The Hong Kong and China Gas Company Limited

(STOCK CODE: 3)

Annual Report 2023

CONTENTS

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

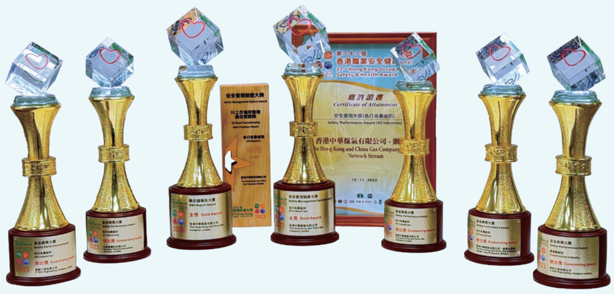
To be a leading clean and smart energy supplier, with a view to creating a sustainable world driven by green energy.

2023 Awards and Recognitions

The 22nd Hong Kong Occupational Safety & Health Award

- Safety Management System Award
  (All Industries Category) – Gold Award
- 5S Good Housekeeping Best Practices Award
  (All Industries Category) – Gold Award
- OSH Report Award – Gold Award
- Safety Performance Award
  (All Industries Category) – Outstanding

Occupational Safety and Health Council



Business Sustainability Indices (BSI)

- Global (Asia Pacific) BSI
- Greater China BSI
- Greater Bay Area BSI
- Hong Kong BSI

Ranked First, Exemplar Level

Centre for Business Sustainability,
The Chinese University of Hong Kong Business School

BOCHK Corporate Low-Carbon Environmental Leadership Awards 2022

- Manufacturing Sector – Gold Award
- Sustainable Business Award
- Anti-Epidemic Caring Award

Federation of Hong Kong Industries

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

S&P Global

UNSDG Achievement Awards Hong Kong 2023

- Project Awards (Best Approach)
- Project Awards (Individual SDG Award - Goal 1: No Poverty)
- Project Awards (Individual SDG Award - Goal 12: Responsible Consumption and Production)

Green Council

Best Corporate Governance and ESG Awards 2023

ESG Awards (Hang Seng Index Category)

Hong Kong Institute of Certified Public Accountants

Industry Cares Recognition Scheme 2023

- The Best CSV Award (Enterprise Group)
- Outstanding Caring Award (Enterprise Group)

Federation of Hong Kong Industries

Junzi Corporation Award

- Junzi Corporation Award for Exemplary Business Practices with Benevolence
- Junzi Corporation Award

The Hang Seng University of Hong Kong

The 11th Asia Pacific Eldercare Innovation Awards 2023

Innovation of The Year
– Ageing-In-Place Model

Ageing Asia Alliance

Jockey Club Age-friendly City Partnership Scheme 2022

Age-friendly Business Innovation Award

The Hong Kong Jockey Club Charities Trust

Award of Excellence 2022/2023

Corporate and Employee Contribution Programme

Diamond Award

The Community Chest of Hong Kong

20 Years Plus Caring Company Logo 2022/23

The Hong Kong Council of Social Service

Financial Education and ESG Leadership Awards 2023

Corporate Financial Education and ESG Leadership (Gold Award)

Institute of Financial Planners of Hong Kong

Privacy-Friendly Awards 2023

Outstanding Gold Award

Office of the Privacy Commissioner for Personal Data

2023 ESG Highlights

ESG Ratings

MSCI ESG Ratings 2023

A

MSCI ESG RATINGS A

CCC	B	BB	BBB	A	AA	AAA

Dow Jones Sustainability Asia/Pacific Index 2023

S&P Global ESG Score 65

Member of Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Sustainalytics ESG Risk Ratings 2023

SUSTAINALYTICS a Morningstar company RATED

Medium Risk

CDP 2023 Climate Change Score

A-

Hang Seng Corporate Sustainability Index 2023-2024

Hang Seng Corporate Sustainability Index Series Member 2023-2024

AA+

CDP DISCLOSURE INSIGHT ACTION

ESG Partnerships

BUSINESS ENVIRONMENT COUNCIL 商界環保協會
COUNCIL MEMBER since 2003
20 years+

「碳中和」夥伴 "Carbon Neutrality" Partner
香港邁向碳中和 Carbon Neutral@HK

METHANE GUIDING PRINCIPLES

TNFD Forum Member

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Business Opportunities from Energy Transition

Hydrogen in Hong Kong

- Signed a Memorandum of Understanding with Bravo Transport Services Limited to explore the use of hydrogen for public buses
- Hong Kong's first hydrogen fuel cell charging facility for electric vehicles at a padel court in Sai Kung

Renewable Energy Projects

- **354** renewable energy projects
- **1.8 GW** grid-connected photovoltaic capacity

Organic Waste Resource Utilisation

- Organic waste utilisation project in Suzhou Industrial Park converts organic waste into bio-natural gas
- Cumulatively processed approximately **1.46 million tonnes** of organic waste by end of 2023

Sustainable Aviation Fuel (SAF)

One of the world's largest SAF producers: over **100,000 tonnes** produced in 2023

Inter-plant Heat Transfer Project

Debuted Hong Kong's first project to transfer waste heat from the Tai Po Gas Production Plant to a neighbouring food factory for dehumidification purpose

TERA-Award Smart Energy Innovation Competition

Received record-breaking **450 submissions** from **59 countries and regions** in its 3rd edition

Green and Sustainable Finance

- Over **HK$5 billion** total in green and sustainable finance for the Group
- First Hong Kong-funded enterprise to issue a sustainability-linked Panda Bond on the Chinese mainland

Green Methanol

Produced green methanol by replacing fossil fuel with end-of-life tyres

ESG Management

ESG Strategy

E — Energising the Ecosystem

N — Neutralising our Footprint

E — Engaging with Society

R — Revitalising our Strengths

G — Greening the Future

Y — Young-at-heart with Resilience

ESG Governance

Established the Board ESG Committee, with the ESG Steering Committee overseeing the management of all ESG-related matters

ESG Advocacy

- Launched the radio programme *ESG 101* in collaboration with Commercial Radio Hong Kong
- Hosted the Towngas Green Flame Future Lab with B.Duck, attracting over **10,000 visits**
- Inaugurated the Towngas Green Flame Energy Scientist Programme, with **22 primary schools** enrolling

Environmental

Carbon Neutrality Commitment

Towngas is committed to achieving carbon neutrality by 2050 through energy transition and innovation

- Reduce group operational GHG emissions by **10%** (2020 baseline) by 2025
- Reduce **10 million tonnes** of GHG emissions in environment annually by 2025 through coal-to-gas, solar photovoltaic power generation, and energy efficiency improvement projects, among others
- Replace fossil fuels by introducing and using zero-carbon fuels in phases, with a target to reduce the total carbon intensity of town gas use by **36%** (2019 baseline) by 2035

Sustainable Investment

Incorporated ESG Due Diligence and Internal Carbon Pricing in investment decision-making processes to seize low-carbon opportunities and investments

Carbon Reduction Initiatives

Utilised self-developed platforms on the Chinese mainland

- Towngas Operation Platform for comprehensive monitoring of methane leakage
- Towngas Tan Hui Platform to foster low-carbon habits among **22,000 employees** and the general public

Town Gas Production

- Reduced carbon intensity from gas production by **28%** (2005 baseline), reaching **0.549kg CO_2e/unit** of town gas
- Landfill gas comprises around **2%** of town gas fuel mix

Social

Community

- **HK$24 million** Towngas Concession Scheme benefitted over **42,000** households
- Volunteer service hours:
  14,487 (Hong Kong)
  >440,000 (Mainland Utility Business)
- Rice Dumplings for the Community programme set a Guinness World Record™

Health and Safety

- **1,190,700** regular safety inspections for customers (Hong Kong)
- Group lost-time injury frequency rate: employees: **0.43** contractors: **0.32** accident per 1,000,000 work-hours
- Public-reported gas leakage incidents per 10 km of network decreased **15%** compared with 2022 (Hong Kong)
- Developed smart appliances, controllers and meters with IoT technology to enhance home safety

Employee

- Gender pay ratio (basic salary): **1:1** (Hong Kong)
- Average training hours per employee: **92.3** (Group)
- Over **400 visits** joined Towngas Diversity & Inclusion Day

Resilient Supply Chain

- Approximately **90%** of suppliers[1] in our Hong Kong operation have adopted S-Carbon platform to quantify GHG emissions
- Assessed and identified climate-related transition risks of our suppliers in the Mainland Utility Business

[1] Based on the total purchase value of products and materials (Hong Kong operations)

Governance

ESG-linked Compensation

5% of the variable compensation of the Managing Director and senior executives are linked to the achievement of ESG objectives

Business Integrity

Provided anti-corruption training to the Board

Privacy Protection

Upgraded the Privacy Management Programme online platform to enhance privacy management

2023 Business Coverage

Based in Hong Kong,
Towngas has a portfolio comprising

774 projects*

in 29 provincial regions on the Chinese mainland, as well as one in Thailand.

The numbers indicate the quantity of projects in the corresponding regions

- City-gas Projects
- Water and Environmental Projects
- Other Gas-related Projects
- Smart Industrial Parks
- Photovoltaics Projects
- Energy and Carbon Management Projects
- Other Renewable Energy Projects
- Gas Resource Supply Chain Projects
- Extended Businesses
- EcoCeres and Other Projects
- Oilfield

*2022 year end: 624 projects, inclusive of city-gas projects re-invested by the Group's companies

Heilongjiang
1 2 1 1
Jilin
15 1 1 2
Liaoning
17 2 7
6 3 2
Inner Mongolia
3 2 9
Beijing
1 2 1 2
Tianjin
1 3
Hebei
26 1 4
5 2 2 4
Ningxia
1
Shanxi
1 1 1
Shandong
36 2 8
40 2 6
Jiangsu
26 9 9 16
61 7 4 2 3
Shaanxi
3 3
3 2 4
Henan
1 2 6
20 1 1
Sichuan
38 1 1 1
Hubei
7 4 9 1
Anhui
29 3 3 4
10 5 1 1
Shanghai
1 9 2
2 1
Chongqing
1 1
Zhejiang
6 4 21 2
Hunan
1 4 1 1
Jiangxi
17 2 2
Guizhou
1
Fujian
2 6 8
Guangxi
8 2 2 1
Yunnan
1
Guangdong
79 1 5 8 17
8 3 1 4 4
Hong Kong
Hainan
1 2 2

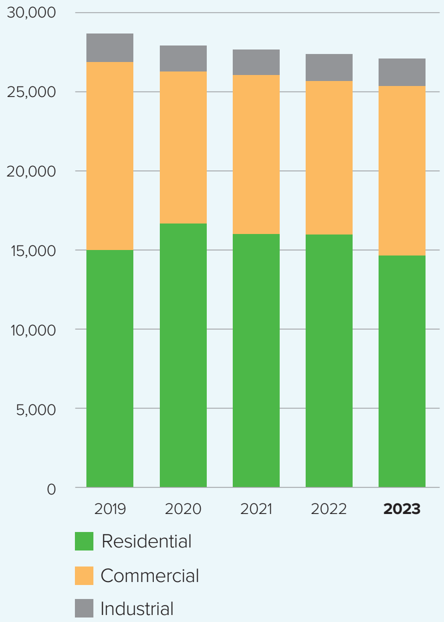
Business Highlights

	2023	2022	Change %
OPERATING (COMPANY)			
Number of Customers as at 31st December	**2,019,656**	1,995,082	+1
Number of Customers per km of Mains	**582**	576	+1
Installed Capacity, thousand m^3 per hour	**534**	534	–
Peak Hourly Demand, thousand m^3	**496**	546	-9
Town Gas Sales, million MJ	**27,125**	27,398	-1
Number of Employees as at 31st December	**2,135**	2,110	+1
Number of Customers per Employee	**946**	946	–
FINANCIAL			
Revenue, HK million dollars	**56,971**	60,953	-7
Profit Attributable to Shareholders, HK million dollars	**6,070**	5,248	+16
Dividends, HK million dollars	**6,531**	6,531	–
SHAREHOLDERS			
Issued Shares, million of shares	**18,660**	18,660	–
Shareholders' Funds, HK million dollars	**59,853**	61,228	-2
Basic Earnings per Share, HK cents	**32.5**	28.1	+16
Diluted Earnings per Share, HK cents	**31.6**	26.3	+20
Dividends per Share, HK cents	**35.0**	35.0	–
Shareholders' Funds, HK dollars per share	**3.21**	3.28	-2
Number of Shareholders as at 31st December	**13,177**	13,493	-2

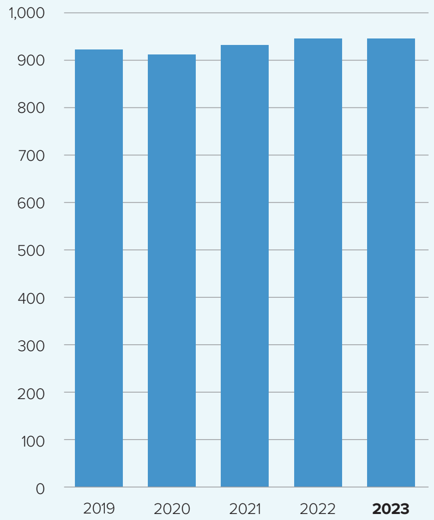
Five-Year Summary

Town Gas Sales (Company)

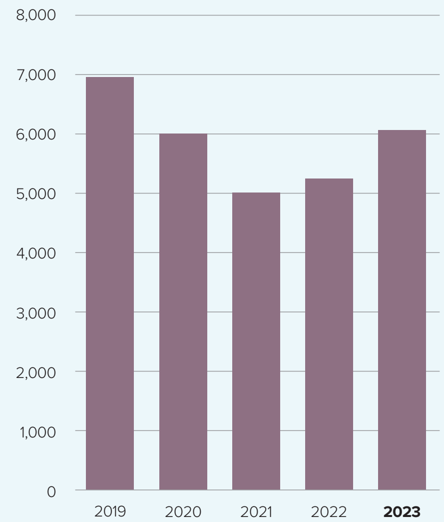
(million MJ)



Number of Customers per Employee (Company)

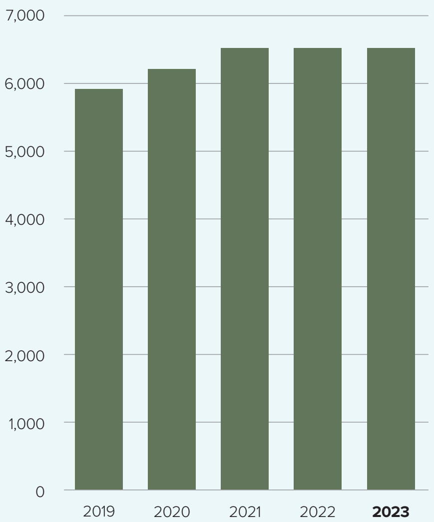


Profit Attributable to Shareholders (HK$ million)



Dividends

(HK$ million)



Chairmen's Statement

> **“Leading energy innovation and sustainable development, we are fully committed to creating a green future for our planet.”**
>
> **– Dr. Lee Ka-kit**

> **“We will keep fostering social harmony and well-being, while continuing to ignite hope and radiate warmth and compression.”**
>
> **– Dr. Lee Ka-shing**

Although the pandemic that lasted for three years is now over, escalation in international and regional tensions has worsened the energy crisis which disrupts the global supply chain and economy. The presence of various unclear factors has created a challenging business environment, and consumer confidence has yet to be strengthened. The Group inevitably faced various challenges over the past year. Despite this, benefiting from the country’s unswerving promotion of environmental protection and the “30-60” dual carbon goals, with increasing efforts to stabilise the economy and promote consumption, the Group’s development continued to remain stable during the year.

In the face of an uncertain economic outlook, the Group employed a strategy of stability and adaptability to enhance its business resilience. On the one hand, we strengthened the development of the gas business and exercised strict control over capital expenditures. On the other hand, we optimised our corporate structure, seizing opportunities to divest non-core businesses and pursuing the development of the renewable energy business through an asset-light strategy. These actions aimed to deleverage and provide shareholders with stable returns.

At the same time, the Group has been actively aligning with the policies of the HKSAR Government to venture into new energy businesses. During the year, a range of new projects, including hydrogen energy and green methanol, have been systematically initiated. This report will showcase our efforts and achievements over the past year, as well as the challenges we faced and the room for progress. We will uphold the core values of safety, environmental protection, creativity, and quality service, as we continue demonstrating our resilience and strength, and utilise “Smart Energy for a Brighter Future”.

The Year’s Results

The Group progressed steadily and seized market opportunities with high sensitivity in 2023. By improving the energy supply chain, strengthening in-depth cooperation with upstream, midstream and downstream business partners, integrating resources, reducing costs and creating value, the overall volume of gas sales grew steadily during the year. We also focused on the development of green energy by layout planning and investing in related businesses, driving the sustainable development of the Group’s businesses, enhancing employee capabilities and striving for the best interests of shareholders and investors.

Profit after taxation attributable to shareholders of the Group for the year amounted to HK$6,070 million, an increase of HK$822 million, up by 16 per cent, compared to 2022. Basic earnings per share for the year amounted to HK32.5 cents.

After excluding the Group's share of a revaluation surplus from International Finance Centre investment property, the profit after taxation of the Group for the year amounted to HK$5,570 million, an increase of HK$260 million, up by 5 per cent, compared to 2022.

During the year, the Group invested approximately HK$10.2 billion 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.

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 13th June 2024. Including the interim dividend of HK12 cents per share paid on 8th September 2023, the total dividend payout for the whole year shall be HK35 cents per share.

Town Gas Business in Hong Kong

Hong Kong's economy grew moderately during the year. The full resumption of normal travel in February 2023 drove the number of tourists visiting Hong Kong to increase, benefiting the gas market in the catering and hotel sectors, which led to an increase in Hong Kong's commercial and industrial gas sales by 9.3 per cent. However, due to the impact of climate warming, the temperatures throughout the year were higher than normal, with the average temperature from June to August 2023 hitting the highest ever. In addition, residential gas sales were affected by the increasing number of local residents travelling to the Chinese mainland for consumption and eating out. Overall, the total volume of gas sales in Hong Kong for 2023 was approximately 27,125 million MJ (equivalent to approximately 800 million cubic metres of natural gas), a slight decrease of 1 per cent compared to 2022. As at 31st December 2023, the number of customers of the Company was 2,019,656, an increase of 24,574, representing an increase of 1 per cent compared to the number at the end of 2022.

With nearly half of the town gas composition being hydrogen, we have positioned hydrogen energy as one of the highly prioritised businesses within the Group. During the year, the Group signed a Memorandum of Understanding with Bravo Transport Services Limited (the parent company of Citybus) to explore the use of hydrogen as an alternative source of fuel for public buses, marking a new chapter in the development of hydrogen energy transportation in Hong Kong. Additionally, we constructed a gas pipeline hydrogen extraction facility for a recreational venue in Sai Kung. This facility serves as a pilot project for charging electric vehicles, marking it as the first of its kind in Hong Kong to explore this innovative application of hydrogen energy, which is in line with the Government's strategy for new energy development.

Businesses on the Chinese Mainland

The growth of our utility businesses on the Chinese mainland was impeded due to continued sluggish real estate investment, coupled with a decrease in exports to Europe, the United States and other regions. However, driven by consumption, catering, and high-tech manufacturing industries, the annual GDP growth of the mainland still reached 5.2 per cent. Also, the urbanisation rate has increased to 66 per cent, which is positive for the city-gas business. Furthermore, international natural gas prices have fallen from the peak in 2023, causing the average price difference of city gas in mainland cities to rebound.

The Group's total volume of gas sales for 2023 was approximately 34,700 million cubic metres, an increase of 8 per cent compared to 2022. During the year, the Group's mainland gas customers stood at approximately 40.19 million, an increase of 7.8 per cent compared to 2022, representing a better-than-expected business progress. As at the end of 2023, inclusive of the Group's subsidiary, Towngas Smart Energy Company Limited ("Towngas Smart Energy"; stock code: 1083.HK), the Group had a total of 320 city-gas projects on the Chinese mainland, representing an increase of 5 projects compared to the previous year. During the year, the Group continued to promote the "Gas+" service to help commercial and industrial customers save energy and increase efficiency with professional integrated energy solutions.

During the year, the Group strengthened the coordination and management of its gas supply chain-related business and repurposed the underground salt caverns located in Jintan district, Changzhou, Jiangsu province into a natural gas storage facility with a total storage capacity of 400 million cubic metres. This development has enhanced the Group's ability to handle peak demand during high-demand seasons and improved the gross profit margin of its gas business.

In addition, the No. 2 and No. 6 storage tanks of the second phase of the receiving terminal project at Caofeidian district, Tangshan, Hebei province, in which the Group invests, are expected to be commissioned in 2024. The Group's shale gas liquefaction project located in Weiyuan county, Neijiang, Sichuan province, has commenced commissioning and the volume of gas sales per year is approximately 200 million cubic metres.

The Group's water and environmental sanitation businesses recorded stable growth during the year, with the volume of sewage treatment increasing by 1 per cent compared to 2022. The sewage treatment project (phase one) in Wujin National High-Tech Industrial Zone, Changzhou, commenced trial operation in early November 2023, with a daily treatment capacity of 30,000 tonnes, providing industrial wastewater treatment services to industrial enterprises in the Zone. The Group also successfully won the bid for an integrated franchise project for collecting, transporting, and disposing of municipal waste in Wujin district, Changzhou. This project includes a municipal solid waste incineration plant with a designed capacity of 1,500 tonnes per day.

The Group's renewable energy business accomplished remarkable success and achieved profitability in 2023. As at the end of 2023, the Group had 354 renewable energy projects, representing an increase of 171 projects compared with the preceding year. These projects encompass photovoltaics, energy storage, charging and swapping power stations, and integrated energy services for industrial and commercial customers. During the year, 1.6 GW of distributed photovoltaic capacity was newly contracted, while 1.2 GW was added to the grid-connected capacity.

At the end of 2023, Towngas Smart Energy had 536 city-gas and renewable energy projects, representing an increase of 173 projects compared with the preceding year. In particular, the renewable energy segment continued to grow, with 44 zero-carbon smart industrial parks developed during the year. As at 31st December 2023, Towngas Smart Energy had developed 124 zero-carbon smart industrial parks, and had signed contracts in an aggregate amount of 2.96 GW photovoltaic capacity and connected 1.8 GW to the grid.

Towngas Smart Energy declared exit from its investment of 25 per cent equity interest in Shanghai Gas Co., Ltd and received its fund of RMB4,663 million on 2nd August 2023.

In 2023, Towngas Smart Energy recorded a profit attributable to its shareholders amounted to HK$1,575 million, a substantial increase of 63.2 per cent compared to 2022. As at the end of 2023, the Group held approximately 2,255 million shares in Towngas Smart Energy, representing approximately 67.24 per cent of Towngas Smart Energy's total issued shares.

Our extended businesses achieved steady growth during the year as we provide high-quality services to 42 million household customers in Hong Kong and the Chinese mainland. The security chip "TGSE CHIP", which we jointly developed with StarFive and ChinaFive, has been successfully used in the Group's smart IoT gas meters on the Chinese mainland, with a sales volume of over 1.6 million units. Smart gas meters equipped with "TGSE CHIP" can further protect users' information security. In the future, "TGSE CHIP" can be applied to smart kitchens, smart homes and other scenarios.

