the Merger Transaction Agreements therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The Transaction involved both an acquisition (being the Shandong Towngas Equity Acquisition) and a disposal (being the Shandong Jihua Equity Disposal). Pursuant to Rule 14.24 of the Listing Rules, the Transaction was classified by reference to the larger of the acquisition or disposal. As the highest of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Shandong Towngas Equity Acquisition and the Shandong Jihua Equity Disposal were each more than 5% but less than 25%, the Transaction also constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Transaction was subject to the notification and announcement requirements under Chapter 14 of the Listing Rules and the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In order to fully implement the "One Net" development plan of building a multi-sourced peak shaving complementary city-wide gas supply system promulgated by Jinan Municipal People's Government, Shandong Towngas and Shandong Jihua aim to integrate their resources, expand the scale and enhance efficiency through the Merger. After the Merger, Shandong Towngas has an enlarged scale of operation and scope of services, reinforcing its leading position in the market and seizing the opportunity in the "One City, One Enterprise" gas reform. At the same time, the Merger has integrated the resource advantages of the two parties, optimise asset allocation, and create stronger market competitiveness and risk resilience.

Shandong Towngas and Shandong Jihua occupied leading positions in the city gas market in Jinan City, and have built an extensive network of high pressure and sub-high pressure pipes covering most areas, laying a solid foundation for future integrations of the gas markets in the surrounding cities. In addition, the Merger has created a significant synergy effect with economy of scale, effectively improved the overall efficiency of the enterprise, optimised operational efficiency and reduced the cost structure. The Company as an indirect shareholder of Shandong Towngas after the Merger will continue to benefit from the long-term economic benefits and market advantages brought about by the Merger.

Connected Transactions *(Continued)*

2. Merger of Joint Venture Companies in Jinan *(Continued)*

Particulars of the Merger, the Merger Transaction Agreements and other related information of the Transaction were disclosed in the announcement of the Company dated 26 September 2024, the circular of the Company dated 31 October 2024 and the poll results of the 2024 EGM.

3. Transfer of, and Disposal of Equity Interests and Assets in relation to, Extended Business in the PRC; Acquisition of Equity Interest in Holding Company of the PRC/HK Extended Business of The Hong Kong and China Gas Company Limited Group

On 25 October 2024, the Company entered into the transfer agreement with HKCG and Towngas Lifestyle Holding Company Limited (名氣家控股有限公司) ("Towngas Lifestyle", a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of HKCG) ("EB Transfer Agreement"), pursuant to which:

(a) HKCG and Towngas Lifestyle shall procure that businesses of smart kitchens, insurance, home safety services and community retail in the PRC and Hong Kong (the "PRC/HK Extended Business") carried on by HKCG and its associates (excluding the Group and certain subsidiaries and affiliates of the Company) (the "HKCG Extended Business") be held and operated, and the inventory, equipment, furniture, fixtures and fittings in respect of the HKCG Extended Business (such as gas related household appliances and related products) which are owned by the companies carrying on the HKCG Extended Business in the PRC, other than fixtures and fittings attached to any premises owned by such companies (the "HKCG PRC EB Assets") be owned, by Towngas Lifestyle and its subsidiaries or associates, so that Towngas Lifestyle shall become the holding company of the HKCG Extended Business ("Towngas Lifestyle Setup");

(b) Towngas Lifestyle (Chengdu) Life Services Co., Ltd. (名氣家(成都)生活服務有限公司) ("Towngas Lifestyle Chengdu", a company established in the PRC with limited liability which was owned as to 60% by Towngas Lifestyle Information Services Company Limited (名氣家信息服務有限公司) ("Towngas Lifestyle Services", a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Towngas Lifestyle) and as to 40% by Towngas Investments), shall acquire the entire 49% equity interests in the Group B Companies (as defined in the announcement of the Company dated 25 October 2024 (the "EB Announcement") (which carry on the businesses of smart kitchens, insurance, home safety services and community retail in the PRC (the "Extended Business")) held by the Group for an aggregate cash consideration of RMB22,432,000 (or such other amount as may be agreed between the Parties), so that the Group B Companies will become wholly-owned by Towngas Lifestyle Chengdu (the "Group B Company Transfers");

Connected Transactions *(Continued)*

3. Transfer of, and Disposal of Equity Interests and Assets in relation to, Extended Business in the PRC; Acquisition of Equity Interest in Holding Company of the PRC/HK Extended Business of The Hong Kong and China Gas Company Limited Group *(Continued)*

(c) the Company shall:

(i) carry out a restructuring in order that the Group's direct or indirect equity interests in certain other companies carrying on the Extended Business directly or indirectly (namely Towngas Lifestyle Chengdu and the Group A Companies (as defined in the EB Announcement)) and higher valued functions in respect of the Extended Business including supply chain management, marketing strategy, business insurance and home safety services such as household piping works and fire alarm installation services ("Higher Valued Functions") carried on by certain subsidiaries and affiliates of the Company (the "TSEL Higher Valued Functions") will be grouped under TCCL (PCB) Limited (the "Target Company", a company incorporated in the Cayman Islands with limited liability which was a direct wholly-owned subsidiary of the Company) as a holding company platform, and then transfer the entire equity interest in, and the shareholders' loan owing to the Group by, the Target Company to Excel Creation Investments Limited ("Excel Creation", a wholly-owned subsidiary of Towngas Lifestyle) (the "TSEL EB Transfer"); and

(ii) procure certain subsidiaries and affiliates of the Company (the "Transferring Companies") carrying on the Extended Business excluding Higher Valued Functions (the "Transferring EB") to transfer their Transferring EB to companies nominated by Towngas Lifestyle to replace the Transferring Companies in serving customers of the Transferring Companies in respect of the Transferring EB (which, unless agreed otherwise between HKCG, the Company and Towngas Lifestyle, shall be companies directly or indirectly (a) wholly-owned by Towngas Lifestyle (China) Company Limited (名氣家(中國)有限公司) (a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of HKCG, which will become a direct wholly-owned subsidiary of Excel Creation pursuant to the Towngas Lifestyle Setup, "Towngas Lifestyle China"); or (b) owned by Towngas Lifestyle China and one or more persons which have direct or indirect equity interests in the Transferring Companies (or their affiliates) (excluding the Group), the "New Providers") (the "Business Transfers"),

in exchange for approximately 12% equity interest in Towngas Lifestyle (subject to adjustment); and

(d) the Transferring Companies shall transfer all inventory, equipment, furniture, fixtures and fittings (other than fixtures and fittings attached to any premises owned by the Transferring Companies) in respect of the Transferring EB (such as gas related household appliances and related products) of the Transferring Companies which are owned by the Transferring Company (other than any items which HKCG, the Company and Towngas Lifestyle may agree to be excluded) to the New Providers for cash consideration equivalent to their book values (or such other amounts as may be agreed between the parties to the EB Transfer Agreement) (the "Asset Transfers").

Connected Transactions *(Continued)*

3. Transfer of, and Disposal of Equity Interests and Assets in relation to, Extended Business in the PRC; Acquisition of Equity Interest in Holding Company of the PRC/HK Extended Business of The Hong Kong and China Gas Company Limited Group *(Continued)*

Upon completion of the transactions, the Group will cease to carry on or have any material equity interest in the Extended Business, except for its equity interest in Towngas Lifestyle. The Group could then focus on the development of its principal business of energy, including gas and renewable energy, which is in line with Company's long-term goal for green energy development. New shares of Towngas Lifestyle has been issued to the Company as part of the consideration for transfer of its Extended Business, the Company will hold equity interest in Towngas Lifestyle and continue to maintain a strategic interest in the Extended Business. Furthermore, after the completion of the transactions, Towngas Lifestyle can be better placed to attract new investments from strategic investors when appropriate, and the Company as a shareholder of Towngas Lifestyle will benefit from the continuing development of Towngas Lifestyle. As at 31 December 2024, the transactions are still in progress.

HKCG is a controlling shareholder of the Company and therefore a connected person of the Company. As the New Providers, Towngas Lifestyle Chengdu, Excel Creation, Towngas Lifestyle and Eminent Power Enterprises Limited are or may be associates (as defined in the Listing Rules) of HKCG, they are also connected persons of the Company. Accordingly, the Group B Company Transfers, the TSEL EB Transfer, the Asset Transfers and the Business Transfers (collectively, the "EB Transactions") 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 EB Transactions were more than 0.1% but all of them were less than 5%, the EB 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.

Particulars of the EB Transactions were disclosed in the announcement of the Company dated 25 October 2024 and the supplemental announcement dated 22 November 2024.

Connected Transactions *(Continued)*

4. Acquisition of 55% Equity Interest in Changzhou Towngas China Smart Energy Co., Ltd.

On 19 December 2024, Towngas China Energy Investment Limited (港華能源投資有限公司) (the "Changzhou Purchaser", a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company), entered into a transfer 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) (the "Changzhou Vendor", a company established in the PRC with limited liability and a wholly-owned subsidiary of HKCG) (the "Changzhou Transfer Agreement") to acquire from the Changzhou Vendor its entire equity interest of 55% in Changzhou Towngas China Smart Energy Co., Ltd. (常州港能投智慧能源有限公司) ("Changzhou Towngas Smart Energy", a company established in the PRC with limited liability) at the consideration of RMB57,136,930 (the "Changzhou Acquisition"). The Changzhou Acquisition was completed on 6 March 2025.

As HKCG is a controlling shareholder of the Company and the Changzhou Vendor is a wholly-owned subsidiary of HKCG, the Changzhou Vendor is a connected person of the Company under the Listing Rules. The Changzhou Acquisition under the Changzhou 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 Changzhou Acquisition under the Changzhou Transfer Agreement were more than 0.1% but all of them were less than 5%, the Changzhou 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.

Changzhou Towngas Smart Energy and its subsidiaries (the "Changzhou Target Group") are principally engaged in renewable energy projects (mainly photovoltaic projects) and integrated smart energy projects in Changzhou City and nearby areas. With State-owned indirect equity interest in Changzhou Towngas Smart Energy, the Changzhou Target Group is well placed to roll out distributed photovoltaic systems on State-owned rooftops and in zero carbon industrial parks ahead of its competitors. Changzhou Towngas Smart Energy can leverage the Group's expertise in energy planning, project design, operation management and high-quality services to develop renewable and smart energy business in the Changzhou area.

Particulars of the Changzhou Acquisition and the transactions contemplated under the Changzhou Transfer Agreement were disclosed in the announcement of the Company dated 19 December 2024.

Continuing Connected Transactions

1. 2021 Pipeline Materials Purchase Transactions

On 10 December 2021, the Company and HKCG entered into an agreement (the "2021 Pipeline Materials Purchase Master Agreement") relating to the purchase of various pipeline construction materials, gas meters and measuring tools by members of the Group from HKCG and its subsidiaries and associates (as defined under the Listing Rules) (the "HKCG CCT Group") (the "2021 Pipeline Materials Purchase Transactions"), for a term commencing from 1 January 2022 to 31 December 2024 (both days inclusive).

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

Particulars of the 2021 Pipeline Materials Purchase Transactions and the 2021 Pipeline Materials Purchase Master Agreement were disclosed in the announcement of the Company dated 10 December 2021.

The annual cap amounts and the actual amounts of the 2021 Pipeline Materials Purchase Transactions are disclosed in the section headed "Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31 December 2024" below.

2. 2025 Master Pipeline Materials Purchase Agreement

As it was anticipated that members of the Group would continue to purchase pipeline construction materials, gas meters and measuring tools from members of the HKCG CCT Group (the "2025 Pipeline Transactions") from time to time after expiry of the 2021 Pipeline Materials Purchase Master Agreement, on 6 December 2024, the Company and HKCG entered into an agreement with respect to the 2025 Pipeline Transactions for a term from 1 January 2025 to 31 December 2027 (the "2025 Master Pipeline Materials Purchase Agreement").

As HKCG is a controlling shareholder of the Company, members of the HKCG CCT Group are connected persons of the Company under the Listing Rules. The entering into of the 2025 Master Pipeline Materials Purchase Agreement and the 2025 Pipeline Transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. 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 were more than 0.1% but all of them were less than 5%, the 2025 Pipeline Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Particulars of the 2025 Pipeline Transactions and the 2025 Master Pipeline Materials Purchase Agreement were disclosed in the announcement of the Company dated 6 December 2024.

The annual cap amounts and the actual amounts for the year ended 31 December 2025 of the 2025 Pipeline Transactions will be disclosed in the 2025 Annual Report of the Company.

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 12 December 2023, the Company and HKCG entered into:

(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") and renting of liquified natural gas storage facilities (the "LNG Storage Facilities") by members of the Group from members of the HKCG CCT Group (the "2024 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 CCT 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 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 and pipeline inspection services ("Engineering Works and Consultation Provision Services") by members of the Group to members of the HKCG CCT Group (the "2024 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) ("Engineering Works and Consultation Acquisition Services") by members of the HKCG CCT Group to members of the Group (the "2024 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, 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 user authorisation, installation, management, 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 cloud computing hardware system which manages, operates and monitors network infrastructure of information system ("IT Related Products and Services") (the "Comprehensive Purchase Products and Services") by members of the Group from members of the HKCG CCT Group (the "2024 Comprehensive Products and Services Purchase Transactions") and the purchase of maintenance services, rapid leak detection services, promotion and marketing consulting services and household related services ("Comprehensive Sale Products and Services") by members of the HKCG CCT 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"). Furthermore, on 13 September 2024, the Company entered into the Supplemental Agreement with HKCG to amend the Master Engineering Works and Consultation Services Agreement by revising the maximum aggregate amount receivable by the Group from the HKCG Group per annum in connection with the Engineering Works and Consultation Provision Services Transactions for the three years ending 31 December 2024, 31 December 2025 and 31 December 2026 (the "Existing Engineering Works and Consultation Provision Services Transactions Annual Caps"). Save for such amendment, all other terms and conditions of the Master Engineering Works and Consultation Services Agreement remain unchanged.

As HKCG is a controlling shareholder of the Company, members of the HKCG CCT 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. Particulars on the amendment to the Existing Engineering Works and Consultation Provision Services Transactions Annual Caps was disclosed in the announcement of the Company dated 13 September 2024.

The annual cap amounts and the actual amounts for the year ended 31 December 2024 of the 2024 CCT Transactions are disclosed in the section headed "Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31 December 2024" below.

