香 港 中 華 煤 氣 有 限 公 司
THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance with limited liability)
(Stock Code: 3)

PRELIMINARY ANNOUNCEMENT OF 2022 ANNUAL RESULTS

OVERVIEW OF BUSINESS OPERATIONS DURING 2022

- The Group's overall volume of gas sales remained stable during the year amid a continuously adverse business environment. Renewable energy projects also expanded steadily, and the foundation for its large-scale development had begun to take shape.
- The Group's mainland businesses progressed steadily with a total of 624 projects on the Chinese mainland spread across 28 provincial regions. The new projects added to the Group's portfolio during the year were mainly renewable energy projects.
- Profit after taxation attributable to shareholders of the Group for the year amounted to HK$5,248 million, an increase of HK$231 million, up by approximately 5 per cent, compared to 2021. Basic earnings per share for the year amounted to HK28.1 cents.
- Proposed final dividend of HK23 cents per share.

CHAIRMEN'S STATEMENT

"In order to turn imagination into reality, we safeguard the planet for future generations and allow our stakeholders' interests to drive our work."

– Dr. Lee Ka-kit

"We will continue to inject innovation into all our future developments, hand in hand with preserving the environment."

– Dr. Lee Ka-shing

The year 2022 marked the 160th anniversary of Towngas. After more than a century and a half of hard work marching forward under all circumstances, this century-old brand in Hong Kong is still full of vitality, heading to the future with much confidence and expectations. A century-old record with flourishing results is hard-won. On behalf of the board of directors of the Company, we would like to express our sincere gratitude to every dedicated and hard-working employee of the Group, every long-term and loyal customer, and every shareholder and investor. The support and enthusiasm from different sectors of the society give us the strength to pursue sustainable development.

During the year, the Group held a series of activities to celebrate its 160th anniversary. We were honoured to have Mr. John Lee Ka-chiu, the Chief Executive of the Hong Kong Special Administrative Region ("HKSAR"), as the officiating guest at the anniversary ceremony held on 12th August 2022 and to share our joy with different sectors of the society. Towngas will continue to uphold the spirit of providing competent, safe and customer-oriented high-quality services, actively participate in the development of our country and the HKSAR, and strive to promote a sustainable future.

Clean energy has always been a focus of the Group's business development. Over the years, we have been committed to the vision of safeguarding environmental resources for future generations while taking our stakeholders' interests into account. This vision has driven us to work tirelessly on our way forward. The country's "30-60 dual carbon goals" and "Hong Kong's Climate Action Plan 2050" provide great opportunities for the development of clean energy, and broaden the prospects of the Group's development. In the future, energy consumption will become cleaner and more environmentally friendly at a faster pace. To this end, the Group has set clear goals to move towards green and sustainable development.

We will continue to inject innovation into all our future developments, hand in hand with preserving the environment. We will keep abreast of technological changes in the process of energy transformation, increase our efforts to find innovative technologies and solutions, and strive to capitalise on the power of technological wisdom to create excellence and add value for all stakeholders, with a strong belief that the Group's development prospects are bright.

THE YEAR'S RESULTS

Although the global economic growth slowed last year due to the impact of the COVID-19 pandemic and geopolitics, coupled with soaring interest rates and rising energy prices, which brought challenges to business operations, the Group's overall volume of gas sales remained stable during the year amid a continuously adverse business environment. This was attributable to our staff's dedication and hard work together, accurate seizure of market opportunities, increasing efforts to broaden sources of revenue and cut expenditure, as well as relevant policy support for various businesses from local governments. During the year, the Group endeavoured to increase its capability of having independent gas sources to alleviate the impact of soaring upstream gas prices on reducing unit gross profit, so as to strive for maximising benefit for shareholders and investors. In addition, renewable energy projects are expanding steadily, driving the sustainable development of the Group's business.

Profit after taxation attributable to shareholders of the Group for the year amounted to HK$5,248 million, an increase of HK$231 million, up by approximately 5 per cent, compared to 2021. Basic earnings per share for the year amounted to HK28.1 cents.

During the year under review, the Group invested HK$8,321 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and the Chinese mainland.

TOWN GAS BUSINESS IN HONG KONG

The Company has been committed to providing the society with a low-cost, safe, stable, clean and environmentally-friendly town gas supply for 160 years. With a farsighted vision, the Company signed a 25-year long-term agreement with an Australian natural gas supplier in 2003, and fixed the gas price at a level equivalent to US$25 per barrel of crude oil. Since the commencement of this gas supply in 2006, this prospective move has saved town gas customers over HK$20 billion in fuel costs to date. Therefore, even when international natural gas prices have been rising sharply recently, Hong Kong citizens can still enjoy an economical, stable, and reliable supply of town gas, without having to suffer from sharp price adjustments, and the Company's gas business in Hong Kong also remains stable.

Overall, the total volume of gas sales in Hong Kong for 2022 was approximately 27,398 million MJ, a decrease of 1 per cent, in contrast to an approximately 4 per cent increase in the number of appliances sold, both compared to 2021. As at 31st December 2022, the number of customers of the Company was 1,995,082, an increase of 30,145, representing an increase of approximately 2 per cent compared to the number at the end of 2021.

To respond to the fluctuating epidemic situation in Hong Kong during the year, the Group launched the Towngas Dining Coupon Scheme to support the underprivileged and boost local consumption. On the other hand, to help tackle the fifth wave of the epidemic in Hong Kong, the Towngas team constructed a 1.5-kilometre town gas pipeline in only four days in February 2022 for the Lok Ma Chau Loop makeshift hospital, fully demonstrating the Group's resilience of unity, strong technical ability and efficient execution.

The Group has also stepped up its efforts to promote the application of artificial intelligence (AI) technology in various departments, including answering customer inquiries through the chat robot Tinny, along with the Gas Riser Artificial Intelligence System that helps reduce complicated procedures and enhance efficiency. In addition, the concept of the Internet of Things ("IoT") has been added to the self-developed smart controllers and gas meters so as to further ensure gas safety and improve customer experience.

BUSINESSES ON THE CHINESE MAINLAND

The Chinese mainland is the major market for the Group's business expansion, as the Group has established sizeable customer resources and business networks with a solid foundation there since 1994. In the future, the Group will continue to focus on city-gas as its core business, accelerate the application of renewable energy in large-scale industrial parks, and at the same time expand sewage and environmental and sanitary waste treatment, engineering and extended businesses to release the hidden value in the principal businesses and create synergy.

The provision of people-oriented and value-added services is our business philosophy. Apart from the supply of energy and construction of energy facilities, we focus even more on understanding customer needs and providing services exceeding customer expectations. In respect of the city-gas business, the Group is expanding its extended businesses to provide customers with one-stop quality services under the theme of "Smart Kitchen", including safety management, maintenance and fee payment, smart control, online shopping, and door-to-door services. As for smart energy management, the Group is providing customers with integrated energy solutions and a well-established energy and carbon service platform, contributing profits to both customers and the Group.

The Group's mainland businesses progressed steadily during the year. Overall, including the projects of the Group's subsidiary, Towngas Smart Energy Company Limited ("Towngas Smart Energy"; stock code: 1083.HK), the Group had 624 projects (inclusive of city-gas projects re-invested by the Group's companies) (2021 year end: 514 projects) on the Chinese mainland as at the end of 2022, spread across 28 provincial regions.