Environmental, Social and Governance

The year 2023 was a year of fruitful achievements for the Group's environmental, social, and governance ("ESG") efforts. During the year, Towngas and Towngas Smart Energy were both ranked among the Chinese companies with the "Top 1% S&P Global ESG Score" and included in the first-ever S&P Global Sustainability Yearbook (China Edition). In addition, the Group has been consistently selected in the Hang Seng Sustainable Development Index for 13 years in a row, and our rating has been upgraded from "AA" to "AA+". These notable accomplishments highlight our commitment to ESG issues, and our achievements have received widespread recognition and acknowledgement.

The Group is committed to achieving carbon neutrality through energy transition and innovation by 2050. Furthermore, during the year, we developed a decarbonisation strategy for our gas business in Hong Kong. This strategy includes the phased introduction and utilisation of zero-carbon fuels, such as green methanol, green hydrogen, and biomethane, to replace fossil fuels. Our target is to reduce the overall carbon intensity of gas usage by 36 per cent, reaching a level of 0.15 kg CO_2e/kWh by 2035, compared to 2019 and achieve carbon neutrality by 2050 or earlier. In addition to reducing greenhouse gas emissions generated during our operations, we also started integrating Internal Carbon Price (ICP), along with ESG Due Diligence, into our investment decision-making processes in 2023 to seize the opportunities brought by the Group's low-carbon transition.

With regard to corporate governance, the Group elevated the ESG Committee to the Board level during the year. The committee is chaired by the Managing Director and supported by 16 working sub-committees with an aim to enhance overall ESG performance across all business operations. The variable compensations of the Managing Director and senior executives are linked to ESG material issues, including climate change. This affirmed the Group's commitment to integrate ESG for driving performance improvement.

As Towngas transitions from a traditional utility company into an integrated clean energy supplier, we will remain fully committed in our efforts to achieve a Just Transition and a low-carbon economy in a fair and equitable manner.

Business Outlook for 2024

The global political situation remains volatile stepping into 2024, with the added complexity of elections in some countries and regions. Despite these challenges, the Group is fortunate to operate in a stable business environment in Hong Kong, supported by our strong ties to the motherland. As a result, we expect steady growth in the number of customers in Hong Kong throughout 2024.

In the 2023 Policy Address and the Budget released in February 2024, the HKSAR Government emphasised its commitment to promoting the use of sustainable aviation fuel ("SAF") by airlines in Hong Kong, as well as providing green methanol bunkering facilities for local and ocean-going vessels. EcoCeres, Inc., in which the Group holds shares, has already implemented its developed technology two years ago, using waste vegetable oil and animal fats to produce SAF. The company is currently in the progress to increase the production capacity. Upon the completion of a new plant in Malaysia within two years, more SAF is expected to be supplied to the airlines. Additionally, the Group's green methanol production in the Inner Mongolia Autonomous Region is projected to reach an annual output capacity of 120,000 tonnes in coming years, catering for the needs of the shipping industry. The plant was certified under ISCC EU and ISCC PLUS schemes for the second consecutive year in July 2023. After delivering the first batch of green methanol to overseas customers in October 2023, the Group has planned to expand the production capacity in order to meet the future needs of the upcoming low-carbon marine fuel market.

With respect to mainland businesses, the country has been steadily progressing towards the "30-60" dual carbon goals. During the year, there have been policy revisions to promote the high-quality and efficient development of natural gas, which is considered the cleanest fossil fuel. Recognising the substantial growth potential of natural gas, the Group is promoting its "Gas+" business to provide energy service solutions to customers in strategic areas, leveraging technology and management to assist them in achieving energy conservation and carbon reduction. With great potential for business development in this area, it is expected that the Group's gas sales business will experience growth in 2024.

The Group's renewable energy project development is expected to continue to progress well in 2024. Following the expansion of the scale of wind power and photovoltaic installations, energy storage will play an increasingly important role as a balancing resource. Through cooperation with multiple parties, the Group is driving its renewable energy business by delivering safe and efficient energy storage services. This segment also serves as a significant pillar for profit growth.

Looking ahead, the application of energy will move towards a more diverse and efficient approach. In line with the principles of green development, natural gas and renewable energy, along with their integrated utilisation, are the key directions for the Group's development. The Group is highly confident in its future business prospects, as it upholds the mission of leading energy innovation and sustainable development. With unrelenting dedication, we strive to build a green future for our planet.

Lee Ka-kit
Chairman

Lee Ka-shing
Chairman

Hong Kong, 20th March 2024

Board of Directors

Yeung Lui-ming

Andrew Fung Hau-chung

Moses Cheng Mo-chi

David Li Kwok-po

Lee Ka-kit
Chairman

Dr. Lee Ka-kit

G.B.S., J.P., D.B.A. (Hon.),

Chairman & Non-executive Director

Aged 60. Dr. Lee was appointed to the Board of Directors of the Company in 1990 and subsequently appointed Chairman in May 2019. He was educated in the United Kingdom. He is a Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land Development") and a Vice Chairman of Henderson Investment Limited. Dr. Lee was appointed as a Non-executive Director and the Chairman of the Board of Towngas Smart Energy Company Limited, a subsidiary of the Company, with effect from 25th October 2021. All the above companies are listed public companies. He is also a Vice Chairman of Henderson Development Limited ("Henderson Development") and a Director of Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land Development, Henderson Development, Hopkins, Rimmer and Riddick have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 60 of this Annual Report for details). 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. Dr. Lee was awarded an Honorary University Fellowship by The University of Hong Kong in 2009, and was also awarded an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in 2014. He is the son of Dr. the Hon. Lee Shau-kee, a controlling shareholder of the Company and the brother of Dr. Lee Ka-shing, a Chairman and Non-executive Director of the Company.

Lee Ka-shing
Chairman

Poon Chung-kwong

Colin Lam Ko-yin

Peter Wong Wai-yee

Dr. Lee Ka-shing
G.B.S., J.P., DSSc (Hon)
Chairman & Non-executive Director

Aged 52. Dr. Lee was appointed to the Board of Directors of the Company in 1999 and subsequently appointed Chairman in May 2019. He was educated in Canada. He is a Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land Development"), the Chairman and Managing Director of Henderson Investment Limited as well as the Chairman and Chief Executive Officer of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. Dr. Lee is also a Vice Chairman of Henderson Development Limited ("Henderson Development") and a Director of Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer"), Riddick (Cayman) Limited ("Riddick"), Disralei Investment Limited ("Disralei Investment"), Medley Investment Limited ("Medley Investment"), Faxson Investment Limited ("Faxson Investment"), Chelco Investment Limited ("Chelco Investment"), Macrostar Investment Limited ("Macrostar Investment") and Timpani Investments Limited ("Timpani Investments"). Henderson Land Development, Henderson Development, Hopkins, Rimmer, Riddick, Disralei Investment, Medley Investment, Faxson Investment, Chelco Investment, Macrostar Investment and Timpani Investments have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 60 of this Annual Report for details). He is a member of the Court of The University of Hong Kong, the Court of The Hong Kong Polytechnic University and the Court of City University of Hong Kong. He was awarded an Honorary Fellowship by University College London in 2021 and an Honorary Degree of Doctor of Social Science by The Hang Seng University of Hong Kong in 2022. He is also a Member of the 14th Beijing Municipal Committee of the Chinese People's Political Consultative Conference. Dr. Lee is the son of Dr. the Hon. Lee Shau-kee, a controlling shareholder of the Company and the brother of Dr. Lee Ka-kit, a Chairman and Non-executive Director of the Company.

Dr. Colin Lam Ko-yin

S.B.S., F.C.I.L.T., F.H.K.I.o.D., D.B. (Hon.), D.B.A. (Hon.), D.Soc.Sc. (Hon.)

Non-executive Director

Aged 72. Dr. Lam was appointed to the Board of Directors of the Company in 1983. He has more than 50 years' experience in banking and property development. He is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research, a Director of Fudan University Education Development Foundation, an honorary Court member of Hong Kong Baptist University, a member of the Court of The Hong Kong University of Science and Technology and a member of the Court of City University of Hong Kong. He was awarded an Honorary University Fellowship by The University of Hong Kong in 2008, an Honorary Fellowship by The Chinese University of Hong Kong in 2019, and was conferred a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015, a degree of Doctor of Business Administration (Honoris Causa) by the Hong Kong University of Science and Technology in 2021 and a degree of Doctor of Social Sciences (Honoris Causa) by The University of Hong Kong in 2023. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Dr. Lam is a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land Development") and Henderson Investment Limited, the Chairman of Hong Kong Ferry (Holdings) Company Limited, and an Executive Director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. Dr. Lam is a Director of Henderson Development Limited ("Henderson Development"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer"), Riddick (Cayman) Limited ("Riddick"), Disralei Investment Limited ("Disralei Investment"), Medley Investment Limited ("Medley Investment") and Macrostar Investment Limited ("Macrostar Investment"). Henderson Land Development, Henderson Development, Hopkins, Rimmer, Riddick, Disralei Investment, Medley Investment and Macrostar Investment have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 60 of this Annual Report for details).

Mr. Andrew Fung Hau-chung

BBS, JP, BA, CMA (Australia), FIPA (Australia)

Non-executive Director

Aged 66. Mr. Fung was appointed to the Board of Directors of the Company in June 2022. Mr. Fung is an Executive Director and the Chief Financial Officer of Henderson Land Development Company Limited ("Henderson Land Development"), a controlling shareholder of the Company and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He holds the Bachelor of Arts Degree from The University of Hong Kong and the Honorary Fellowship awarded by Lingnan University. Mr. Fung served as an executive director and the Head of Global Banking and Markets of Hang Seng Bank Limited, a listed company on the Main Board of the Stock Exchange, before he stepped down from such positions in July 2017. He has been engaged in the banking industry since graduation, serving at Societe Generale, The Hongkong and Shanghai Banking Corporation Limited, Commonwealth Bank of Australia, Hong Kong Branch and DBS Bank (Hong Kong) Limited. He has 42 years of experience in banking, capital markets and asset management. He is the Professor of Practice (Finance) in the School of Accounting and Finance of The Hong Kong Polytechnic University, the Adjunct Professor of The Hang Seng University of Hong Kong and a member of the school management committee of Buddhist Tai Hung College. Mr. Fung is currently a member of the Court of The University of Hong Kong, a trustee of The D.H. Chen Foundation, a member of the Cantonese Opera Advisory Committee, a member of the Cantonese Opera Development Fund Advisory Committee, a member of the Banking Review Tribunal, a board member of The Community Chest of Hong Kong and a non-executive director of the Accounting and Financial Reporting Council. Mr. Fung had previously been a board member of the Hospital Authority, a board member of the Airport Authority Hong Kong, a director of The Hong Kong Mortgage Corporation Limited, an associate member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region, a lay council member of the Hong Kong Institute of Certified Public Accountants, a client representative director of OTC Clearing Hong Kong Limited and the chairman of the Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital.

Dr. the Hon. Sir David Li Kwok-po

GBM, GBS, OBE, JP, MA Cantab. (Economics & Law), Hon. LLD (Cantab), Hon. DSc. (Imperial), Hon. LLD (Warwick), Hon. DBA (Edinburgh Napier), Hon. D.Hum.Litt. (Trinity, USA), Hon. LLD (Hong Kong), Hon. DSocSc (Lingnan), Hon. DLitt (Macquarie), Hon. DSocSc (CUHK), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, Officier de l'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Commandeur dans l'Ordre National de la Légion d'Honneur,

Independent Non-executive Director

Aged 85. Sir David was appointed to the Board of Directors of the Company in 1984. Sir David is the Executive Chairman of The Bank of East Asia, Limited. He is an Independent Non-executive Director of The Hongkong and Shanghai Hotels, Limited, San Miguel Brewery Hong Kong Limited and Vitasoy International Holdings Limited. He was previously an Independent Non-executive Director of Guangdong Investment Limited. All the above companies are listed public companies. Sir David is a Member of the Council of the Treasury Markets Association. He is Founding Chairman of The Friends of Cambridge University in Hong Kong Limited, Chairman of the Advisory Board of The Salvation Army Hong Kong and Macau Territory, Chairman of the Executive Committee of St. James' Settlement and a Fellow of the Hong Kong Academy of Finance. He was a Member of the Executive Council of Hong Kong from 2005 to 2008 and the Legislative Council of Hong Kong from 1985 to 2012.

Prof. the Hon. Poon Chung-kwong

G.B.M., G.B.S., O.B.E., J.P., Ph.D., D.Sc.,

Independent Non-executive Director

Aged 84. Prof. Poon was appointed to the Board of Directors of the Company in 2009. Prof. Poon is currently the Chairman of Virya Foundation Limited (a registered non-profit charitable organisation). Prof. Poon is an Emeritus Professor and the President Emeritus of The Hong Kong Polytechnic University. He had devoted 40 years of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. Prof. Poon is an Independent Non-executive Director of Henderson Land Development Company Limited ("Henderson Land Development") and Chevalier International Holdings Limited. He was previously a Non-executive Director of Lee & Man Paper Manufacturing Limited. All the above companies are listed public companies. Henderson Land Development has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 60 of this Annual Report for details). Prof. Poon was appointed as a Justice of the Peace in 1989 and received the OBE award in 1991, the Gold Bauhinia Star award in 2002, the "Leader of the Year Awards 2008 (Education)" and also the Grand Bauhinia Medal award in 2023. In addition, he was appointed as a member of the Legislative Council (1985-1991) and a member of the National Committee of the Chinese People's Political Consultative Conference (1998-2013). Prof. Poon obtained a Bachelor of Science (Honours) Degree from The University of Hong Kong, a Doctor of Philosophy Degree and a Higher Doctor of Science Degree from the University of London. He was a Postdoctoral Fellow at the California Institute of Technology, University of Southern California and University of Toronto. He also held the Honorary Degree of Doctor of Humanities from The Hong Kong Polytechnic University in 2009.

Dr. the Hon. Moses Cheng Mo-chi

G.B.M., G.B.S., O.B.E., J.P.,

Independent Non-executive Director

Aged 74. Dr. Cheng was appointed to the Board of Directors of the Company in January 2019.
Dr. Cheng is a practising solicitor and the senior consultant of Messrs. P.C. Woo & Co. after serving as its senior partner and consultant from 1994 to January 2023. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is a non-official member of the Executive Council of the Hong Kong Special Administrative Region since 1st 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 has been an independent non-executive director of Towngas Smart Energy Company Limited, a subsidiary of the Company, since May 2007. He also 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 the above companies are listed public companies. He was previously an independent non-executive director of China Mobile Limited and China Resources Beer (Holdings) Company Limited.

Mr. Peter Wong Wai-yee

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

Managing Director

Aged 72. Mr. Wong joined the Group in 1997, initially as its Financial Controller. Since 2002, he has been deeply involved in the development of the Group's mainland utilities business, operating from its headquarters in Shenzhen, China. Mr. Wong was appointed to the Board of Directors of the Company in February 2013 and as Deputy Managing Director of the Company in April 2021, and has been Managing Director with effect from 6th June 2022.

Mr. Wong holds directorships in various subsidiaries of the Group. He is also an Executive Director and the Chief Executive Officer of Towngas Smart Energy Company Limited, and a director and the Vice Chairman of Shenzhen Gas Corporation Ltd. and Foran Energy Group Co., Ltd.. All of the above companies are listed public companies. He was named consecutively as one of "The Best CEO of Chinese Listed Companies" by Forbes in 2012 and 2013. He is a chartered professional accountant of Canada, a certified public accountant of Hong Kong and a chartered company secretary and chartered governance professional in both 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 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, 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, a Council Member and a Member of the Executive Committee of HKMA. Mr. Wong has over 47 years of experience in corporate finance, management and international working experience.

Mr. Yeung Lui-ming

F.C.C.A., F.C.P.A.,

Executive Director and Chief Financial Officer

Aged 56. Mr. Yeung joined the Company in 2023 and was appointed to the Board of Directors of the Company in January 2024. Mr. Yeung is currently the Executive Director and Chief Financial Officer and also holds directorships in various subsidiaries of the Group. Mr. Yeung has more than 32 years of professional experiences in corporate finance advisory, transaction services and strategic restructuring knowledge.

Mr. Yeung held management positions in financial advisory department of Deloitte China for many years. He served as the National Managing Partner of Financial Advisory of Deloitte China from November 2013 to May 2021 and was appointed as the Vice Chairman of Deloitte China since June 2021. Before Mr. Yeung stepped down from Deloitte China, he led the team in capital market advisory, debt restructuring, fund advisory, forensic accounting investigation, corporate restructuring etc. and advised corporate clients and investors both in Chinese mainland and Hong Kong on various investment projects, acquisitions and mergers projects. Mr. Yeung graduated from Hong Kong Polytechnic University. He is a Fellow Member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, an Associate of The Taxation Institute of Hong Kong and an Ordinary Member of Hong Kong Securities and Investment Institute.

Executive Committee

from left to right

Don Cheng Hill-kwong
Head of Commercial –
Hong Kong Utility and Head of
Sustainable Green Energy Hub

Martin Kee Wai-ngai
Chief Operating Officer –
Mainland Utilities

Simon Ngo Siu-hing
Head of Engineering –
Hong Kong Utility

Yeung Lui-ming
Executive Director and
Chief Financial Officer

Peter Wong Wai-yee
Managing Director

Alan Chan Ying-lung
Chief Investment Officer

John Qiu Jian-hang
Chief Operating Officer –
Renewable Business

Lam Ming-wing
Head of Group Human Resources and
Head of Group Safety and Environment

Review of Operations

Hong Kong Businesses

Mainland Businesses

Diversified Businesses

Environmental, Social and Governance

Hong Kong Businesses

The year 2023 marked the end of the pandemic and the start of economic recovery. The Group's development strategy focuses on innovation and adaptability to maintain a stable foundation on which to continue exploring innovative solutions and new business opportunities.

Entering a Year of Recovery

As Hong Kong emerged from the pandemic at the start of the 2023, economic activities gradually returned to normal. Throughout the year, however, Hong Kong experienced above-average temperatures due to climate change, with some months setting record high temperatures. These factors, combined with the rebound in outbound travel by Hong Kong people, affected our residential gas sales volume during the year, causing a slight drop of 1 per cent in the total volume of gas sales from 2022.

This was offset by the influx of tourists and the government's introduction of measures to stimulate domestic consumption, which contributed to a surge in gas usage in the restaurant and hotel industries. Aviation-related businesses also rebounded, particularly flight catering and laundry services, which accounted for a dramatic 40 per cent increase in gas sales in 2023 compared with the same period last year.

We offer total energy solutions to Townplace West Kowloon including the gas hot-water-sourced desiccant dehumidifier that helps control indoor humidity efficiently.

Commercial and industrial gas sales were satisfactory and are anticipated to continue showing positive growth in 2024. In new property developments such as Hopewell Centre II, Metropark Hotel Hunghom and Kimpton Hotel, town gas is expected to be widely adopted for hot water supply and catering services. All these developments are scheduled to open in 2024.

Additionally, Hopewell Centre II has indicated it will install our gas hot-water-sourced desiccant dehumidifiers for active indoor humidity control. Existing hotels such as Regal Hong Kong Hotel and WM Hotel have been switching to our hot-water systems for steam and hot water supply. We anticipate that these projects will contribute positively to our reputation and market presence.

Making Hydrogen Energy Accessible

As hydrogen emits only water when used as a clean energy source, it is an ideal fuel for transportation, power generation, and energy storage and construction site equipment. At Towngas, we have more than 160 years of experience handling hydrogen, which makes up around 50 per cent of the town gas mix, and operating a sophisticated gas pipeline network covering the entire city, We are thus in a unique position to capitalise on the business opportunity for hydrogen supply.

The Policy Address 2023 has set out the vision of promoting new energy for sea, land and air transport. In addition, the government will finish formulating the Strategy of Hydrogen Development in Hong Kong in the first half of 2024. In tandem with the government's efforts to promote a green economy and hydrogen business, we are working closely with various stakeholders to fast-track safe, efficient and low-cost hydrogen supply for the transport and commercial sectors. In July 2023, Towngas and Bravo Transport, the parent company of Citybus, signed a Memorandum of Understanding (MOU) to explore the use of hydrogen as an alternative fuel source for public buses. Also covered in the MOU is the construction of a hydrogen refilling station at the bus depot in Chai Wan, which is targeted for completion by the end of 2024.

Moreover, the government approved in principle the Group's trial hydrogen project at a padel court in Sai Kung, which involves extracting hydrogen from the existing town gas network with a rotary pressure

Towngas and Bravo Transport signed an MOU to promote the development of hydrogen energy in Hong Kong.

Sustainable Green Energy Hub

During the year, the Group established the Sustainable Green Energy Hub, with a focus on conducting research in the green energy business, fostering government and business relationships, expanding commercial opportunities, and collecting and analysing policies and market data. The Hub is set to develop green energy solutions that best serve our customers in Hong Kong and on the Chinese mainland.

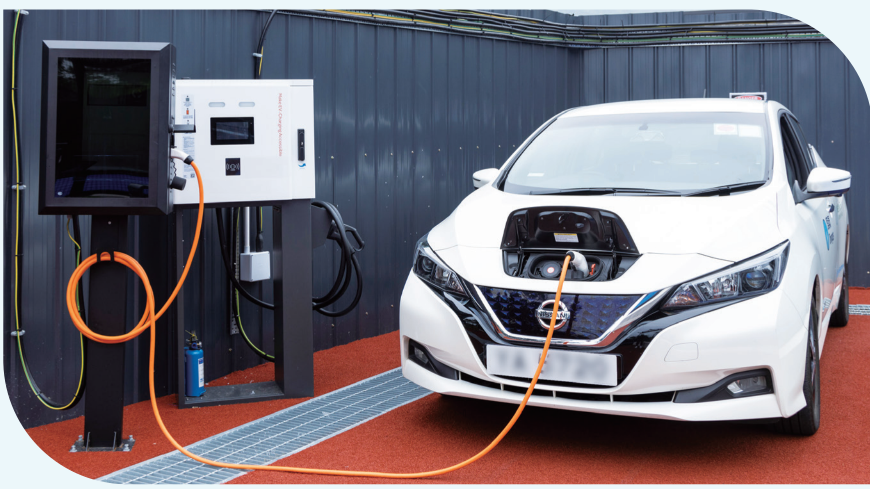
swing adsorption (rPSA) system to generate electricity for charging electric vehicles (EVs). In addition to powering EV chargers, the residual gas captured can also be used to power a combined heat and power (CHP) system to supply hot water for the padel court premises.

Exploring New Markets with Decarbonisation Solutions

Our vision for achieving decarbonisation through innovative solutions gained recognition with the completion of the first cross-boundary waste-to-energy system for the food factory of Maxim's Group. The system makes use of waste heat captured during the town gas production process at our Tai Po Plant, which is then transported as green energy via hot water pipelines and heat exchangers to the Maxim's food factory. As a result of this ground-breaking technology, emissions can be reduced by 800 tCO_2e annually while enhancing energy efficiency.