Continuing Connected Transactions *(Continued)*

Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31 December 2024

The annual caps and actual amounts of the continuing connected transactions of the Group referred to above for the year ended 31 December 2024 are summarised below:

	Transactions	**Annual cap amount for the year ended 31 December 2024** *(Note 1)*	**Actual amount for the year ended 31 December 2024** *(Note 2)*
(1)	2021 Pipeline Materials Purchase Transactions	RMB260,000,000 (approximately HK$282,363,000)	RMB67,443,000 (approximately HK$73,244,000)
(2)	2024 Gas and Smart Energy Related Purchase Transactions	RMB290,000,000 (approximately HK$314,944,000)	RMB262,176,000 (approximately HK$284,726,000)
(3)	2024 Gas and Smart Energy Related Sale Transactions	RMB190,000,000 (approximately HK$206,342,000)	RMB173,154,000 (approximately HK$188,047,000)
(4)	2024 Engineering Works and Consultation Provision Services	RMB400,000,000 (approximately HK$434,405,000)	RMB90,936,000 (approximately HK$98,758,000)
(5)	2024 Engineering Works and Consultation Services Acquisition Transactions	RMB41,000,000 (approximately HK$44,526,000)	RMB26,028,000 (approximately HK$28,267,000)
(6)	2024 Comprehensive Products and Services Purchase Transactions	RMB303,000,000 (approximately HK$329,062,000)	RMB159,423,000 (approximately HK$173,135,000)
(7)	2024 Comprehensive Products and Services Sale Transactions	RMB92,000,000 (approximately HK$99,913,000)	RMB44,064,000 (approximately HK$47,854,000)

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 actual amounts had not exceeded the annual cap amounts as stated in the corresponding agreements as referred to above.

Continuing Connected Transactions *(Continued)*

Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31 December 2024 *(Continued)*

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 2024" 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.

Related Party Transactions

Details of the related party transactions undertaken in the normal course of business are set out in Note 44 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 2024 are set out in Note 33 to the consolidated financial statements.

Donations

During the year, the Group made charitable and other donations amounting to approximately HK$1,652,000.

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 2024.

Emolument Policy

As at 31 December 2024, the Group had 24,455 employees (31 December 2023: 24,220), with 99% located in mainland China. Total staff costs amounted to HK$1,421,232,000 for 2024, an increase of HK$114,869,000 compared to 2023. 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 39 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 2024.

Details of the corporate governance of the Group are set out in the "Corporate Governance Report" on pages 72 to 94 of this Annual Report.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2024 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, 14 March 2025

Corporate Governance Report

Corporate Governance Practices

The Directors and 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.

Throughout 2024, the Company continued to implement and uphold the principles of good corporate as set out in the Corporate Governance Code contained in Appendix C1 of the Listing Rules (the "CG Code"). The Company has fully complied with the code provisions of the CG Code, as well as all applicable requirements and provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 of the Listing Rules.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance with all applicable rules and regulations, 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. The Directors will be notified of code provision amendment updates in respect of the CG Code so as to be kept abreast of the latest requirements and be assisted in fulfilling their responsibilities.

Corporate Mission, Vision, Values and Culture

Our mission, vision, 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.

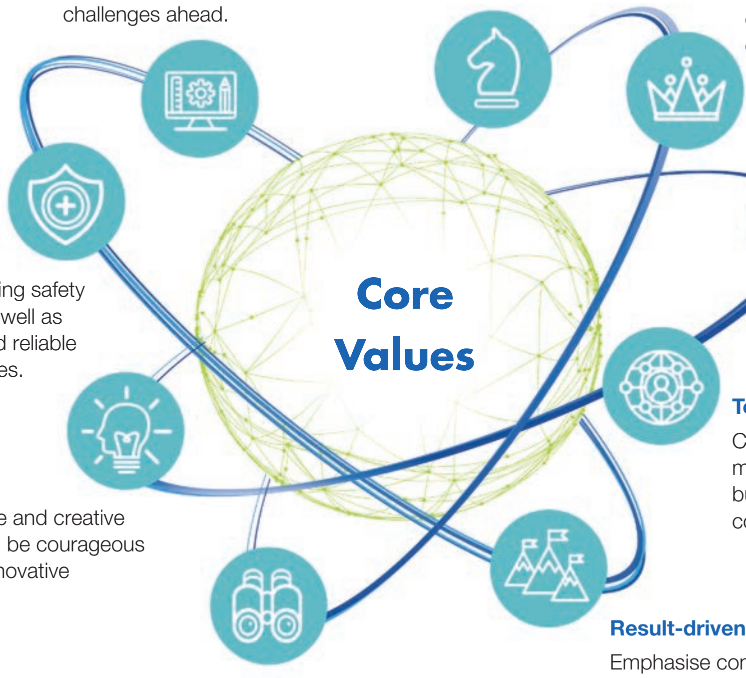
MISSION

Towngas Smart Energy strives 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.

VISION

We envision to be a leading clean and smart energy supplier, with a view to creating a sustainable world driven by green energy.

VALUES



Leadership

Proactively drive innovation and development, and lead the team towards greater heights.

Versatility

Preemptively develop a wide range of professional skills to allow swift responses to challenges ahead.

Customer-oriented

Always listen to customers' needs and never stop enhancing customer experience.

Positive Communication

Establish effective two-way communication to foster honest dialogues.

Safe and Reliable

Committed to ensuring safety and compliance, as well as delivering quality and reliable products and services.

Teamwork

Cultivate the team spirit of mutual collaboration, and build a high-trust and cohesive team.

Innovation

Foster flexible and creative mindset, and be courageous to explore innovative solutions.

Result-driven

Emphasise concrete and measurable outcomes, and achieve agile execution.

Vision

Be proficient in having a comprehensive overview of the big picture, and sharpen insight for the ever-changing market.

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 the year ended 31 December 2024, the Company continued to strengthen its cultural practice through various initiatives. Details of the initiatives, corporate strategy and long term business model are set out in the "Chairman's Statement", "City-Gas Business", "Renewable Energy Business", and "Environmental, Social and the Governance" of this Annual Report and the 2024 Environmental, Social and Governance Report (the "2024 ESG Report").

Information about the Company's mission, vision and core values is available on the website of the Company.

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 that the corporate culture is reflected in the Company's strategy, business models and operating practices, aligning it with the Company's purpose, values and strategy.

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 risk management and internal control systems are essential, and acknowledges that the Board shall be responsible for implementing and reviewing the effectiveness of the risk management and internal control systems.

Specific matters such as formulating business strategies, establishing corporate values and standards, approving financial statements, budgets, and dividend policy, reviewing risk management and internal control systems, supervising environmental, social and governance-related matters, approving material transactions, etc. are decided by the Board and the daily management, administration and operation of the group are reserved for management's direction and 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. the Hon. 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. the Hon. Lee Ka-kit *(Chairman)*
Mr. Kenneth Liu Kai-lap

Executive Directors

Mr. Peter Wong Wai-yee *(Chief Executive Officer)*
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
Dr. Christine Loh Kung-wai

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 listed companies or public 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.

Board of Directors *(Continued)*

Board Composition *(Continued)*

Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors. An up-to-date list of Directors identifying the Independent Non-Executive Directors and the roles and functions of the Directors is available 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 2024.

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 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.

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, including that 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 Company therefore still considers each Independent Non-executive Director to be independent.

Board of Directors *(Continued)*

Board Process *(Continued)*

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.

During the year ended 31 December 2024, the Board met 4 times. Details of the individual attendance of each of the Directors are set out below:

Directors	Number of Meetings Attended/Held
Non-Executive Directors	
Dr. the Hon. Lee Ka-kit *(Chairman)*	4/4
Mr. Kenneth Liu Kai-lap	4/4
Executive Directors	
Mr. Peter Wong Wai-yee *(Chief Executive Officer)*	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	4/4
Dr. Christine Loh Kung-wai	4/4

Board Performance Review

The Company has implemented regular evaluation of the performance and effectiveness of the Board once every two years in the form of a questionnaire to all Directors individually. Each Director is invited to provide his/her views on the performance of the Board and any suggestions for improving the board process. The results of the evaluation are reviewed by the Nomination Committee and submitted to the Board.

A board performance review has been conducted for the year ended 31 December 2024. Based on the evaluation conducted, the Directors were satisfied with the performance of the Board and considered the Board continued to operate effectively.

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.

To ensure that Directors' contribution to the Board/committees remains informed, the Company updates and provides continuous professional development, including training materials on the latest developments of applicable laws, rules and regulations as well as anti-corruption and risk management training materials made available by the Independent Commission Against Corruption to the Directors from time to time. 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 and to perform their duties as Directors better. All Directors participated in appropriate continuous professional development and provided the Company with their records of training received for the year ended 31 December 2024.

During the year ended 31 December 2024, 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. the Hon. Lee Ka-kit *(Chairman)*	✓
Mr. Kenneth Liu Kai-lap	✓
Executive Directors	
Mr. Peter Wong Wai-yee *(Chief Executive Officer)*	✓
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	✓
Dr. Christine Loh Kung-wai	✓

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.

Compliance with the Model Code

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 2024, 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 2024.

The Company has further adopted a formal model code for securities transactions by its relevant employees, 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.

Inside Information Policy

An Inside Information Policy is in place, setting out the guiding principles, procedures and internal controls for the handling and dissemination of inside information in a timely manner.

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 and structure for Directors and senior management with reference to the corporate goals and objectives set by the Board resolved from time to time, 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.

Board Committees *(Continued)*

Remuneration Committee *(Continued)*

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. Details of the remuneration paid to the Directors for the year ended 31 December 2024 are disclosed in the notes to the consolidated financial statements.

During the year ended 31 December 2024, the Remuneration Committee:

- reviewed the Executive Directors' remuneration for 2024; and
- reviewed the Directors' fees for 2024.

Members of the Remuneration Committee and record of their attendance at meeting during the year ended 31 December 2024 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
Dr. Christine Loh Kung-wai[1]	1/1

1 Independent Non-Executive Director

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 maintain 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 control systems 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 control systems of the Group at least bi-annually. 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.

Board Committees *(Continued)*

Board Audit and Risk Committee *(Continued)*

During the year ended 31 December 2024, the Board Audit and Risk Committee:

- reviewed the financial statements for the year ended 31 December 2023 and for the six months ended 30 June 2024;
- reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process; and made recommendations on the re-appointment of the external auditor and approval of their remuneration;
- reviewed the effectiveness of the financial control and risk management and internal control systems and internal audit function, including the review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting, and environmental, social and governance ("ESG") functions;
- reviewed the external auditor's findings;
- reviewed the non-audit service fees of the external auditor;
- reviewed the amendments to the Policy on the Engagement of External Auditor to Supply Non-Audit Services and Relevant Procedures;
- reviewed the Company's continuing connected transactions for the year ended 31 December 2023 pursuant to the Listing Rules; and
- review of whistleblowing cases and their follow-up as appropriate.

Members of the Board Audit and Risk Committee and record of their attendance at meetings during the year ended 31 December 2024 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
Dr. Christine Loh Kung-wai[1]	2/2

1 Independent Non-Executive Director

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, taking the Company's corporate strategy and shareholder value into account, 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.

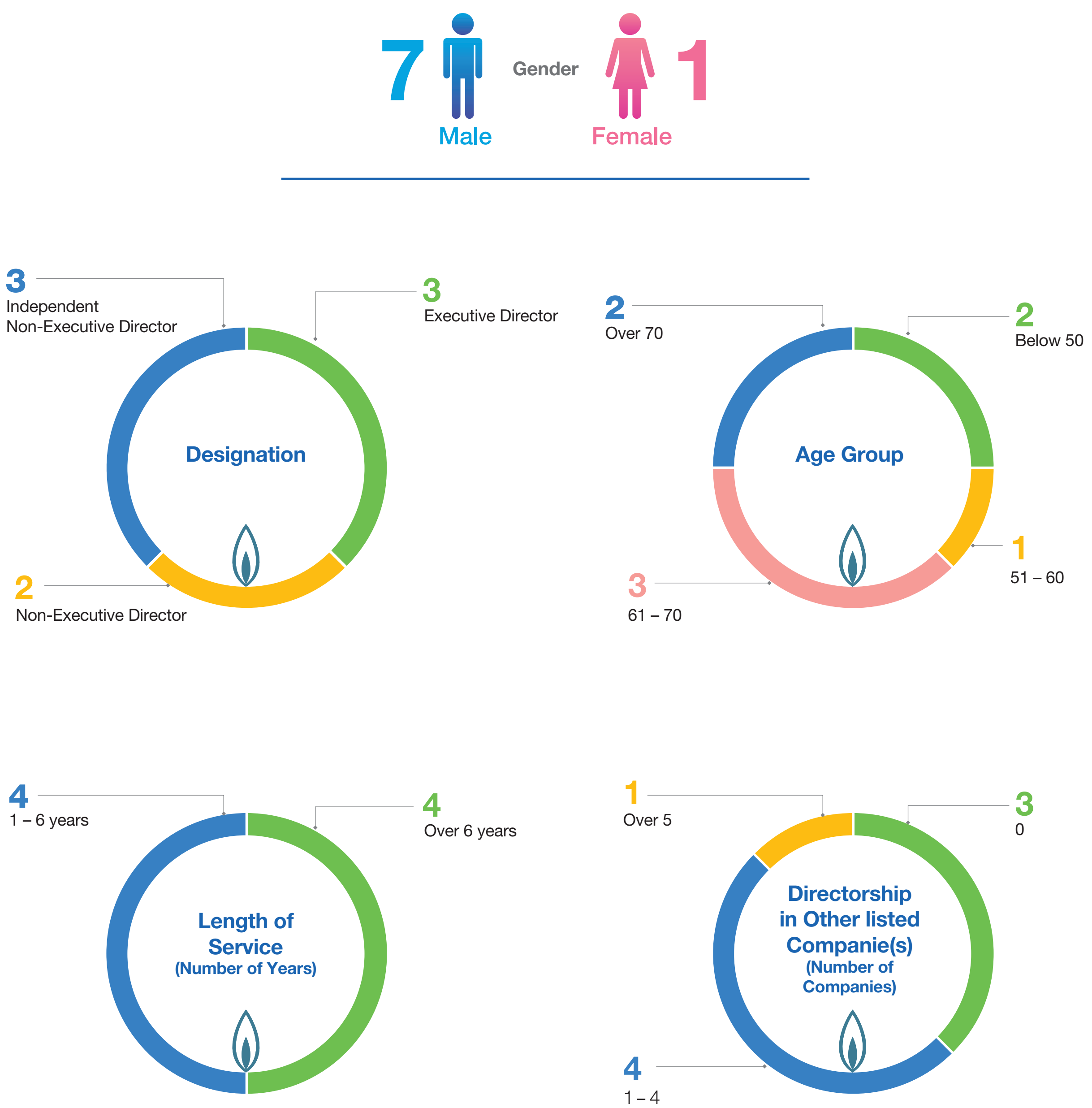
During the year, the Nomination Committee has reviewed the implementation and effectiveness of the Board Diversity Policy and considered that it is appropriate and effective.