UTILITY BUSINESSES

The Group's utility businesses recorded stable growth during the year, with an increase in the volume of gas sales and water sales compared to 2021.

As at the end of 2022, inclusive of Towngas Smart Energy, the Group had a total of 315 city-gas projects on the Chinese mainland (inclusive of city-gas projects re-invested by the Group's companies) (2021 year end: 303 projects). The total volume of gas sales for these projects for 2022 was approximately 32,100 million cubic metres, an increase of approximately 3 per cent compared to 2021. As at the end of December 2022, the Group's mainland gas customers stood at approximately 37.29 million, an increase of approximately 6 per cent compared to 2021.

During the year, the Group continued to actively seize market opportunities, stabilise business growth, and focus on targeting large-scale industrial users and new energy industrial customers, such as applying photovoltaics in glass and lithium battery production in particular. The Group launched the "gas + thermal energy" business during the year, transforming from mainly supplying gas to also providing integrated energy solutions. By helping customers improve their energy structure, enhancing efficiency, and promoting the low-carbon and intelligent transformation of industrial energy, the Group's gas business can be consolidated and enhanced, and its gross profit contribution will also increase.

In the context of high energy prices, the Group's strategy of having independent gas sources becomes increasingly important. The Group established a gas source operation centre during the year to enhance the flexibility of gas sources through the Group's projects, including the liquefied natural gas ("LNG") receiving terminal in Dapeng, Shenzhen, coalbed methane liquefaction project in Shanxi, LNG project in Ningxia, gas storage facility in Jintan, storage tank project in Caofeidian, and shale gas liquefaction plant in Sichuan. Along with the strategic cooperation with PipeChina to promote the interconnection of provincial pipelines, as well as coordinate and make good use of gas source procurement, the Group can increase its capability of owning independent gas sources and reduce costs, thereby improving the gross profit of its gas business.

During the year, two new gas wells invested in and developed by the Group were commissioned in the underground gas storage facility in Jintan district, Changzhou, Jiangsu province. Following the connection with the national pipeline network and then the implementation of interconnection with the pipeline network in Jiangsu province, the gas operating capacity increased to 277 million cubic metres, thus further expanding the peak-shaving capability and commercial coverage in eastern China. Furthermore, the Group invested in an LNG receiving terminal project at Caofeidian, Tangshan, Hebei province, which comprises 20 storage tanks of 200,000 cubic metres each and two berths for LNG carriers for the whole project. The unloading capacity of the project will eventually reach 20 million tonnes per annum, and it is expected to be commissioned in 2023. Besides, part of the production capacity of the shale gas liquefaction plant in Weiyuan county, Sichuan province, will also be completed and commissioned in 2023.

The Group's water business recorded stable growth during the year, with the volume of water sales increasing by approximately 3 per cent, and the volume of sewage treatment increasing by approximately 10 per cent, both compared to 2021. The Group's urban organic waste utilisation project in Suzhou Industrial Park, Jiangsu province, has cumulatively processed approximately 500,000 tonnes of organic waste and produced 22 million cubic metres of bio-natural gas for the park's use. Environmental and sanitary integration in Wujin district, Changzhou, Jiangsu province, is progressing. The sewage treatment project in Wujin High-Tech Industry Development Zone will be commissioned in the third quarter of 2023. Besides, preliminary work for the construction of a domestic waste incineration project in Jiashan and a domestic waste transfer station in Wujin district have also commenced.

RENEWABLE ENERGY BUSINESS

Driven by the country's "dual carbon" goals, there is a strong demand for renewable energy on the Chinese mainland, and the related market is growing rapidly. The Group has officially launched integrated smart energy projects since 2016, focusing on zero carbon in its business development. As at the end of 2022, the Group had 183 renewable energy projects spread across 24 provincial regions. These projects encompass multi-energy supply (cooling, heating, electricity), photovoltaics, energy storage, charging and swapping power stations, and integrated energy services for industrial and commercial customers.

Currently, the Chinese mainland is still gradually shifting the focus of energy use from fossil fuels to renewable energy. Efficient and clean natural gas will continue to play an important role. It is expected that the promotion and application of energy projects and improvement of efficiency in the industrial sector, which is the focus of energy conservation and carbon reduction, will continue to deepen and integrate with new energy. Therefore, the Group will focus on assisting the country's eight major emission control industries, including electricity, steel, non-ferrous metals, petrochemicals, building materials, chemicals, papermaking and aviation, by providing them with energy-saving and emission-reducing solutions, and the installation of distributed photovoltaic systems, in order to help enterprises enhance energy efficiency. In the long term, this can promote the transformation and upgrading of the industries and help the country achieve its "dual carbon" goals.

During the year, the Group and IDG Capital launched a zero-carbon technology investment fund with a total scale of RMB10 billion to provide financial support to innovative and start-up firms in the field of zero-carbon technology. The Group also deploys its great number of application scenarios to accelerate the implementation of innovative products and technologies.

The TERA-Award smart energy innovation competition, jointly launched by the Group and State Power Investment Corporation Limited, was held for the second time in 2022, anticipating to find excellent innovative technologies and solutions in the smart energy field and help implement start-up projects, and accelerate the application of smart energy innovative technologies into practical use.

EXTENDED BUSINESSES

Listening to and understanding people's needs in daily life, integrating innovative concepts, and forecasting future lifestyles, we use creativity and technology to explore more possibilities in every detail. To this end, the Group's extended businesses are constantly meeting customer requirements, and extending and exploring more possibilities for business development.

During the year, the Group reorganised and upgraded its extended businesses, with "Towngas Lifestyle" as the main brand, and provided one-stop services for more than 37 million household users of the Group via the "Smart Kitchen". Its Internet service platform, Towngas Lifestyle Cloud (TLC), has approximately 15 million members. Besides, the Group's business of the "Bauhinia" brand increased its accessibility for customers by introducing pooled resources, upgrading its products and integrating sales channels, while also empowering its business with digital tools to achieve growth in the number of appliances sold.

During the year, the Group established strategic partnerships with a number of renowned brands in the industry, including the cooperation with Vaillant, a German brand, on promoting "comfortable living" and launching products such as floor heating and ventilation system to meet customers' diverse needs. Besides, through the cooperation with Accenture, Towngas Lifestyle's digital capabilities and talent development were enhanced, thus promoting the development of its business to meticulousness and high quality.

The security chip "TGSE CHIP", jointly developed by Towngas Lifestyle, StarFive and ChinaFive, was officially launched during the year. It is the first RISC-V IoT security chip in the industry to strengthen data security of the "Smart Kitchen" related equipment; its cost is expected to be further reduced. This also marks a key step in the use of independently controllable chips in the digital infrastructure of the energy industry.

TOWNGAS SMART ENERGY COMPANY LIMITED (STOCK CODE: 1083.HK)

Towngas Smart Energy, a subsidiary of the Group, recorded a profit after taxation attributable to its shareholders amounted to HK$965 million, a decrease of approximately 23 per cent compared to 2021. As at the end of 2022, the Group held approximately 2,163 million shares in Towngas Smart Energy, representing approximately 66.36 per cent of Towngas Smart Energy's total issued shares.