Customers have increasingly opted to use our integrated primary air-handling unit with desiccant wheel (D-PAU) system. Building on successful precedents in hospitals, we are helping Union Hospital extend its D-PAU system to its newly expanded ancillary wards for controlling humidity and enhancing indoor air quality.

Furthermore, with the Towngas combined heat and power system driven by landfill gas, the Alice Ho Miu Ling Nethersole Hospital in Tai Po achieved an annual energy savings of 30.5TJ and a reduction in carbon dioxide emissions by 2,207 tonnes in 2023.



In a trial project in Sai Kung, hydrogen is extracted from the town gas network to power hydrogen fuel cell for EV charging.

The first-ever launch of the TGC Little Twin Stars appliance series captured the attention of young consumers and generated an overwhelming response on social media.

Smart Appliances and Services

During the year, we continued to launch smart appliances and devices in the market. Among these was our first dual-timer built-in hob with smart Internet of Things (IoT) functions that allows customers to monitor and shut off the hob remotely on their smartphone, anytime and anywhere, when required. We also added new safety features to our smart meters for residential customers based on the remote meter reading system. It can identify gas leakages according to consumption patterns; if an abnormality is detected, the meter's internal valve will cut off the gas supply and send an alert instantly to Towngas for follow-up. Since the new smart meter was launched in 2023, more than 42,000 of these units have been installed and some leakage cases have been successfully detected and rectified.

One of our primary goals as a business is to help our customers save energy with products that exceed industry standards. So when the government announced the fourth phase of the Mandatory Energy Efficiency Label Scheme (MEELS) which will be fully implemented on 1 December 2024, we planned to acquire the highest Grade 1 energy efficiency label for our gas cookers and water heaters under the Mia Cucina and TGC brands.

To modernise our operations, we continued to upgrade our customer services with AI and big data analytics. During the year, the Towngas Customer Service Hotline adopted Robotic Process Automation (RPA) and expanded its online self-service options. The RPA system was able to process more than 35 per cent of online enquiries in 2023, while an increase in online self-service usage of 24 per cent over the previous year was recorded. Moreover, our AI chatbot Tinny handled 14 per cent of total customer enquiries in 2023. Usage of the chatbot increased by 94 per cent thanks to its round-the-clock availability and enhanced features that resolved customers' enquiries instantly. We are now in the process of upgrading our answering system with data insights to provide an even better customer experience.

During the year, our customer services continued to be well received, as evidenced by the more than 5,500 compliment letters sent

Results of Towngas Service Pledge 2023

Reliability

Uninterrupted gas supply^ (over 99.99%)

99.992%

In case of supply interruption on account of maintenance or engineering work: customer notification 3 days in advance

100%

Restoration of gas supply within 12 hours

100%

^ Unplanned gas supply interruption

Safety

Emergency Team average arrival time (within 25 minutes)

Average

21.32 minutes

Appointments

Availability of maintenance and installation services within 2 working days

Average

1.08 days

Speed and Convenience

Customer Service Hotline (calls answered within 4 rings)

95.95%

Connect or disconnect gas supply within 1 working day (upon customer's request)

100%

Service Quality

Efficiency*

8.96

Courteous and friendly attitude*

8.94

* Our target was to exceed a score of 8.5 out of 10.0

Handling Suggestions

Reply within 3 working days

100%

Resolution, or a statement of how and when the matter will be resolved, within 2 weeks

100%

to Towngas. Our highly-acclaimed Residential Installation service also received the Gold Award in the 2022 HKACE Award – Field & Special Service Team Award by The Hong Kong Association for Customer Service Excellence (HKACE). Other awards included the Hong Kong Customer Contact Association (HKCCA)'s Mystery Caller Assessment Award – Public Service and Utilities – Gold Award for our Customer Service Hotline, as well as the Best Customer Centre in Digital Transformation – Bronze Award. In addition, our Towngas Customer Centre received the 2023 Quality Service Retailer of the Year – Quality Living Category Award from the Hong Kong Retail Management Association.

Providing a Reliable Gas Supply

Gas safety and supply reliability are top priorities for Towngas. We take pride in setting the highest standards by maintaining a robust infrastructure and exploring new ways to monitor and upgrade our service offerings.

In 2023, Hong Kong experienced two major natural disasters: Super Typhoon Saola in August and, in September, the worst flood ever recorded in the city's history. Both brought the city to a halt and caused varying degrees of damage to public infrastructure. Despite high-risk conditions, Towngas' frontline staff displayed the utmost professionalism when ensuring town gas supply to customers. At the same time, Towngas' pipeline network, which serves 86 per cent of all Hong Kong households, remained intact – a testament to the high quality of our pipeline system and the stringent protocols put in place by our infrastructure team.

Third-party damage incidents and reported leakages during the year were kept at a low level, as a result of our strengthened liaison with stakeholders and use of high tech applications such as AI for site inspections and monitoring. In 2023, the third party damage rate dropped dramatically by 50 per cent from 2022.

To further improve gas supply reliability, we replaced cut-off destructive tests with a new non-destructive test technology, the Phased Array Ultrasonic Test, to check PE pipe joint quality.

We also used Horizontal Directional Drilling (HDD) technology to lay a pipe across the Tai Lam Chung nullah to connect the medium pressure network between Tsuen Wan and Tuen Mun. This increased supply reliability for over 20,000 customers in the area.

To meet future gas demand in the Northern Metropolis development area, we built a new offtake station at Hung Shui Kiu and modified the existing offtake stations. These efforts, along with a project to construct a preliminary medium and low-pressure supply network, were all underway in 2023.

This car fell into a sinkhole near Repulse Bay during the severe rainstorm on 8 September 2023. The gas pipe and joint under the car remained intact thanks to Towngas' meticulous workmanship.

Mainland Businesses

Since establishing a presence on the Chinese mainland in 1994, our utility businesses have continued to grow and prosper. In order to keep pace with national development, we have diversified our businesses beyond city gas. In recent years, we have expanded our smart energy business and provided integrated energy solutions to our customers, securing a leading position in the market while contributing to the country's transition towards carbon neutrality.

Seize Opportunities to Flourish

The Group's mainland utility businesses continued to demonstrate steady growth in 2023, as a result of the country's strong emphasis on promoting consumption and implementing measures to stabilise the economy, as well as increased urbanisation on the Chinese mainland. The total volume of gas sales during the year was approximately 34,700 million cubic metres, an increase of 8 per cent compared with the previous year. The total number of gas customers of the Group reached about 40.19 million, representing an increase of 7.8 per cent compared with 2022.

Our commercial and industrial businesses yielded satisfactory results during the year. Along with the rapid development of the green energy industry on the Chinese mainland, our industrial clients for green energy related products, such as new energy vehicles, photovoltaic (PV) glass and lithium batteries, continued to exert strong

We supply natural gas to this lithium battery material production company in Zhangjiagang, Jiangsu province, for high-temperature roasting, evaporation, drying and other production processes.

Using our customised energy trusteeship service, Huanggang Central Hospital in Hubei province can achieve energy savings and carbon reduction, as well as lower investment costs.

demand for gas. Therefore, it is expected that the growth in gas sales will be maintained.

After the pandemic had subsided, we saw domestic consumption resume gradually, which led to steady growth in commercial gas sales. In tandem with the government's initiative to improve safety at food and beverage outlets, our city-gas projects in Jiangsu, Shandong and other provinces stepped up efforts to advance the bottle-to-pipe conversion programme, which encourages restaurants to switch from bottled gas to piped gas.

Since the announcement of the country's "30-60" dual carbon goals, the government has been continuously introducing strong policies and higher energy efficiency standards for industries and public enterprises. The national policies also encourage public institutions to adopt energy cost trusteeship services, and promote the green and low-carbon transformation. Thus, the demand for multi-energy solutions and energy efficiency management services has increased sharply.

We pursued this market opportunity by expanding our "Gas+" business, which provides a seamless one-stop solution for low-carbon, high-efficiency, light-asset-based energy services. One example is the contract we secured during the year from Huanggang Central Hospital, Hubei province, to provide energy cost trusteeship services, as well as cooling, heating, hot water supply, steam and electricity. This project was the Group's first energy cost trusteeship services project for a hospital and one of the largest in the country in terms of trustee area and annual value.

The Group also entered into strategic cooperation agreements with provincial government departments in Jiangsu, Shandong and other provinces. One example of these agreements was the Cooperation Framework Agreement for Improving Energy Efficiency in Public Institutions with the Jiangsu Provincial Administration of Government Affairs. Additionally, we organised a seminar with the China Energy Conservation Association on exploring innovative energy management service models for public institutions. During the event, we signed strategic cooperation agreements with 18 public institutions and enterprises.

In 2023, the country issued the Guiding Opinions on the Establishing and Improving of Upstream and Downstream Price Linkage Mechanism of Natural Gas for all provinces. Subsequent to this, the Group made price stabilisation breakthroughs for residents across the region, which also helped to stabilise the operations of our city-gas companies.

Blending Hydrogen with Gas

As natural gas will continue to play an important role in the country's energy mix, we have identified opportunities with huge potential for the integrated development of natural gas along with new energy such as hydrogen. In view of the government's hydrogen development plans, we stepped up our efforts to explore the application of natural gas and hydrogen blends.

One such project is for blending hydrogen into natural gas pipelines in Weifang, Shandong province. Now in the research stage, it is targeted to serve approximately 100,000 residential households with a hydrogen-blending ratio of 10 per cent. We are proud to be a pioneer in projects such as this, which contribute to the "30-60" decarbonisation goals.

Optimising the Gas Supply Chain

The Group has strived to strengthen self-sufficiency in natural gas supply and stabilise prices, particularly during peak seasons. In 2023, we established our gas supply chain business segment to synergise gas source procurement coordination among all our businesses with this one-stop platform. It is based on a three-pronged approach of procurement, transmission and distribution, as well as gas storage.

To date, this strategy has succeeded in optimising the Group's gas source structure to ensure stable supply, reduce costs and increase profit margins.

According to our diversified sourcing procurement strategy, we plan to purchase international resources through liquefied natural gas (LNG) receiving stations strategically located in Tangshan, Shanghai, Tianjin and Shenzhen. In 2023, we imported our first direct shipment of LNG, creating a new business environment for the Group that streamlines the business process from direct import through terminals to downstream distribution. Moreover, we further expand our self-operated gas sources, including unconventional gas sources such as our coalbed methane liquefaction project in Shanxi province and shale gas liquefaction project in Sichuan province, among others.

The storage tanks at the receiving terminal in Caofeidian district, Tangshan, will be commissioned in 2024.

The construction of our gas resource infrastructure made satisfactory progress during the year. With the commissioning of two new gas wells, the total storage capacity of our underground salt-cavern storage facility in Jintan district, Changzhou, Jiangsu province, has now reached nearly 400 million cubic metres. Through seamless collaboration with logistics partners and interconnection with national pipeline networks such as the West-to-East Gas Pipeline and Sichuan-to-East Gas Pipeline, we were able to further increase gas storage turnover.

On top of that, the shale gas liquefaction project in Weiyuan, Sichuan province, commenced operation in 2023, with an annual designed liquefaction capacity of about 200 million cubic metres, signalling a new milestone in cross-border gas trading. In addition, the storage tanks in Caofeidian district, Tangshan, Hebei province, will be commissioned in 2024, with the potential of increasing storage capacity to 180,000 tonnes.

All these initiatives helped us achieve collaborative partnerships with international and major domestic natural gas suppliers, infrastructure operators and city-gas partners. As a result, we have been able to realise synergies and promote the further development of our core business.

Expanding Renewable Energy Business

The Group's latest direction in renewable energy, comprising the three pillars of Integrated Energy Solutions, Decarbonisation and Digitalisation, has enabled us to make remarkable advances in our energy businesses and put us in a uniquely winning position in the market.

According to the China Renewable Energy Development Report (2022), renewable energy was projected to grow rapidly during the 14th Five-Year Plan, with 33 per cent of total electricity consumption to be generated by renewable energy. More than half of the country's installed power is expected to come from PV and wind power during this period.

Recognising the huge opportunity in the distributed PV market, the Group had 354 renewable energy projects as at the end of 2023, representing an increase of 171 projects compared with the preceding year.

PV Power Station for a Steel Mill in Guangzhou

Commissioned in 2023, this PV power station for a large-scale steel mill in Guangzhou, Guangdong province, is currently the province's largest distributed PV power station in terms of individual capacity. The power station has 29MW of distributed PV power and is projected to provide 30 million kWh of green electricity annually.

In future, we will continue to explore new ways to create comprehensive energy solutions that focus on energy savings, emission reduction and cost reduction as well as efficiency improvements, all of which will help customers achieve their decarbonisation goals.

Virtual Plant for a Public Institution in Shenzhen

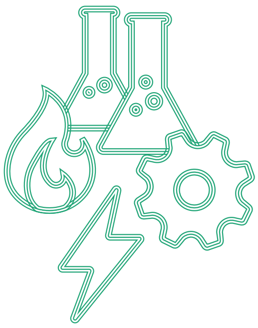
The Futian District Party Committee Compound's virtual power plant officially started operating in 2023. As the first virtual plant of a public institution in Shenzhen, it provides PV power, energy storage, charging piles, Vehicle-to-Grid (V2G), central air conditioning system and other distributed energy resources. With 3.6MW aggregated load resources and an instantaneous adjustable capacity of 300kW, the plant balances supply and demand flexibly and effectively during peak usage periods via its digital system.

These projects included PV, energy storage, battery charging and swapping power stations, as well as integrated energy services for industrial and commercial customers. During the year, we secured new contracts for approximately 1.6GW of distributed photovoltaic capacity and added 1.2GW to the grid-connected capacity. By the end of 2023, the Group's subsidiary, Towngas Smart Energy Company Limited, had developed 124 zero-carbon smart industrial parks projects accumulatively.

All these projects and partnerships reflect the success of the Group's seven service areas in the renewable energy sector: zero-carbon technology, smart operation and maintenance, low-carbon factories, industrial park energy storage, virtual power plants, carbon management and trading, and green power trading.

Building on the successful collaboration with Tencent Cloud to develop the Towngas Smart Energy Platform, the platform was upgraded to "Tera Planet 2.0" during the year. The system will help break the "data islands" in zero-carbon industrial parks and enhance data management in smart energy usage, application integration and replication. This will also benefit industrial and commercial users and low-carbon factory projects.

Towngas Energy Academy



Strategically located in the Shenzhen-Hong Kong Innovation and Technology Cooperation Zone at the Loop in Futian district, Shenzhen, the Towngas Energy Academy (TEA) aims to attract and lead scientific research in partnership with prestigious international scientific institutions for the Group's business growth and future opportunities.

The Academy capitalises on the Group's mainland energy projects to provide a platform for five major research and development areas: hydrogen energy, energy storage, energy digital intelligence, renewable energy, and low-carbon energy savings. During the year, the Academy made huge progress introducing its technological and sustainable development capabilities. This resulted in strategic partnerships that included a cooperation agreement with the Shenzhen Institute of Advanced Technology of the Chinese Academy of Sciences to establish the Joint Innovation Centre of High-efficient Energy Storage.

Water and Environmental Businesses

The Group's water and environmental businesses performed steadily in 2023. In recent years, the Group diversified these businesses beyond traditional water supply and wastewater treatment to urban waste utilisation, organic waste treatment and smart water plant facilities, all of which assist cities and projects with their low-carbon development. In 2023, our portfolio of 11 projects covered water supply, sewage treatment, organic waste treatment and solid waste disposal.

As a showcase of our high-efficiency integrated environmental solutions in the sanitation industry, our industrial sewage treatment project in the Wujin National High-Tech Industrial Zone of Changzhou, Jiangsu province, officially went into operation in 2023, with a daily processing capacity of 30,000 tonnes.

During the year, the Group processed 1.46 million tonnes of organic waste, an increase of 5 per cent over the previous year.

Extended Businesses

Towngas Lifestyle, a major brand under the Group, provides high-quality products and services in four major business areas – smart kitchens, insurance, home services and community retail – to meet the needs of customers.

In 2023, the Group continued to promote our Mia Cucina kitchen cabinet and Bauhinia appliance brands. To extend our market reach and brand presence, the Group entered into strategic partnerships with household brands such as Viessmann, Angel and Rinnai to develop co-branded products. During the year, Towngas Lifestyle also launched various promotional trade-in marketing campaigns and utilised its digital platform to increase appliance sales. Marketing activities held through the Moment+ Healthy Living Centres, sales outlets and the signature Towngas China Comfort Living Festival also helped stimulate business growth.

IoT Smart Kitchen

Despite the uncertain market environment, our insurance business achieved positive growth in 2023. This was due to our strategic multi-channel sales efforts and launch of products with more comprehensive coverage, all of which complied with the regulations of the financial regulatory authorities. All our insurance salespersons are certified and have undergone rigorous training to ensure the highest level of professional services.

To meet the increasingly stringent market demand for product safety, we launched the Towngas Lifestyle Smart Alarm Platform in 2023. Based on our digital platform, it offers a “product + platform + service” total solution to ensure home safety and business efficiency.

TGSE CHIP, our RISC-V IoT security chip, made significant progress in 2023. Jointly developed by Towngas Lifestyle, StarFive and ChinaFive, TGSE CHIP achieved sales of over 1.6 million units and began to apply in industrial firewalls and remote meters. Moreover, Towngas Lifestyle collaborated with China Mobile IoT, XinSheng Technology and StarFive to set up the country’s first RISC-V & 5G Smart Gas Joint Innovation Centre during the year. We will jointly develop gas safety-related products for smart kitchens and TGSE CHIP solutions and will promote these applications to businesses within our Group as well as other gas companies.

Towngas Lifestyle Cloud (TLC), a smart cloud platform connecting three core cloud systems (gas, smart kitchens and lifestyle services), achieved synergy between our extended businesses and gas business. As at the end of 2023, TLC had a total of 17 million members.

Diversified Businesses

The Group achieved positive results in its diversified businesses in 2023. We not only made remarkable progress with our investments in green energy and other innovative projects, but also expanded our manufacturing and engineering service offerings into new markets to support our core businesses and generate sustainable returns for stakeholders.

Sustainable Energy

The strategic successes with profit realisation achieved by EcoCeres, Inc. (EcoCeres) since its establishment in 2021 are testaments to the advances made by the Group in sustainable energy.

Incubated as an eco-innovation company, EcoCeres has launched proprietary technologies that convert waste-based biomass into a diverse range of renewable fuels and products, including sustainable aviation fuel (SAF), hydro-treated vegetable oil (HVO) and cellulosic ethanol. These have positioned EcoCeres as a key player in the promotion of green energy alternatives, with its renewable products becoming a part of everyday life. During the year, EcoCeres achieved robust financial performance with strong growth.

EcoCeres improved its SAF product yield during the year to over 100,000 tonnes, making it one of the world's leading SAF producers in 2023. Its production facility in Zhangjiagang, Jiangsu province, continued to operate smoothly, while the construction of the production facility in Johor, Malaysia, made satisfactory progress. Upon its completion, the Malaysian facility will more than double the company's production capabilities for SAF and HVO. In addition, EcoCeres set up a Centre of Excellence in Singapore and a Commercial Centre in Zug, Switzerland. These new establishments highlight EcoCeres' commitment to expanding the supply of renewable fuels and products on a global scale.

Another renewable energy source with great potential is green methanol, a low-carbon biofuel and circular chemical, which we are developing in line with our vision of achieving carbon reduction. In 2023, we achieved remarkable progress with our methanol plant in the Inner Mongolia Autonomous Region. After completing the plant's first upgrade stage, we were able to begin producing green methanol using end-of-life tyres as a feedstock, thereby reducing the use of coal. This project obtained certifications under the ISCC EU and ISCC PLUS schemes, demonstrating that the products meet the European Union's requirements for sustainable biofuels and chemical products.

Today, only a few companies possess the necessary production capacity and meet the certification requirements for large-scale production of green methanol. Our first shipment of green methanol was delivered in October 2023. Capitalising on the substantial demand for green methanol in the maritime low-carbon fuel market, we expect to increase green methanol production capacity from 100,000 tonnes in 2023 to 120,000 tonnes in 2025.

Our plant in the Inner Mongolia Autonomous Region produces green methanol for the shipping industry.

Engineering

U-Tech Engineering Company Limited (U-Tech) continued to provide utilities installation, infrastructure construction and civil and building services engineering for public and private projects. Recognised for its technical expertise and trenchless technologies, U-Tech won the building services contract for a project at Ma Wo Road, Tai Po, during the year. This electrical installation project, the largest we have ever received, comprises seven blocks of residential towers with 1,662 units. The engineering business further expanded its scope to include the civil engineering works for the Tung Chung East and Tung Chung West railway stations. In future, U-Tech expects to extend its portfolio into installations of equipment in data centres and railways, which is anticipated to generate significant returns.

Manufacturing

M-Tech Metering Solutions Company Limited (M-Tech) is a wholly-owned subsidiary of the Group that specialises in designing and manufacturing smart gas meters. Offering smart meter devices with cutting-edge technologies such as micro-electromechanical systems and narrowband Internet of Things, M-Tech delivers products with a wider measuring range and smart features that enhance customer safety. In 2023, M-Tech obtained patents issued by the China National Intellectual Property Administration for two models. The company was also named a National High and New-Technology Enterprise by the Shenzhen Science and Technology Innovation Commission.

During the year, M-Tech began preparing an in-depth cooperation agreement with a renowned Japanese meter R&D company to produce a new generation of ultrasonic flowmeters. An ultrasonic flowmeter is only one-third the size of a turbine meter, is maintenance-free with very few moving parts, and has a built-in lithium battery capable of lasting over ten years under normal use.

G-Tech Piping System (Zhongshan) Company Limited (G-Tech) continued to maintain its leading position in the market for polyethylene (PE) pipes during the year. It is engaged in the development of advanced high-quality PE piping and related ancillary products with the support of GH-Fusion Corporation Limited (GHF) – a joint venture between Towngas and Fusion Group (United Kingdom), which specialises in PE fittings. Located in Zhongshan, Guangdong province, and Maanshan, Anhui province, G-Tech's plants have a total annual production capacity of more than 20,000 tonnes of pipes, making it a leader in this market. Through a partnership with AVK Group, GHF will expand the plant and upgrade its production capabilities to further open up overseas markets.

Telecommunications

With unrivalled network connectivity, world-class data centres and diversified ICT services, Towngas Telecommunications Company Limited (TGT) operates businesses spanning Hong Kong, the Chinese mainland and overseas to serve the needs of telecommunications service providers, operators and corporations.

During the year, TGT's joint ventures TGT China Cloud Data Services (Harbin) Company Limited, TGT Data Service (Dalian) Company Limited, and TGT Data Services (Dongguan) Company Limited successfully obtained value-added telecommunications service licences to provide customers with comprehensive internet data centres services and internet access services. In addition, TGT collaborated with Henderson Land Development Company Limited (Henderson Land) to provide one-stop smart building solutions for its commercial and residential buildings, including its commercial landmark, The Henderson. This partnership helped Henderson Land attain the most sought-after Double Platinum Certification on WiredScore and SmartScore.

M-Tech's smart residential meter is equipped with a RISC-V encryption chip for secure data transfer.