Board Committees *(Continued)*

Nomination Committee *(Continued)*

Board Diversity Policy (Continued)

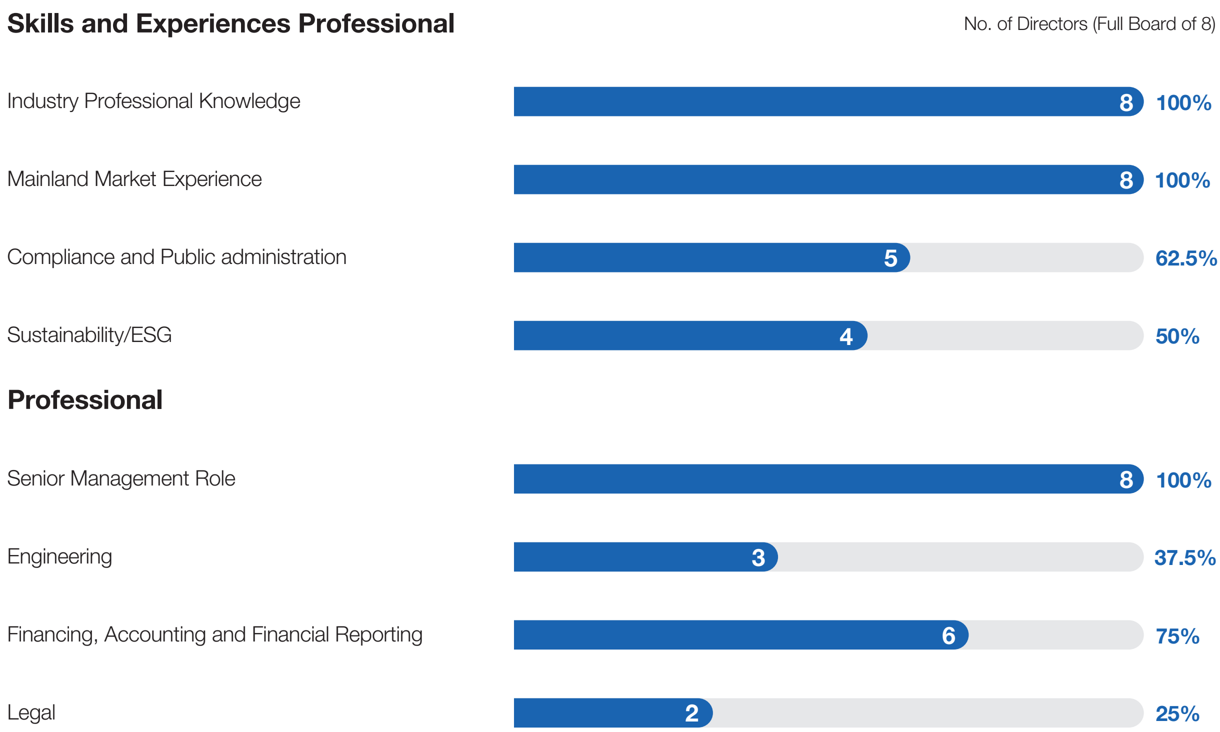
The following chart shows the diversity profile of the Board as at the date of this Annual Report:



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 2024, the Board had 1 female Director, constituting 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 Company targets to maintain at least one female representation on the Board. The Company would strive to deploy multiple channels to identify and approach suitable candidates, including referrals from Directors, shareholders, management, advisors of the Company and external executive search firms as and when appropriate that would enhance its composition and diversity, with a view to expanding the competencies, experience and perspectives of the Board as a whole. The Board is committed to further enhancing gender diversity as and when suitable candidates are identified.

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 2024 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 2024 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 2024, the Nomination Committee:

- recommended the nomination of Directors for re-election at the AGM of the Company held on 29 May 2024 (the "2024 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 Policy/Mechanism for the Independence of the Board, the Board Diversity Policy and the Shareholders Communication Policy, and considered that the said policies were appropriate and effective.

The Nomination Committee, having reviewed the Board's composition, nominated Mr. Kenneth Liu Kai-lap, Mr. Martin Kee Wai-ngai and Dr. Christine Loh Kung-wai to the Board for it to recommend to the shareholders for re-election at the 2024 AGM. The nominations were made in accordance with the Nomination Policy and the selection criteria and diversity of perspectives as listed in the Board Diversity Policy (including without limitation skills, knowledge and experience) as listed 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 2024 are as follows:

Members of the Nomination Committee	Number of Meetings Attended/Held
Dr. the Hon. 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
Dr. Christine Loh Kung-wai[2]	1/1

1 Non-Executive Director

2 Independent Non-Executive Director

Environmental, Social and Governance Committee

The Group attaches great importance to 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.

Board Committees *(Continued)*

Environmental, Social and Governance Committee *(Continued)*

During the year ended 31 December 2024, the ESG Committee:

- reviewed ESG rating performances of the Group, including CDP, FTSE Russell, the Hang Seng Corporate Sustainability Index, MSCI, S&P Global and Sustainalytics ESG ratings, and discussed and proactively responded to the latest requirements of these ratings;
- identified the highlights of performance in key ESG areas, including innovation and low-carbon transformation, climate change, occupational health and safety, and employee management;
- 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 2023 ESG Report and recommended endorsement by the Board, including the addition of new report chapters to comprehensively demonstrate the Group's progress and achievements in ESG aspect, so as to better respond to the concerns of various stakeholders; 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 2024 are as follows:

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

[1] Executive Director

[2] Independent Non-Executive Director

[3] Chief Human Resources Officer

[4] Head of Group Corporate Affairs & Sustainability

Notes:

1. Mr. Isaac Yeung Chung-kwan retired as a member of the ESG Committee with effect from 28 May 2024.
2. Mr. Felix Lee Kin-ming was appointed as a member of the ESG Committee with effect from 11 March 2025.

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 the continuing auditor's objectivity and safeguard the independence of the auditor. The Board and the Board Audit and Risk Committee are satisfied with Deloitte's findings, independence, objectivity and effectiveness in the annual audit and review of the unaudited interim results of the Group and their audit and review fees. A statement by Deloitte about their reporting responsibilities for the financial statements of the Group for the year ended 31 December 2024 is included in the Independent Auditor's Report on pages 95 to 99 of this Annual Report. Up to the date of this Annual Report, the Board Audit and Risk Committee has considered and approved 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 2024 amounted to approximately HK$9.50 million (2023: approximately HK$9.25 million). During the year, payment to Deloitte in respect of non-audit services covering tax services, interim results review services, corporate and advisory services and other reporting services amounted to approximately HK$2.01 million (2023: approximately HK$1.90 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 95 to 99 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.

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 special 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 2024, the Board, through the Board Audit and Risk Committee, has conducted a bi-annual review of the overall effectiveness of the Group's risk management and 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 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 and Internal Control *(Continued)*

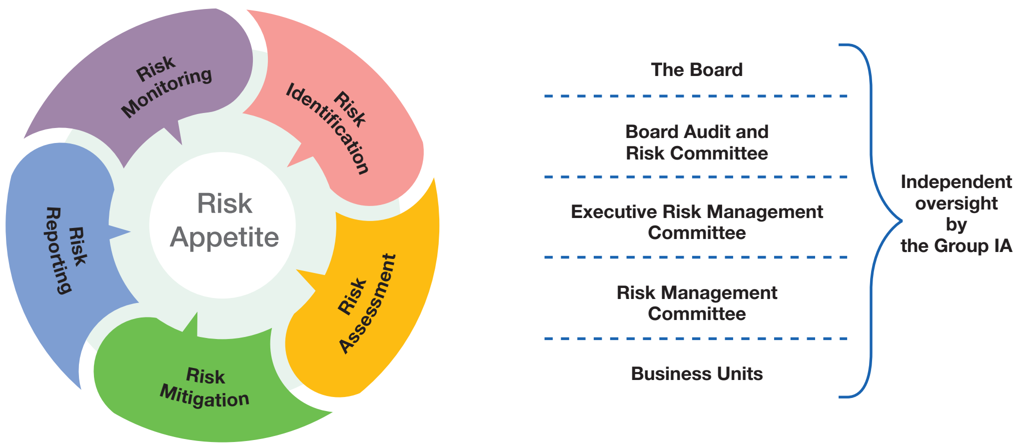
Risk Management

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.



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.

Risk Management and Internal Control *(Continued)*

Risk Management *(Continued)*

Risk Management Framework (Continued)

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 and monitors the implementation of risk-mitigating controls. 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 is 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 summarised key risks and action plans is 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 that a review of the effectiveness of the risk management system is conducted annually.

A description of the Group’s risk factors is set out on pages 35 to 38 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, Ms. Elsa Wong Lai-kin, the Company Secretary of the Company, confirmed that she had taken no less than 15 hours of relevant professional training.

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 AGMs, 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 2024 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, attended the 2024 AGM to answer questions from the Company's shareholders. At the 2024 EGM, separate resolutions were proposed by the Chairman in respect of the connected transaction itemised on the agenda. The Chairman of the Board, all of the members of the Independent Board Committee, members of senior management, together with representative from the independent financial adviser, attended the above EGM to answer questions from the Company's shareholders.

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.

Communication with Shareholders *(Continued)*

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. It is the Company's general policy to maintain an ongoing dialogue with shareholders and the investment community, including the Company's potential investors and analysts. The Company has reviewed the implementation and effectiveness 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 2024 are set out below:

	Number of Meetings Attended/Number of Meetings Held	
Director	**2024 AGM**	**2024 EGM**
Non-Executive Directors		
Dr. the Hon. Lee Ka-kit *(Chairman)*	1/1	1/1
Mr. Kenneth Liu Kai-lap	1/1	1/1
Executive Directors		
Mr. Peter Wong Wai-yee *(Chief Executive Officer)*	1/1	1/1
Mr. Martin Kee Wai-ngai *(Chief Operating Officer – Gas Business)*	1/1	1/1
Dr. John Qiu Jian-hang *(Chief Operating Officer – Renewable Business)*	1/1	1/1
Independent Non-Executive Directors		
Dr. the Hon. Moses Cheng Mo-chi	1/1	1/1
Mr. Brian David Li Man-bun	1/1	1/1
Dr. Christine Loh Kung-wai	1/1	1/1

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 report and other information are posted.

Company's Constitutional Documents

During the year, a special resolution was proposed and passed by the shareholders at the 2024 AGM for the adoption of the new Memorandum of Association and Articles of Association of the Company (the "New M&A"). The New M&A is available on the websites of the Company and the Stock Exchange.

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 100 to 220, which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024, 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 2024, the Group has goodwill with carrying value of approximately HK$4,629 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$31 million was recognised in profit or loss during the year ended 31 December 2024 and an accumulated impairment provision of HK$465 million was recognised as at 31 December 2024. 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.

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.

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

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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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 this independent auditor’s report is Leung Chui Shan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

14 March 2025

Consolidated Income Statement

for the year ended 31 December 2024

	NOTES	2024 HK$'000	2023 HK$'000
Revenue	7 & 8	**21,314,027**	19,841,511
Total operating expenses	9	**(19,419,838)**	(18,177,618)
		1,894,189	1,663,893
Other income	10	**220,764**	192,630
Other gains, net	11	**179,587**	426,559
Share of results of associates	22	**353,642**	365,660
Share of results of joint ventures	23	**285,569**	317,531
Finance costs	12	**(728,603)**	(769,839)
Profit before taxation	13	**2,205,148**	2,196,434
Taxation	15	**(408,654)**	(385,110)
Profit for the year		**1,796,494**	1,811,324
Profit for the year attributable to:			
Shareholders of the Company		**1,606,116**	1,574,623
Non-controlling interests		**190,378**	236,701
		1,796,494	1,811,324
		HK cents	HK cents
Earnings per share	17		
– Basic		**47.1**	47.7
– Diluted		**42.7**	42.5

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
Profit for the year	1,796,494	1,811,324
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	(833,378)	(301,668)
Fair value change on investments in equity instruments at fair value through other comprehensive income	(35,792)	146,914
Income tax relating to items that will not be reclassified to profit or loss	8,927	(35,880)
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	42,241	64,585
Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	(42,306)	(54,579)
	(860,308)	(180,628)
Total comprehensive income for the year	936,186	1,630,696
Total comprehensive income for the year attributable to:		
Shareholders of the Company	793,491	1,448,706
Non-controlling interests	142,695	181,990
Total comprehensive income for the year	936,186	1,630,696

Consolidated Statement of Financial Position

as at 31 December 2024

	NOTES	2024 HK$'000	2023 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	18	**28,435,338**	28,555,243
Right-of-use assets	19	**868,439**	1,012,469
Intangible assets	20	**355,416**	384,994
Goodwill	21	**4,629,309**	4,820,508
Interests in associates	22	**4,562,111**	5,251,449
Interests in joint ventures	23	**3,866,526**	3,803,404
Loans to associates	22	**–**	47,701
Equity instruments at fair value through other comprehensive income	24	**1,274,026**	1,353,339
Other financial assets	29	**115,918**	70,628
Restricted deposit	28	**5,321**	108,691
		44,112,404	45,408,426
Current assets			
Inventories	25	**576,155**	588,608
Loans to associates	22	**37,654**	9,851
Loans to joint ventures	23	**24,596**	166,507
Trade and other receivables, deposits and prepayments	26	**4,410,069**	2,782,350
Amounts due from non-controlling shareholders	27	**135,390**	219,806
Other financial assets	29	**–**	10,708
Time deposits over three months	28	**25,223**	21,562
Bank balances and cash	28	**2,699,885**	4,080,302
		7,908,972	7,879,694
Assets classified as held for sale	41	**1,021,371**	176,583
		8,930,343	8,056,277
Current liabilities			
Trade and other payables and accrued charges	30	**4,172,797**	3,705,656
Contract liabilities	31	**3,473,768**	3,632,142
Lease liabilities	32	**29,681**	48,433
Amounts due to non-controlling shareholders	27	**39,983**	73,356
Taxation payable		**1,225,582**	1,412,241
Borrowings – amounts due within one year	33	**3,695,547**	5,499,842
Loan from ultimate holding company	34	**15,113**	28,453
Loans from associates	34	**5,462**	24
Loans from joint ventures	34	**3,517**	27,467
Convertible bonds	36	**1,866,938**	1,952,264
		14,528,388	16,379,878
Liabilities associated with assets classified as held for sale		**–**	10,090
		14,528,388	16,389,968
Net current liabilities		**(5,598,045)**	(8,333,691)
Total assets less current liabilities		**38,514,359**	37,074,735