Towngas Smart Energy added 119 new projects to its portfolio during 2022, comprising 111 renewable energy projects, 7 piped-gas projects and one other project. The total number of projects held by Towngas Smart Energy was 363 as at the end of 2022.

In order to achieve the "dual carbon" goals, the country released a series of policies to promote the use of clean energy and energy-saving transformation in various industries during the year. Complementarity, joint supply and integration of multi-energy will be the long-term trend of the country's energy utilisation. The integrated development of natural gas and new energy, combined with electricity and heat as a multi-energy supply, is not only clean and low-carbon, but also contributes to the safety and stability of the new energy supply system. Towngas Smart Energy continues to adopt the strategy of parallel development both in the city-gas and renewable energy sectors, and strengthens the provision of integrated energy services for customers.

A Towngas Smart Energy ecological platform, Tera Planet, was jointly developed with Tencent Cloud in April 2022. Based on the IoT capabilities, the platform helps customers realise intelligent management, analysis, prediction and optimisation of energy data. At present, the Towngas Smart Energy ecological platform has been put into commercial application for the first time in Hailing district, Taizhou, Jiangsu province. It is estimated that hundreds of thousands tonnes of carbon emissions can be reduced every year after the project is fully completed.

Focusing on strengthening the research and development of innovative energy technologies, the Group established Towngas Energy Academy in August 2022 and invited fellows, outstanding young persons and other experts to set up an expert committee to conduct specific research in five major fields encompassing energy storage, hydrogen energy, energy digital intelligence, renewable energy, and low-carbon energy saving. With the trend of rapid development of clean energy in the future, these innovative technologies and solutions will rejuvenate the traditional energy industry and inject new vitality into the Group's businesses.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group has been actively promoting environmental, social and governance ("ESG") work and integrating ESG elements into its business operations.

2022 was an outstanding milestone full of recognition of our continued efforts on ESG. During the year, the Group was listed in the Dow Jones Sustainability Asia Pacific Index for the first time, and its ESG ratings were improved by several international rating agencies – including the MSCI ESG Rating, by which the Company and Towngas Smart Energy were both upgraded to "A". According to the ESG Ratings Reports, MSCI ESG Research recognised the Company's progress in carbon reduction, and Towngas Smart Energy's outstanding performance in health and safety practices. At the local level, the Group was included in the Hang Seng Corporate Sustainability Index for the 12th consecutive year. The Company placed first again and was designated "Exemplar" in the Greater China Business Sustainability Index ("BSI"), Greater Bay Area BSI and Hong Kong BSI. These external party ratings acknowledge the ESG progress made by the Group.

To drive collaboration on ESG-related topics, the Group hosted the first large-scale, business-initiated ESG Symposium in Hong Kong to discuss the three "E, S, G" topics. Guests from across political, business and academic fields were invited to share their insights, as well as analyse new international and local ESG trends to further promote ESG in the community. The hybrid event attracted over 5,000 participants. The Group is also the first Hong Kong company to publish the Climate-related and Nature-related Directive Guide ("Guide") in response to the Taskforce on Nature-related Financial Disclosures (TNFD) framework to review and disclose the ecological and biodiversity impacts, as well as the risks and opportunities arising from the operations of the Group, and develop actions to reduce the Group's impacts on the environment. The Guide also further aligned with the Recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") by disclosing financial information related to the potential opportunities and risks led by climate change.

The Group is committed to becoming carbon neutral through energy transition and innovation, and has set two medium-term targets to be achieved by 2025 – to reduce group operational greenhouse gas ("GHG") emissions by 10 per cent (i.e. reduce 140,000 tCO_2e compared to 2020 baseline), and reduce 10 million tonnes of GHG emissions in the environment per year through coal-to-gas, solar photovoltaic power generation, and energy efficiency improvement projects, among others. The Group's decarbonisation strategy includes utilising renewable and landfill gas, improving energy efficiency and developing low-carbon solutions for customers.

The Group actively contributes to environmental protection and became a supporter of TCFD, signatories of the Methane Guiding Principles partnership, China Oil and Gas Methane Alliance, and joined Climate Governance Initiatives in Hong Kong as the founding member.

The Group issued its inaugural green bond in 2017, and the proceeds from the bond were invested in the Group's waste-to-energy projects. In 2022, Towngas Smart Energy issued its inaugural Sustainability-Linked Bond with a total of US$200 million, and set two sustainability performance targets demonstrating the Group's commitment to addressing climate change.

The Group also drives the development of voluntary carbon trading and a low-carbon economy in Hong Kong through its support of Core Climate, a new international carbon marketplace initiated by Hong Kong Exchanges and Clearing Limited. The Group is one of the first users to complete a carbon trade on the platform.

In the social dimension, the top priority is to create positive impacts for employees, customers and the community. The Group developed the Smart Controller, which allows the monitoring of gas appliances' status remotely through a mobile app, and is particularly handy for the elderly with mild cognitive impairment. The Group also launched the Dining Coupon Scheme to support the underprivileged and the catering industry impacted by the epidemic. The Group is building a resilient workforce by providing a safe and healthy workplace and nurturing the next generation of talent; the Company also promotes diversity and inclusion, demonstrated by a 1:1 gender pay ratio of basic salary.

In the area of governance, the variable compensations of the Managing Director and Senior Executives are linked to material ESG issues, including climate change, while additional performance bonuses are provided to encourage employees to implement ESG excellence projects and initiatives. This affirms the Group's commitment to ESG issues and driving performance improvement.

The Group will continue to improve its ESG performance in accordance with the newly established ESG Strategy "ENERGY" with six pillars: **E**nergising the Ecosystem, **N**eutralising our Footprint, **E**ngaging with Society, **R**evitalising our Strengths, **G**reening the Future and **Y**oung-at-heart with Resilience, enhancing corporate operations and business development.

FINAL DIVIDEND

The Directors are pleased to recommend a final dividend of HK23 cents per share payable to shareholders whose names are on the Register of Members of the Company as at 15th June 2023. Including the interim dividend of HK12 cents per share paid on 15th September 2022, the total dividend payout for the whole year shall be HK35 cents per share.

Barring any unforeseen circumstances, the forecast dividends per share for 2023 shall not be less than the interim and final dividends for 2022.

BUSINESS OUTLOOK FOR 2023

Hong Kong's economy has been significantly impacted by the epidemic, which has been raging for three years. Nevertheless, following the resumption of social activities to normality in an orderly manner and quarantine-free travel with the Chinese mainland and overseas since early 2023, both inbound and outbound travelling have been increasing swiftly, helping to drive economic recovery. As a result, the catering and tourism sectors will regain momentum. The town gas business in Hong Kong is expected to have more optimistic growth.

The Group will also pay attention to and align with the "Long-Term Housing Strategy" of the Government of the HKSAR to prepare well for the city's future expansion, including the development of the Northern Metropolis and the "Lantau Tomorrow" project. The Group predicts that steady growth in its number of gas customers that comes along with urban development in Hong Kong will last for some time into the future.