Environmental, Social and Governance

Towngas has consistently prioritised Environmental, Social and Governance (ESG) in its core business strategy. As part of this commitment, we are ensuring that the transition to a low-carbon, sustainable economy is fair and inclusive, taking into account the social and economic implications on our employees, communities and other stakeholders.

Our ESG Approach

The Group's management is responsible for the formulation and implementation of our ESG strategy, which aligns with the principles of Just Transition and advances our low-carbon initiatives. Our ESG Strategy – **ENERGY** – comprises six key areas: **Energising the Ecosystem**, **Neutralising our Footprint**, **Engaging with Society**, **Revitalising our Strengths**, **Greening the Future**, and **Young-at-heart with Resilience**. By focusing on these areas, we aim to achieve long-term business sustainability and generate shared value for stakeholders.

In an effort to incorporate ESG elements into our daily business operations, the Group established the Board ESG Committee in 2023. It is led by the Group's Managing Director and supported by ESG Steering Committee. Responsible for overseeing the Group's ESG strategies, policies, goals and practices, the Committee ensures an integrated and effective ESG approach is maintained across its operations.

Energising the Ecosystem

Towngas has an unwavering commitment to achieve carbon neutrality and safeguard natural capital and biodiversity. This is evident in all our ESG-integrated operations, especially in our disclosures that align with the international Taskforce on Nature-related Financial Disclosures framework.

To better understand the relationship between our business and nature, we conducted a comprehensive value chain analysis of our renewable energy business. This exercise gave us a clearer understanding of our dependence on ecosystems that provide us with natural source, as well as our impacts on the local environment and biodiversity.

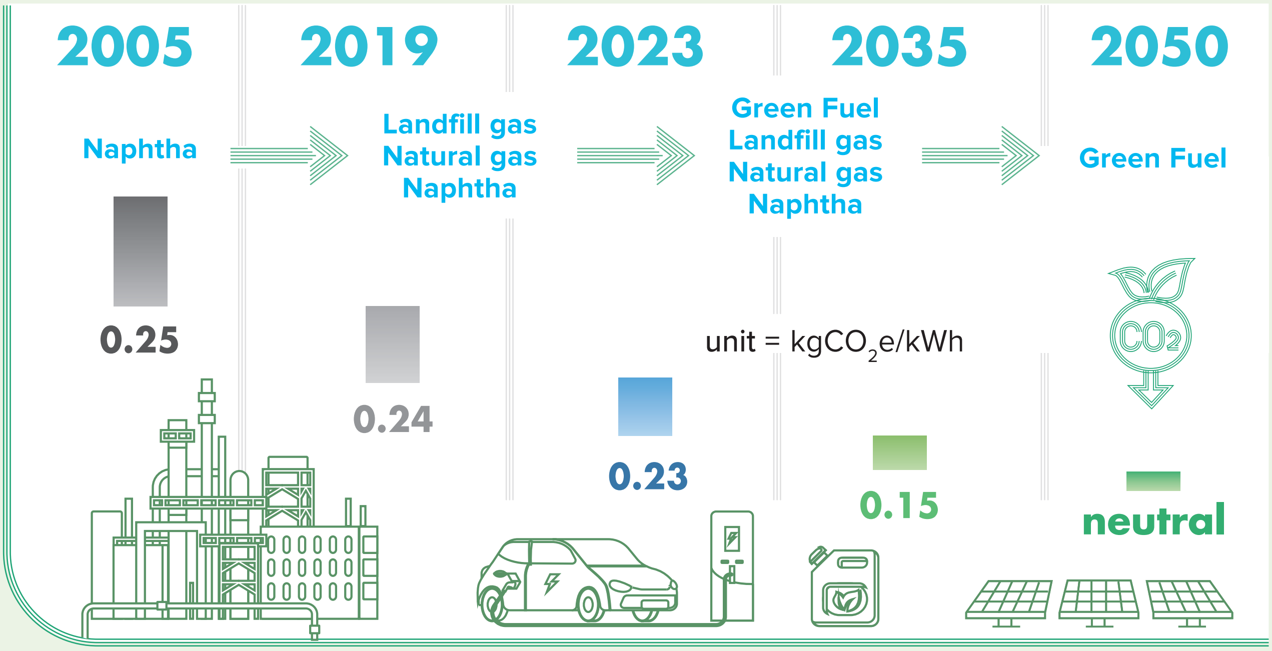
Neutralising our Footprint

In order to achieve carbon neutrality by 2050, the Group is making a concerted effort with local, national and global partners and institutions to combat climate change.

As part of our quest to implement carbon reduction initiatives across our operations and provide low-carbon solutions for customers, the Group has set **two targets to be achieved by 2025**:

1. To **reduce** group operational **GHG emissions by 10%** (2020 baseline); and
2. To **reduce GHG emissions by 10 million tonnes** in the environment per year through coal-to-gas, solar photovoltaic power generation and energy efficiency improvement projects, among others.

Town Gas GHG Intensity Reduction Targets



In addition, we have formulated a decarbonisation strategy for Hong Kong's gas business in 2023 to replace fossil fuels in phases by introducing and using zero-carbon fuels such as green naphtha, green methane, green hydrogen and green methanol. Our target is to reduce the total carbon intensity of town gas use by 36% (2019 baseline) by 2035 to 0.15 $kgCO_2e/kWh$.

Decarbonising our Operations

As part of our commitment to decarbonisation, we launched the Towngas Operation Platform (TOP) in 2023 for detecting, preventing and reducing methane leakages to safeguard the integrity of our pipelines. TOP makes use of advanced Geographic Information System (GIS) technology integrated with an Internet of Things (IoT) platform to manage our operations, facilities and gas sources more effectively.

ESG in Investment Decision-making

We have been diversifying our businesses and financing low-carbon initiatives by integrating ESG considerations into our decision-making.

In 2023, we began to adopt an Internal Carbon Price (ICP) mechanism for assigning a financial value to carbon removal or emissions. We have also been conducting ESG Due Diligence to determine whether the ESG policies and practices of our potential investments are adequate. Both approaches are used on our new city-gas and distributed photovoltaic projects that meet specified criteria. In December 2023, we had 12 related projects submitted and approved, with an investment amount totalling over RMB300 million.

Engaging with Society

We collaborate with stakeholders to develop innovative, sustainable and affordable products that promote a smooth transition to a future with cleaner energy. In our community investment programmes, we prioritise community health and wellness, the environment and youth development.

Community Engagement

Guinness World Record™: "The most people making rice dumplings simultaneously online and in a single venue"

In 2023, the Towngas Rice Dumplings for the Community programme set a Guinness World Record™ for "the most people making rice dumplings simultaneously online and in a single venue". Around 200,000 dumplings were also distributed to the elderly and the underprivileged during the Dragon Boat Festival. The programme promoted cultural exchange and unity , and was an example of how the Towngas Volunteer Service Team engages with various groups in the community.

Sensory Restaurant on Wheels™

During the year, Towngas partnered with The Project Futurus to organise Sensory Restaurant on Wheels™ events, which brought a traditional yum cha experience to seniors living in elderly care homes. During these events, the homes were transformed into dim sum restaurants serving freshly made soft meal dim sum. Towngas volunteers assumed the roles of chefs, managers and waiters to create an authentic and uplifting dining experience for seniors with dementia.

Encouraging Customers to Act Sustainably: CulinArt 1862

Our CulinArt 1862 restaurant showed an example of how businesses can make a positive impact on both the environment and in the community.

The restaurant's smart kitchen is equipped with IoT technology and a cloud platform that promotes operational efficiency and saves costs. The comprehensive monitoring made possible by this system is the first of its kind in Hong Kong.

To encourage equality, inclusiveness and diversity as well as customer engagement, we partnered with the Dialogue In The Dark (HK) Foundation to offer a "baking-in-the-dark" activity. This unique experience gave customers a better understanding of People of Differences who are visually or hearing impaired.

Sending Warmth to Thousands with Smart Technology

In partnership with social welfare organisations, Towngas has committed to donate 10,000 sets of Smart Controllers and Smart Meters to households in need. These devices allow appliances to be controlled and monitored remotely, which is particularly beneficial for those with mild cognitive impairments. The Smart Meters are equipped with abnormal usage detection and automatic meter reading functions that enhance safety, convenience and well-being for seniors and their carers.

Green Flame Project

In 2023, we hosted the Towngas Green Flame Future Lab with B.Duck to raise awareness of sustainable energy among young people, attracting over 10,000 visits to the two-day event. We also launched the Towngas Green Flame Energy Scientist Programme and established the Green Flame Education Team, which comprises Towngas employees with engineering or ESG expertise. A total of 22 primary schools enrolled in the programme, with 100 Green Flame Campus Ambassadors assigned to help with the promotion of sustainable energy and environmental conservation.

Strive and Rise Programme

During the year, Towngas supported the Strive and Rise Programme for underprivileged students in Hong Kong. This involved organising a series of Towngas Green Day events for students, who were invited to visit our facilities and gain first-hand knowledge about the development of clean energy and innovative technologies. 31 Towngas employees volunteered as mentors, providing guidance to the students and helping them shape their life goals.

Support for Earthquake Relief Efforts

On 18 December, a 6.2-magnitude earthquake struck Jishishan county in Linxia Hui Autonomous Prefecture, Gansu province. In response, the Company donated RMB1 million to earthquake relief organisations on the Chinese mainland.

Gentle Breeze Movement

The Gentle Breeze Movement, which celebrated its 10th anniversary in 2023, has been improving the educational environment for teachers and students across the Chinese mainland. With projects in over 50 schools, the Group has donated educational materials worth over RMB5 million. The Towngas Charity Libraries also offers a collection of nearly 20,000 books, expanding students' horizons outside of school hours.

2023 Caring Initiatives

Towngas Concession Scheme

Providing relief for the elderly, people with disabilities, single-parents and low-income families.

Total gas concessions:

HK$24 million

Total number of beneficiaries:

>42,000

households

Festive Foods for the Community

In 2023, we donated

330,000
mooncakes

200,000
rice dumplings

1,800
bottles of soup

Number of Volunteer Hours

Hong Kong:

14,487 hours

Mainland Utility Business:

>440,000 hours

Charitable Donations towards Community Activities

HK$ 4.1 million

Revitalising our Strengths

To reinforce our commitment to ESG integration and improve performance, the compensation for the Managing Director and senior executives are linked to key ESG material issues, with 5 per cent of the variable compensation linked to the achievement of ESG objectives, such as enhancement of health and safety performance and staff gender ratios. The compensation can either increase or decrease based on whether these objectives are met or not. Additional performance bonuses are provided to encourage employees to implement ESG excellence projects and initiatives.

Towngas upholds the highest standards of business integrity by complying with relevant laws and regulations in Hong Kong and the Chinese mainland. During the year, anti-corruption training and seminars were organised for Board members, employees and contractors to ensure alignment with ethical, safety and environmental requirements.

Anti-corruption-related training provided to employees (Group):

>35,000 hours

Greening the Future

Through maintaining openness, creativity and strategic partnerships, Towngas is helping to advancing the green economy.

Together with the State Power Investment Corporation Limited, Towngas organises the TERA-Award Smart Energy Innovation Competition to offer funding and other related

Guests and winners of the 2nd TERA-Award Smart Energy Innovation Competition at the Award Presentation Ceremony in March 2023.

support to organisations that have achieved breakthroughs in smart energy and related fields. In 2023, we launched the third edition of the competition, which attracted a record-high 450 submissions from 59 countries and regions.

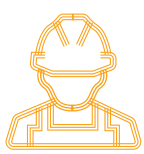
In our commitment to smart city construction, we continued to develop smart products for our customers and increased the number of smart governors using IoT technology across Hong Kong. The smart governors allow round-the-clock monitoring and real-time updates, thereby replacing on-site inspections. During the year, we upgraded 80 standard gas governors to smart governors and planned to double that number by the end of 2025.

In 2023, Towngas Smart Energy issued its first Panda Bond, raising RMB1.5 billion (of which RMB500 million is sustainability-linked). The bond was also the first sustainability-linked Panda Bond issued by a Hong Kong-funded enterprise, underscoring the Group's commitment to low-carbon transformation and a greener future.

Occupational Health and Safety

Group Lost-Time Injury Frequency Rate (accidents per 1,000,000 work-hours):

Employees: 0.43



Contractors: 0.32

Young-at-heart with Resilience

Towngas prioritises its people and partners, who are the main contributors of the Group's strength and resilience. We protect our stakeholders against health and safety risks, provide training programmes to reskill and upskill our workforce, and engage our suppliers to accelerate their transformation to be more climate resilient.

Ensuring Health and Safety

Towngas has always been committed to creating a safety culture. We maintain a high standard of asset integrity and crisis management to ensure a safe, secure and efficient energy supply. Through proactive risk prevention, innovation and continuous improvement, we minimise health and safety hazards across our operations and services. We also provide training programmes, webinars and workshops to promote occupational, health and gas safety among our employees and contractors. In 2023, no work-related fatalities were recorded in Hong Kong or on the mainland.

As part of our commitment to customer safety, we conducted 1,190,700 regular safety inspections during the year. We also made use of IoT technology to improve customer safety. Our commitment to asset integrity and crisis management is evident in the decreasing trend of 292 customer-related emergencies over the past decade and further substantiated by a 15 per cent decrease in public-reported gas leakage incidents per 10 km of network in 2023 compared with 2022, as well as a dramatic 50 per cent reduction in incident of third party damage to underground pipes in 2023.

Developing a Sustainable Talent Pipeline

Towngas upholds the principles of justice, fairness and social inclusion. To that end, we offer job opportunities to individuals with disabilities, retirees and underprivileged groups. Moreover, as a signatory of the *Racial Diversity and Inclusion Charter*, we strive to create an inclusive work environment by promoting diversity regardless of ethnicity, gender or age. In 2023, we organised the Towngas Diversity & Inclusion Day to promote inclusiveness and understanding in a diverse and increasingly interconnected world. We also supported working mothers through flexible work arrangements and provided barrier-free access for disabled employees.

Towngas remains committed to developing a sustainable talent pipeline to help us navigate the low-carbon transition. On the Chinese mainland, we established a Human Resources Management Committee and a dedicated team to capitalise on the synergy among our various business segments. Additionally, we provided training in renewable energy alongside seminars to promote collaboration and innovation.

Hong Kong

Gender pay ratio (basic salary):

1:1

28% **of managerial employees were female**

Employees:

18 **non-local employees**

12 **employees with disabilities**

Average training hours per employee (Group):

92.3 **hours**

We recognise that enhanced employee engagement and development is integral to preparing our workforce for the evolving low-carbon energy market and reinforcing our commitment to long-term growth and sustainability.

Building a Sustainable Supply Chain

To facilitate the Group's collection of GHG (Scope 3) data and improve suppliers' ESG performance, we adopted the S-Carbon platform to collect data and quantify our suppliers' GHG emissions. This platform was adopted by approximately 90 per cent of suppliers* in our Hong Kong operation in 2023 to address ESG issues such as climate change and carbon emissions reduction.

A transition risk assessment was also conducted to enhance suppliers' understanding of the climate impacts of their operations. These measures collectively contributed to the ongoing development of a sustainable supply chain.

* Based on the total purchase value of products and materials (Hong Kong operations).

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 and Hong Kong. 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 76 to 78.

Business Environment

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

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

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

Hong Kong's post-pandemic economy continues to recover. Real GDP resumed growth of 3.2 per cent in 2023. The overall consumer price index increased by 2.4 per cent from last year while basic consumer price inflation remains moderate in 2023. For 2023 as a whole, the underlying consumer price inflation rate averaged 1.7 per cent, the same as 2022. In 2023, there were 34 million visitor arrivals to Hong Kong, an increase of 55 times compared to 2022 and 52 per cent compared to 2018 (pre-pandemic period). Government spokesman said that visitor arrivals should increase further as handling capacity continues to recover, with additional boost from the Government's efforts to promote mega events. Together with the Government's various measures, rising household income should continue to support private consumption. Fixed asset investment should also grow further alongside continued economic growth.

Business challenges faced by the Group include a slowdown in natural gas demand owing to global warming, competition from electricity providers in Hong Kong, and direct sales by upstream gas companies, as well as suppliers of liquefied natural gas (LNG) and alternative energy sources on the Chinese mainland.

Other threats to our business include the increased number of extreme weather events, rising commodity prices due to logistics interruptions, information security risk and changes in government policy, all of which could also affect our operations.

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

In 2023, frequent occurrences of extreme weather events were observed globally, with June to August being the hottest three months ever recorded on Earth.

Therefore, sustainability remained an important focus for 2023. It is already being positioned as an opportunity for accelerating business growth in the transition to net-zero carbon emissions, and an opportunity to develop renewable energy. Policies supporting this transition could drive investment in green infrastructure, creating a turning point in the fight against climate change.

We are constantly exploring new gas applications and new business opportunities to achieve business diversification on both the Chinese mainland and Hong Kong, while maintaining close communication with our operational partners and governments whose support is essential for our business growth. As part of our green initiative to combat climate change and achieve carbon neutrality, we continue to advance our ongoing pilot project on the supply of hydrogen separated from our town gas mix for bus companies in Hong Kong. Additionally, we are also transmitting waste heat to replace the use of electricity at the Maxim's Food Factory in Hong Kong. EcoCeres, Inc., invested by the Group, focuses on producing sustainable aviation fuel (SAF) from waste vegetable oil and animal grease, with efforts underway to expand production capacity. With the completion of a new production facility in Malaysia within the next two years, along with the existing facility on the Chinese mainland, the annual production of SAF is expected to reach 650,000 metric tons, providing airlines with a greater supply of SAF.

Reliability of Gas Supply

We secure multiple sources of feedstock for the production of town gas in our Hong Kong operations.

These include delivering natural gas from Australia to our LNG receiving terminal in Shenzhen via LNG tankers, and then transmitted to our gas production plant in Tai Po, naphtha imported from places such as Southeast Asia and Australia, and treated landfill gas obtained from our landfill project sites in Hong Kong.

A major risk of interruption to our feedstock supply for natural gas includes the possibility of adverse weather delaying LNG tankers. We have addressed this risk under our diversified production strategy, in which we have given our Tai Po production plant the capability of switching between natural gas and naphtha for feedstock.

On the Chinese mainland, to facilitate more efficient gas inventory management and reduce supply bottlenecks during high-demand periods, we have built LNG storage facilities. Additionally, we constructed a natural gas storage facility at our underground salt caverns in Jiangsu province. We have established a gas supply chain department to strategically coordinate natural gas supply and transmit gas flexibly through the national pipeline network for the Group's gas business. A variety of energy sources have also been obtained, including natural gas from Russia, LNG purchased directly from overseas, unconventional piped natural gas in China and gas obtained through the reinforcement of our pipeline network interconnections.

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

Production and Network Safety

Preventing gas leakages or explosions in our production and storage facilities, pipelines and networks is a top priority for Towngas. 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 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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping adequate free cash and credit lines available.

Information Security

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

Ethics and Integrity

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

Health and Safety

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

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

Financial Resources Review

Liquidity and capital resources

As at 31st December 2023, the Group had a net current borrowings position of HK$8,015 million (31st December 2022: HK$6,387 million) and long-term borrowings of HK$40,716 million (31st December 2022: HK$39,623 million). In addition, banking facilities available for use amounted to HK$25,300 million (31st December 2022: HK$21,400 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$1,708 million, with a tenor of 3 years, have been issued in 2023. In line with the Group's long-term business investments, as at 31st December 2023, 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 3.4 per cent per annum and an average tenor of 13.7 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 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. As at 31st December 2023, 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. The carrying value of the issued notes in Renminbi, Australian dollar, Japanese yen, United States dollar and Hong Kong dollar under the Programmes (the "MTNs") as at 31st December 2023 was HK$23,754 million (31st December 2022: HK$23,850 million).

To further diversify the funding sources, Towngas Smart Energy issued its first 1-year and 3-year panda bonds on the Chinese mainland in June 2023 (the "Panda Bonds"), raising a total of RMB1.5 billion with an average annual interest rate of 3.27%. Among them is the first sustainability-linked Panda Bond issued by a Hong Kong enterprise on the Chinese mainland. The carrying value of the Panda Bonds as at 31st December 2023 was HK$1,650 million.

As at 31st December 2023, the Group's borrowings amounted to HK$57,769 million (31st December 2022: HK$59,304 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 2023 was HK$1,858 million (31st December 2022: HK$1,855 million). While the majority of the notes and CB mentioned above together with some bank and other loans had fixed interest rate and were unsecured, a certain portion of notes and the remaining bank and other loans were unsecured and had a floating interest rate, of which HK$15,822 million (31st December 2022: HK$12,075 million) were long-term and HK$5,996 million (31st December 2022: HK$13,444 million) had maturities within one year. As at 31st December 2023, the maturity profile of the Group's borrowings was 30 per cent within 1 year, 19 per cent within 1 to 2 years, 33 per cent within 2 to 5 years and 18 per cent over 5 years (31st December 2022: 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).

As at 31st December 2023, 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 the borrowings under Towngas Smart Energy and that of the subsidiaries in the Chinese mainland are arranged in or hedged to their functional currency in Renminbi, the Group's borrowings are primarily denominated in Hong Kong dollars after swap (Hong Kong dollars: HK$30,508 million; Renminbi: HK$2,550 million; US dollars: HK$2,344 million). 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. On 22nd December 2023, the Group announced that it will redeem all of the Perpetual Capital Securities on the first call date of 12th February 2024. In this connection, the Perpetual Capital Securities were re-classified as redeemable perpetual securities under current liabilities as at 31st December 2023. The redemption was completed on 14th February 2024 after payment has been made in accordance with terms and conditions of the Perpetual Capital Securities.

The gearing ratio [net borrowings/(total equity + net borrowings)] for the Group as at 31st December 2023 remained healthy at 41 per cent (31st December 2022: 38 per cent).