	NOTES	2024 HK$'000	2023 HK$'000 (Restated)
Non-current liabilities			
Lease liabilities	32	**111,143**	206,846
Borrowings – amounts due after one year	33	**11,731,460**	10,782,229
Deferred taxation	35	**899,044**	839,983
Loans from non-controlling shareholders	34	**14,692**	15,187
		12,756,339	11,844,245
Net assets		**25,758,020**	25,230,490
Capital and reserves			
Share capital	37	**348,065**	335,450
Reserves		**23,099,673**	22,511,762
Equity attributable to shareholders of the Company		**23,447,738**	22,847,212
Non-controlling interests		**2,310,282**	2,383,278
Total equity		**25,758,020**	25,230,490

The consolidated financial statements on pages 100 to 220 were approved and authorised for issue by the Board of Directors ("the Board") on 14 March 2025 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 2024

	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$'000 (Note 38)	Investment revaluation reserve HK$'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 37)	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 39)	–	–	–	–	–	–	–	(3,172)	–	(3,172)	–	(3,172)
Issue of subscription shares (Note 37)	11	418	–	–	–	–	(23)	–	–	406	–	406
Recognition of share-based payments upon grant of share options (Note 39)	–	–	–	–	–	–	9,240	–	–	9,240	–	9,240
Recognition of share-based payments upon grant of shares under share award scheme (Note 39)	–	–	–	–	–	–	–	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

	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$'000 (Note 38)	Investment revaluation reserve HK$'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 2024	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
Exchange differences on translation from functional currency to presentation currency	–	–	(785,695)	–	–	–	–	–	–	(785,695)	(47,683)	(833,378)
Fair value change on investments in equity instruments at fair value through other comprehensive income	–	–	–	–	–	(35,792)	–	–	–	(35,792)	–	(35,792)
Income tax relating to items that will not be reclassified to profit or loss	–	–	–	–	–	8,927	–	–	–	8,927	–	8,927
Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve	–	–	–	42,241	–	–	–	–	–	42,241	–	42,241
Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	–	–	–	(42,306)	–	–	–	–	–	(42,306)	–	(42,306)
Profit for the year	–	–	–	–	–	–	–	–	1,606,116	1,606,116	190,378	1,796,494
Total comprehensive (expense) income for the year	–	–	(785,695)	(65)	–	(26,865)	–	–	1,606,116	793,491	142,695	936,186
Issue of shares upon scrip dividend scheme (Note 37)	12,615	353,223	–	–	–	–	–	–	–	365,838	–	365,838
Share options lapsed	–	–	–	–	–	–	(868)	–	868	–	–	–
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	(22,086)	(22,086)	(21,256)	(43,342)
Transfer	–	–	–	–	216,816	–	–	–	(216,816)	–	–	–
Deemed disposal/disposal of subsidiaries (Note 40)	–	–	–	–	2,001	–	–	–	(2,001)	–	(40,076)	(40,076)
Release of exchange reserve upon deemed disposal/disposal of subsidiaries	–	–	17,872	–	–	–	–	–	(17,872)	–	–	–
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	24,900	24,900
Dividends declared to shareholders of the Company (Note 16)	–	(536,717)	–	–	–	–	–	–	–	(536,717)	–	(536,717)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(179,259)	(179,259)
	12,615	(183,494)	17,872	–	218,817	–	(868)	–	(257,907)	(192,965)	(215,691)	(408,656)
At 31 December 2024	348,065	5,884,913	(593,101)	(92,517)	789,277	804,320	9,379	(108)	16,297,510	23,447,738	2,310,282	25,758,020

Consolidated Statement of Cash Flows

for the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	2,205,148	2,196,434
Adjustments for:		
Share of results of associates	(353,642)	(365,660)
Share of results of joint ventures	(285,569)	(317,531)
Impairment provision of goodwill	30,815	306,000
Impairment provision of property, plant and equipment	116,075	–
Impairment loss of trade receivables, net of reversal	33,221	22,435
Depreciation of property, plant and equipment	1,165,899	997,803
Depreciation of right-of-use assets	54,705	53,703
Amortisation of intangible assets	17,706	18,057
Loss on disposal of property, plant and equipment	8,032	17,662
Loss on disposal of right-of-use assets	195	–
(Gain) loss on deemed disposal/disposal of subsidiaries	(195,627)	4,597
(Gain) loss on deemed partial disposal of an associate	(24,059)	31,775
Gain on exit from investment in an associate	–	(681,020)
Gain from restructuring of extended business	(33,582)	–
Change in fair value of embedded derivative component of convertible bonds	(75,558)	(101,573)
Interest expenses	720,378	763,569
Interest income	(66,969)	(78,420)
Dividend income from equity instruments at fair value through other comprehensive income	(36,959)	(36,634)
Exchange gain, net	(5,878)	(4,000)
Share-based payment expenses	–	48,836
Operating cash flows before changes in working capital	3,274,331	2,876,033
(Increase) decrease in inventories	(6,968)	74,361
(Increase) decrease in trade receivables	(707,233)	90,865
(Increase) decrease in other receivables, deposits and prepayments	(515,510)	11,668
Decrease (increase) in amounts due from non-controlling shareholders	78,835	(50,346)
Increase in trade payables	512,492	97,562
Decrease in contract liabilities	(40,665)	(86,856)
Increase (decrease) in other payables and accrued charges	902,731	(785,096)
Decrease in amounts due to non-controlling shareholders	(31,617)	(6,806)
Cash generated from operations	3,466,396	2,221,385
Interest paid	(658,354)	(702,064)
Taxation paid	(455,333)	(218,627)
NET CASH GENERATED FROM OPERATING ACTIVITIES	2,352,709	1,300,694

	NOTES	2024 HK$'000	2023 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(3,826,241)**	(4,676,561)
Payments for right-of-use assets		**(15,491)**	(44,698)
Proceeds from disposal of property, plant and equipment		**75,675**	24,097
Proceeds from disposal of right-of-use assets		**1,999**	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		**–**	(98,918)
Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired)	40, 44	**(57,668)**	(238,183)
Payments for acquisition of subsidiaries in prior year		**(101,669)**	–
Deemed disposal/disposal of subsidiaries (net of cash and cash equivalents disposed)	40	**659,497**	(7,064)
Proceeds from deemed disposal of partial interest in a subsidiary		**–**	15,701
Acquisition of associates		**(11,344)**	(4,065)
Acquisition of an joint venture	44	**(8,659)**	–
Capital contribution to associates		**(56,093)**	(59,808)
Disposal of an associate		**5,093**	683
Proceeds from exit from investment in an associate	22	**–**	5,225,075
Advances to associates		**(291,442)**	(973)
Repayment of loans to associates		**52,566**	–
Capital contribution to joint ventures		**(30,078)**	(14,301)
Disposal of a joint venture		**–**	2,243
Advances to joint ventures		**(124,597)**	–
Repayment of loans to joint ventures		**185,387**	43,191
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	137,335
Acquisition of financial assets at fair value through profit or loss		**–**	(68,668)
Acquisition of equity instruments at fair value through other comprehensive income		**(7)**	(4,897)
Withdrawal of restricted deposit		**101,868**	–
Placement of restricted deposit		**–**	(109,425)
Increase in time deposits over three months		**(4,452)**	(16,171)
Interest received		**66,969**	78,420
Dividends received from associates		**326,342**	278,625
Dividends received from joint ventures		**248,347**	137,685
Dividend income from equity instruments at fair value through other comprehensive income		**36,959**	36,634
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		**(2,767,039)**	635,957

for the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
FINANCING ACTIVITIES		
Acquisition of additional interests in subsidiaries	(43,342)	(37,006)
Capital contribution from non-controlling shareholders of subsidiaries	24,900	54,545
Repayment of loans from non-controlling shareholders	–	(7,135)
Loan from ultimate holding company	65,878	17,881
Repayment of loan from ultimate holding company	(78,545)	(50,800)
Advances from associates	5,432	858
Repayment of loans from associates	–	(833)
Advances from joint ventures	3,275	83,090
Repayment of loans from joint ventures	(26,801)	(72,494)
New bank and other loans raised	8,665,448	14,101,835
Repayments of bank and other loans	(8,995,734)	(15,078,818)
Repayment of lease liabilities	(133,213)	(412,014)
Dividends paid to shareholders of the Company	(170,879)	(152,927)
Dividends paid to non-controlling shareholders of subsidiaries	(179,259)	(189,682)
Issue of subscription shares	–	406
Purchase of shares held for share award scheme	–	(3,172)
NET CASH USED IN FINANCING ACTIVITIES	(862,840)	(1,746,266)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,277,170)	190,385
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	4,083,884	4,000,676
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(106,829)	(107,177)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,699,885	4,083,884
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	2,699,885	4,080,302
Assets classified as held for sale	–	3,582
	2,699,885	4,083,884

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")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following 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 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of 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)*

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of 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 Group has applied the amendments for the first time in the current year.

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:

- 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 classification should not be affected by management intentions or expectations to settle the liability within 12 months.

- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity's own equity instruments to the counterparty. 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".

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that 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, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

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

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of 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)

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The following is the impact of the application of the amendments:

Convertible instruments with conversion options not meeting "fixed for fixed criterion"

The Group's outstanding convertible instruments include counterparty conversion options that do not meet equity instruments classification by applying HKAS 32 "Financial Instruments: Presentation". The host liability component is measured at amortised cost and the derivative component (representing the conversion options) is measured at fair value. Upon the application of the 2020 Amendments, given that the conversion options are exercisable by the holder anytime, the host liability and the derivative component as at 1 January and 31 December 2023 are reclassified as current liabilities as the holder has the option to convert within twelve months after the reporting period.

Borrowings which are subject to meeting certain covenants within 12 months from reporting date

The Group's right to defer settlement for borrowings of HK$5,571 million and HK$7,442 million as at 1 January and 31 December 2023, respectively are subject to compliance with certain financial ratios only after the reporting period. Upon the application of the 2022 Amendments, such borrowings are still 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.

The application of the 2020 Amendments and 2022 Amendments has no material impact on the classification of other liabilities of the Group. The change in accounting policy does not have impact to the Group's profit or loss or earnings per share for the year ended 31 December 2023. The details of the impacts on each financial statement line item on the consolidated statement of financial position arising from the application of the amendments are set out under "Impacts of application of amendments to HKFRSs on the consolidated financial statements" below. Comparative figures have been restated.

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

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of 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)

Impacts of application of amendments to HKFRSs on the consolidated financial statements

The effects of the changes in accounting policy as a result of application of the 2020 Amendments and 2022 Amendments on the consolidated statement of financial position as at the end of the reporting period (i.e. 31 December 2024), immediately preceding year (i.e. 31 December 2023) and beginning of the comparative period (i.e. 1 January 2023), are as follows:

	31 December 2024		
	As reported HK$'000	Reclassification HK$'000	Without the application of the 2020 Amendments and 2022 Amendments HK$'000
Current liabilities			
Convertible bonds	1,866,938	(1,866,938)	–
Non-current liabilities			
Convertible bonds	–	1,866,938	1,866,938
Total effect on net assets	–	–	–

	31 December 2023		
	Originally stated HK$'000	Reclassification HK$'000	Restated HK$'000
Current liabilities			
Convertible bonds	–	1,952,264	1,952,264
Non-current liabilities			
Convertible bonds	1,952,264	(1,952,264)	–
Total effect on net assets	–	–	–

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

Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of 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)

Impacts of application of amendments to HKFRSs on the consolidated financial statements (Continued)

	1 January 2023		
	Originally stated HK$'000	Reclassification HK$'000	Restated HK$'000
Current liabilities			
Convertible bonds	–	2,055,619	2,055,619
Non-current liabilities			
Convertible bonds	2,055,619	(2,055,619)	–
Total effect on net assets	–	–	–

In the opinion of the directors of the Company, the reclassifications made in the comparative figures have insignificant impact to the Group's consolidated statement of financial position as at 1 January 2023, there is also no impact to the gearing ratio and compliance of loan covenant terms of the Group, accordingly, the third consolidated statement of financial position is not presented. There were no other reclassification or adjustments required on the comparative figures.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 18	Presentation and Disclosure in Financial Statements[4]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

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 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new 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.

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 "Presentation of Financial Statements". This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some paragraphs in HKAS 1 have been moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and HKFRS 7 "Financial Instruments: Disclosures". Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

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$5,598 million as at 31 December 2024. The Group's liabilities as at 31 December 2024 included borrowings of approximately HK$3,696 million that are repayable within one year from the end of the reporting period.

As at 31 December 2024, the Group is able to raise funds through a Medium Term Note Programme ("MTN Programme") amounting to approximately HK$13,452 million, 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$15,432 million and unutilised facilities from banks and its parent company HKCG amounting to approximately HK$10,248 million ("Facilities"). When considering the Group's ability to continue as a going concern, the Directors considered that the Group's bank borrowings of approximately HK$3,696 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 which can 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.

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.

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

3.2 Material accounting policy information *(Continued)*

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.

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.

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)

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.

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.

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

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.

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.

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.

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

Non-current 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.

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.

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.

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

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.

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.

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)

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

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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.

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)

Right-of-use assets *(Continued)*

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.

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.

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

3.2 Material accounting policy information *(Continued)*

Intangible assets (Continued)

Intangible assets acquired in a business combination (Continued)

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.

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.

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

3.2 Material accounting policy information *(Continued)*

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.

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.

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)

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.

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.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

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.

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.

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)*

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.

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.

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)*

(ii) Equity instruments designated as at FVTOCI *(Continued)*

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.

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.

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.

(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.

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

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.

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.

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

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.

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.

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 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.

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.

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)

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, associates 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.

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.

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

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

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.

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.

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)

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.

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.

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 *(Continued)*

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.

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".

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, including expectations of future events that are believed to be reasonable under the circumstances such as climate change. 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 6% (2023: 3% to 9%) per annum, which is based on internal and external factors relating to the CGUs. Discount rates ranging between 9.0% to 15.5% (2023: 9.0% to 15.5%) 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 2024 amounted to HK$4,629,309,000 (2023: HK$4,820,508,000), net of an impairment provision of HK$465,061,000 (2023: HK$445,352,000).