Hong Kong is striving to achieve carbon neutrality by 2050, and the development of sustainable green energy is an important step in eliminating carbon emissions. Hydrogen constitutes approximately half of the composition of town gas supplied by the Group in Hong Kong. With the Company's existing gas pipeline network reaching virtually everywhere in Hong Kong, installation of hydrogen extraction systems on the client side is a low-cost, safe and efficient hydrogen energy supply solution suitable for Hong Kong. The Group will make good use of its underground pipelines of 3,700 kilometres, and work actively with the Government of the HKSAR to formulate future regulations and standards for the hydrogen energy industry, in order to supply safe and reliable hydrogen energy to related energy-using enterprises shortly.

In respect of mainland businesses, the Group's annual volume of gas sales has exceeded 32 billion cubic metres currently. Benefiting from the country's ongoing promotion of urbanisation and unremitting efforts in advocating national environmental protection policies, the city-gas business has favourable factors and broad room for business development. The number of the Group's new customers on the Chinese mainland exceeds 2 million annually, which is equivalent to a customer base of adding "one more Hong Kong" every year. Coupled with the country's increasing efforts to "expand domestic demand and promote sales", the Group's volume of gas sales and the number of customers are expected to increase significantly in 2023, and this ideal momentum will last for some time into the future.

The Group's smart energy business progressed rapidly in 2022. Given the Group's approximately 400,000 industrial and commercial customers, 50,000 employees and large-capacity energy storage technology, the development of zero-carbon smart industrial parks and photovoltaic projects has begun to take shape. The Group will continue to promote the development of these projects in line with the trend of green energy development, and strengthen and improve customer-centred comprehensive energy and carbon management services. In addition, the Group will strengthen its innovation and scientific research to maintain the core competitiveness of its businesses. The Group has set a target to provide smart energy solutions to 200 industrial parks on the Chinese mainland by 2025.

Under the favourable "Healthy China" policy, there are numerous possibilities for the Group's extended businesses, which will be based on households and kitchens, adding two elements of warmth and low carbon in the future. The business will lay out integrated management of comfort and health, provide more products and services for daily life on top of gas supply, convey the concept of a low-carbon green and healthy lifestyle to customers, and at the same time, implement data sharing, improve efficiency, and reduce manpower costs, thus bringing convenient and efficient gas services to customers.

The Group is actively studying and exploring the integration and utilisation of natural gas and hydrogen energy, promoting the demonstration and application of hydrogen doping in natural gas pipelines in Shandong province, and studying the feasibility of upgrading existing natural gas refilling stations to gas and hydrogen refilling stations in Guangdong and Jiangsu provinces and other places. In addition, the Group has carried out relevant work on the feasibility of using the underground gas storage facility for hydrogen storage.

2022 marked the 25th anniversary of Hong Kong's return to the motherland and the 160th anniversary of the Company's foundation. Looking forward, the Group will leverage the power of technological innovation with a brand-new look to "ignite" greater aspirations and contributions on a new track.

Lee Ka-kit	**Lee Ka-shing**
Chairman	Chairman

Hong Kong, 17th March 2023

The Board of Directors has pleasure in presenting a summary of results of the Group for the year ended 31st December 2022 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2022

	Note	**2022 HK$ Million**	2021 HK$ Million
Revenue	4	**60,953.4**	53,563.7
Total operating expenses	5	**(52,591.7)**	(44,744.0)
		8,361.7	8,819.7
Other gains/(losses), net	6	**531.0**	(1,563.3)
Interest expense		**(1,775.8)**	(1,408.2)
Share of results of associates		**865.2**	1,885.6
Share of results of joint ventures		**201.5**	646.9
Profit before taxation		**8,183.6**	8,380.7
Taxation	7	**(1,859.2)**	(2,155.0)
Profit for the year		**6,324.4**	6,225.7
Attributable to:			
Shareholders of the Company		**5,247.9**	5,017.0
Holders of perpetual capital securities		**111.5**	110.9
Non-controlling interests		**965.0**	1,097.8
		6,324.4	6,225.7
Dividends	8	**6,531.0**	6,531.0
Earnings per share – basic, HK cents	9	**28.1**	26.9
Earnings per share – diluted, HK cents	9	**26.3**	26.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December 2022

	2022 HK$ Million	2021 HK$ Million
Profit for the year	**6,324.4**	6,225.7
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Movement in reserve of equity investments at fair value through other comprehensive income	**(138.2)**	(279.7)
Remeasurements of retirement benefit	**(42.5)**	82.8
Exchange differences	**(913.7)**	340.0
Items that may be reclassified subsequently to profit or loss:		
Movement in reserve of debt investments at fair value through other comprehensive income	**(18.2)**	(6.6)
Change in fair value of cash flow hedges	**(14.7)**	24.8
Share of other comprehensive loss of associates	**(11.5)**	(3.5)
Exchange differences	**(4,757.4)**	1,937.2
Other comprehensive (loss)/income for the year, net of tax	**(5,896.2)**	2,095.0
Total comprehensive income for the year	**428.2**	8,320.7
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company	**328.6**	6,829.6
Holders of perpetual capital securities	**111.5**	110.9
Non-controlling interests	**(11.9)**	1,380.2
	428.2	8,320.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st December 2022

	Note	**2022 HK$ Million**	2021 HK$ Million
Assets			
Non-current assets			
Property, plant and equipment		**71,818.8**	72,221.5
Investment property		**996.5**	849.0
Right-of-use assets		**2,813.3**	2,938.7
Intangible assets		**5,340.2**	5,607.2
Associates		**34,178.1**	36,149.9
Joint ventures		**11,163.0**	12,575.2
Financial assets at fair value through other comprehensive income		**1,763.3**	2,170.5
Financial assets at fair value through profit or loss		**4,715.3**	5,047.6
Derivative financial instruments		**298.4**	331.8
Retirement benefit assets		**134.7**	184.0
Other non-current assets		**6,536.7**	5,804.1
		139,758.3	143,879.5
Current assets			
Inventories		**3,426.3**	3,140.7
Trade and other receivables	10	**10,662.8**	9,148.9
Loan and other receivables from associates		**415.6**	418.8
Loan and other receivables from joint ventures		**612.8**	535.9
Loan and other receivables from non-controlling shareholders		**224.0**	306.6
Financial assets at fair value through profit or loss		**70.1**	-
Derivative financial instruments		**5.9**	2.1
Time deposits over three months		**52.3**	77.9
Time deposits up to three months, cash and bank balances		**13,241.2**	10,557.0
		28,711.0	24,187.9
Current liabilities			
Trade payables and other liabilities	11	**(22,004.3)**	(18,487.6)
Loan and other payables to joint ventures		**(263.4)**	(189.5)
Loan and other payables to non-controlling shareholders		**(163.4)**	(159.4)
Provision for taxation		**(1,410.8)**	(931.0)
Borrowings		**(19,680.9)**	(18,255.2)
Derivative financial instruments		**-**	(511.0)
		(43,522.8)	(38,533.7)
Total assets less current liabilities		**124,946.5**	129,533.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31st December 2022

	2022 HK$ Million	2021 HK$ Million
Non-current liabilities		
Deferred taxation	**(6,926.7)**	(7,225.4)
Borrowings	**(39,623.1)**	(36,855.9)
Derivative financial instruments	**(294.3)**	(856.9)
Loan from a joint venture	**(113.1)**	-
Other non-current liabilities	**(2,850.6)**	(2,756.7)
	(49,807.8)	(47,694.9)
Net assets	**75,138.7**	81,838.8
Capital and reserves		
Share capital	**5,474.7**	5,474.7
Reserves	**55,752.8**	61,951.7
Shareholders' funds	**61,227.5**	67,426.4
Perpetual capital securities	**2,384.2**	2,384.2
Non-controlling interests	**11,527.0**	12,028.2
Total equity	**75,138.7**	81,838.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Hong Kong and China Gas Company Limited (the "Company") and its subsidiaries (collectively, the "Group") have been diversified into different fields of businesses and principally engage in the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the mainland of the People's Republic of China (the "PRC"). The Group is also engaged in property development and investment activities in Hong Kong.