Guarantee

As at 31st December 2023 and 2022, 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

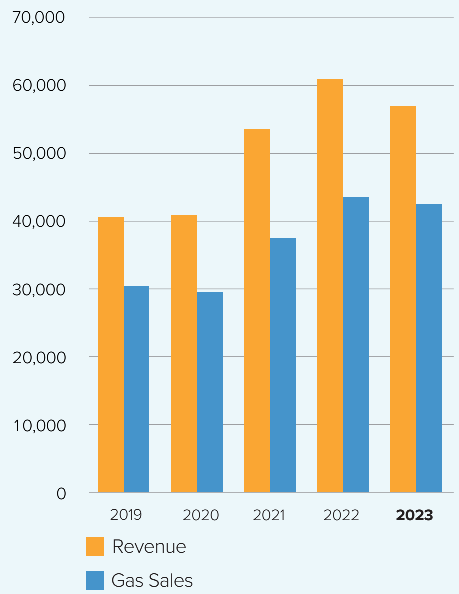
The Group's operations and activities are predominantly based in Hong Kong and the Chinese mainland. As such, its cash, cash equivalents or borrowings are mainly denominated in Hong Kong dollars, Renminbi or United States dollars, whereas borrowings for the Group's subsidiaries, associates and joint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

Five-Year Financial Statistics

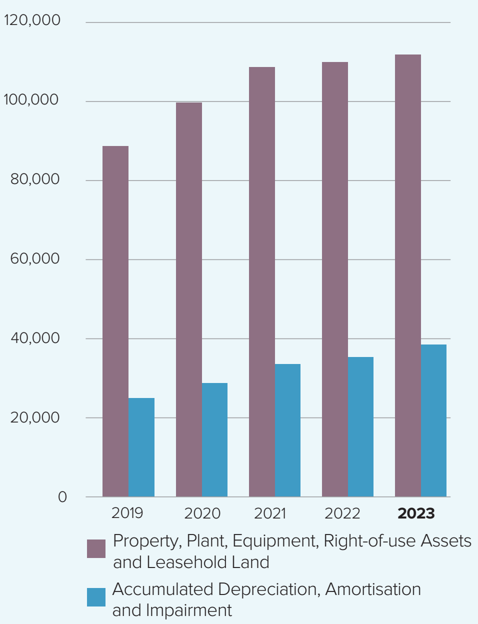
Basic Earnings and Dividends per Share (HK$)

Revenue and Gas Sales

(HK$ million)

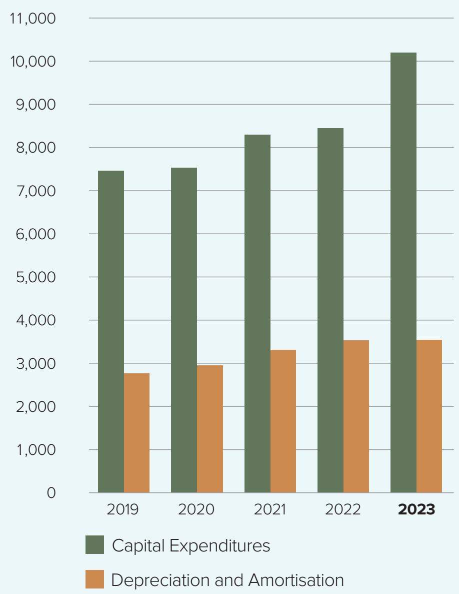


Property, Plant, Equipment, Right-of-use Assets and Leasehold Land (HK$ million)



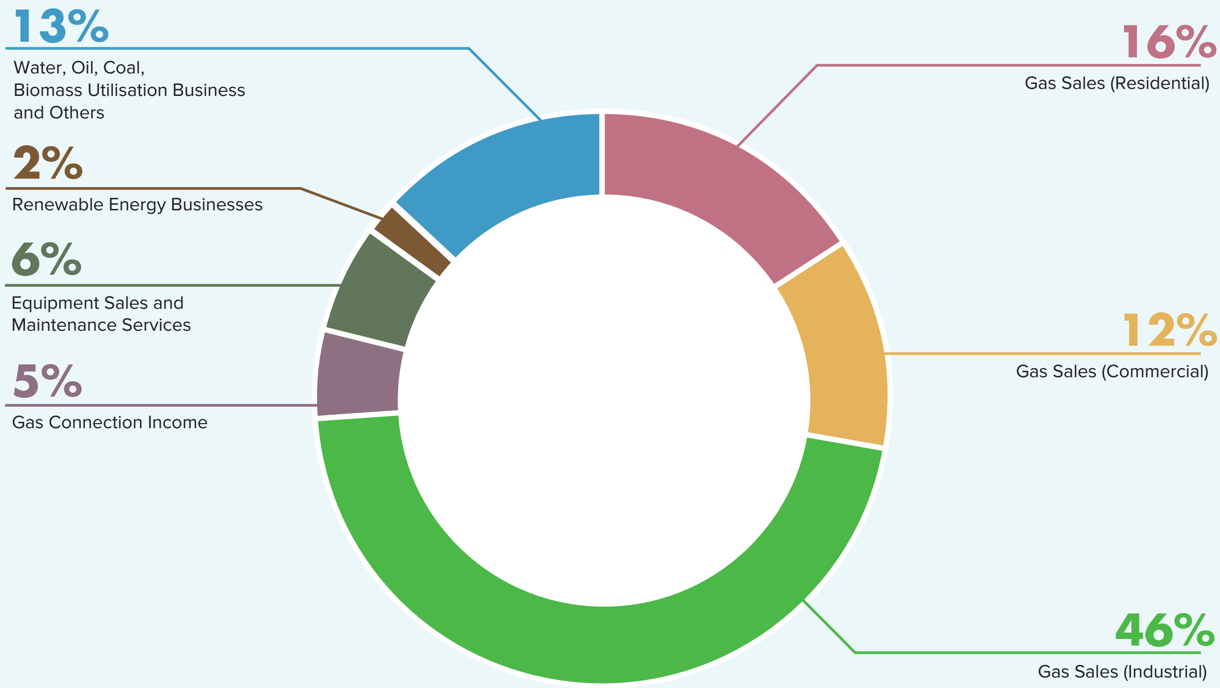
Capital Expenditures

(HK$ million)

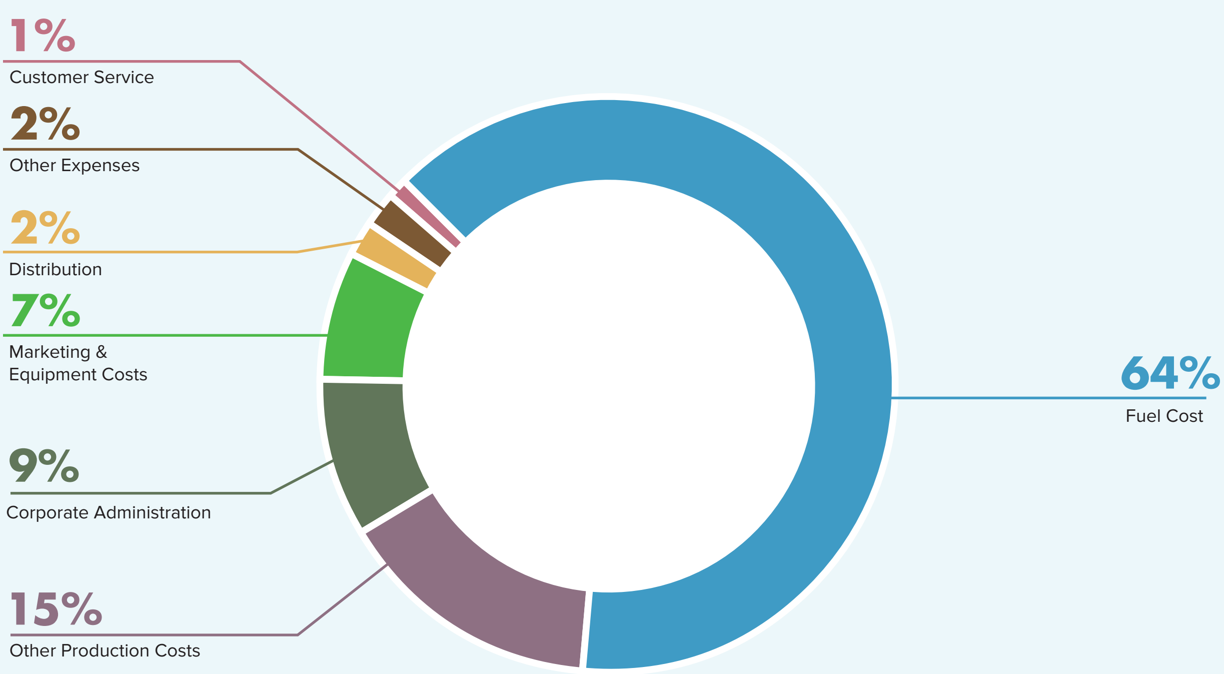


2023 Financial Analysis

Analysis of Revenue



Analysis of Expenditures



Comparison of Ten-Year Results

	2023	2022	2021
Highlights (Company)			
Number of Customers as at 31st December	**2,019,656**	1,995,082	1,964,937
Town Gas Sales, million MJ	**27,125**	27,398	27,677
Installed Capacity, thousand m³ per day	**12,820**	12,820	12,820
Maximum Daily Demand, thousand m³	**6,492**	6,515	6,493
Revenue and Profit	**HK$ M**	HK$ M	HK$ M
Revenue	**56,971.1**	60,953.4	53,563.7
Profit before Taxation	**9,174.4**	8,183.6	8,380.7
Taxation	**(2,003.1)**	(1,859.2)	(2,155.0)
Profit after Taxation	**7,171.3**	6,324.4	6,225.7
Owners of perpetual securities	**(108.4)**	(111.5)	(110.9)
Non-controlling Interests	**(992.8)**	(965.0)	(1,097.8)
Profit Attributable to Shareholders	**6,070.1**	5,247.9	5,017.0
Dividends	**6,531.0**	6,531.0	6,531.0
Assets and Liabilities			
Property, Plant, Equipment, Right-of-use Assets and Leasehold Land	**73,416.8**	74,632.1	75,160.2
Investment Property	**1,001.1**	996.5	849.0
Intangible Assets	**4,463.2**	5,340.2	5,607.2
Associates	**36,064.1**	34,178.1	36,149.9
Joint Ventures	**10,884.1**	11,163.0	12,575.2
Non-current Financial Assets*	**3,613.6**	6,777.0	7,549.9
Other Non-current Assets	**5,900.9**	6,671.4	5,988.1
Current Assets	**26,633.8**	28,711.0	24,187.9
Current Liabilities	**(40,141.7)**	(43,522.8)	(38,533.7)
Non-current Liabilities	**(50,817.2)**	(49,807.8)	(47,694.9)
Net Assets	**71,018.7**	75,138.7	81,838.8
Capital and Reserves			
Share Capital	**5,474.7**	5,474.7	5,474.7
Reserves	**50,086.3**	51,461.0	57,659.9
Proposed Dividend	**4,291.8**	4,291.8	4,291.8
Shareholders' Funds	**59,852.8**	61,227.5	67,426.4
Perpetual Capital Securities	**–**	2,384.2	2,384.2
Non-controlling Interests	**11,165.9**	11,527.0	12,028.2
Total Equity	**71,018.7**	75,138.7	81,838.8
Basic Earnings per Share, HK Dollar	**0.33**	0.28	0.27
Dividends per Share, HK Dollar	**0.35**	0.35	0.35
Dividend Cover	**0.93**	0.80	0.77

* Non-current financial assets include available-for-sale financial assets, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss

2020	2019	2018	2017	2016	2015	2014
1,943,777	1,933,727	1,908,511	1,883,407	1,859,414	1,839,261	1,819,935
27,947	28,712	29,550	29,049	28,814	28,404	28,835
12,596	12,596	12,596	12,596	12,596	12,596	12,260
5,859	6,058	7,255	6,191	6,964	6,172	6,571
HK$ M	HK$ M	HK$ M	HK$ M	HK$ M	HK$ M	HK$ M
40,927.0	40,628.1	39,073.0	32,476.5	28,557.1	29,591.3	31,614.7
8,925.6	10,403.9	12,339.5	11,096.7	9,845.7	9,906.0	9,874.6
(1,713.2)	(2,289.6)	(1,907.6)	(1,749.8)	(1,575.9)	(1,726.7)	(1,771.4)
7,212.4	8,114.3	10,431.9	9,346.9	8,269.8	8,179.3	8,103.2
(110.3)	(98.6)	(107.4)	(111.2)	(110.5)	(110.5)	(102.2)
(1,094.8)	(1,050.0)	(1,011.7)	(1,010.4)	(818.6)	(766.8)	(891.8)
6,007.3	6,965.7	9,312.8	8,225.3	7,340.7	7,302.0	7,109.2
6,220.0	5,923.8	5,385.3	4,895.7	4,450.9	4,046.6	3,679.7
70,936.1	63,807.9	60,193.3	58,056.7	51,226.2	49,417.5	51,353.6
827.0	830.0	778.0	764.0	729.0	713.0	683.0
5,462.9	5,291.1	5,682.1	5,883.6	5,572.4	5,819.5	5,858.5
28,670.3	27,475.5	26,314.1	23,393.4	20,485.0	19,591.9	17,572.5
11,981.2	10,613.5	10,950.3	10,889.2	9,226.5	9,288.2	9,033.8
7,485.1	8,172.5	4,633.7	4,289.9	4,967.1	4,567.0	2,599.7
4,761.0	4,150.2	3,529.4	3,419.3	3,366.3	2,533.3	2,668.3
20,156.6	20,129.4	20,612.2	24,365.8	21,170.9	23,632.9	24,641.5
(29,806.3)	(26,167.5)	(26,150.9)	(31,948.1)	(19,547.5)	(23,180.6)	(20,689.6)
(41,320.6)	(38,905.9)	(36,348.9)	(28,867.9)	(34,297.9)	(30,269.8)	(31,497.6)
79,153.3	75,396.7	70,193.3	70,245.9	62,898.0	62,112.9	62,223.7
5,474.7	5,474.7	5,474.7	5,474.7	5,474.7	5,474.7	5,474.7
57,196.4	54,841.9	53,387.1	51,746.9	45,532.6	44,707.7	44,735.7
4,087.4	3,892.8	3,538.9	3,217.2	2,924.9	2,659.0	2,417.8
66,758.5	64,209.4	62,400.7	60,438.8	53,932.2	52,841.4	52,628.2
2,384.0	2,384.2	–	2,354.1	2,353.8	2,353.8	2,353.8
10,010.8	8,803.1	7,792.6	7,453.0	6,612.0	6,917.7	7,241.7
79,153.3	75,396.7	70,193.3	70,245.9	62,898.0	62,112.9	62,223.7
0.32	0.37	0.50	0.44	0.39	0.39	0.38
0.33	0.32	0.29	0.26	0.24	0.22	0.20
0.97	1.18	1.73	1.68	1.65	1.80	1.93

Report of the Directors

The Directors have pleasure in submitting to shareholders their Report and the audited financial statements for the year ended 31st December 2023 which are to be presented at the Annual General Meeting to be held at Meeting Room N101 (Expo Drive Entrance) as the principal meeting place and Hall 1A (Expo Drive Entrance) as the additional meeting venue, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Tuesday, 4th June 2024.

Principal Activities

The principal activities of the Company and its subsidiaries (collectively, the "Group") are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the Chinese mainland. Particulars of the principal subsidiaries of the Company are shown from pages 178 to 195 of this Annual Report. Revenue and contribution to operating profit are mainly derived from activities carried out in Hong Kong and the Chinese mainland.

Results and Appropriations

The results of the Group for the year ended 31st December 2023 are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 87 and 88 of this Annual Report respectively.

An interim dividend of HK12 cents per share was paid to shareholders on 8th September 2023 and the Directors recommend a final dividend of HK23 cents per share payable on 24th June 2024 to shareholders whose names are on the register of members of the Company on 13th June 2024.

Business Review

A review of the business of the Group during the year is provided from pages 2 to 55 of this Annual Report, with particulars of important events affecting the Group that have occurred since the end of the year ended 31st December 2023, an analysis of the Group's performance using financial key performance indicators, and a discussion of the Group's future business development plans. A description of the possible risks and uncertainties that the Group faces are set out from pages 47 to 49. The Group's approach to financial risk management can be found in Note 3 to the consolidated financial statements. In addition, discussions of the Group's relationships with its key stakeholders, environmental policies and performance, and compliance with relevant laws and regulations that have a significant impact on the Group can be found from pages 24 to 46 and pages 65 to 80, respectively.

The Group complies with all relevant laws and regulations in all material respects in both Hong Kong and the Chinese mainland that have a significant impact on the businesses or operations of the Group's core business segments, including those related to business ethics, health and safety, employees, customers, and the environment, which are the basic requirements of how we operate.

Preventing gas leakages or explosions in our production and storage facilities, pipelines and networks is a top priority for the Group. In the Hong Kong gas business, the gas safety requirements are covered by the Gas Safety Ordinance (Cap. 51 of the Laws of Hong Kong), with which the Group complies fully at all times. The Group conducts regular reviews of all operating procedures to mitigate these risks and implements targeted strategies for addressing them. The Group also manages its assets according to international standards and external certifications, and maintains insurance coverage against any property damage or financial loss.

The Group collects and keeps customers' personal data necessary for the provision of the Group's services. Customers are required to supply personal data to the Group in connection with the opening or operation of gas accounts, and when the Group provides other related facilities and services. The Group takes every step necessary to protect its customers' data and has established a Personal Data Privacy Policy that sets out its standards for handling customer information. The Group complies with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong).

Business Review (Continued)

The Group is governed by the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and all anti-bribery laws, which include zero tolerance towards corruption and related malpractice. The Group complies with the Prevention of Bribery Ordinance. The Group adopts its Code of Conduct and is not aware of any incidents within the Group which contravenes the anti-bribery requirements set out in the Code of Conduct. Moreover, an Anti-fraud Policy is in place to promote integrity as a core company value. The Group further insists that all staff and business partners adhere to both the letter and the spirit of the law during the course of business. All employees are strictly forbidden from giving or accepting bribes and must never offer an advantage to, or ask for an advantage from, customers, suppliers, contractors, regulators and legislators, government authorities or other business partners.

The Group sets out its commitment to comply with the laws and regulations pertaining to anti-competitive practices, in line with the Group's nine core values. Guidance is provided for staff on the requirements and importance of compliance, as well as the disciplinary actions and possible liabilities they will be subject to in cases of non-compliance. Additionally, the Group closely monitors the Competition Ordinance (Cap. 619 of the Laws of Hong Kong) and reports to the management any developments that could have an adverse effect on the Group.

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 Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "Companies Ordinance") and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") 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 urban water supply, administration of distributed PV power generation, administration of internet and telecommunications, internet security, data and privacy protection, and administration of mineral resources. The Group has set up legal and compliance departments in various business segments in the Chinese mainland to assist and monitor their compliance with laws and regulations that may significantly impact their operations. During the year 2023, the Group's core business segments have complied with, in all material respects, these relevant laws and regulations.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last nine financial years is set out on pages 54 and 55 of this Annual Report.

Distributable Reserves

The distributable reserves of the Company as at 31st December 2023 amounted to HK$9,365 million (2022: HK$10,862 million) before the proposed final dividend for the year ended 31st December 2023.

Shares Issued

Details of the shares issued by the Company are set out in Note 35 to the consolidated financial statements. There were no movements during the year.

Bank Loans, Guaranteed Notes, Medium Term Note Programmes and Convertible Bonds

Particulars of bank loans, guaranteed notes, Medium Term Note Programmes and convertible bonds of the Company and the Group as at 31st December 2023 are set out in Note 32 to the consolidated financial statements on pages 161 to 163 and Financial Resources Review on pages 50 to 51, respectively.

Charitable Donations

During the year, the Group made charitable donations amounting to approximately HK$4.1 million (2022: HK$8.6 million).

Directors

The Directors of the Company during the year and up to the date of this report were:

Non-executive Directors

Dr. Lee Ka-kit (Chairman)
Dr. Lee Ka-shing (Chairman)
Dr. Colin Lam Ko-yin
Mr. Andrew Fung Hau-chung

Independent Non-executive Directors

Dr. the Hon. Sir David Li Kwok-po
Prof. the Hon. Poon Chung-kwong
Dr. the Hon. Moses Cheng Mo-chi

Executive Directors

Mr. Peter Wong Wai-yee
Mr. Yeung Lui-ming
(appointed on 1st January 2024)
Mr. John Ho Hon-ming
(retired on 1st January 2024)

At the Annual General Meeting held on 7th June 2023, Dr. Lee Ka-kit, Dr. the Hon. Sir David Li Kwok-po, Mr. Andrew Fung Hau-chung and Mr. Peter Wong Wai-yee were re-elected as Directors of the Company. Dr. Lee Ka-shing, Dr. Colin Lam Ko-yin, Dr. the Hon. Moses Cheng Mo-chi, Prof. the Hon. Poon Chung-kwong, and Mr. John Ho Hon-ming (who retired as Executive Director with effect from 1st January 2024) held office throughout the year.

According to the Articles of Association of the Company (the "Articles of Association"), one-third of all the directors are subject to retirement by rotation at every annual general meeting. Pursuant to Article 97 of the Articles of Association, Dr. Lee Ka-shing, Dr. Colin Lam Ko-yin and Prof. the Hon. Poon Chung-kwong are due to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. Pursuant to Article 91 of the Articles of Association, Mr. Yeung Lui-ming, Executive Director, is also due to retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-appointment. Details of these Directors proposed for re-election are set out in the circular sent together with this Annual Report.

A list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is kept at the Company's registered office and available for inspection by shareholders during office hours.

Biographical Details of Directors

The biographical details of Directors and senior management who are also Executive Directors are set out from pages 18 to 22 of this Annual Report.

Disclosure of Interests

A. Directors

As at 31st December 2023, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Shares and Underlying Shares (Long Positions)

		Interest in Shares			Interest in Underlying Shares Pursuant to Share Options		
Name of Company	Name of Director	Personal Interests	Corporate Interests	Other Interests		Aggregate Interests	%*
The Hong Kong and China Gas Company Limited	Dr. Lee Ka-kit			7,748,692,715 (Note 2)		7,748,692,715	41.53
	Dr. Lee Ka-shing			7,748,692,715 (Note 2)		7,748,692,715	41.53
	Dr. the Hon. Sir David Li Kwok-po	61,000,000				61,000,000	0.33
	Prof. the Hon. Poon Chung-kwong	243,085 (Note 4)				243,085	0.00
	Mr. John Ho Hon-ming *(retired on 1st January 2024)*	55,710				55,710	0.00
Lane Success Development Limited	Dr. Lee Ka-kit			9,500 (Note 5)		9,500	95
	Dr. Lee Ka-shing			9,500 (Note 5)		9,500	95
Yieldway International Limited	Dr. Lee Ka-kit			2 (Note 6)		2	100
	Dr. Lee Ka-shing			2 (Note 6)		2	100
Towngas Smart Energy Company Limited ("Towngas Smart Energy")	Dr. Lee Ka-kit			2,255,481,423 (Note 7)		2,255,481,423	67.24
	Dr. Lee Ka-shing			2,255,481,423 (Note 7)		2,255,481,423	67.24
	Mr. Peter Wong Wai-yee	7,139,000			1,800,000 (Note 8)	8,939,000	0.27
	Mr. John Ho Hon-ming *(retired on 1st January 2024)*	2,933,862			900,000 (Note 8)	3,833,862	0.11

* Percentage which the aggregate long position in the shares or underlying shares represents to the number of issued shares of the Company or any of its associated corporations.