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 2024, the management of the Group considered that an additional impairment provision HK$30,815,000 (2023: HK$306,000,000) 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, renewable energy 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$17,346,000 (2023: HK$94,469,000) as at 31 December 2024 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 36.

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, associates and joint ventures disclosed in Notes 36, 33 and 34, 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:

	2024 HK$'000	2023 HK$'000
Debt (i)	**15,465,791**	16,353,202
Convertible bonds	**1,866,938**	1,952,264
Restricted deposit	**(5,321)**	(108,691)
Time deposits over three months	**(25,223)**	(21,562)
Bank balances and cash (including assets classified as held for sale)	**(2,699,885)**	(4,083,884)
Net debt	**14,602,300**	14,091,329
Total equity (ii)	**25,758,020**	25,230,490
Gearing Ratio (iii)	**36%**	36%

(i) Debt is defined as long-term and short-term borrowings and loans from ultimate holding company, non-controlling shareholders, associates and joint ventures, as detailed in Notes 33 and 34, 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$14,602,300,000 (2023: HK$14,091,329,000) to total equity plus net debt of HK$40,360,320,000 (2023: HK$39,321,819,000).

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2024 HK$'000	2023 HK$'000
Financial assets		
Amortised cost	**6,676,588**	6,882,084
Derivative financial instruments	**115,918**	81,336
Equity instruments at FVTOCI	**1,274,026**	1,353,339
Financial liabilities		
Amortised cost	**20,881,938**	21,420,989
Embedded derivative component of convertible bonds	**17,346**	94,469

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, 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, associates and joint ventures, convertible bonds and borrowings. 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 28 and 33, respectively. In addition, the Group has intra-group balances denominated in 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 29 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.

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 10% (2023: 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% (2023: 10%) change in foreign currency rates.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk (Continued)

Sensitivity analysis (Continued)

The sensitivity analysis includes bank balances and cash denominated in currencies 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% (2023: 10%) against USD and HKD. For a 10% (2023: 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.

	2024 HK$'000	2023 HK$'000
Profit before taxation	**2,089**	4,543

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 ultimate holding company, non-controlling shareholders, associates 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 in accordance with the hedging policy of the Group. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. 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 RMB Prime Rate arising from the Group's 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.

In prior years, 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 were designated as effective hedging instrument for a variable-rate bank borrowing as detailed above. The cross currency interest rate swaps were matured upon repayment of the bank borrowings.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk (Continued)

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 was 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 (2023: 100 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2023: 100 basis points) higher/lower and all other variables were held constant, the Group's profit before taxation for the year ended 31 December 2024 would decrease/increase by HK$33,835,000 (2023: HK$34,991,000). 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% (2023: 10%) higher/lower, the Group's investment revaluation reserve would increase/decrease by HK$87,708,000 (2023: HK$92,824,000) as a result of the changes in fair value of the investments, net of tax.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

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.

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 2024 HK$'000	2023 HK$'000
Loans to associates	22	Low risk	12m ECL	**37,654**	57,552
Loans to joint ventures	23	Low risk	12m ECL	**24,596**	166,507
Trade receivables	26	(note)	Lifetime ECL – not credit-impaired	**2,057,348**	1,500,120
		Loss	Lifetime ECL – credit-impaired	**185,411**	178,462
				2,242,759	1,678,582
Other receivables and deposits	26	Low risk	12m ECL	**689,184**	681,309
Consideration receivable for disposal of subsidiaries	26	Low risk	12m ECL	**616,664**	–
Amounts due from associates	26	Low risk	12m ECL	**285,066**	27,224
Amounts due from joint ventures	26	Low risk	12m ECL	**111,797**	33,310
Amounts due from related companies	26	Low risk	12m ECL	**40,214**	21,153
Amounts due from non-controlling shareholders	27	Low risk	12m ECL	**135,390**	219,806
Restricted deposit	28	N/A	12m ECL	**5,321**	108,691
Time deposits over three months	28	N/A	12m ECL	**25,223**	21,562
Bank balances and cash	28	N/A	12m ECL	**2,699,885**	4,080,302

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

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.

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 for certain debtors. The Group used estimated loss rates ranging from less than 1.1% to 49.2% (2023: 0.7% to 40.8%) 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, renewable energy 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)	Lifetime ECL (credit-impaired)*	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2023	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**
Exchange realignment	**(2,242)**	**(7,728)**	**(9,970)**
Impairment losses recognised, net	**21,744**	**11,477**	**33,221**
Transfer to credit-impaired	**(3,200)**	**3,200**	**–**
At 31 December 2024	**51,754**	**185,411**	**237,165**

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

During the year ended 31 December 2024, the Group provided HK$33,221,000 (2023: HK$22,435,000) 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

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

The management, having considered the financial background and good creditability of the associates, joint ventures, non-controlling shareholders and related companies, 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 and consideration receivable for disposal of subsidiaries

Based on the ECL assessment, the credit exposures for other receivables and deposits and consideration receivable for disposal of subsidiaries are considered as low risk and the loss allowance is immaterial because the counterparties consistently have low historical default rate in connection with payments and management makes periodic assessment on their recoverability.

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$5,598 million as at 31 December 2024 (2023: HK$8,334 million (restated)).

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	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2024 HK$'000
2024								
Trade payables	–	399,912	573,141	751,056	622,740	25,154	2,372,003	2,372,003
Other payables	–	1,154,569	–	–	–	–	1,154,569	1,154,569
Lease liabilities	5.00%	3,631	4,297	24,153	61,255	77,191	170,527	140,824
Amounts due to non-controlling shareholders	–	39,983	–	–	–	–	39,983	39,983
Loan from ultimate holding company	3.50%	15,157	–	–	–	–	15,157	15,113
Loans from non-controlling shareholders	4.99%	–	–	–	15,652	–	15,652	14,692
Loans from associates	1.50%	5,469	–	–	–	–	5,469	5,462
Loans from joint ventures	1.50%	3,521	–	–	–	–	3,521	3,517
Bank loans	3.83%	360,111	635,883	3,140,497	8,866,759	1,196,041	14,199,291	12,759,628
Debt component of convertible bonds	4.00%	–	–	19,536	2,235,004	–	2,254,540	1,849,592
Other loans	2.73%	–	–	22,666	14,484	16,468	53,618	46,346
Medium term note ("MTN")	2.82%	–	–	14,900	561,941	–	576,841	532,141
Sustainability-linked bonds ("SLB")	4.04%	–	–	62,243	1,649,443	–	1,711,686	1,556,078
Panda Bonds	3.60%	–	–	19,181	571,177	–	590,358	532,814
		1,982,353	1,213,321	4,054,232	14,598,455	1,314,854	23,163,215	21,022,762
Derivatives – gross settlement								
Cross currency swap								
– inflow		–	–	(62,152)	(1,647,028)	–	(1,709,180)	N/A
– outflow		16,044	–	47,608	1,453,893	–	1,517,545	N/A
		16,044	–	(14,544)	(193,135)	–	(191,635)	(115,918)

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	Over 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
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)

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 31.12.2024	Fair value as at 31.12.2023	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
1) Listed equity investments classified as FVTOCI	**Assets - HK$1,169,442,000**	Assets - HK$1,237,657,000	Level 1	Quoted market price	N/A
2) Cross currency interest rate swaps classified as other financial assets	**Assets - Nil**	Assets - HK$10,708,000	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$115,918,000**	Assets - HK$70,628,000	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 - HK$104,584,000**	Assets - HK$115,682,000	Level 3	Market comparable approach	Market multiples ranging from 0.1 to 1.7 (2023: 0.1 to 1.8) and discount for lack of marketability ranging from 0% to 30% (2023: 0% to 30%) (note a)
5) Embedded derivative component of convertible bonds	**Liabilities - HK$17,346,000**	Liabilities - HK$94,469,000	Level 3	Binomial option pricing model	Expected volatility of 32.6% (2023: 43.2%) (note b)

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$13,582,000 or HK$9,896,000 (2023: HK$27,837,000 or HK$27,416,000), respectively.

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 2023	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)**
Addition	**–**	**7**	**–**
Fair value change recognised in other comprehensive income	**–**	**(7,313)**	**–**
Fair value change recognised in profit or loss	**–**	**–**	**75,558**
Currency realignment	**–**	**(3,792)**	**1,565**
At 31 December 2024	**–**	**104,584**	**(17,346)**

The fair value gain recognised in profit or loss relating to embedded derivative component of convertible bonds of HK$75,558,000 (2023: HK$101,573,000) is included in "other gains, net" line item.

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)

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.

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 2024 amounted to HK$1,869,547,000, HK$1,508,584,000 and HK$543,636,000 (2023: HK$1,865,465,000, HK$1,500,029,000 and HK$1,654,912,000), respectively.

7. REVENUE

As at 31 December 2024, 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$1,253,267,000 and HK$638,662,000 (2023: HK$1,516,707,000 and HK$833,200,000), respectively, and the Group's contract liabilities of HK$1,647,173,000 (2023: HK$1,597,363,000) 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.

8. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

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

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

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 2024					
REVENUE					
Revenue recognised at a point in time	**17,056,130**	**1,378,505**	**1,863,466**	**529,459**	**20,827,560**
Revenue recognised over time	**–**	**486,467**	**–**	**–**	**486,467**
External	**17,056,130**	**1,864,972**	**1,863,466**	**529,459**	**21,314,027**
Segment results	**983,503**	**726,350**	**254,900**	**98,361**	**2,063,114**
Other income					**220,764**
Other gains, net					**179,587**
Unallocated corporate expenses					**(168,925)**
Share of results of associates					**353,642**
Share of results of joint ventures					**285,569**
Finance costs					**(728,603)**
Profit before taxation					**2,205,148**
Taxation					**(408,654)**
Profit for the year					**1,796,494**

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 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

Segment results included gas fuel, stores and materials used, certain staff costs, depreciation and amortisation, and certain other expenses in operating expenses, 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.

9. TOTAL OPERATING EXPENSES

	2024 HK$'000	2023 HK$'000
Gas fuel, stores and materials used	**15,846,732**	15,124,809
Staff costs	**1,421,232**	1,306,363
Depreciation and amortisation	**1,238,310**	1,069,563
Other expenses	**913,564**	676,883
	19,419,838	18,177,618

10. OTHER INCOME

	2024 HK$'000	2023 HK$'000
Dividend income from equity instruments at fair value through other comprehensive income	**36,959**	36,634
Government grants	**70,523**	37,689
Interest income	**66,969**	78,420
Others	**46,313**	39,887
	220,764	192,630

11. OTHER GAINS, NET

	2024 HK$'000	2023 HK$'000
Gain (loss) on deemed disposal/disposal of subsidiaries (Note 40)	**195,627**	(4,597)
Change in fair value of embedded derivative component of convertible bonds	**75,558**	101,573
Gain from restructuring of extended business (Note 44)	**33,582**	–
Gain (loss) on deemed partial disposal of an associate	**24,059**	(31,775)
Exchange gain, net	**5,878**	4,000
Impairment provision of property, plant and equipment	**(116,075)**	–
Impairment provision of goodwill	**(30,815)**	(306,000)
Loss on disposal of property, plant and equipment	**(8,032)**	(17,662)
Loss on disposal of right-of-use assets	**(195)**	–
Gain on exit from investment in an associate (Note 22)	**–**	681,020
	179,587	426,559

12. FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest on bank and other borrowings	636,177	679,887
Effective interest expense on convertible bonds	81,609	79,323
Bank charges	8,225	6,270
Interest on lease liabilities	13,473	17,723
	739,484	783,203
Less: amounts capitalised	(10,881)	(13,364)
	728,603	769,839

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate 4.65% (2023: 5.03%) per annum to expenditure on qualifying assets.

13. PROFIT BEFORE TAXATION

	2024 HK$'000	2023 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (Note 14)	39,208	46,706
Other staff costs	1,264,593	1,117,946
Share-based payments for other staff	–	28,200
Retirement benefit scheme contributions for other staff	117,431	113,511
Total staff costs	1,421,232	1,306,363
Cost of inventories sold	17,225,083	16,278,678
Depreciation of property, plant and equipment	1,165,899	997,803
Depreciation of right-of-use assets	54,705	53,703
Amortisation of intangible assets	17,706	18,057
Impairment loss of trade receivables, net of reversal	33,221	22,435
Remuneration to the Company's auditor		
– audit services	9,500	9,250
– non-audit services	2,013	1,897

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments:

The emoluments paid or payable to each of the 8 (2023: 10) directors were as follows:

	Year ended 31 December 2024								
	Executive Directors			Non-Executive Directors		Independent Non-Executive Directors			
	Peter Wong Wai-yee HK$'000 (note d)	Martin Kee Wai-ngai HK$'000 (note f)	John Qiu Jian-hang HK$'000 (note g)	Lee Ka-kit HK$'000	Kenneth Liu Kai-lap HK$'000	Moses Cheng Mo-chi HK$'000	Brian David Li Man-bun HK$'000	Christine Loh Kung-wai HK$'000	Total HK$'000
Directors' fees (note a)	200	200	200	300	–	500	500	600	2,500
Other emoluments (note b)									
Salaries and other benefits	1,569	2,901	2,967	–	–	–	–	–	7,437
Retirement benefit scheme contributions	143	1,173	987	–	–	–	–	–	2,303
Performance and discretionary bonus (note c)	6,902	3,000	3,500	–	–	–	–	–	13,402
Incentive payments (note c)	6,426	1,785	5,355	–	–	–	–	–	13,566
Total emoluments	15,240	9,059	13,009	300	–	500	500	600	39,208

	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$'000	Kenneth Liu Kai-lap HK$'000	Moses Cheng Mo-chi HK$'000	Brian David Li Man-bun HK$'000	James Kwan Yuk-choi HK$'000 (note h)	Christine Loh Kung-wai HK$'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
Incentive payments (note i)	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

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, discretionary bonus and incentive payments are determined by the Board from time to time with reference to directors' duties and responsibilities and the Group's performance and profitability. The incentive payments will be settled in the form of shares subsequent to the end of the reporting period.

(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.

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

Directors' emoluments: *(Continued)*

notes: *(Continued)*

(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) The incentive payments for the year ended 31 December 2023 represented share-based payments of HK$20,636,000.