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2022 have been agreed by the Company's auditor, PricewaterhouseCoopers Hong Kong ("PwC"), to the amount set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and consequently no assurance has been expressed by PwC on this announcement.

As at 31st December 2022, the Group was in a net current liabilities position of approximately HK$14.8 billion. This is mainly because of management utilisation of the short-term borrowings which amounted to HK$19.7 billion as at 31st December 2022. Taking into consideration the Group's available facilities, history of obtaining external financing and the Group's expected cash flows from operations, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the years ended 31st December 2022 and 2021 included in this preliminary announcement of 2022 annual results does not constitute the Group's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31st December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31st December 2022 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to both years presented, unless otherwise stated.

The Group has adopted the following amendments to standards which are effective for the Group's financial year beginning 1st January 2022 and relevant to the Group.

Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020
AG5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The adoption of the amendments to standards has no significant impact on the Group's results and financial position or any substantial changes in Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management and fair value estimation of financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Group's financial instruments are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31st December 2022 and 2021.

	Level 1		**Level 2**		**Level 3**		**Total**	
HK$ Million	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Financial assets								
Financial assets at fair value through profit or loss								
- Debt securities	**248.4**	284.2	**-**	-	**-**	-	**248.4**	284.2
- Equity investments	**1,218.3**	1,498.0	**-**	-	**3,318.7**	3,265.4	**4,537.0**	4,763.4
Derivative financial instruments	**-**	-	**62.5**	71.1	**241.8**	262.8	**304.3**	333.9
Financial assets at fair value through other comprehensive income								
- Debt securities	**87.1**	139.2	**-**	-	**-**	-	**87.1**	139.2
- Equity investments	**1,257.4**	1,599.0	**-**	-	**418.8**	432.3	**1,676.2**	2,031.3
Total financial assets	**2,811.2**	3,520.4	**62.5**	71.1	**3,979.3**	3,960.5	**6,853.0**	7,552.0
Financial liabilities								
Other payables	**-**	-	**-**	-	**154.0**	154.0	**154.0**	154.0
Derivative financial instruments	**-**	-	**93.6**	591.3	**200.7**	776.6	**294.3**	1,367.9
Total financial liabilities	**-**	-	**93.6**	591.3	**354.7**	930.6	**448.3**	1,521.9

There are no changes in valuation techniques during the year.

3. Financial risk management and fair value estimation of financial instruments (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting year. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows based on observable foreign exchange rates and yield curves.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- The fair value of forward foreign exchange contracts is calculated as the present value of future cash flows based on the forward exchange rates at the end of the reporting period.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

- Financial assets include a total of approximately HK$2.9 billion (2021: approximately HK$3.2 billion) of an unlisted equity investment and its related derivative, which are considered entirely as financial assets at fair value through profit or loss. In respect of the unlisted equity investment, the fair value is determined based on the discounted cash flow model. The significant unobservable inputs include discount rate of 15.0 per cent (2021: 12.0 percent), sales price, sales volume and expected free cash flows of the investee. The fair value decreases with the increase in the discount rate, and increases with the increase in the sales price, sales volume or expected free cash flows of the investee. In respect of the related derivative, the fair value is determined based on the binomial and black scholes models. The significant unobservable inputs, except for those included in the fair value of the unlisted equity investment, mainly include 54.8 per cent (2021: 47.9 per cent) expected volatility of the fair value of the unlisted equity investment. The fair value increases with the increase in the expected volatility.

- Financial assets also include derivative financial instrument of approximately HK$0.2 billion (2021: approximately HK$0.3 billion), the fair value is determined based on the binomial model. The significant unobservable inputs include discount rate of 15.8 per cent (2021: 10.2 per cent) and share price expected volatility of the fair value of the underlying equity instrument of 42.4 per cent (2021: 36.2 per cent). The fair value movement was caused by the change in discount rate and share price expected volatility.

- Financial assets also include unlisted equity investments of approximately HK$0.8 billion (2021: approximately HK$0.5 billion), the fair values of which are determined with reference to their attributable net assets values and recent comparable transaction price, where available, being significant unobservable inputs. The fair value increases with the increase in the attributable net assets value and recent comparable transaction price, where available.

- Financial liabilities include contingent consideration of approximately HK$0.2 billion (2021: approximately HK$0.2 billion), which is resulted by the further acquisition of a subsidiary in 2015 under other payables in level 3. The fair value is determined based on discounted cash flow model. The significant unobservable inputs include discount rate of 3.1 per cent (2021: 3.1 per cent) and the rate of probability on the outflow of resources will be required to settle the obligation. The fair value movement, if any, was caused by the change in the discount rate and the changes in the rate of probability.

3. Financial risk management and fair value estimation of financial instruments (Continued)

- Financial liabilities also include embedded derivative component of convertible bonds of approximately HK$0.2 billion (2021: approximately HK$0.8 billion), the fair value of which is determined based on binomial option pricing model. The significant unobservable inputs include share price expected volatility of 39.9 per cent (2021: 34.1 per cent). The fair value of convertible bonds increases with the increase in the share price expected volatility.

The following table presents the changes in level 3 instruments of the Group for the year ended 31st December 2022 and 2021:

	Financial assets		Financial liabilities	
HK$ Million	**2022**	2021	**2022**	2021
At 1st January	**3,960.5**	3,752.2	**930.6**	154.0
Additions	**366.9**	164.8	**-**	409.4
Disposal	**(59.0)**	-	**-**	-
Change in fair value	**43.0**	(47.7)	**(531.5)**	358.6
Exchange differences	**(332.1)**	91.2	**(44.4)**	8.6
At 31st December	**3,979.3**	3,960.5	**354.7**	930.6

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

4. Segment information

The Group's principal activities are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses ("New Energy") in Hong Kong and the Chinese mainland. The revenue comprises the following:

	2022 HK$ Million	2021 HK$ Million
Gas sales before fuel cost adjustment	**42,267.5**	37,434.0
Fuel cost adjustment	**1,348.2**	806.7
Gas sales after fuel cost adjustment	**43,615.7**	38,240.7
Gas connection income	**3,589.8**	3,924.4
Equipment sales and maintenance services	**3,829.1**	3,456.3
Water and related sales	**1,785.4**	1,762.7
Oil and coal related sales	**1,272.0**	1,158.7
Biomass utilisation businesses (previously known as "Hydro-treated vegetable oil related sales")	**4,013.0**	2,604.9
Other sales	**2,848.4**	2,416.0
	60,953.4	53,563.7

The chief operating decision-maker has been identified as the executive committee members (the "ECM") of the Company. The ECM reviews the Group's internal reporting in order to assess performance and allocate resources. The ECM considers the business from both product and geographical perspectives. From a product perspective, management assesses the performance of (a) gas, water and related businesses; (b) New Energy; and (c) property business. Gas, water and related businesses are further evaluated on a geographic basis (Hong Kong and the Chinese mainland).