Disclosure of Interests (Continued)

A. Directors (Continued)

Options to Subscribe for Shares of Towngas Smart Energy (Long Positions)

Pursuant to the share option scheme of Towngas Smart Energy (the "TSEL Share Option Scheme"), a listed subsidiary of the Company, certain Directors of the Company (who are also directors of Towngas Smart Energy) have been granted options to subscribe for the shares of Towngas Smart Energy, details of which as at 31st December 2023 were as follows:

Name of Company	Name of Director	Date of Grant	Exercise Period	Vesting Date	Exercise Price (HK$)	Number of Shares of Towngas Smart Energy Subject to Outstanding Options as at 01.01.2023	Number of Shares of Towngas Smart Energy Subject to Outstanding Options as at 31.12.2023
Towngas Smart Energy	Mr. Peter Wong Wai-yee	25.11.2022	25.11.2023-24.11.2025	25.11.2023	3.40	1,800,000	1,800,000
	Mr. John Ho Hon-ming *(retired on 1st January 2024)*	25.11.2022	25.11.2023-24.11.2025	25.11.2023	3.40	900,000	900,000

Save as mentioned above, as at 31st December 2023, there were no other interests or short positions of the Directors of the Company 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 Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

B. Substantial Shareholders and Others (Long Positions)

As at 31st December 2023, the interests and short positions of every person, other than the Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

	Name of Individual/Company	No. of Shares in which Interested	%*
Substantial Shareholders (a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting)	Dr. the Hon. Lee Shau-kee (Note 3)	7,748,692,715	41.53
	Disralei Investment Limited (Note 1)	4,313,717,809	23.12
	Timpani Investments Limited (Note 1)	5,989,193,083	32.10
	Faxson Investment Limited (Note 1)	7,748,692,715	41.53
	Henderson Land Development Company Limited (Note 1)	7,748,692,715	41.53
	Henderson Development Limited (Note 1)	7,748,692,715	41.53
	Hopkins (Cayman) Limited (Note 2)	7,748,692,715	41.53
	Riddick (Cayman) Limited (Note 2)	7,748,692,715	41.53
	Rimmer (Cayman) Limited (Note 2)	7,748,692,715	41.53
Persons other than Substantial Shareholders	Macrostar Investment Limited (Note 1)	1,759,499,632	9.43
	Chelco Investment Limited (Note 1)	1,759,499,632	9.43
	Medley Investment Limited (Note 1)	1,675,475,274	8.98

* Percentage which the aggregate long position in the shares represents to the number of issued shares of the Company.

Save as mentioned above, as at 31st December 2023, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company.

Disclosure of Interests (Continued)

B. Substantial Shareholders and Others (Long Positions) (Continued)

Notes:

1. These 7,748,692,715 shares were beneficially owned by Macrostar Investment Limited ("Macrostar"), Medley Investment Limited ("Medley") and Disralei Investment Limited ("Disralei"). Macrostar was a wholly-owned subsidiary of Chelco Investment Limited, which was in turn, a wholly-owned subsidiary of Faxson Investment Limited ("FIL"). Medley and Disralei were wholly-owned subsidiaries of Timpani Investments Limited, which was in turn, a wholly-owned subsidiary of FIL. FIL was a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD.

2. These 7,748,692,715 shares are duplicated in the interests described in Note 1. Hopkins (Cayman) Limited ("Hopkins") owned all the issued ordinary shares which carry the voting rights in the share capital of HD as trustee of a unit trust ("Unit Trust"). Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of the respective discretionary trusts, held units in the Unit Trust. Dr. Lee Ka-kit and Dr. Lee Ka-shing, as discretionary beneficiaries of the discretionary trusts, were taken to have duties of disclosure in relation to these shares by virtue of Part XV of the SFO.

3. These 7,748,692,715 shares are duplicated in the interests described in Notes 1 and 2. Dr. the Hon. Lee Shau-kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins and was taken to be interested in these shares by virtue of Part XV of the SFO.

4. These 243,085 shares were jointly held by Prof. the Hon. Poon Chung-kwong and his spouse.

5. These 9,500 shares in Lane Success Development Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 4,500 shares) and a wholly-owned subsidiary of HLD (as to 5,000 shares). Dr. Lee Ka-kit and Dr. Lee Ka-shing were taken to be interested in HLD and the Company as set out in Notes 1 and 2 by virtue of Part XV of the SFO.

6. These 2 shares in Yieldway International Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 1 share) and a wholly-owned subsidiary of HLD (as to 1 share). Dr. Lee Ka-kit and Dr. Lee Ka-shing were taken to be interested in HLD and the Company as set out in Notes 1 and 2 by virtue of Part XV of the SFO.

7. These 2,255,481,423 shares in Towngas Smart Energy representing approximately 67.24% of the total number of issued shares in Towngas Smart Energy were beneficially owned by Hong Kong & China Gas (China) Limited (as to 2,061,193,504 shares), Planwise Properties Limited (as to 191,037,247 shares) and Superfun Enterprises Limited (as to 3,250,672 shares), wholly-owned subsidiaries of the Company. Dr. Lee Ka-kit and Dr. Lee Ka-shing were taken to be interested in the Company as set out in Notes 1 and 2 by virtue of Part XV of the SFO.

8. These options represent personal interests held by the Directors.

Equity-Linked Agreements

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

Arrangements to Purchase Shares or Debentures

A. Share Option Scheme of Towngas Smart Energy

Pursuant to the resolution passed by the shareholders of Towngas Smart Energy at the annual general meeting of Towngas Smart Energy held on 26th May 2022 and the resolution passed by the shareholders of the Company at the annual general meeting held on 6th June 2022, the TSEL Share Option Scheme was adopted by Towngas Smart Energy.

As at 31st December 2023, the details of the number of outstanding share options of Towngas Smart Energy granted under the TSEL Share Option Scheme to the two directors of the Company, namely Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming (who retired as Executive Director with effect from 1st January 2024), are set out in "Disclosure of Interests" in this report.

B. Share Award Scheme of Towngas Smart Energy

Pursuant to the share award scheme adopted by Towngas Smart Energy on 17th August 2021 (the "TSEL Share Award Scheme") and the subsequent conditional share award notice dated 15th August 2023 sent by Towngas Smart Energy to the two directors of the Company, namely Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming (who retired as Executive Director with effect from 1st January 2024) respectively, 1,800,000 and 900,000 shares of Towngas Smart Energy were respectively awarded and accepted by Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming on 15th August 2023. The relevant shares had been vested on 18th September 2023 pursuant to the terms and conditions of the TSEL Share Award Scheme and fulfilment of the relevant vesting conditions.

Save as mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Competing Businesses

Pursuant to Rule 8.10 of the Listing Rules, the interests of Directors of the Company in businesses which might compete with the Group during the year ended 31st December 2023 and as at 31st December 2023 were as follows:

Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming (who retired as Executive Director with effect from 1st January 2024), Directors of the Company, held directorships in companies engaged in the same businesses of production, distribution and marketing of gas in the Chinese mainland as the Group. Although some of the businesses carried out by those companies are similar to the businesses carried out by the Group, they are of different scale and/or at different locations, and the Group, has been operating independently of, and at arm's length from, the businesses of those companies. Therefore, the Board is of the view that the businesses of those companies did not compete with the businesses of the Group.

Service Contracts

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Connected Transactions

During the year, there were no connected transactions and continuing connected transactions which were required to be disclosed in accordance with the requirements of the Listing Rules.

None of the related party transactions as set out in Note 40 to the consolidated financial statements constituted a connected transaction or a continuing connected transaction which was subject to the disclosure requirements under Chapter 14A of the Listing Rules.

Directors’ Material Interests in Transactions, Arrangements or Contracts

Except for the “Connected Transactions” as disclosed in this report, no other transactions, arrangements or contracts of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company and the Director’s connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contracts (as defined in section 543 of the Companies Ordinance) concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Controlling Shareholders’ Interests in Significant Contracts

Save as disclosed in this report, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries during the year.

Purchase, Sale or Redemption of Listed Securities

During the year ended 31st December 2023, the trustee of the TSEL Share Award Scheme, pursuant to the terms of the rules and trust deed of the TSEL Share Award Scheme, purchased on the Exchange a total of 950,000 shares of Towngas Smart Energy at a total consideration of approximately HK$3,172,000.

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 2023.

Permitted Indemnity

Pursuant to the Articles of Association, subject to the provisions of the Companies Ordinance, every Director or other officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him as a director or other officer of the Company in defending any proceedings (whether civil or criminal) in which judgement is given in his favour or he is acquitted or in connection with any application under the Companies Ordinance in which relief is granted to him by the court.

In addition, the indemnity agreements made by the Company, which are currently in force and were in force throughout the financial year, contained permitted indemnity provisions (as permitted under the Companies Ordinance), for the benefit of the Directors of the Company. The Company has maintained appropriate directors’ and officers’ liability insurance coverage for the Directors and officers of the Group.

Major Customers and Suppliers

During the year, both the percentages of the purchases attributable to the Group’s five largest suppliers combined and the percentage of the turnover attributable to the Group’s five largest customers combined were less than 30 per cent of the total purchases and turnover of the Group respectively.

Employees and Productivity

As at the end of 2023, the number of employees engaged in the town gas business in Hong Kong was 2,135 (2022 year end: 2,110), the number of customers was 2,019,656, and each employee served the equivalent of 946 customers. Inclusive of employees engaged in businesses such as telecommunications and contractual engineering works, the total number of employees engaged in businesses in Hong Kong was 2,364 as at the end of 2023 compared to 2,352 as at the end of 2022. Related manpower costs amounted to HK$1,278 million for 2023, an increase of HK$21 million compared to 2022. 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 54,080 as at the end of 2023, an increase of approximately 210 compared to 2022.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report from pages 65 to 80 of this Annual Report.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment at a fee to be agreed by the Board.

On behalf of the Board

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

Hong Kong, 20th March 2024

Corporate Governance Report

The Board of Directors of the Company (the "Board") is committed to maintaining good corporate governance. The Board believes that good corporate governance principles and practices should emphasise accountability and an increase in transparency which will enable the Group's stakeholders, including shareholders, investors, customers, suppliers, employees and the community to have trust and faith in the Group to take care of their needs and to fulfill its social responsibility.

Corporate Governance Practices

During the year ended 31st December 2023, the Company complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The below sets out the corporate governance principles and practices adopted by the Group which indicate how the Group has applied relevant principles in the Corporate Governance Code.

Board of Directors

Responsibilities of Directors

The Board is ultimately accountable for the Group's activities, strategies and financial performance, which include formulating business development strategies, directing and supervising the Group's affairs, reviewing the financial statements and budget proposal of the Group, approving interim reports, annual reports and announcements of interim results and annual results, considering dividend policy, reviewing the effectiveness of the risk management and internal control systems and so on.

The day-to-day management, administration and operation of the Group are delegated to the management team. The Board gives clear directions to the management team as to their powers of management, and circumstances in which the management team should report back.

Newly appointed Directors will be arranged a comprehensive, formal and tailored induction which includes provision of key guidelines, documents and publications relevant to their roles, responsibilities and ongoing obligations; a briefing on the Group's structure, businesses, risk management and other governance practices and meeting with other fellow Directors so as to help the newly appointed Directors familiarise with the management, business and governance policies and practices of the Company, and ensure that they have a proper understanding of the operations and businesses of the Group.

To ensure that Directors' contribution to the Board/committees remains informed, continuous professional development are provided for Directors to develop and refresh their knowledge, skills and understanding of the business and markets in which the Group operates. Directors are also provided with monthly updates of the Group's development, and information such as performance and key operational highlights to enable the Board as a whole and each Director to discharge their duties.

All Directors participated in appropriate continuous professional development and provided the Company with their records of training they received for the year ended 31st December 2023.

Board of Directors (Continued)

Responsibilities of Directors (Continued)

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

Directors	Training
Non-executive Directors	
Dr. Lee Ka-kit (Chairman)	✓
Dr. Lee Ka-shing (Chairman)	✓
Dr. Colin Lam Ko-yin	✓
Mr. Andrew Fung Hau-chung	✓
Independent Non-executive Directors	
Dr. the Hon. Sir David Li Kwok-po	✓
Prof. the Hon. Poon Chung-kwong	✓
Dr. the Hon. Moses Cheng Mo-chi	✓
Executive Directors	
Mr. Peter Wong Wai-yee	✓
Mr. John Ho Hon-ming *(retired on 1st January 2024)*	✓

Every Director ensures that he gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his appointment the directorships held in other listed companies or nature of offices held in public organisations and other significant commitment. The Company has also requested the Directors to provide in a timely manner any change on such information. Each Director is also required to disclose to the Company their time commitment.

Appropriate insurance cover on Directors' liabilities has been in force to protect the Directors of the Group from risks arising from the businesses of the Group.

Corporate Governance Functions

The Board has undertaken the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Company;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the code provisions of Appendix C1 to the Listing Rules and disclosure in the Corporate Governance Report.

During the year ended 31st December 2023, the Board reviewed the Company's policies and practices on corporate governance and the disclosure in the Corporate Governance Report.

Board of Directors (Continued)

Corporate Culture

The Company is committed to developing a corporate culture that is built on its vision, mission, core values and strategy, and these must be supported and practiced by all levels of employees of the Group.

Vision

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

Core Values

Our core values represent how we behave when interacting with co-workers, customers, shareholders, business partners, investors and other stakeholders:-

- Safe and Reliable
- Customer-oriented
- Result-driven
- Vision
- Versatility
- Innovation
- Positive Communication
- Leadership
- Teamwork

This comprehensive range of good values forms the very foundation upon which the Group is built, supporting our continued growth.

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.

During the year ended 31st December 2023, the Company continued to strategise and implement the corporate culture through various initiatives set out in various section of this Annual Report, including the "Chairmen's Statement", "Review of Operations", the "Risk Factors" and "Report of the Directors", and also the Environmental, Social and Governance Report 2023.

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

Board of Directors (Continued)

The Policy for the Independence of the Board

The Board adopted the Policy for the Independence of the Board which aims to ensure independent views and input are available to the Board. Pursuant to the Policy for the Independence of the Board, a Director may, upon reasonable request, seek and be provided with separate independent professional advice to assist the relevant Director in discharging his duties to the Company. Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change in his own personal particulars that may affect his independence. The Nomination Committee is mandated to assess annually the independence of all Independent Non-executive Directors and to affirm if each of them satisfies the criteria of independence as set out in Rule 3.13 of the Listing Rules and is free from any relationships and circumstances which are likely to affect, or could appear to affect, their independent judgement. Every Nomination Committee member abstains from assessing his own independence. During the year under review, upon the recommendation of the Nomination Committee, the Board reviewed the Policy for the Independence of the Board and considered it was appropriate and effective to ensure independent views and input are available to the Board.

Board Diversity Policy

The Board adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to professional experience, skills, knowledge, cultural and educational background, ethnicity, age and gender. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. The Nomination Committee will monitor the implementation of the Board Diversity Policy and from time to time review it, as appropriate, to ensure the effectiveness of the said policy. During the year under review, upon the recommendation of the Nomination Committee, the Board reviewed the Board Diversity Policy and considered it was appropriate and effective.

Nomination Policy

The Board adopted a Nomination Policy which aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirement of the Company's businesses.

Pursuant to the Nomination Policy, the Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

- Reputation for integrity
- Business experience relevant and beneficial to the Company
- Willingness to devote adequate time to discharge duties as a member of the Board
- Board Diversity Policy for achieving diversity on the Board

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee identifies individual(s) suitably qualified to become board members, having due regard to the Nomination Policy and the Board Diversity Policy, and assesses the independence of the proposed independent non-executive Director(s) as appropriate. The Nomination Committee makes recommendation(s) to the Board. The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy and confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board will be subject to election by the shareholders of the Company ("Shareholders") at the next following annual general meeting of the Company (the "AGM") in accordance with the Company's Articles of Association (the "Articles of Association"). Shareholders approve the election of individual(s), who stand(s) for election at general meeting, as Director(s).

Board of Directors (Continued)

Nomination Policy (Continued)

The Nomination Committee also considers each retiring Director, having due regard to the Nomination Policy and the Board Diversity Policy, and assesses the independence of each retiring independent non-executive Director. The Nomination Committee makes recommendation(s) to the Board. The Board considers each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy and the Board Diversity Policy and recommends the retiring Directors to stand for re-appointment at the AGM in accordance with the Articles of Association. Shareholders approve the re-appointment of Directors at the AGM.

The Board shall have the ultimate responsibility for all matters relating to selection and appointment of Directors. The Nomination Committee will monitor the implementation of the Nomination Policy and from time to time review it, as appropriate, to ensure that it remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice.

Dividend Policy

The Board adopted a Dividend Policy which sets out the guidelines for the Board to determine whether to pay a dividend and the level of such dividend to be paid. In general, it is the policy of the Company to allow its shareholders to participate in the Company's profits whilst retaining adequate reserves for future growth. Normally, the Company pays dividends twice a year, which are the interim dividend and final dividend. The Board may also declare special dividends in addition to such dividends as it considers appropriate. The policy also contains a number of factors for which the Board has to consider in determining the frequency, amount and form of any dividend in any financial year/period. The Board may also consider the issuance of bonus shares on a basis as permitted by the applicable laws and regulations.

Board Composition

The Board currently has two Executive Directors and seven Non-executive Directors. Three of the seven Non-executive Directors are independent to ensure that proposed strategies protect all shareholders' interests.

During the year ended 31st December 2023 and up to the date of publication of this Annual Report, the Directors of the Company are set out below:

Non-executive Directors

Dr. Lee Ka-kit (Chairman)
Dr. Lee Ka-shing (Chairman)
Dr. Colin Lam Ko-yin
Mr. Andrew Fung Hau-chung

Independent Non-executive Directors

Dr. the Hon. Sir David Li Kwok-po
Prof. the Hon. Poon Chung-kwong
Dr. the Hon. Moses Cheng Mo-chi

Executive Directors

Mr. Peter Wong Wai-yee
Mr. Yeung Lui-ming
(appointed on 1st January 2024)
Mr. John Ho Hon-ming
(retired on 1st January 2024)

The Company received from each of the Independent Non-executive Directors confirmation in writing of their independence pursuant to Rule 3.13 of the Listing Rules and considered them as independent. Mr. Yeung Lui-ming (appointed as Executive Director on 1st January 2024) had obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 21st December 2023 and had confirmed he understood his obligations as a director of the Company.

Board of Directors (Continued)

Board Composition (Continued)

Biographical details of the Directors and relevant relationships among them are set out from pages 18 to 22 of this Annual Report. Save as disclosed therein, there is no financial, business, family or other material/relevant relationship among the Directors. A List of Directors and their Role and Function is available on both the websites of The Stock Exchange of Hong Kong Limited (the "Exchange") and the Company.

According to the Articles of Association, one-third of all the directors are subject to retirement by rotation at every AGM. All Non-executive Directors (including Independent Non-executive Directors) do not have a specific term, but are subject to retirement by rotation and re-election in accordance with the Articles of Association. The Board will ensure that every Director (including every Non-executive Director and Independent Non-executive Director) is subject to retirement by rotation at least once every three years.

Joint Chairmen of the Board and Managing Director

The Joint Chairmen of the Board are Dr. Lee Ka-kit and Dr. Lee Ka-shing and the Managing Director is Mr. Peter Wong Wai-yee. The roles of the Joint Chairmen of the Board and the Managing Director are separate and are not performed by the same individual. The Joint Chairmen are responsible for providing leadership to, and overseeing, the functioning of the Board and, with the support of Executive Directors and the Company Secretary, seeking to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive, in a timely manner, adequate and reliable information. The Managing Director is responsible for managing the business of the Group and leading the management team to implement strategies and objectives adopted by the Board. Their respective responsibilities are clearly established and set out in writing.

Board Meetings

The Board meets regularly at least four times a year at approximately quarterly intervals. The Directors can attend meetings in person or through electronic means of communication in accordance with the Articles of Association.

During the year ended 31st December 2023, the Board met four times. The attendance record of each Director at the Board meetings during the year ended 31st December 2023 is set out below:

Directors	No. of Meetings Attended/Held
Non-executive Directors	
Dr. Lee Ka-kit (Chairman)	4/4
Dr. Lee Ka-shing (Chairman)	4/4
Dr. Colin Lam Ko-yin	4/4
Mr. Andrew Fung Hau-chung	4/4
Independent Non-executive Directors	
Dr. the Hon. Sir David Li Kwok-po	4/4
Prof. the Hon. Poon Chung-kwong	4/4
Dr. the Hon. Moses Cheng Mo-chi	3/4
Executive Directors	
Mr. Peter Wong Wai-yee	4/4
Mr. John Ho Hon-ming *(retired on 1st January 2024)*	4/4

Board of Directors (Continued)

Board Meetings (Continued)

Regular Board meetings of the year are scheduled in advance and at least 14 days' notice is given to all Directors so as to give them an opportunity to attend. Meeting agenda and accompanying meeting papers are sent to all relevant Directors at least 3 days before the date of a Board or committee meeting to enable the Directors to make informed decisions on matters to be raised at the meetings. All Directors are given an opportunity to include matters in the agenda for Board meetings.

In addition, Directors at all times have full and timely access to all information on the Group and may seek independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry by the Company, all Directors confirmed that they had fully complied with the required standard set out in the Model Code throughout the year ended 31st December 2023.

The Board has also established written guidelines for relevant employees, including certain employees of the Company, certain directors or employees of its subsidiaries who are considered to be likely to possess inside information in relation to the Company or its securities (the "Relevant Employees"), in respect of their dealings in the Company's securities.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31st December 2023, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on a going concern basis in accordance with statutory requirements and applicable accounting standards. The Directors shall ensure the publication of the Group's financial statements in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report from pages 81 to 86 of this Annual Report.

Board Committees

The Board has established the following Board committees to oversee particular aspects of the Company's affairs:

Board Audit and Risk Committee

The Board Audit and Risk Committee (formerly known as Audit Committee) was formed in May 1996. The members of the Board Audit and Risk Committee are Dr. the Hon. Sir David Li Kwok-po (Chairman of the Board Audit and Risk Committee), Prof. the Hon. Poon Chung-kwong and Dr. the Hon. Moses Cheng Mo-chi. All members are Independent Non-executive Directors. The Chairman of the Board Audit and Risk Committee has the appropriate professional qualification as required by the Listing Rules.

The principal duty of the Board Audit and Risk Committee is to assist the Board in fulfilling its audit and control-related duties through the review of the Company's financial reporting, risk management and internal control systems. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The Company has adopted written terms of reference for the Board Audit and Risk Committee that clearly define the role, authority and function of the Board Audit and Risk Committee. The terms of reference of the Board Audit and Risk Committee are available on both the websites of the Exchange and the Company.

Board Committees (Continued)

Board Audit and Risk Committee (Continued)

The Board Audit and Risk Committee held two meetings during the year ended 31st December 2023 and the following sets out a summary of the work of the Board Audit and Risk Committee during the year under review:

- review of the financial reports for 2022 annual results and 2023 interim results;
- recommendation to the Board, for the approval by shareholders, of the re-appointment of PricewaterhouseCoopers as the external auditor and approval of their remuneration;
- review of the external auditor's findings;
- review of non-audit service fee engaged by the external auditor;
- review of the effectiveness of the Company's financial control and risk management and internal control systems, 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; and
- review of whistleblowing cases and their follow-up as appropriate.

The attendance record of each member at the Board Audit and Risk Committee meetings during the year ended 31st December 2023 is set out below:

Board Audit and Risk Committee Members	No. of Meetings Attended/Held
Dr. the Hon. Sir David Li Kwok-po (Chairman)	2/2
Prof. the Hon. Poon Chung-kwong	2/2
Dr. the Hon. Moses Cheng Mo-chi	2/2

Remuneration Committee

The Company established a Remuneration Committee on 7th September 2005. The Remuneration Committee is chaired by Dr. the Hon. Sir David Li Kwok-po (Independent Non-executive Director) with Dr. Lee Ka-kit and Dr. Lee Ka-shing (both are Non-executive Directors), Prof. the Hon. Poon Chung-kwong and Dr. the Hon. Moses Cheng Mo-chi (both are Independent Non-executive Directors) as members.