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

Employees' emoluments:

For the year ended 31 December 2024, the 5 highest paid individuals of the Group included 3 (2023: 4) Directors, details of their emoluments are included above. The emoluments of the remaining 2 (2023: 1) highest paid individual(s) are as follows:

	2024 HK$'000	2023 HK$'000
Salaries and other benefits	4,762	2,883
Performance and discretionary bonus	3,403	1,900
Incentive payments	4,284	580
Retirement benefit scheme contributions	426	220
	12,875	5,583

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

Employees' emoluments: *(Continued)*

The emoluments were within the following bands:

	Number of employees 2024	2023
HK$5,500,001 to HK$6,000,000	–	1
HK$6,000,001 to HK$6,500,000	1	–
HK$6,500,001 to HK$7,000,000	1	–
	2	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

	2024 HK$'000	2023 HK$'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	300,629	223,448
Deferred taxation (Note 35)	108,025	161,662
	408,654	385,110

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% (2023: 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:

	2024 HK$'000	2023 HK$'000
Profit before taxation	2,205,148	2,196,434
Tax at the applicable rate of 25% (note)	551,287	549,109
Tax effect of expenses that are not deductible for tax purposes	199,552	272,718
Tax effect of income that are not taxable for tax purposes	(127,168)	(214,792)
Effect of different tax rates of subsidiaries operating in different regions	(138,138)	(126,059)
Tax effect of share of results of associates	(88,410)	(91,415)
Tax effect of share of results of joint ventures	(71,392)	(79,383)
Tax effect of utilisation of tax losses not previously recognised	(8,710)	(10,251)
Tax effect of deductible temporary differences not recognised	29,019	–
Tax effect of tax losses not recognised	38,196	25,226
Withholding tax on undistributed profits	24,418	59,957
Tax charge for the year	408,654	385,110

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 2023 of approximately HK$536,717,000 (2023: HK$487,182,000 in respect of the year ended 31 December 2022) was recognised as distribution, being 16 HK cents (2023: 15 HK cents) per ordinary share.

Subsequent to the end of the reporting period, a final dividend of 16 HK cents (2023: 16 HK cents) per ordinary share and a special dividend of 3 HK cents (2023: nil) per ordinary share, totalling of 19 HK cents (2023: 16 HK cents) per ordinary share, in an aggregate amount of approximately HK$661,319,000 (2023: HK$536,717,000) in respect of the year ended 31 December 2024 has been proposed by the Board and is subject to approval by the shareholders at the forthcoming annual general meeting and compliance with the Companies Act of the Cayman Islands.

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:

	2024 HK$'000	2023 HK$'000
Earnings		
Profit for the year attributable to shareholders of the Company for the purpose of basic earnings per share	1,606,116	1,574,623
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds	81,609	79,323
Change in fair value of embedded derivative component of convertible bonds	(75,558)	(101,573)
Profit for the year attributable to shareholders of the Company for the purpose of diluted earnings per share	1,612,167	1,552,373

	Number of shares	
	2024 '000	2023 '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	3,413,761	3,298,521
Effect of dilutive potential ordinary shares:		
Convertible bonds	362,193	356,454
Share options	–	469
Weighted average number of subscription shares	–	1
Weighted average number of subscription shares that would have issued at market	–	(1)
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,775,954	3,655,444

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.

For the year ended 31 December 2024, the computation of diluted earnings per share did not assume the exercise of the share options issued by the Company because the exercise price of these options was higher than the average market price of shares for the year.

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 2023	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 40)	9,011	10,282	1,894,681	80,712	1,994,686
Deemed disposal of a subsidiary (Note 40)	(17,834)	(38,128)	(6,766)	(71,419)	(134,147)
Disposals	(22,899)	(8,872)	(71,759)	–	(103,530)
Reclassified as held for sale	(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**
Currency realignment	**(116,865)**	**(744,648)**	**(262,170)**	**(108,094)**	**(1,231,777)**
Additions	**196,534**	**567,206**	**1,316,245**	**1,757,137**	**3,837,122**
Transfer from right-of-use assets	**–**	**–**	**85,167**	**–**	**85,167**
Disposal of subsidiaries (Note 40)	**(2,947)**	**–**	**(1,846,634)**	**(38,255)**	**(1,887,836)**
Disposals	**(50,311)**	**(27,562)**	**(63,774)**	**–**	**(141,647)**
Transfers	**345,328**	**870,049**	**1,416,413**	**(2,631,790)**	**–**
At 31 December 2024	**3,598,769**	**22,593,376**	**6,936,869**	**2,921,031**	**36,050,045**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2023	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 40)	(1,179)	(4,497)	(3,978)	–	(9,654)
Eliminated on disposals	(6,801)	(3,041)	(51,929)	–	(61,771)
Reclassified as held for sale	(26,170)	–	(10,192)	–	(36,362)
At 31 December 2023	**796,374**	**4,577,636**	**1,459,763**	**–**	**6,833,773**
Currency realignment	**(31,404)**	**(170,870)**	**(65,800)**	**(2,322)**	**(270,396)**
Provided for the year	**131,030**	**630,938**	**403,931**	**–**	**1,165,899**
Eliminated on disposal of subsidiaries (Note 40)	**(650)**	**–**	**(172,054)**	**–**	**(172,704)**
Eliminated on disposals	**(3,127)**	**(6,133)**	**(48,680)**	**–**	**(57,940)**
Impairment provision recognised (Note 21)	**–**	**–**	**–**	**116,075**	**116,075**
At 31 December 2024	**892,223**	**5,031,571**	**1,577,160**	**113,753**	**7,614,707**
CARRYING VALUES					
At 31 December 2024	**2,706,546**	**17,561,805**	**5,359,709**	**2,807,278**	**28,435,338**
At 31 December 2023	2,430,656	17,350,695	4,831,859	3,942,033	28,555,243

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

19. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties and others HK$'000	Total HK$'000
As at 31 December 2024			
Carrying amount	**733,174**	**135,265**	**868,439**
As at 31 December 2023			
Carrying amount	768,675	243,794	1,012,469
For the year ended 31 December 2024			
Depreciation charge	**(20,843)**	**(33,862)**	**(54,705)**
For the year ended 31 December 2023			
Depreciation charge	(21,177)	(32,526)	(53,703)

	2024 HK$'000	2023 HK$'000
Total cash outflow for leases	**148,704**	456,712
Transfer to property, plant and equipment	**85,167**	281,763
Additions to right-of-use assets	**56,757**	80,769
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 (2023: 12 months to 30 years) while for land leases are entered into for fixed terms ranging from 15 years to 70 years (2023: 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 2023	633,179
Currency realignment	(16,787)
At 31 December 2023	**616,392**
Currency realignment	**(20,074)**
At 31 December 2024	**596,318**
AMORTISATION	
At 1 January 2023	219,646
Currency realignment	(6,305)
Provided for the year	18,057
At 31 December 2023	**231,398**
Currency realignment	**(8,202)**
Provided for the year	**17,706**
At 31 December 2024	**240,902**
CARRYING VALUES	
At 31 December 2024	**355,416**
At 31 December 2023	384,994

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.

21. GOODWILL

	HK$'000
COST	
At 1 January 2023	5,501,017
Currency realignment	(148,134)
Acquisition of subsidiaries	63,148
Reclassified as held for sale	(150,171)
At 31 December 2023	**5,265,860**
Currency realignment	**(171,490)**
At 31 December 2024	**5,094,370**
IMPAIRMENT	
At 1 January 2023	204,781
Currency realignment	(5,429)
Impairment provision recognised	306,000
Reclassified as held for sale	(60,000)
At 31 December 2023	**445,352**
Currency realignment	**(11,106)**
Impairment provision recognised	**30,815**
At 31 December 2024	**465,061**
CARRYING VALUES	
At 31 December 2024	**4,629,309**
At 31 December 2023	4,820,508

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:

	2024 HK$'000	2023 HK$'000
Baotou Hong Kong & China Gas Company Limited	152,892	158,039
Boxing Hong Kong & China Gas Co., Ltd.	82,887	85,677
Dafeng Hong Kong and China Gas Company Limited	233,266	241,119
Hong Kong & China Gas (Anqing) Limited	252,302	260,796
Hong Kong & China Gas (Maanshan) Limited	266,190	275,151
Hong Kong & China Gas (Qingdao) Limited	304,629	314,883
Hong Kong & China Gas (Taian) Limited	196,092	202,692
Hong Kong & China Gas (Weifang) Limited	104,508	108,026
Hong Kong & China Gas (Weihai) Limited	253,478	262,012
Hong Kong & China Gas (Yantai) Limited	203,280	210,123
Hong Kong & China Gas (Zibo) Limited	327,636	338,666
Ji Nan Ping Yin Hong Kong & China Gas Co., Ltd.	115,115	118,990
Mianyang Hong Kong & China Gas Co., Ltd.	271,226	280,356
Mianzhu Hong Kong and China Gas Co., Ltd.	97,622	100,908
Towngas (BVI) Holdings Limited ("Towngas BVI")*	377,833	390,551
Xingyi Hong Kong & China Gas Company Limited	96,197	99,436
成都新都港華燃氣有限公司	206,135	213,074
阜新新邱港華燃氣有限公司	113,423	117,240
Others	974,598	1,042,769
	4,629,309	4,820,508

* The operating entities of Towngas BVI are located in the Liaoning and Zhejiang provinces in the PRC.

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% (2023: 9.0% to 15.5%) 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.

21. GOODWILL *(Continued)*

Cash flows beyond 5-year period until the end of the relevant concession periods have been extrapolated using growth rates from 3% to 6% (2023: 3% to 9%) per annum, which is based on internal and external factors relating to the CGUs. During the year ended 31 December 2024, an impairment provision of HK$30,815,000 and HK$116,075,000 (2023: HK$306,000,000 and nil) was recognised on goodwill and property, plant and equipment, respectively in respect of certain CGUs principally engaged in sales of piped gas business, gas connection and extended business in North-Eastern China which were underperformed and with expected decline in future cash flows (2023: in Northern and North-Eastern China which were unable to achieve the expected growth due to the estimated delay in following the pricing mechanism). The recoverable amount of those CGUs based on value in use was HK$174,000,000 at 31 December 2024 (2023: HK$1,725,000,000) and the management applied discount rates of 15.0% (2023: 11.0% to 15.5%).

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$25 million (2023: HK$459 million).

22. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES

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

	2024 HK$'000	2023 HK$'000
Cost of investments in associates	**2,722,891**	2,772,116
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,839,220**	2,479,333
	4,562,111	5,251,449
Fair value of listed investments (note)	**6,989,709**	3,666,613
Loans to associates		
– Non-current portion	**–**	47,701
– Current portion	**37,654**	9,851
	37,654	57,552

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.

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:

Name of entity	Place/form of establishment and operation	Equity interest attributable to the Group 2024	Equity interest attributable to the Group 2023	Principal activities
Changchun Gas Co., Ltd.*	PRC – Company limited by shares	**28.2%**	28.2%	Provision of natural gas and related services and gas pipeline construction
Foran Energy Group Co., Ltd.**	PRC – Company limited by shares	**36.6%**	37.0%	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

* 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.

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 Co., Ltd. ("Shanghai Gas")

	From 1.1.2023 to 28.2.2023 HK$'000
Revenue	7,890,040
Loss for the period	(321,620)
Other comprehensive income for the period	907
Total comprehensive expense for the period	(320,713)

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

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

Shanghai Gas Co., Ltd. ("Shanghai Gas") (Continued)

note: On 23 May 2023, the Company entered into a capital reduction agreement ("Capital Reduction Agreement") with Shenergy (Group) Company Limited ("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 was 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 completion conditions and hence the interest in Shanghai Gas was derecognised on the same date and a gain of HK$681,020,000 was recognised and included in "other gains, net" line item during the year ended 31 December 2023.

Aggregate information of associates that are not individually material

	2024 HK$'000	2023 HK$'000
The Group's share of profit for the year	353,642	458,100
Aggregate carrying amount of the Group's interests in these associates	4,562,111	5,251,449

The loans to associates are unsecured and interest bearing at fixed rates ranging from 3.10% to 3.70% (2023: 3.70% to 4.90%) per annum, except for a loan amounted to HK$33,437,000 (2023: HK$5,501,000) which is interest free. All the loans (2023: HK$4,350,000) are repayable on demand (2023: HK$5,501,000 repayable within one year and HK$47,701,000 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:

	2024 HK$'000	2023 HK$'000
Cost of investments in joint ventures	1,572,521	1,510,140
Share of post-acquisition profits and other comprehensive income, net of dividends received	2,294,005	2,293,264
	3,866,526	3,803,404
Loans to joint ventures – current	24,596	166,507

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 2024	Equity interest attributable to the Group 2023	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
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
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
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 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
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 this company which the decisions about the relevant activities require the unanimous consent of the Group and the joint venturers. Accordingly, this company is regarded as a joint venture of the Group.

23. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES *(Continued)*

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.

Aggregate information of joint ventures that are not individually material

	2024 HK$'000	2023 HK$'000
The Group's share of profit for the year	285,569	317,531
Aggregate carrying amount of the Group's interests in these joint ventures	3,866,526	3,803,404

The loans to joint ventures are interest bearing at a fixed rate ranging from 3.1% to 3.7% per annum (2023: interest-free), unsecured and repayable on demand.

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 HK$'000	2023 HK$'000
Listed shares in the PRC	1,169,442	1,237,657
Unlisted shares in the PRC	104,584	115,682
	1,274,026	1,353,339

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

	2024 HK$'000	2023 HK$'000
Finished goods	177,714	96,307
Materials and consumables	398,441	492,301
	576,155	588,608

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024 HK$'000	2023 HK$'000
Trade receivables (net of allowance for credit losses)	2,005,594	1,464,668
Prepayments	646,077	541,501
Consideration receivable for disposal of subsidiaries (Note 40)	616,664	–
Amounts due from associates (note)	285,066	27,224
Amounts due from joint ventures (note)	111,797	33,310
Amounts due from related companies (note)	40,214	21,153
Other receivables and deposits	704,657	694,494
	4,410,069	2,782,350

At 1 January 2023, trade receivables from contracts with customers amounted to HK$1,538,048,000 (after deducting the allowance for credit losses of HK$199,584,000).

note: The amounts are unsecured, interest-free and repayable on demand.

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables with gross carrying amount of HK$2,242,759,000 (2023: HK$1,678,582,000) and allowance for credit losses of HK$237,165,000 (2023: HK$213,914,000). 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:

	2024 HK$'000	2023 HK$'000
0 to 90 days	**1,486,875**	1,039,121
91 to 180 days	**290,626**	224,505
Over 180 days	**228,093**	201,042
	2,005,594	1,464,668

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$133,237,000 (2023: HK$79,249,000) which are past due as at the reporting date. Out of the past due balances, HK$79,116,000 (2023: HK$47,765,000) 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. 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% (2023: 0.00% to 2.60%) per annum. The restricted deposit represent deposits 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.