The ECM assesses the performance of the operating segments based on a measure of adjusted profit before interest, tax, depreciation and amortisation (the "adjusted EBITDA"). Other information provided, except as noted below, to the ECM is measured in a manner consistent with that in the consolidated financial statements.

4. Segment information (Continued)

The segment information provided to the ECM for the reportable segments is as follows:

2022 HK$ Million	Gas, water and related businesses Hong Kong	 Chinese mainland	New Energy	Property	Other segments	Total
Revenue recognised at a point in time	**10,589.9**	**39,982.7**	**7,410.2**	**-**	**224.4**	**58,207.2**
Revenue recognised over time	**-**	**1,134.0**	**-**	**-**	**1,036.1**	**2,170.1**
Finance and rental income	**-**	**-**	**511.9**	**64.2**	**-**	**576.1**
	10,589.9	**41,116.7**	**7,922.1**	**64.2**	**1,260.5**	**60,953.4**
Adjusted EBITDA	**5,186.1**	**5,448.9**	**1,261.0**	**36.4**	**114.0**	**12,046.4**
Depreciation and amortisation	**(874.6)**	**(1,914.0)**	**(465.8)**	**-**	**(191.7)**	**(3,446.1)**
Unallocated expenses						**(238.6)**
						8,361.7
Other gains, net						**531.0**
Interest expense						**(1,775.8)**
Share of results of associates (note)	**-**	**704.0**	**(156.7)**	**316.4**	**1.5**	**865.2**
Share of results of joint ventures	**-**	**191.7**	**0.5**	**10.4**	**(1.1)**	**201.5**
Profit before taxation						**8,183.6**
Taxation						**(1,859.2)**
Profit for the year						**6,324.4**

Note

Share of results of associates includes share of fair value loss of HK$62 million for the year (2021: nil) related to the Group’s investment in the International Finance Centre complex held via an associate.

4. Segment information (Continued)

2021 HK$ Million	Gas, water and related businesses Hong Kong	 Chinese mainland	New Energy	Property	Other segments	Total
Revenue recognised at a point in time	9,982.4	35,104.0	5,657.3	-	231.4	50,975.1
Revenue recognised over time	-	1,192.0	-	-	863.0	2,055.0
Finance and rental income	-	-	474.1	59.5	-	533.6
	9,982.4	36,296.0	6,131.4	59.5	1,094.4	53,563.7
Adjusted EBITDA	4,886.0	6,505.2	1,053.4	30.5	227.3	12,702.4
Depreciation and amortisation	(871.2)	(1,781.2)	(401.4)	-	(186.6)	(3,240.4)
Unallocated expenses						(642.3)
						8,819.7
Other losses, net						(1,563.3)
Interest expense						(1,408.2)
Share of results of associates	-	1,355.8	94.5	431.6	3.7	1,885.6
Share of results of joint ventures	-	638.1	1.0	10.6	(2.8)	646.9
Profit before taxation						8,380.7
Taxation						(2,155.0)
Profit for the year						6,225.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (Continued)

The segment assets at 31st December 2022 and 2021 are as follows:

2022 **HK$ Million**	**Gas, water and related businesses** **Hong Kong**	 **Chinese mainland**	**New Energy**	**Property**	**Other segments**	**Total**
Segment assets	**19,005.7**	**97,585.7**	**22,261.6**	**15,846.5**	**4,729.7**	**159,429.2**
Unallocated assets:						
Financial assets at fair value through other comprehensive income						**1,763.3**
Financial assets at fair value through profit or loss						**4,785.4**
Time deposits, cash and bank balances excluded from segment assets						**1,179.0**
Others (note)						**1,312.4**
Total assets						**168,469.3**

2021 HK$ Million	Gas, water and related businesses Hong Kong	 Chinese mainland	New Energy	Property	Other segments	Total
Segment assets	18,952.2	100,401.4	18,398.3	15,752.3	4,591.5	158,095.7
Unallocated assets:						
Financial assets at fair value through other comprehensive income						2,170.5
Financial assets at fair value through profit or loss						5,047.6
Time deposits, cash and bank balances excluded from segment assets						1,314.0
Others (note)						1,439.6
Total assets						168,067.4

Note

Other unallocated assets mainly include other receivables other than those included under segment assets, retirement benefit assets, derivative financial instruments and loan and other receivables from non-controlling shareholders.

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2022 is HK$12,487.8 million (2021: HK$11,728.9 million), and the revenue from external customers in the Chinese mainland and other geographical locations is HK$48,465.6 million (2021: HK$41,834.8 million).

At 31st December 2022, the total of non-current assets other than financial instruments located in Hong Kong is HK$35,636.5 million (2021: HK$35,093.8 million), and the total of non-current assets other than financial instruments located in the Chinese mainland and other geographical locations is HK$97,344.8 million (2021: HK$101,235.8 million).

5. Total operating expenses

	2022 HK$ Million	2021 HK$ Million
Stores and materials used	**39,308.9**	32,591.8
Manpower costs	**3,741.0**	3,623.8
Depreciation and amortisation	**3,525.4**	3,288.6
Other operating items	**6,016.4**	5,239.8
	52,591.7	44,744.0

6. Other gains/(losses), net

	2022 HK$ Million	2021 HK$ Million
Net investment gains	**98.1**	354.9
Fair value gain on investment property	**145.0**	22.0
Provision for assets (note)	**(240.0)**	(1,531.7)
Ineffective portion on cash flow hedges	**(3.6)**	4.9
Change in fair value of embedded derivative component of convertible bonds	**531.5**	(358.6)
Others	**-**	(54.8)
	531.0	(1,563.3)

Note

For the year ended 31st December 2022, the amount mainly included impairment provision against goodwill of HK$145.0 million in relation to a city-gas joint venture in the Chinese mainland and included impairment provision against property, plant and equipment and right-of-use assets of HK$68.8 million and HK$21.2 million respectively under the New Energy business segment.

For the year ended 31st December 2021, the amount included impairment provision against goodwill of HK$25.1 million and property, plant and equipment of HK$731.0 million in relation to a chemical production project under New Energy business segment, and included impairment provision against goodwill of HK$89.3 million and property, plant and equipment of HK$31.0 million in relation to several city-gas projects in the Chinese mainland. The remaining balance was provided mainly for other projects under the New Energy business segment and other segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Taxation

The amount of taxation charged to the profit or loss represents:

	2022 **HK$ Million**	2021 HK$ Million
Current taxation - provision for Hong Kong Profits Tax at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the year	**815.5**	741.5
Current taxation - provision for other jurisdictions income tax at the prevailing rates on the estimated assessable profits for the year (note)	**837.6**	1,066.9
Current taxation - (over)/under provision in prior years	**(8.3)**	10.2
Deferred taxation - origination and reversal of temporary differences	**132.5**	210.8
Withholding tax	**81.9**	125.6
	1,859.2	2,155.0

Note

The prevailing income tax rates of the Chinese mainland and Thailand range from 15 per cent to 25 per cent (2021: 15 per cent to 25 per cent) and 50 per cent (2021: 50 per cent) respectively.