The principal duties of the Remuneration Committee include, but are not limited to, making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management (who are also executive directors of the Company), reviewing and approving the special remuneration packages of all executive directors with reference to corporate goals and objectives resolved by the Board from time to time and determining, with delegated responsibility, the remuneration packages of individual executive directors. The Company has adopted written terms of reference for the Remuneration Committee that clearly define the role, authority and function of the Remuneration Committee. The terms of reference of the Remuneration Committee are available on both the websites of the Exchange and the Company.

The Company has not adopted any share option scheme or share award scheme. The emoluments of Directors are determined based on the duties and responsibilities of each Director. All Directors receive fixed fee(s) for their roles as Director (or Chairman of the Board) and member of the Board Committee(s) as appropriate. Directors' fees are reviewed by the Remuneration Committee with reference to the remuneration level of directors of comparable companies in Hong Kong. Any adjustments to Directors' fees shall be subject to approval from shareholders of the Company at general meetings.

Board Committees (Continued)

Remuneration Committee (Continued)

The Directors' fees were reviewed by the Remuneration Committee. During the year ended 31st December 2023, every Director received a Director's fee at the rate of HK$250,000 per annum while the Joint Chairmen of the Board each received an additional fee at the rate of HK$250,000 per annum and each member of the Board Audit and Risk Committee, the Remuneration Committee and the Nomination Committee received additional fees at the rate of HK$250,000, HK$100,000 and HK$100,000 per annum respectively. The Remuneration Committee considered the fees reasonable in view of the Directors' responsibilities.

The Remuneration Committee held one meeting during the year ended 31st December 2023. During the year under review, the Remuneration Committee reviewed the Directors' fees and the remuneration of the Executive Directors. Further, the Remuneration Committee also recommended to the Board for approval of the remuneration before taxation payable to Mr. Yeung Lui-ming (appointed as Executive Director on 1st January 2024).

The attendance record of each member at the Remuneration Committee meeting during the year ended 31st December 2023 is set out below:

Remuneration Committee Members	No. of Meeting Attended/Held
Dr. the Hon. Sir David Li Kwok-po (Chairman)	1/1
Dr. Lee Ka-kit	1/1
Dr. Lee Ka-shing	1/1
Prof. the Hon. Poon Chung-kwong	1/1
Dr. the Hon. Moses Cheng Mo-chi	1/1

Nomination Committee

The Company established a Nomination Committee on 19th March 2012. The Nomination Committee is jointly chaired by Dr. Lee Ka-kit and Dr. Lee Ka-shing (both are Non-executive Directors) with members who are all Independent Non-executive Directors, including Dr. the Hon. Sir David Li Kwok-po, Prof. the Hon. Poon Chung-kwong and Dr. the Hon. Moses Cheng Mo-chi.

The principal duties of the Nomination Committee include, but are not limited to, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Group's corporate strategy. It is also responsible for identifying individuals suitably qualified to become board members and making recommendations to the Board on nominations and appointment of directors as well as assessing the independence of independent non-executive directors. The Committee shall consider the candidate from a range of backgrounds on his/her merits and against objective criteria set out by the Board. The Company has adopted written terms of reference for the Nomination Committee that clearly define the role, authority and function of the Nomination Committee. The terms of reference of the Nomination Committee are available on both the websites of the Exchange and the Company.

The Nomination Committee held one meeting during the year ended 31st December 2023. During the year under review, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, the Policy for the Independence of the Board, the Board Diversity Policy, the Nomination Policy and the Policy on Shareholders' Communication, and considered that the said policies were appropriate and effective. Further, the Nomination Committee also assessed the independence of all independent non-executive directors of the Company and recommended to the Board for approval of the re-election of the retiring Directors at the 2023 AGM, the review of the implementation and effectiveness of the Policy for the Independence of the Board, the Board Diversity Policy and the Policy on Shareholders' Communication, and the appointment of Mr. Yeung Lui-ming as Executive Director and a member of the Board Environmental, Social and Governance Committee (the "Board ESG Committee") with effect from 1st January 2024.

Board Committees (Continued)

Nomination Committee (Continued)

The attendance record of each member at the Nomination Committee meeting during the year ended 31st December 2023 is set out below:

Nomination Committee Members	No. of Meeting Attended/Held
Dr. Lee Ka-kit (Chairman)	1/1
Dr. Lee Ka-shing (Chairman)	1/1
Dr. the Hon. Sir David Li Kwok-po	1/1
Prof. the Hon. Poon Chung-kwong	1/1
Dr. the Hon. Moses Cheng Mo-chi	1/1

Board Environmental, Social and Governance Committee

The Board ESG Committee was established on 17th March 2023 to oversee the Group's ESG development, strategies, policies and practices. Chaired by Mr. Peter Wong Wai-yee (Managing Director), it comprises Dr. the Hon. Moses Cheng Mo-chi (Independent Non-executive Director) and Mr. John Ho Hon-ming (who retired and ceased to be Executive Director and a member of the Board ESG Committee on 1st January 2024). The Board appointed Mr. Yeung Lui-ming as Executive Director and a member of the Board ESG Committee with effect from 1st January 2024.

The principal duty of the Board ESG Committee is to assist the Board in overseeing the management of ESG-related issues. In addition, the Board ESG Committee identifies and reviews ESG issues, risks and opportunities, tracks the Group's ESG performance, and recommends strategies for improvement. The terms of reference of the Board ESG Committee are available on both the websites of the Exchange and the Company.

The Board ESG Committee meets at least once a year and will hold additional meetings at the demand of the Chairman of the Board ESG Committee, if necessary. During the year ended 31st December 2023, the Board ESG Committee held one meeting to review:

- the results of the Group's key ESG ratings, including Dow Jones Sustainability Indices, MSCI ESG Ratings and the Hang Seng Corporate Sustainability Index Series, and discuss the latest requirements and expectations of these ratings;
- the key performance indicators of ESG Working Committee, including the implementation of internal carbon pricing, methane leakage reduction, health and safety performance enhancement, promotion of diversity and inclusion, supplier management enhancement and community investment;
- the updated results of the double materiality assessment and key material ESG topics identified for ESG Report 2023;
- the climate-related issues, including Hong Kong's gas business 2035 decarbonisation target, progress made towards the Group's carbon reduction targets and the results of its climate risk assessments;
- the ESG-linked compensation of the Managing Director and senior executives; and
- the enhanced disclosure of ESG risks and climate-related content as per latest local and international standards.

Board Committees (Continued)

Board Environmental, Social and Governance Committee (Continued)

The attendance record of each member at the Board ESG Committee meeting during the year ended 31st December 2023 is as follows:

Board ESG Committee Members	No. of Meeting Attended/Held
Mr. Peter Wong Wai-yee (Chairman)	1/1
Dr. the Hon. Moses Cheng Mo-chi	1/1
Mr. John Ho Hon-ming*	1/1

* Mr. John Ho Hon-ming ceased to be a member of the Board ESG Committee on 1st January 2024 and Mr. Yeung Lui-ming was appointed as a member of the Board ESG Committee with effect from 1st January 2024.

Diversity

Board Diversity

The Board currently has all male Directors and is committed to enhancing gender diversity of the Board. The Board targets to appoint at least one female board member to the Board on or before 31st December 2024. The Nomination Committee will identify suitable candidate(s), having due regard to the Nomination Policy and the Board Diversity Policy, and make recommendation to the Board on the appointment.

Diversity in the Workforce

The Hong Kong and China Gas Company Limited is an equal opportunity employer and is committed to a policy of recruiting and promoting people on merit regardless of gender, pregnancy, family and marital status, race, colour, ethnic origin, disability, religion, etc. As an awardee of the Diversity and Inclusion Award and ESG HR Strategy Excellence Award presented by the Job Market in 2022 and continue to be a signatory to the Racial Diversity and Inclusion Charter for Employers governed by Equal Opportunities Commission in 2023, we actively promote diversity and inclusion in the workplace and maintain our employment practices to ensure equal opportunities for all employees.

To increase the awareness on equal opportunities that contributes to a more inclusive workplace, we continue to organize training on equal opportunities with laws and regulations updates and case studies by professional trainers from Equal Opportunities Commission for our employees.

As at 31st December 2023, about 22.4% of our workforce in the businesses in Hong Kong, inclusive of town gas, telecommunications and contractual engineering works, is female and the average gender pay ratio between male and female full time employees (including senior management who are also Executive Directors of the Company) is about 1:1.

For details of gender diversity at the workforce levels, please refer to the “Environmental, Social and Governance” under the section “Review of Operations” in this Annual Report and the Environmental, Social and Governance Report 2023.

Auditor’s Remuneration and Auditor Related Matters

For the year ended 31st December 2023, the total remuneration of the Company’s external auditor, PricewaterhouseCoopers, in respect of statutory audit services and non-audit services (mainly including taxation services, interim results review service and other transaction related services), amounted to approximately HK$14.9 million and approximately HK$7.8 million respectively.

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.

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

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

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

Risk Management

Risk Management Framework

Rooted in corporate's 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.

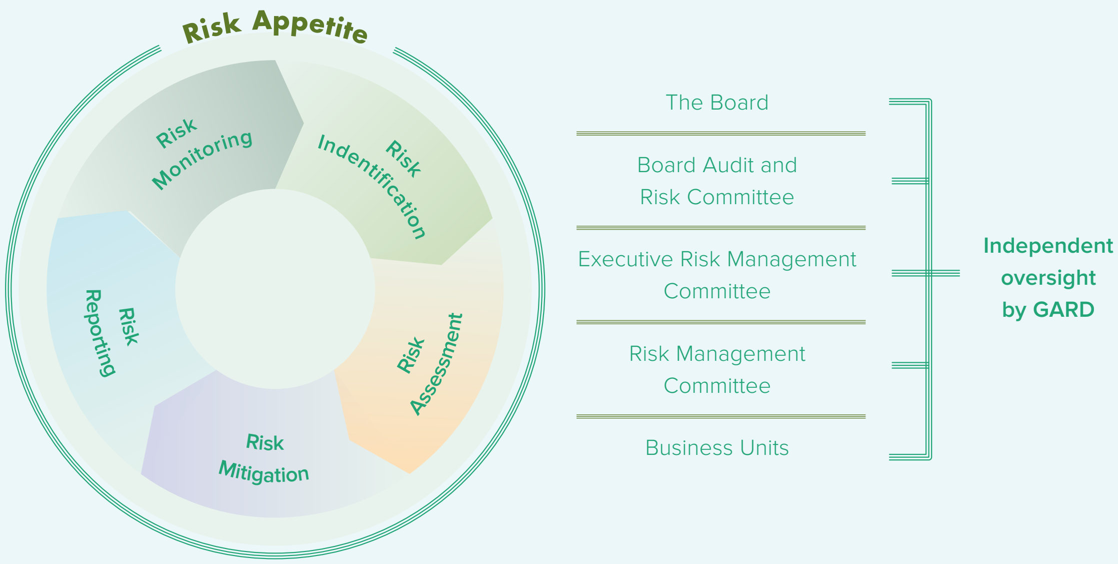
To ensure growth and long-term value for the key stakeholders, the Group considers risk governance as its top priority and is committed to establishing a robust system of risk identification and management which is central to its ongoing success.

Risk Management and Internal Control (Continued)

Risk Management (Continued)

Risk Management Framework (Continued)

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



Risk Appetite

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

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

Risk Management Structure

The risk management structure sets out the mechanism by which authority is exercised, decisions are taken and organisation is effectively supervised. The Board Audit and Risk Committee supports the Board in overseeing the overall risk management system and provides assurance to the Board at least annually that the system is operating effectively. The Executive Risk Management Committee ("ERMC"), which is composed of all Executive Committee Members of the Company, 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. RMC reviews the major risk exposure, monitors the implementation of risk-mitigating controls. While GARD conducts independent reviews and reports to ERMC as well as the Board Audit and Risk Committee regularly on risk management updates.

Risk Management and Internal Control (Continued)

Risk Management (Continued)

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 GARD would be performed to ensure the risk management system is operating effectively.

The RMC would communicate and summarise 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 would be reviewed continuously and reassessed within the Group by adopting the risk assessment criteria as set out in the Framework. Priorities would be 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 would be submitted to and discussed by ERMC at least annually for monitoring purpose with top risks and measures be reported by GARD to the Board Audit and Risk Committee on behalf of the Board. The Board Audit and Risk Committee, based on the review of top risks and adopted measures, ensures at least an annual review of the effectiveness of the risk management system has been conducted.

Risk Management – Environmental, Social and Governance

The Board is committed to our ESG development for a sustainable future. Material ESG issues are prioritised and regularly reviewed through our engagement with stakeholders as well as monitoring of global trends. The Board has the overall responsibility of overseeing these material ESG issues and evaluating, determining and integrating relevant risks and opportunities into our key governance processes. Our governance procedures are applied to all areas of decision-making and strategic planning across Towngas.

To further integrate ESG practices into our business operations, the Board ESG Committee has been established. With all members are appointed by the Board, the Board ESG Committee is entrusted with the development, approval, and update of the Group's strategies, policies, goals and practices on ESG matters. Updates on ESG related policies, initiatives, progress, targets and achievements are also reported and discussed on a regular basis.

A description of the Group's risk factors is shown on pages 47 to 49 of the Annual Report. The Group seeks continuous improvement to the Framework in response to the changing business environment.

Policy and Procedures on Disclosure of Inside Information

The Board has adopted the Policy and Procedures on Disclosure of Inside Information which contains the guidelines to the officers (referring to Directors, managers or Company Secretary of the Company) and all the Relevant Employees of the Company to ensure that the inside information of the Company is to be disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. The Policy and Procedures on Disclosure of Inside Information is available on the Company's website.

Company Secretary

The Company Secretary is responsible for assisting the Board by ensuring good information flow within the Board members as well as the Board policy and procedures being followed properly. The Company Secretary also provides professional advice to the Board on corporate governance and other matters, and is also responsible for organising general meetings of the Company and facilitating the induction and professional development of the Directors.

During the year ended 31st December 2023, Mr. John Ho Hon-ming (retired on 1st January 2024) was the Company Secretary and undertook no less than 15 hours of relevant professional training. The Board appointed Ms. Elsa Wong Lai-kin as the Company Secretary with effect from 1st January 2024.

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 has maintained the Policy on Shareholders' Communication which aims at promoting effective communication with shareholders of the Company and enabling them to exercise their rights as shareholders in an informed manner. The Policy on Shareholders' Communication is available on the website of the Company.

It is the Company's general policy to maintain an on-going dialogue with shareholders and the investment community, including the Company's potential investors and analysts. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is of public domain and will be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any enquiry in respect of the Company.

The AGM provides a good forum for communication between the Board and shareholders. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board Committees are invited to attend the AGM. The Joint Chairmen of the Board and the chairmen of all the Board Committees are available to answer questions at the AGM. Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. 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 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 substantially separate issue.

During the year under review, upon the recommendation of the Nomination Committee, the Board reviewed the Policy on Shareholders' Communication and considered it was appropriate and effective.

The 2023 AGM was held on 7th June 2023. The attendance record of each Director at the 2023 AGM is set out below:

Directors	No. of Meeting Attended/Held
Non-executive Directors	
Dr. Lee Ka-kit (Chairman)	1/1
Dr. Lee Ka-shing (Chairman)	1/1
Dr. Colin Lam Ko-yin	1/1
Mr. Andrew Fung Hau-chung	1/1
Independent Non-executive Directors	
Dr. the Hon. Sir David Li Kwok-po	1/1
Prof. the Hon. Poon Chung-kwong	1/1
Dr. the Hon. Moses Cheng Mo-chi	1/1
Executive Directors	
Mr. Peter Wong Wai-yee	1/1
Mr. John Ho Hon-ming *(retired on 1st January 2024)*	1/1

Shareholders' Rights

Set out below is a summary of certain rights of the shareholders of the Company which are governed by the provisions of the Articles of Association and applicable laws, rules and regulations.

Convening a General Meeting

Pursuant to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "Companies Ordinance"), shareholders representing at least 5% of the total voting rights of all the shareholders are entitled to send a request to the Company to convene a general meeting. Such request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must also be authenticated by the person or persons making it.

Putting Forward Proposals at a Shareholders' Meeting

Pursuant to the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all the shareholders or at least 50 shareholders can request the Company in writing to circulate to the shareholders a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that meeting or other business to be dealt with at that meeting. The request may be sent to the Company in hard copy form or in electronic form and must identify the statement to be circulated. It must be authenticated by the person or persons making it and be received by the Company at least 7 days before such meeting.

Putting Forward Enquiries to the Board

The Company has maintained the Policy on Shareholders' Communication to handle enquiries put to the Board. In order to enable such enquiries be properly directed, designated contacts, email addresses and enquiry lines of the Company were provided on page 196 of this Annual Report and the Company's website.

Proposing a Person for Election as a Director

If a shareholder wishes to propose a person other than a retiring director of the Company for election as a director of the Company at a general meeting, that shareholder should deposit a written notice stating the full name of the person proposed for election as a director of the Company, together with (a) the proposed person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that proposed person indicating his/her willingness to be elected; and (b) the proposed person's written consent to the publication of his/her personal data not earlier than the day after the despatch of the notice of the meeting and not later than 7 days prior to the day appointed for the meeting. Detailed procedures can be found in the "Procedures for shareholders to propose a person for election as a director of the Company at a general meeting" which is available on 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 which strengthens 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 Group maintains a website at www.towngas.com where the Company's announcements and press releases, business developments and operations, financial information, corporate governance practices and other information are posted.

Constitutional Documents

The latest version of the Articles of Association is available on both the websites of the Exchange and the Company. During the year ended 31st December 2023, there was no change in the Articles of Association.

Independent Auditor's Report

羅兵咸永道

TO THE MEMBERS OF THE HONG KONG AND CHINA GAS COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of The Hong Kong and China Gas Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 87 to 195, comprise:

- the consolidated statement of financial position as at 31st December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 matters identified in our audit are summarised as follows:

- Impairment assessment of property, plant and equipment of a chemical production project
- Gain on partial disposal of a subsidiary – EcoCeres, Inc.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment of a chemical production project Refer to notes 4(a) and 16 to the consolidated financial statements In relation to the New Energy business segment, the Group operated a chemical production project in Chinese mainland which is engaged in production of coal related chemical products. The carrying value of the property, plant and equipment of the chemical production project was HK$1.7 billion as at 31st December 2023. In consideration of the financial results of the chemical production project and the prices of the primary inputs/outputs (where applicable) of the project, namely coal related chemical products were volatile during the year, management considered there were impairment indicators and performed impairment assessment on these assets. Based on the results of the impairment assessment, HK$719.9 million of provision for impairment of property, plant and equipment for the chemical production project were recognised in the consolidated income statement for the year ended 31st December 2023.	Our procedures in relation to management's impairment assessment include: • Understanding of the management's impairment assessment process and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Assessing the methodology used by management to estimate the recoverable amounts; • Checking, on a sample basis, the accuracy and relevance of the input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets by comparing the budgets to the historical results and the market data;

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
For the impairment assessment, management calculated the recoverable amounts under value-in-use method. As the calculations require the use of significant management judgement and estimates, including the future business growth, future products selling prices and production costs, discount rate and terminal value etc., we consider it was one of the key audit matters.	• Assessing the appropriateness of cash flows projections in calculation of the recoverable amount of the chemical production project, challenging the reasonableness of management's assumptions such as the future business growth, future products selling prices and production costs, discount rate and terminal value, where applicable, based on our knowledge of the business and industry by comparing the assumptions to historical results and published market and industry data and comparing the current year's actual results with the prior year's forecast, where applicable. Internal valuation expert was engaged to assist the review on discount rate; and • Performing sensitivity analysis in consideration of potential impact of reasonably possible downside changes in the key assumptions. Based on the audit procedures performed, we found that the assumptions made by management were supported by available evidence.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Gain on partial disposal of a subsidiary – EcoCeres, Inc. Refer to notes 4(h), 7 and 43 to the consolidated financial statements During the year, the Group partially disposed its shares in EcoCeres, Inc. ("EcoCeres"), a subsidiary of the Group, to an independent investor at a cash consideration of US$319 million (equivalent to approximately HK$2,505.0 million). This resulted in a decrease in HKCG's effective interest and voting right in EcoCeres from 65.5% to 44.2%, and hence lost control over EcoCeres after the completion date of the transfer of those ordinary shares of EcoCeres to an investor (the "Disposal"). As a result, the respective investment has been reclassified from a subsidiary to an associate. To account for the Disposal, the Group de-recognised all the assets and liabilities of EcoCeres at the disposal date and recognised the retained interest in EcoCeres as an associate of HKCG at its fair value. It resulted in a gain amounting to HK$4,677.2 million for the year ended 31st December 2023. In consideration of the magnitude of the gain of the Disposal and the significant management judgement applied in assessing the fair value of the retained interest in EcoCeres, we consider it was one of the key audit matters.	Our procedures in relation to management's valuation of EcoCeres: • Understanding the management assessment process of the Disposal and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Assessing the accounting treatment of the Disposal made by management to ensure compliance with the relevant accounting standards; • Obtaining and reviewing the disposal gain calculation and relevant supporting documents from management to ensure the accuracy of the disposal gain of EcoCeres; • Evaluating the independent professional valuer's competence, capabilities and objectivity; • Obtaining the valuation reports in relation to the fair value of the retained interest in EcoCeres, and assessing the appropriateness of the valuation models and methodologies adopted by management and the reasonableness of discount rates used by management with the involvement of our in-house valuation experts; • Assessing and challenging the reasonableness of key assumptions used in the cash flows projection for the fair value of the retained interest in EcoCeres, such as business growth, products selling prices and relevant costs, discount rates by comparing them to historical results and published market and industry data, where applicable; • Communicating with the management of EcoCeres to understand the business and assessing if there was any inconsistency in the assumptions used in the cash flows projection; and • Checking the mathematical accuracy of the calculations of disposal gain of EcoCeres. Based on the audit procedures performed, we found that the disposal gain and the assumptions made by management were supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 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. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism 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.