	2024 HK$'000	2023 HK$'000
USD	**13,450**	11,211
HKD	**7,444**	34,222

29. OTHER FINANCIAL ASSETS

	2024 HK$'000	2023 HK$'000
Other financial assets		
Derivatives (under hedge accounting)		
Cash flow hedge – cross currency swap contract under non-current assets	**115,918**	70,628
Cash flow hedge – cross currency interest rate swap contract under current assets	**–**	10,708

The classification of the measurement of the derivative financial instruments at 31 December 2024 and 2023 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).

29. OTHER FINANCIAL ASSETS *(Continued)*

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 and 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 2024, the fair value change of HK$42,241,000 (2023: HK$64,585,000) on derivative instruments designated as cash flow hedge was recorded in hedge reserve, and a fair value change of HK$42,306,000 (2023: HK$54,579,000) on derivative instrument designated as cash flow hedge reclassified to finance costs as a debit of HK$7,513,000 (2023: HK$6,699,000) and to exchange differences (included in other gains, net) as a credit of HK$42,306,000 (2023: HK$54,579,000) in profit or loss.

The major terms of the cross currency interest rate swap and cross currency swap were set out below:

Notional amount	Maturity	Exchange rate	Interest rate	
			Receive	Pay
Cross currency swaps				
At 31 December 2024 and 2023				
USD100,000,000	2027	USD1 to RMB6.3885	N/A	N/A
USD100,000,000	2027	USD1 to RMB6.3760	N/A	N/A
Cross currency interest rate swap				
At 31 December 2023				
USD50,000,000	2024	USD1 to RMB6.9270	SOFR* + 1.06%	4.05%

* SOFR represents Secured Overnight Financing Rate.

30. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2024 HK$'000	2023 HK$'000
Trade payables	2,372,003	2,140,337
Consideration payable for acquisition of businesses	68,868	176,968
Deferred consideration	130,649	–
Other payables and accruals	1,598,574	1,385,681
Amount due to ultimate holding company (note)	2,703	2,670
	4,172,797	3,705,656

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:

	2024 HK$'000	2023 HK$'000
0 to 90 days	1,304,754	1,100,516
91 to 180 days	569,405	376,030
181 to 360 days	217,571	299,408
Over 360 days	280,273	364,383
	2,372,003	2,140,337

31. CONTRACT LIABILITIES

	2024 HK$'000	2023 HK$'000
Sales of piped gas business	1,533,460	1,514,038
Gas connection	1,826,595	2,034,779
Renewable energy business	2,018	7,630
Extended business	111,695	75,695
	3,473,768	3,632,142

At 1 January 2023, contract liabilities amounted to HK$3,850,134,000.

31. 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 2024				
Revenue recognised that was included in the contract liability balance at the beginning of the year	**1,514,038**	**775,132**	**7,630**	**75,695**
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

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.

32. LEASE LIABILITIES

	2024 HK$'000	2023 HK$'000
Lease liabilities payable:		
Within one year	29,681	48,433
Within a period of more than one year but not more than two years	19,471	43,032
Within a period of more than two years but not more than five years	26,497	87,788
Within a period of more than five years	65,175	76,026
	140,824	255,279
Less: Amounts due for settlement with 12 months shown under current liabilities	(29,681)	(48,433)
Amounts due for settlement after 12 months shown under non-current liabilities	111,143	206,846

33. BORROWINGS

	2024 HK$'000	2023 HK$'000
Bank loans – unsecured	12,759,628	12,238,142
Other loans – unsecured	46,346	6,281
MTN – unsecured	532,141	825,083
SLB – unsecured	1,556,078	1,562,400
Panda Bonds – unsecured	532,814	1,650,165
	15,427,007	16,282,071
Carrying amount repayable:		
On demand or within one year	3,695,547	5,499,842
Within a period of more than one year but not exceeding two years	3,162,859	5,414,097
Within a period of more than two years but not exceeding five years	7,477,276	4,624,321
Within a period of more than five years	1,091,325	743,811
	15,427,007	16,282,071
Less: Amount due within one year shown under current liabilities	(3,695,547)	(5,499,842)
Amount due after one year shown under non-current liabilities	11,731,460	10,782,229

33. BORROWINGS *(Continued)*

The borrowings mainly comprise of:

	Effective interest rate	Carrying amount 2024 HK$'000	Carrying amount 2023 HK$'000
Floating-rate loans:			
Unsecured RMB bank loans	3.72% (2023: 3.26%)	**3,375,566**	3,499,097
Unsecured USD bank loan	N/A (2023: 6.36%)	**–**	390,600
Unsecured other loans	2.04% (2023: N/A)	**7,898**	–
Fixed-rate loans:			
Unsecured RMB bank loans	3.86% (2023: 3.96%)	**9,384,062**	8,348,445
Unsecured other loans	2.86% (2023: 1.15%)	**38,448**	6,281
Unsecured RMB MTN	2.82% (2023: 3.43%)	**532,141**	825,083
Unsecured USD SLB	4.04% (2023: 4.04%)	**1,556,078**	1,562,400
Unsecured RMB Panda Bonds	3.60% (2023: 3.40%)	**532,814**	1,650,165
Total bank loans and other loans		**15,427,007**	16,282,071

In respect of bank loans with carrying amount of HK$7,851 million as at 31 December 2024 (2023: HK$7,442 million), the Group is required to comply with financial covenants determined based on consolidated tangible net worth, consolidated net borrowings, consolidated assets and current ratio which are tested on a half yearly or a needed basis. The Group has complied with the relevant covenants at each test date on or before the end of the reporting period and classified the related bank loans balances as non-current.

34. LOANS FROM ULTIMATE HOLDING COMPANY, NON-CONTROLLING SHAREHOLDERS, ASSOCIATES AND JOINT VENTURES

At the end of the reporting period, the loan from ultimate holding company carries interest at a fixed rate of 3.50% (2023: 3.70%) 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 1.50% (2023: 1.80%) per annum and are unsecured and repayable on demand.

At the end of the reporting period, the loans from associates carry interest at a fixed rate of 1.50% (2023: 1.80%) per annum and are 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% (2023: 4.99%) per annum and are unsecured.

35. 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 2023	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 40)	–	–	–	–	–	(3,348)	(3,348)
Reclassified as held for sale	–	–	–	–	–	(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**
Currency realignment	**(3,095)**	**(11,116)**	**(8,573)**	**(1,471)**	**1,536**	**(6,284)**	**(29,003)**
(Credit) charge to profit or loss	**(3,678)**	**24,418**	**–**	**(25,661)**	**27,077**	**85,869**	**108,025**
Credit to other comprehensive income	**–**	**–**	**(8,927)**	**–**	**–**	**–**	**(8,927)**
Withholding tax paid	**–**	**(11,034)**	**–**	**–**	**–**	**–**	**(11,034)**
At 31 December 2024	**90,531**	**338,837**	**251,228**	**33,816**	**(35,206)**	**219,838**	**899,044**

Others mainly include accelerated depreciation and ECL provision.

35. DEFERRED TAXATION *(Continued)*

At the end of the reporting period, the Group has unused tax losses of HK$480,172,000 (2023: HK$388,695,000) 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 2029 (2023: year 2028).

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.

36. 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 2024 and 2023. 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$6.26 per share, subject to adjustments. Effective from 11 July 2023, the conversion price of the convertible bonds has been 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. Effective from 12 July 2024, the conversion price of the convertible bonds has been adjusted from HK$6.18 per share to HK$6.06 per share as a result of distributions of scrip shares at HK$2.90 per share made by the Company to the shareholders for the year ended 31 December 2023. 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.

36. CONVERTIBLE BONDS *(Continued)*

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% (2023: 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.

	Debt component HK$'000	Embedded derivative component HK$'000	Total HK$'000
As at 1 January 2023	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**
Currency realignment	**(67,635)**	**(1,565)**	**(69,200)**
Interest expense	**81,609**	**–**	**81,609**
Interest paid	**(22,177)**	**–**	**(22,177)**
Gain arising on change of fair value	**–**	**(75,558)**	**(75,558)**
As at 31 December 2024	**1,849,592**	**17,346**	**1,866,938**

37. SHARE CAPITAL

	Number of shares	HK$'000
At 31 December 2024		
– Authorised:		
Shares of HK$0.10 each	5,000,000,000	500,000
– Issued and fully paid:		
Shares of HK$0.10 each	3,480,651,937	348,065

Details of the authorised share capital are as follows:

	Number of shares	HK$'000
At 1 January 2023, 31 December 2023 and 31 December 2024	5,000,000,000	500,000

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 2023	3,258,615,526	325,862
Issue of subscription shares (note a)	110,000	11
Issue of shares upon scrip dividend scheme (note b)	95,775,055	9,577
At 31 December 2023	**3,354,500,581**	**335,450**
Issue of shares upon scrip dividend scheme (note c)	**126,151,356**	**12,615**
At 31 December 2024	**3,480,651,937**	**348,065**

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 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 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.

37. SHARE CAPITAL *(Continued)*

notes: *(Continued)*

(c) On 19 March 2024, 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 29 May 2024. On 12 July 2024, 126,151,356 shares of HK$0.10 each were allotted and issued at HK$2.90 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2023 final dividend under the scrip dividend scheme.

All the shares which were issued during the years ended 31 December 2023 and 2024 rank pari passu with the then existing shares in all respects.

38. 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.

39. 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 ten 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 2024, there are 24,000 shares (2023: 24,000 shares) held by the trustee. During the year ended 31 December 2024, no additional shares were purchased by the trustee from the market (2023: 950,000 shares was purchased by the trustee from the market at an average price of approximately HK$3.34 per share, with an aggregate amount of approximately HK$3,172,000). During the year ended 31 December 2024, no shares were granted (2023: 11,663,000 shares were granted to the selected eligible employees with amount HK$39,596,000 recognised as share-based payment expenses and included in staff costs when vested).

39. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

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.

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 2024 was 305,515,534 (2023: 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 2024, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 10,474,000 (2023: 11,663,000), representing 0.30% (2023: 0.35%) of the shares of the Company in issue at that date.

39. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option scheme *(Continued)*

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

The following table discloses movements of the Company's share options held by the participants pursuant to the Share Option Scheme during the year:

			Number of share options		
	Date of grant	Exercise price HK$	Outstanding at the beginning of the year	Cancelled/ lapsed during the year	Outstanding at the end of the year
For the year ended 31 December 2024					
Directors	**25.11.2022**	**3.40**	**4,950,000**	**(900,000)**	**4,050,000**
Others (note)	**25.11.2022**	**3.40**	**6,713,000**	**(289,000)**	**6,424,000**
			11,663,000	**(1,189,000)**	**10,474,000**
Exercisable at the end of the year					**10,474,000**
Weighted average exercise price (HK$)			**3.40**	**3.40**	**3.40**

39. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option scheme *(Continued)*

	Date of grant	Exercise price HK$	Number of share options: Outstanding at the beginning of the year	Cancelled/ lapsed during the year	Outstanding at the 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

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.

The Group recognised expense of HK$9,240,000 for the year ended 31 December 2023 in relation to share options granted by the Company in prior years (2024: nil).

40. ACQUISITION/DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2024

(i) Deemed disposal of a gas company

On 22 November 2023, Chao Sheng Investments Limited ("Chaosheng"), a wholly-owned subsidiary of the Group which held 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 contributed RMB149,500 in cash as initial registered capital of the joint venture company and further contributed 60% equity interest in Fengxi Gas to the joint venture company and held in return an equity interest of 14.95% in the joint venture company. At 31 December 2023, the related assets (including goodwill) and liabilities were classified as assets classified as held for sale and liabilities associated with assets classified as held for sale. On 7 March 2024, the transaction has been completed and Fengxi Gas ceased to be a subsidiary of the Group.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	53,862
Right-of-use assets	33
Goodwill	89,268
Inventories	1,435
Trade and other receivables	26,968
Bank balances and cash	1,588
Trade and other payables	(5,223)
Contract liabilities	(1,638)
Deferred tax liabilities	(304)
	165,989
Gain on deemed disposal of a subsidiary:	
Retained interest in an associate	139,958
Net assets disposed of	(165,989)
Non-controlling interests	30,810
	4,779
Net cash outflow on deemed disposal:	
Bank balances and cash disposed	(1,588)

40. ACQUISITION/DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2024 *(Continued)*

(ii) Disposal of renewable energy companies

During the year ended 31 December 2024, the Group initiated an asset-light model to develop its renewable energy business and divested certain subsidiaries. The Group has disposed of partial equity interests in numerous subsidiaries which are principally engaged in the renewable energy business, at the aggregate consideration of RMB1,309,164,000 (equivalent to HK$1,414,261,000). Upon completion of the disposals, these entities ceased to be the subsidiaries but remained as associates or joint ventures of the Group. In the opinion of the Directors, the disposals are individually immaterial and therefore presented on an aggregated basis.

Analysis of assets and liabilities over which controls were lost:

	HK$'000
Property, plant and equipment	1,715,132
Right-of-use assets	24,740
Inventories	115
Trade and other receivables	457,497
Tax receivables	153
Bank balances and cash	136,512
Trade and other payables	(841,459)
Contract liabilities	(239)
Bank borrowings	(39,454)
Lease liabilities	(29,716)
	1,423,281
Gain on disposal of subsidiaries:	
Consideration received	797,597
Consideration receivable for disposal of subsidiaries	616,664
Retained interests in associates or joint ventures	190,602
Net assets disposed of	(1,423,281)
Non-controlling interests	9,266
	190,848
Net cash inflow on disposal:	
Consideration received	797,597
Bank balances and cash disposed	(136,512)
	661,085

40. ACQUISITION/DISPOSAL OF SUBSIDIARIES *(Continued)*

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.

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.

40. 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 assets	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)
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.

40. 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)

41. ASSETS CLASSIFIED AS HELD FOR SALE

On 26 September 2024, Towngas Investments Limited ("Towngas Investment"), a wholly-owned subsidiary of the Company which holds 49% equity interest in an associate, Shandong Jihua Gas Co., Ltd ("Shandong Jihua"), entered into a merger agreement with an independent third party and two wholly-owned subsidiaries of HKCG. Pursuant to the merger agreement, Shandong Jihua is to be merged into and absorbed by Shandong Towngas Group Co., Ltd. ("Shandong Towngas"), a joint venture of HKCG (the "Merger"). After the Merger, the registered capital of Shandong Towngas will be the sum of the existing registered capital of Shandong Towngas and Shandong Jihua, and Towngas Investment will hold an equity interest of 18.7% in Shandong Towngas. Upon completion of the transaction, Shandong Jihua will cease to be an associate of the Company but Shandong Towngas will become an associate of the Company. Details are set out in the Company's announcement dated 26 September 2024 and the circular of the Company dated 31 October 2024.