8. Dividends

	2022 **HK$ Million**	2021 HK$ Million
Interim, paid of HK12 cents per ordinary share (2021: HK12 cents per ordinary share)	**2,239.2**	2,239.2
Final, proposed of HK23 cents per ordinary share (2021: HK23 cents per ordinary share)	**4,291.8**	4,291.8
	6,531.0	6,531.0

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$5,247.9 million (2021: HK$5,017.0 million) and the weighted average of 18,659,870,098 shares (2021: 18,659,870,098 shares) in issue during the year. As there were no dilutive potential ordinary shares of the Company outstanding during the year, the weighted average number of shares used in calculating diluted earnings per share is the same as calculating basic earnings per share.

	2022 HK$ Million	2021 HK$ Million
Earnings		
Profit attributable to shareholders for the purpose of basic earnings per share	**5,247.9**	5,017.0
Effect of dilutive potential ordinary shares:		
Interests on convertible bonds, attributable to shareholders	**51.2**	-
Change in fair value of embedded derivative component of convertible bonds, attributable to shareholders	**(357.3)**	-
Reduction in share of subsidiaries' profits	**(37.5)**	-
Profit attributable to shareholders for the purpose of diluted earnings per share	**4,904.3**	5,017.0

The computation of diluted earnings per share for the year ended 31st December 2021 did not assume the conversion of all convertible bonds issued by a subsidiary as their assumed conversion would result in an increase in earnings per share. Accordingly, the diluted earnings per share for the year ended 31st December 2021 was the same as the basic earnings per share.

10. Trade and other receivables

	2022 HK$ Million	2021 HK$ Million
Trade receivables (note)	**4,435.6**	4,211.8
Payments in advance	**2,173.6**	1,783.4
Other receivables	**4,053.6**	3,153.7
	10,662.8	9,148.9

Note

The Group has established credit policies for different types of customers. The credit periods offered for trade receivables, which are subject to periodic review by management, range from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. The aging analysis of the trade receivables, net of impairment provision, is as follows:

	2022 HK$ Million	2021 HK$ Million
0 - 30 days	**3,924.7**	3,726.0
31 - 60 days	**132.2**	101.5
61 - 90 days	**95.1**	101.2
Over 90 days	**283.6**	283.1
	4,435.6	4,211.8

11. Trade payables and other liabilities

	2022 HK$ Million	2021 HK$ Million
Trade payables (note a)	**4,272.7**	4,120.9
Other payables and accruals (note b)	**5,600.4**	5,368.9
Contract liabilities (note c)	**8,583.1**	8,894.8
Lease liabilities (notes d and e)	**154.2**	103.0
Preferred shares (note f)	**3,393.9**	-
	22,004.3	18,487.6

Notes

(a) The aging analysis of the trade payables is as follows:

	2022 HK$ Million	2021 HK$ Million
0 - 30 days	**1,773.6**	1,790.5
31 - 60 days	**552.1**	583.2
61 - 90 days	**572.0**	617.6
Over 90 days	**1,375.0**	1,129.6
	4,272.7	4,120.9

(b) The balances mainly represent accrual for services or goods received from suppliers.

(c) The balances mainly represent non-refundable advance received from customers for utility connection services, provision of gas and provision of maintenance services.

(d) As at 31st December 2022, the contractual maturities of the Group's lease liabilities are as follows:

	HK$ Million
Within 1 year	**154.2**
Over 1 year#	**274.0**
	428.2

Lease liabilities over 1 year are included in other non-current liabilities.

(e) The interest expense on lease liabilities for the year amounting to HK$18.9 million (2021: HK$13.5 million) is included in the profit or loss.

(f) As at 31st December 2022, balance represents the carrying value of preferred shares issued by EcoCeres, Inc., a non-wholly owned subsidiary of the Group.

12. Event after the reporting period

On 16th March 2023, Towngas Smart Energy Company Limited ("Towngas Smart Energy") entered into a legally binding memorandum of understanding ("MOU") with Shenergy (Group) Company Limited ("Shenergy Group") and Shanghai Gas Co., Ltd. ("Shanghai Gas"), pursuant to which the parties agreed to the exit of Towngas Smart Energy 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 Towngas Smart Energy, the specific arrangements of which are subject to a definitive agreement to be signed between the parties. Shanghai Gas is owned as to 25% by Towngas Smart Energy and 75% by Shenergy Group. Such 25% equity interest (represented by RMB333,333,333 in the registered capital of Shanghai Gas) was acquired by Towngas Smart Energy through a capital contribution of RMB4,700,000,000 to Shanghai Gas completed in July 2021.

The consideration payable to Towngas Smart Energy for the exit is to be agreed between the parties to the MOU (and to be set out in the definitive agreement) based on a valuation of Shanghai Gas as at 28th February 2023 to be conducted by a valuer and subject to the receipt of the required government and regulatory approvals. Pursuant to the MOU, from 1st March 2023, Towngas Smart Energy has ceased to have any rights and responsibilities of a shareholder of Shanghai Gas, unless the exit is not completed for any reason. The parties agreed to submit the application documents in relation to the exit to the relevant authorities before 30th June 2023. If the exit is not completed by 31st December 2023, the MOU will be automatically terminated unless agreed otherwise between the parties.

For details of the exit, please refer to the Company's joint voluntary announcement dated 16th March 2023.

Apart from the above event, there have been no other material events occurring after the reporting date.

EMPLOYEES AND PRODUCTIVITY

As at the end of 2022, the number of employees engaged in the town gas business in Hong Kong was 2,110 (2021 year end: 2,106), the number of customers was 1,995,082, and each employee served the equivalent of 946 customers, an increase of 1.4 per cent compared to 2021. Inclusive of employees engaged in businesses such as telecommunications, liquefied petroleum gas vehicular refilling stations and contractual engineering works, the total number of employees engaged in businesses in Hong Kong was 2,352 as at the end of 2022 compared to 2,442 as at the end of 2021. Related manpower costs amounted to HK$1,257 million for 2022, an increase of HK$10 million compared to 2021. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to enhance the quality of the Group's customer services constantly.

Exclusive of businesses in Hong Kong, the total number of the Group's employees on the Chinese mainland and other places outside Hong Kong was approximately 53,870 as at the end of 2022, an increase of approximately 1,010 compared to 2021.

On behalf of the Board of Directors, we would like to thank all our employees for their dedication and hard work in creating value for shareholders and customers. During the COVID-19 epidemic, in particular, staff at all levels have performed their duties diligently and tackled different challenges proactively to ensure the safe operation of the Group's public utility businesses in both Hong Kong and the Chinese mainland and to maintain the stable and sustainable development of the Group's other businesses.

DIVIDEND

The Board now recommends a final dividend of HK23 cents per share payable to shareholders of the Company whose names are on the register of members of the Company on 15th June 2023. The necessary resolution will be proposed at the forthcoming Annual General Meeting on 7th June 2023, and if passed, dividend warrants will be posted on 26th June 2023.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of shareholders to the right to attend and vote at the forthcoming Annual General Meeting (or any adjournment thereof), the register of members of the Company will be closed from Friday, 2nd June 2023 to Wednesday, 7th June 2023, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 1st June 2023.

In order to determine shareholders who qualify for the proposed final dividend, the register of members of the Company will be closed from Tuesday, 13th June 2023 to Thursday, 15th June 2023, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Monday, 12th June 2023.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 7th June 2023. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about Tuesday, 25th April 2023.

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 31st December 2022, the Group had a net current borrowings position of HK$6,387 million (31st December 2021: HK$7,620 million) and long-term borrowings of HK$39,623 million (31st December 2021: HK$36,856 million). In addition, banking facilities available for use amounted to HK$21,400 million (31st December 2021: HK$20,900 million).

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities, bond and equity financing. The Group has adequate and stable sources of funds and unutilised banking facilities to meet its future capital expenditures and working capital requirements.

Financing structure

In May 2009, the Group established a US$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favourable terms and timing. In June 2021, the Programme was updated with the size increased to US$5 billion. Medium term notes totalling HK$3,819 million, with a tenor of 2 to 10 years, have been issued in 2022. In line with the Group's long-term business investments, as at 31st December 2022, the total nominal amount of medium term notes issued has reached HK$21.6 billion with tenors ranging from 2 to 40 years, mainly at fixed interest rates with an average of 3.0 per cent per annum and an average tenor of 14 years. In addition, our major listed subsidiary company Towngas Smart Energy Company Limited ("Towngas Smart Energy") also established its Medium Term Note Programme of US$2 billion in June 2021, which will add flexibility and capacity to its financing in future, and thus strengthening its financial position. In April 2022, Towngas Smart Energy issued its first 5-year Sustainability-Linked Bond (the "SLB") and raised a total of US$200 million at a coupon rate at 4.0 per cent per annum. As at 31st December 2022, the total nominal amount of medium term notes issued has reached RMB2.0 billion with tenors ranging from 3 to 5 years, mainly at fixed interest rates with an average of 4.2 per cent per annum and an average tenor of 4 years. As at 31st December 2022, the Group issued notes in the total nominal amount of HK$24,107 million (31st December 2021: HK$21,876 million) in Renminbi, Australian dollar, Japanese yen, United States dollar and Hong Kong dollar under the Programmes (the "MTNs"). The carrying value of the issued MTNs as at 31st December 2022 was HK$23,850 million (31st December 2021: HK$21,299 million).

As at 31st December 2022, the Group's borrowings amounted to HK$59,304 million (31st December 2021: HK$55,111 million). Convertible bonds ("CB") of nominal amount at RMB1,836 million were issued by Towngas Smart Energy to a strategic investor in November 2021 and the carrying value of the debt component of the issued CB as at 31st December 2022 was HK$1,855 million (31st December 2021: HK$1,957 million). While the vast majority of the notes and CB mentioned above together with the bank and other loans of HK$11,860 million (31st December 2021: HK$9,522 million) had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK$8,295 million (31st December 2021: HK$10,221 million) were long-term bank loans and HK$13,444 million (31st December 2021: HK$12,112 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2022, the maturity profile of the Group's borrowings was 33 per cent within 1 year, 13 per cent within 1 to 2 years, 36 per cent within 2 to 5 years and 18 per cent over 5 years (31st December 2021: 33 per cent within 1 year, 13 per cent within 1 to 2 years, 33 per cent within 2 to 5 years and 21 per cent over 5 years).

The RMB, AUD and JPY notes issued and the USD SLB issued by Towngas Smart Energy are hedged to Hong Kong dollars or Renminbi respectively by currency swaps. Except for some borrowings of certain subsidiaries are arranged in or hedged to their functional currency in Renminbi, the Group's borrowings are primarily denominated in Hong Kong dollars and local currency of subsidiaries in the Chinese mainland. The Group therefore has no significant exposure to foreign exchange risk.

In February 2019, the Group re-issued Perpetual Subordinated Guaranteed Capital Securities (the "Perpetual Capital Securities") of US$300 million and the proceeds were mainly used to refinance the 2014 first-issued perpetual capital securities redeemed in January 2019. The Perpetual Capital Securities are at a distribution rate of 4.75 per cent per annum for the first five years and thereafter at fixed distribution rate. With no fixed maturity and the distribution payment can be deferred at the discretion of the Group, and the Perpetual Capital Securities are redeemable at the Group's option on 12th February 2024 or thereafter every six months on the coupon payment date, they are accounted for as equity in the financial statements. The Perpetual Capital Securities are guaranteed by the Company. The issuance helps strengthen the Group's financial position, improve its financing maturity profile and diversify its funding sources.

The gearing ratio [net borrowings / (total equity + net borrowings)] for the Group as at 31st December 2022 remained healthy at 38 per cent (31st December 2021: 35 per cent).

Guarantee

As at 31st December 2022 and 2021, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties.

Currency profile

The Group's operations and activities are predominantly based in Hong Kong and the Chinese mainland. As such, its cash, cash equivalents or borrowings are mainly denominated in Hong Kong dollars, Renminbi or United States dollars, whereas borrowings for the Group's subsidiaries, associates and joint ventures in the Chinese mainland are predominantly denominated in the local currency, Renminbi, in order to provide natural hedging for the investment there.

Group's financial investments in securities

Under the guidance of the Group's Treasury Committee, financial investments have been made in equity and debt securities. As at 31st December 2022, the relevant investments in securities amounted to HK$222 million (31st December 2021: HK$360 million). The performance of the Group's financial investments in securities was satisfactory.

CORPORATE GOVERNANCE

During the year ended 31st December 2022, the Company complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board Audit and Risk Committee has reviewed the Group's consolidated financial statements for the year ended 31st December 2022, including the accounting principles and practices adopted by the Group, in conjunction with the Group's internal auditor and PricewaterhouseCoopers, the Group's external auditor.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31st December 2022, the trustee of the share award scheme (the "TSEL Share Award Scheme") adopted by Towngas Smart Energy (a listed subsidiary of the Company), pursuant to the terms of the rules and trust deed of the TSEL Share Award Scheme, purchased on The Stock Exchange of Hong Kong Limited a total of 6,965,000 shares of Towngas Smart Energy at a consideration of approximately HK$29,897,000.

Saved as mentioned above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2022.

By Order of the Board
John Ho Hon-ming
Executive Director, Chief Financial Officer and Company Secretary

Hong Kong, 17th March 2023

As at the date of this announcement, the Board of the Company comprises:

Non-executive Directors:	Dr. Lee Ka-kit (Chairman), Dr. Lee Ka-shing (Chairman), Dr. Colin Lam Ko-yin and Mr. Andrew Fung Hau-chung
Independent Non-executive Directors:	Dr. the Hon. Sir David Li Kwok-po, Prof. Poon Chung-kwong and Dr. the Hon. Moses Cheng Mo-chi
Executive Directors:	Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming

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