The Merger was approved in an extraordinary general meeting of the Company on 20 November 2024. In the opinion of the Directors, the completion of the transaction is considered to be highly probable and hence the interest in Shandong Jihua amounting to HK$1,021,371,000 has been classified as asset held for sale and is presented separately in the consolidated statement of financial position. The fair value of interest in Shandong Towngas is expected to exceed the net carrying amount of the interest in Shandong Jihua and accordingly, no impairment loss has been recognised.

The assets classified as held for sale and liabilities associated with assets classified as held for sale at 31 December 2023 were related to Fengxi Gas as defined in Note 40.

42. MAJOR NON-CASH TRANSACTIONS

The Group issued additional shares as scrip dividends during both years as set out in Note 37.

During the year ended 31 December 2024, the Group entered into new lease agreements for the use of offices, warehouses, staff dormitory and equipment for 2 to 25 years (2023: 2 to 30 years) while for leasehold land for 15 to 50 years (2023: 15 to 50 years). On the lease commencement, the Group recognised HK$41,266,000 (2023: HK$36,071,000) of right-of-use assets and HK$41,266,000 (2023: HK$36,071,000) of lease liabilities.

During the year ended 31 December 2024, the Group exercised options to purchase certain leased assets for use in its operations. Accordingly, right-of-use assets of HK$85,167,000 was transferred to property, plant and equipment (2023: HK$281,763,000).

During the year ended 31 December 2024, the Group also entered into a restructuring agreement with HKCG and Towngas Lifestyle Holding Company Limited ("Towngas Lifestyle"), a wholly-owned subsidiary of HKCG, pursuant to which the Group has transferred certain extended business to Towngas Lifestyle for a consideration to be settled in the form of shares. Details are set out in Note 44.

43. 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	Loans from associates 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 2023	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**
Financing cash flows	**(330,286)**	**–**	**5,432**	**(23,526)**	**(12,667)**	**(350,138)**	**–**	**(133,213)**	**(844,398)**
New leases entered	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**41,266**	**41,266**
Interest expenses	**–**	**–**	**–**	**–**	**–**	**–**	**81,609**	**13,473**	**95,082**
Interest paid	**–**	**–**	**–**	**–**	**–**	**–**	**(22,177)**	**–**	**(22,177)**
Exchange differences	**(485,324)**	**(495)**	**6**	**(424)**	**(673)**	**–**	**(67,635)**	**(6,265)**	**(560,810)**
Disposal of subsidiaries	**(39,454)**	**–**	**–**	**–**	**–**	**–**	**–**	**(29,716)**	**(69,170)**
Dividend declaration									
– shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**536,717**	**–**	**–**	**536,717**
– non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**179,259**	**–**	**–**	**179,259**
Issue of shares upon scrip dividend scheme	**–**	**–**	**–**	**–**	**–**	**(365,838)**	**–**	**–**	**(365,838)**
At 31 December 2024	**15,427,007**	**14,692**	**5,462**	**3,517**	**15,113**	**–**	**1,849,592**	**140,824**	**17,456,207**

note: The amounts reclassified from hedge reserve are excluded in the reconciliation.

44. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, the Group has the following transactions with related parties:

	2024 HK$'000	2023 HK$'000
Transactions with fellow subsidiaries (note a):		
Purchase of goods and services	**562,622**	363,850
Sale of goods and services	**326,602**	93,919
Transactions with associates and joint ventures of ultimate controlling shareholder (note b):		
Purchase of goods and services	**34,307**	27,358
Sale of goods and services	**17,386**	23,496
Transactions with a joint venture (note c):		
Purchase of goods	**113,788**	48,531
Transactions with associates (note d):		
Purchase of goods	**116,297**	104,734
Sale of goods	**12,493**	12,032

notes:

(a) HKCG has controlling interests in these companies.

(b) HKCG has significant influences or jointly control in these companies.

(c) The Group jointly controlled this company with an independent third party.

(d) The Group has significant influences in these companies.

On 8 December 2023, the Group entered into a transfer agreement with a wholly-owned subsidiary of HKCG to acquire its entire equity interests of 50% in Shanghai Electric & Towngas Energy Technology Co., Ltd. ("Shanghai Electric"), 50% in Jilin Electric Power & Towngas Smart Energy (Jinan) Co., Ltd. ("Jilin Electric") and 100% in Suqian Towngas China Photovoltaic Co., Ltd. ("Suqian Towngas") for the consideration of RMB7,372,000, RMB604,000 and RMB53,118,000 (equivalent to HK$8,003,000, HK$656,000 and HK$57,668,000), respectively. The transfer of Shanghai Electric, Jilin Electric and Suqian Towngas were completed on 22 August 2024, 5 February 2024 and 16 January 2024, respectively. Details are set out in the announcement of the Company dated 8 December 2023.

44. RELATED PARTY TRANSACTIONS *(Continued)*

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.

On 25 October 2024, the Group has entered into a restructuring agreement with HKCG and Towngas Lifestyle, pursuant to which the Group will transfer certain of its extended business to Towngas Lifestyle and its subsidiaries or associates by way of business transfer and equity interests transfer. The total consideration will be settled by cash of RMB22,432,000 and an allotment and issue of new shares in Towngas Lifestyle. Upon completion of the transaction, Towngas Lifestyle will become an associate of the Company. At 31 December 2024, the Group has partially completed the restructuring and 600 new shares, representing approximately 6.38% of the total issued shares of Towngas Lifestyle, were issued to the Group as the first consideration shares, resulting in a gain amounting to HK$33,582,000. Subject to adjustments, upon completion of the second consideration shares issuance, the Company will hold approximately 12% equity interest in Towngas Lifestyle. Details are set out in the announcements of the Company dated 25 October 2024 and 22 November 2024.

On 19 December 2024, Towngas China Energy Investment Limited ("TCEI"), an indirect wholly-owned subsidiary of the Company, has entered into an equity interest transfer agreement with Hong Kong and China Integrated Power Investment (Shenzhen) Limited ("HCIP"), an indirect wholly-owned subsidiary of HKCG, pursuant to which HCIP agreed to sell the 55% equity interests in Changzhou Towngas China Smart Energy Co., Ltd. ("Changzhou Towngas") held by it to TCEI at the consideration of RMB57,137,000 (equivalent to HK$60,810,000) (Note 45) based on and subject to the terms and conditions set out in the relevant agreements. Details are disclosed in the announcement of the Company dated 19 December 2024. Upon completion of the acquisition, Changzhou Towngas will become a non-wholly owned subsidiary of the Group. The acquisition has not been completed at 31 December 2024.

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.

45. COMMITMENTS

	2024 HK$'000	2023 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	317,526	267,179
– Investments (Note 44)	60,810	–

46. 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 2024 amounted to HK$117,065,000 (2023: HK$113,291,000).

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 2024, the Group made retirement benefit scheme contributions amounting to HK$2,669,000 (2023: HK$2,028,000). At 31 December 2024 and 2023, no forfeited contributions are available to reduce the contribution payable in future years.

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of the financial position of the Company:

	2024 HK$'000	2023 HK$'000 (Restated)
Non-current assets		
Property, plant and equipment	533	630
Investments in subsidiaries	2,117,855	2,117,855
Investment in an associate	163,559	–
Loan to subsidiaries	16,226,998	17,102,297
	18,508,945	19,220,782
Current assets		
Loan to an associate	33,437	–
Amounts due from subsidiaries	870,057	1,159,195
Other financial assets	–	10,708
Bank balances and cash	44,323	364,767
	947,817	1,534,670
Current liabilities		
Other payables and accrued charges	74,724	19,037
Amounts due to subsidiaries	985,500	791,967
Amount due to ultimate holding company	1,957	2,439
Borrowings – amounts due within one year	532,141	775,639
Convertible bonds	1,866,938	1,952,264
	3,461,260	3,541,346
Net current liabilities	(2,513,443)	(2,006,676)
Total assets less current liabilities	15,995,502	17,214,106
Non-current liabilities		
Loan from a subsidiary	10,344,314	11,448,623
Borrowings – amounts due after one year	532,141	–
	10,876,455	11,448,623
Net assets	5,119,047	5,765,483
Capital and reserves		
Share capital	348,065	335,450
Reserves	4,770,982	5,430,033
Total equity	5,119,047	5,765,483

47. 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 2023	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**
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(508,994)**	**(508,994)**
Deemed contribution	**–**	**–**	**–**	**–**	**33,437**	**33,437**
Issue of shares upon scrip dividend scheme	**12,615**	**353,223**	**–**	**–**	**–**	**365,838**
Share options lapsed	**–**	**–**	**(868)**	**–**	**868**	**–**
Dividends declared to shareholders	**–**	**(536,717)**	**–**	**–**	**–**	**(536,717)**
At 31 December 2024	**348,065**	**5,884,913**	**9,379**	**(108)**	**(1,123,202)**	**5,119,047**

* Others represent hedge reserve, exchange reserve, other 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.

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2024 and 2023 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 2024	Attributable equity interest of the Group 2023	Principal activities
Directly-owned subsidiaries					
TCCL (Finance) Limited	Hong Kong ("HK") – Public company limited by shares	HK$1	**100.0%**	100.0%	Financing
Hong Kong & China Gas (Anqing) Limited	British Virgin Islands ("BVI") – Limited liability company/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 (PCB) Limited	Cayman Islands – Limited liability company	US$1	**100.0%**	100.0%	Investment holding
TCCL (Project Capital) Limited	BVI – Limited liability company	US$1	**100.0%**	100.0%	Investment holding
TCCL (Project) Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding
Towngas China Group Limited	BVI – Limited liability company/HK	US$12,821	**100.0%**	100.0%	Investment holding

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 and 2023 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 2024	Attributable equity interest of the Group 2023	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
Indirectly-owned subsidiaries					
TCCL (Project Finance) Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Financing
Chao Sheng Investments Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding
C-Tech Laundry Investment Company Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding
Hong Kong and China Gas (Dalian) Limited	HK – Limited liability company	HK$100	**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
Singkong Investments Limited	HK – Limited liability company	HK$10,000	**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
Towngas Renewable Energy (HK) Company Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 and 2023 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 2024	Attributable equity interest of the Group 2023	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
TSEL (Gas) Investment Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding
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 natural gas project
Towngas Natural Gas Sales Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB50,000,000	**100.0%**	100.0%	Procurement of natural gas resources
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
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
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
Boxing Hong Kong & 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
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

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 and 2023 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**		**Principal activities**
			2024	2023	
Indirectly-owned subsidiaries *(Continued)*					
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
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
Chengdu Xindu Hong Kong and China Gas Co., Ltd.	PRC – Limited liability company	RMB50,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Chi Ping Hongkong & China Gas Co. Ltd.	PRC – Wholly foreign-owned enterprise	RMB40,000,000	**100.0%**	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 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
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

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 and 2023 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 2024	Attributable equity interest of the Group 2023	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
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
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
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
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
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
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
Jianyang Hong Kong and China Gas Co., Ltd.	PRC – Limited liability company	RMB150,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 and 2023 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		Principal activities
			2024	2023	
Indirectly-owned subsidiaries *(Continued)*					
Ji Nan Ping Yin Hong Kong and 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
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
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

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 and 2023 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		Principal activities
			2024	2023	
Indirectly-owned subsidiaries *(Continued)*					
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
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
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
Pingchang Hong Kong & China Gas Co., Ltd.	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 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

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 and 2023 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 2024	Attributable equity interest of the Group 2023	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
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
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
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
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

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 and 2023 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		Principal activities
			2024	2023	
Indirectly-owned subsidiaries *(Continued)*					
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
Weiyuan Hong Kong and China Gas Co., Ltd.	PRC – Limited liability company	RMB30,000,000	**100.0%**	100.0%	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
修水港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB30,000,000	**60.0%**	60.0%	Provision of natural gas and related services and gas pipeline construction
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
Yangxin Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB18,000,000	**76.0%**	51.0%	Provision of natural gas and related services and gas pipeline construction
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

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 and 2023 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 2024	Attributable equity interest of the Group 2023	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
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
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
Ziyang Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB30,000,000	**90.0%**	90.0%	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
港華(深圳)綠電有限公司	PRC – Wholly foreign-owned enterprise	RMB200,000,000	**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
Ningbo Gangkun New Energy Technology Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB1,000,000	**100.0%**	100.0%	Renewable energy
寧波聯闊新能源有限公司	PRC – Wholly foreign-owned enterprise	RMB70,000,000	**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
瀋陽港能投智慧能源科技有限公司	PRC – Wholly foreign-owned enterprise	RMB22,470,000	**100.0%**	100.0%	Renewable energy

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31 December 2024 and 2023 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 2024	Attributable equity interest of the Group 2023	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
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
天津濱海空保港能投新能源有限公司	PRC – Wholly foreign-owned enterprise	RMB1,941,000	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
宜興環興新能源有限公司	PRC – Wholly foreign-owned enterprise	RMB23,500,000	100.0%	100.0%	Renewable 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 natural gas project
Qiqihar Xingqixiang Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB60,000,000	100.0%	100.0%	Vehicle gas refilling stations

note: The Group is able to exercise power in making decisions over the relevant activities over this company in accordance with memorandum of associations and able to appoint more than half of the board of directors of this company. Accordingly, this company is regarded as a subsidiary 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$1,556 million and Panda Bonds of approximately HK$533 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.

49. EVENT AFTER THE REPORTING PERIOD

On 6 March 2025, the transfer of 55% equity interest in Changzhou Towngas with details set out in Note 44 has been completed.

Corporate Information

Board of Directors

Non-Executive Directors

Lee Ka-kit (Chairman)
Kenneth Liu Kai-lap

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
Christine Loh Kung-wai

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
Christine Loh Kung-wai

Remuneration Committee

Moses Cheng Mo-chi (Chairman)
Brian David Li Man-bun
Christine Loh Kung-wai

Nomination Committee

Lee Ka-kit (Chairman)
Moses Cheng Mo-chi
Brian David Li Man-bun
Christine Loh Kung-wai

Environmental, Social and Governance Committee

Peter Wong Wai-yee (Chairman)
Martin Kee Wai-ngai
John Qiu Jian-hang
Christine Loh Kung-wai

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants and
Registered Public Interest Entity Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

Registered Office

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Telephone : (852) 2963 3298
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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

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