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

(Continued)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pong Fei Ho.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20th March 2024

Consolidated Income Statement

for the year ended 31st December 2023

	Note	2023 HK$'M	2022 HK$'M
Revenue	5	**56,971.1**	60,953.4
Total operating expenses	6	**(48,833.8)**	(52,591.7)
		8,137.3	8,361.7
Other gains, net	7	**324.9**	531.0
Interest expense	9	**(2,214.6)**	(1,775.8)
Share of results of associates	21	**2,361.1**	865.2
Share of results of joint ventures	22	**565.7**	201.5
Profit before taxation	10	**9,174.4**	8,183.6
Taxation	13	**(2,003.1)**	(1,859.2)
Profit for the year		**7,171.3**	6,324.4
Attributable to:			
Shareholders of the Company		**6,070.1**	5,247.9
Holders of perpetual capital securities		**108.4**	111.5
Non-controlling interests		**992.8**	965.0
		7,171.3	6,324.4
Earnings per share – basic, HK cents	15	**32.5**	28.1
Earnings per share – diluted, HK cents	15	**31.6**	26.3

The notes on pages 95 to 195 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2023

	2023 HK$'M	2022 HK$'M
Profit for the year	**7,171.3**	6,324.4
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	**110.0**	(138.2)
Remeasurements of retirement benefit	**(27.8)**	(42.5)
Exchange differences	**(327.8)**	(913.7)
Items that may be reclassified subsequently to profit or loss:		
Movement in reserve of debt investments at fair value through other comprehensive income	**5.0**	(18.2)
Change in fair value of cash flow hedges	**(28.0)**	(14.7)
Share of other comprehensive income/(loss) of associates	**3.3**	(11.5)
Exchange differences	**(1,424.1)**	(4,757.4)
Other comprehensive loss for the year, net of tax	**(1,689.4)**	(5,896.2)
Total comprehensive income for the year	**5,481.9**	428.2
Total comprehensive income/(loss) attributable to:		
Shareholders of the Company	**4,690.0**	328.6
Holders of perpetual capital securities	**108.4**	111.5
Non-controlling interests	**683.5**	(11.9)
	5,481.9	428.2

The notes on pages 95 to 195 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31st December 2023

	Note	2023 HK$'M	2022 HK$'M
Assets			
Non-current assets			
Property, plant and equipment	16	**71,276.6**	71,818.8
Investment property	17	**1,001.1**	996.5
Right-of-use assets	18	**2,140.2**	2,813.3
Intangible assets	19	**4,463.2**	5,340.2
Associates	21	**36,064.1**	34,178.1
Joint ventures	22	**10,884.1**	11,163.0
Financial assets at fair value through other comprehensive income	23	**1,830.5**	1,763.3
Financial assets at fair value through profit or loss	24	**1,706.5**	4,715.3
Derivative financial instruments	25	**76.6**	298.4
Retirement benefit assets	26	**105.4**	134.7
Other non-current assets	27	**5,795.5**	6,536.7
		135,343.8	139,758.3
Current assets			
Inventories	28	**2,567.0**	3,426.3
Trade and other receivables	29	**9,924.6**	10,662.8
Loan and other receivables from associates	21	**752.3**	415.6
Loan and other receivables from joint ventures	22	**510.9**	612.8
Loan and other receivables from non-controlling shareholders		**248.8**	224.0
Financial assets at fair value through profit or loss	24	**1,374.8**	70.1
Derivative financial instruments	25	**18.4**	5.9
Time deposits over three months	30	**66.0**	52.3
Time deposits up to three months, cash and bank balances	30	**8,972.1**	13,241.2
		24,434.9	28,711.0
Assets held-for sale	44	**2,198.9**	–
Current liabilities			
Trade payables and other liabilities	31	**(19,926.8)**	(22,004.3)
Loan and other payables to associates	21	**(72.2)**	–
Loan and other payables to joint ventures	22	**(629.7)**	(263.4)
Loan and other payables to non-controlling shareholders		**(85.9)**	(163.4)
Provision for taxation		**(1,619.3)**	(1,410.8)
Borrowings	32	**(14,709.4)**	(19,680.9)
Redeemable perpetual securities	32	**(2,343.6)**	–
Derivative financial instruments	25	**(37.6)**	–
		(39,424.5)	(43,522.8)
Liabilities directly associated with assets held-for-sale	44	**(717.2)**	–
Total assets less current liabilities		**121,835.9**	124,946.5

The notes on pages 95 to 195 form part of these consolidated financial statements.

Consolidated Statement of Financial Position (Continued)

as at 31st December 2023

	Note	2023 HK$'M	2022 HK$'M
Non-current liabilities			
Deferred taxation	33	**(6,924.3)**	(6,926.7)
Borrowings	32	**(40,715.9)**	(39,623.1)
Derivative financial instruments	25	**(170.8)**	(294.3)
Loan from a joint venture	22	**(110.0)**	(113.1)
Other non-current liabilities	34	**(2,896.2)**	(2,850.6)
		(50,817.2)	(49,807.8)
Net assets		**71,018.7**	75,138.7
Capital and reserves			
Share capital	35	**5,474.7**	5,474.7
Reserves	36	**54,378.1**	55,752.8
Shareholders' funds		**59,852.8**	61,227.5
Perpetual capital securities	37	**–**	2,384.2
Non-controlling interests		**11,165.9**	11,527.0
Total equity		**71,018.7**	75,138.7

Approved by the Board of Directors on 20th March 2024

Lee Ka-kit
Director

David Li Kwok-po
Director

The notes on pages 95 to 195 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31st December 2023

	Note	2023 HK$'M	2022 HK$'M
Net cash from operating activities	41(a)	**10,931.7**	9,644.7
Investing activities			
Receipt from sale of property, plant and equipment		**73.8**	61.1
Receipt from sale of right-of-use assets		**65.5**	46.5
Purchase of property, plant and equipment		**(8,359.7)**	(7,724.7)
Increase in other intangible assets	19	**–**	(13.4)
Payment for right-of-use assets		**(67.9)**	(596.3)
Increase in investments in associates		**(297.4)**	(100.1)
Increase in loans to associates		**(58.5)**	(142.2)
Repayment of loans by associates		**346.6**	203.5
Increase in investments in joint ventures		**(78.8)**	(60.6)
Increase in loans to joint ventures		**(71.0)**	(59.9)
Increase in amounts due to joint ventures		**329.4**	104.2
Repayment of loans by joint ventures		**11.7**	71.6
Deposit paid for acquisition of subsidiaries	27	**–**	(178.7)
Increase in other payable and accruals		**468.3**	–
Acquisition of subsidiaries	42(a)	**(299.5)**	–
Deemed disposal of a subsidiary		**(7.1)**	–
Disposal of subsidiaries	43	**(2,065.6)**	–
Disposal of associates		**5,398.2**	–
Sale of financial assets at fair value through profit or loss		**137.6**	74.8
Sale of financial assets at fair value through other comprehensive income		**43.1**	73.5
Purchase of financial assets at fair value through profit or loss		**(138.8)**	(365.0)
Purchase of financial assets at fair value through other comprehensive income		**(4.9)**	(4.2)
Placement of restricted deposit		**(109.4)**	–
(Increase)/decrease in time deposits over three months		**(14.2)**	20.3
Interest received		**325.2**	212.5
Dividends received from investments in securities		**173.6**	167.7
Dividends received from associates		**1,146.5**	1,023.1
Dividends received from joint ventures		**558.3**	426.0
Net cash used in investing activities		**(2,495.0)**	(6,760.3)

The notes on pages 95 to 195 form part of these consolidated financial statements.

Consolidated Cash Flow Statement (Continued)

for the year ended 31st December 2023

	Note	2023 HK$'M	2022 HK$'M
Financing activities			
Net change in loan balances with non-controlling shareholders		**(134.0)**	122.1
Capital injection by non-controlling shareholders		**64.4**	75.0
Further acquisition of subsidiaries	42(b)	**(37.0)**	(34.4)
Increase in borrowings		**30,466.2**	31,121.1
Repayment of borrowings		**(33,004.4)**	(25,386.8)
Principal elements of lease payments		**(491.0)**	(132.5)
Interest paid for the lease liability		**(28.0)**	(18.9)
Interest paid to holders of perpetual capital securities		**(117.6)**	(111.5)
Interest paid		**(1,970.5)**	(1,629.9)
Proceed from issue of preferred shares of a subsidiary	31(e)	**–**	3,393.9
Dividends paid to shareholders of the Company	45(a)	**(6,531.0)**	(6,531.0)
Dividends paid to non-controlling shareholders		**(662.6)**	(624.5)
Proceeds from deemed partial disposal of subsidiaries	41(d)	**0.4**	141.5
Purchase of shares under share award scheme of a subsidiary		**(3.2)**	(29.9)
Net cash (used in)/generated from financing activities		**(12,448.3)**	354.2
(Decrease)/increase in cash and cash equivalents		**(4,011.6)**	3,238.6
Cash and cash equivalents at 1st January		**13,241.2**	10,557.0
Effect of foreign exchange rate changes		**(257.5)**	(554.4)
Cash and cash equivalents at 31st December		**8,972.1**	13,241.2
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**7,380.3**	7,908.5
Time deposits up to three months		**1,591.8**	5,332.7
		8,972.1	13,241.2

The notes on pages 95 to 195 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31st December 2023

	Attributable to shareholders of the Company		Holders of perpetual capital securities	Non-controlling interests	Total
	Share capital HK$'M	Reserves HK$'M	HK$'M	HK$'M	HK$'M
As at 1st January 2023	5,474.7	55,752.8	2,384.2	11,527.0	75,138.7
Profit for the year	–	6,070.1	108.4	992.8	7,171.3
Other comprehensive income:					
Movement in reserve of financial assets at fair value through other comprehensive income	–	78.6	–	36.4	115.0
Remeasurements of retirement benefit	–	(27.8)	–	–	(27.8)
Change in fair value of cash flow hedges	–	(10.1)	–	(17.9)	(28.0)
Share of other comprehensive income of associates	–	3.3	–	–	3.3
Exchange differences	–	(1,424.1)	–	(327.8)	(1,751.9)
Total comprehensive income for the year	–	4,690.0	108.4	683.5	5,481.9
Capital injections in subsidiaries	–	108.1	–	(43.7)	64.4
Further acquisition of subsidiaries (note 42(b))	–	(11.2)	–	(25.8)	(37.0)
Deemed partial disposal of subsidiaries	–	0.2	–	15.9	16.1
Disposal of subsidiaries (note 43)	–	50.0	–	(477.0)	(427.0)
Release of exchange reserve	–	283.8	–	138.3	422.1
Interest paid on perpetual capital securities	–	–	(117.6)	–	(117.6)
Dividends paid to shareholders of the Company	–	(6,531.0)	–	–	(6,531.0)
Dividends paid to non-controlling shareholders	–	–	–	(662.6)	(662.6)
Share-based payments of a subsidiary	–	6.2	–	3.0	9.2
Share award scheme of a subsidiary	–	29.2	–	7.3	36.5
Redemption of perpetual capital securities	–	–	(2,375.0)	–	(2,375.0)
As at 31st December 2023	5,474.7	54,378.1	–	11,165.9	71,018.7

The notes on pages 95 to 195 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (Continued)

for the year ended 31st December 2023

	Attributable to shareholders of the Company		Holders of perpetual capital securities	Non-controlling interests	Total
	Share capital HK$'M	Reserves HK$'M	HK$'M	HK$'M	HK$'M
As at 1st January 2022	5,474.7	61,951.7	2,384.2	12,028.2	81,838.8
Profit for the year	–	5,247.9	111.5	965.0	6,324.4
Other comprehensive income:					
Movement in reserve of financial assets at fair value through other comprehensive income	–	(129.0)	–	(27.4)	(156.4)
Remeasurements of retirement benefit	–	(42.5)	–	–	(42.5)
Change in fair value of cash flow hedges	–	21.1	–	(35.8)	(14.7)
Share of other comprehensive loss of associates	–	(11.5)	–	–	(11.5)
Exchange differences	–	(4,757.4)	–	(913.7)	(5,671.1)
Total comprehensive income/(loss) for the year	–	328.6	111.5	(11.9)	428.2
Capital injections in subsidiaries	–	55.4	–	19.6	75.0
Further acquisition of subsidiaries (note 42(b))	–	(37.7)	–	3.3	(34.4)
Deemed partial disposal of subsidiaries (note 41(d))	–	(34.1)	–	175.6	141.5
Interest paid on perpetual capital securities	–	–	(111.5)	–	(111.5)
Dividends paid to shareholders of the Company	–	(6,531.0)	–	–	(6,531.0)
Dividends paid to non-controlling shareholders	–	–	–	(624.5)	(624.5)
Share-based payments of subsidiaries	–	(15.5)	–	2.0	(13.5)
Share award scheme of a subsidiary	–	35.4	–	(65.3)	(29.9)
As at 31st December 2022	5,474.7	55,752.8	2,384.2	11,527.0	75,138.7

The notes on pages 95 to 195 form part of these consolidated financial statements.

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, renewable energy businesses and emerging 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 Company is a limited liability company incorporated and domiciled in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is 23rd Floor, 363 Java Road, North Point, Hong Kong.

2 Summary of material accounting policies

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment property, financial assets and liabilities at fair value through profit or loss ("FVPL"), financial assets and liabilities at fair value through other comprehensive income ("FVOCI") and derivative financial instruments, which are carried at fair value.

As at 31st December 2023, the Group was in a net current liabilities (including assets held-for-sale and liabilities directly associated with assets held-for-sale) position of approximately HK$13.5 billion. This is mainly because of management's utilisation of short term borrowings which amounted to HK$14.7 billion as at 31st December 2023 and maturity of the US$300 million perpetual capital securities had been reclassified to current liabilities upon serving of the redemption notice. 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 preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(i) Amendments to standards adopted in 2023

The Group has adopted the following amendments to standards which are effective for the Group's financial year beginning 1st January 2023 and relevant to the Group.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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.

2 Summary of material accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Amendments and interpretations to existing standards which are not yet effective for the year ended 31st December 2023 but relevant to the Group and have not been early adopted by the Group

Amendments to HKAS 1 [(1)]	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to HKFRS 16 [(1)]	Lease Liability in a Sale and Leaseback
HK Int 5 (revised) [(1)]	Hong Kong Interpretation 5 (revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7 [(1)]	Supplier Finance Arrangements
Amendments to HKAS 21 [(2)]	Lack of Exchangeability
Amendments to HKFRS 10 and HKAS 28 [(3)]	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(1) Effective for annual periods beginning 1st January 2024
(2) Effective for annual periods beginning 1st January 2025
(3) To be determined

Except for the amendments to HKASs mentioned below, the directors of the Company anticipate that the application of all other amendments and interpretations to existing standards will have no material impact on the consolidated financial statements in the foreseeable future.

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

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least 12 months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

2 Summary of material accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Amendments and interpretations to existing standards which are not yet effective for the year ended 31st December 2023 but relevant to the Group and have not been early adopted by the Group (Continued)

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

For rights to defer settlement for at least 12 months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least 12 months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within 12 months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within 12 months after the reporting period.

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

As at 31st December 2023, the Group's outstanding convertible bonds include counterparty conversion options that do not meet equity instruments classification by applying HKAS 32. The Group classified as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The host debt component is measured at amortised cost with carrying amount of HK$1,857.8 million and the embedded derivative component (including the conversion options) is measured at fair value with carrying amount of HK$94.5 million as at 31st December 2023, both of which are classified as non-current as set out in notes 32(b) and 25 respectively. Upon the application of the 2020 Amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible instruments. Given that the conversion options are exercisable anytime, the host liability and the embedded derivative component amounting to HK$1,952.3 million would be reclassified to current liabilities as the holders have the option to convert within 12 months after the reporting period.

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

2 Summary of material accounting policies (Continued)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

(i) Subsidiaries

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in the profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's net identifiable assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment. Cost also includes direct attributable cost of investment. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or a financial asset. In addition, any amounts previously recognised in the other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in the other comprehensive income are reclassified to the profit or loss.

2 Summary of material accounting policies (Continued)

(b) Consolidation (Continued)

(iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in the other comprehensive income is reclassified to the profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in the other comprehensive income is recognised in the other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the profit or loss.

In the Company's statement of financial position, the investment in an associate is stated at the cost less provision for impairment. The result of the associate is accounted for by the Company on the basis of dividend received and receivable.

(v) Joint ventures

Joint ventures are joint ventures whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in joint ventures are accounted for by the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in joint ventures includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in the other comprehensive income is reclassified to the profit or loss where appropriate.

2 Summary of material accounting policies (Continued)

(b) Consolidation (Continued)

(v) Joint ventures (Continued)

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in the other comprehensive income is recognised in the other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in joint ventures are recognised in the profit or loss.

In the Company's statement of financial position, the investments in joint ventures are stated at cost less provision for impairment. The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee members that makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other gains, net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as FVOCI are recognised in other comprehensive income.

2 Summary of material accounting policies (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group entities, including associates and joint ventures, (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analysing historical exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in acquiring mining and oil properties, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs, other than costs incurred in acquiring land use right and mining and oil properties, are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised and transferred to property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the profit or loss.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. The capitalised costs in respect of capital work in progress include direct materials, direct labour costs, subcontracting costs, capitalised borrowing costs and other direct overheads. Capital work in progress is transferred to relevant categories of property, plant and equipment upon completion of their respective work.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance incurred in restoring property, plant and equipment to their normal working condition are charged to the profit or loss.

2 Summary of material accounting policies (Continued)

(f) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated on a straight-line basis to allocate the cost less accumulated impairment of each component of the asset to its residual value over its estimated useful life as follows:

Production plant and related equipment	10 – 40 years
Vehicles, office furniture and equipment	5 – 15 years
Gas mains and risers	25 – 40 years
Water mains	30 – 50 years
Gasholders, office, store and buildings	20 – 40 years
Meters and installations	5 – 30 years
Mining and oil properties	Based on the unit-of-production method utilising only estimated recoverable coal and oil reserves as the depletion base
Others	5 – 30 years
Capital work in progress	No depreciation

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of statement of financial position.

Gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the profit or loss.

(g) Deferred overburden removal costs

Mining structures include deferred stripping costs and mining related property, plant and equipment. When estimated coal reserves have been determined, stripping costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. Stripping costs incurred during the production phase are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral properties, in which case the stripping costs would be capitalised into property, plant and equipment as mining structures. Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body.

Mining structures are depreciated on the unit-of-production method utilising only estimated coal reserves in the depletion base, or based on the useful lives of respective items of property, plant and equipment, whichever is appropriate.

(h) Investment property

Property owned or held by the lessee as a right-of-use asset that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market value, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors ("HKIS"). These valuations are reviewed annually by qualified valuers. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

2 Summary of material accounting policies (Continued)

(h) Investment property (Continued)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred.

Changes in fair values are recognised in the profit or loss.

Property that is being constructed or developed for future use as investment property is classified as investment properties and measured at fair value unless fair value cannot be reliably determined. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in the profit or loss.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment, the gain is recognised in the profit or loss.

(i) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 Summary of material accounting policies (Continued)

(i) Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease income from operating leases where the Group is a lessor is recognised in the profit or loss on a straight-line basis over the lease term.

(j) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, associates and joint ventures at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill arising on an acquisition of an associate or a joint venture is included in the cost of the investment of the relevant associate or joint venture. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on separately recognised goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Separately recognised goodwill is allocated to cash-generating units, primarily individual projects, for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over the period of the relevant right from 15 years to 50 years.

Other intangible assets with indefinite useful lives are not amortised. The useful life of these intangibles is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

(k) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Goodwill are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than separately recognised goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Summary of material accounting policies (Continued)

(l) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories: those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as FVOCI where assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the profit or loss and recognised in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment expenses are presented as separate line item in the income statement.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the profit or loss as other gains, net when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Summary of material accounting policies (Continued)

(l) Investments and other financial assets (Continued)

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, with further details set out in note 29.

(m) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 25. Movements in the hedging reserve in shareholders' equity are shown in note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within other gains, net.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within other comprehensive income in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contracts related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contracts that relates to the hedged item ('aligned forward element') is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contracts (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contracts are recognised in the cash flow hedge reserve within equity.

2 Summary of material accounting policies (Continued)

(m) Derivative financial instruments and hedging activities (Continued)

Amounts accumulated in equity are reclassified in the periods when the hedged item affects the profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in the profit or loss as the hedged item affects the profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in the profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the profit or loss.

(n) Inventories

Inventories comprise stores and materials and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of overheads. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(o) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in the profit or loss exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in the profit or loss.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the profit or loss to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that relate directly to providing those goods or services that have not been recognised as expenses.

2 Summary of material accounting policies (Continued)

(p) Construction contracts

Contract costs are recognised as expenses in the period in which they are incurred.

When the outcome of a construction contract cannot be reasonably measured, but the Group expects to recover the costs incurred in satisfying the performance obligation, contract revenue is recognised only to the extent of contract costs incurred that are expected to be recovered until such time that the outcome of the performance obligation can be reasonably measured.

When the outcome of a construction contract can be reasonably measured, contract revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

(q) Trade and other receivables

Trade receivables are amounts due from customers for merchandises sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is no reasonable expectation of recovery.

(r) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, cash and cash equivalents are presented as time deposits up to three months, cash and bank balances in current assets and bank overdrafts are included in borrowings in current liabilities.

(s) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(t) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit or loss in the year in which they are incurred.

2 Summary of material accounting policies (Continued)

(t) Borrowings and borrowing costs (Continued)

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 the issue, both the debt instrument and the derivative components 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.

(u) Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity. In this case, the tax is also recognised in the other comprehensive income or directly in equity.

The current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the jurisdictions where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred taxation is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred taxation is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Summary of material accounting policies (Continued)

(v) Revenue and income recognition

(i) Gas sales – recognised at a point in time and based on gas consumption primarily derived from meter readings.

(ii) Water sales – recognised at a point in time and based on water consumption primarily derived from meter readings.

(iii) Liquefied petroleum gas sales – recognised at a point in time and upon completion of the gas filling transaction.

(iv) Equipment sales – recognised at a point in time and upon completion of installation work or when equipment, materials and parts are delivered to customers and title has passed.

(v) Oil, coal, biomass utilisation businesses and other chemical products related sales – recognised at a point in time and upon completion of delivery and title has passed.

(vi) Maintenance and service charges – recognised over time when services are provided.

(vii) Renewable energy businesses – recognised at a point in time and based on energy production (mainly photovoltaic power) primarily derived from meter readings.

(viii) Interest income – recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(ix) Dividend income – recognised when the right to receive payment is established.

(x) Rental income – recognised on a straight-line accrual basis over the terms of lease agreements.

(xi) Construction and gas connection income – recognised overtime or at a point in time depending on the terms of the contracts and actual work performed.

Revenue is recognised when or as the control of the goods or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

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.

(w) Employee benefits

Salaries, bonuses and paid annual leave are accrued in the year in which the associated services are rendered by employees to the Group.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of their shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

The Group operates a number of defined contribution and one defined benefit retirement schemes and the assets of the schemes are held separately from those of the Group in independently administered funds. The retirement schemes are funded by payments from employees and by the Group, taking into account the recommendations of independent qualified actuaries.

2 Summary of material accounting policies (Continued)

(w) Employee benefits (Continued)

(i) Defined contribution retirement schemes

The Group contributes to defined contribution retirement schemes and Mandatory Provident Fund schemes which are available to salaried employees in Hong Kong. The Group's contributions to these retirement schemes are calculated as a percentage of the employees' basic salaries or relevant income and are expensed as incurred. No forfeited contributions have been utilised by the Group to reduce the existing contributions.

For employees in the Chinese mainland, the Group contributes on a monthly basis to various defined contribution plans organised by the relevant municipal and provincial governments in the Chinese mainland based on a certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further constructive obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(ii) Defined benefit retirement scheme

The Group also operates a defined benefit retirement scheme, namely the Workmen Retirement Scheme, in Hong Kong. The scheme provides benefit to employees based on final salary. The Group's net obligation in respect of the defined benefit retirement scheme is calculated separately for the scheme using the projected unit credit method. The benefit obligation is measured as the present value of the estimated future benefit that employees have earned for their service in the current and prior years using interest rates of government bonds which have terms to maturity approximating the terms of the related liability.

The current service cost of the defined benefit plan, recognised in the profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the profit or loss.

(x) Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2 Summary of material accounting policies (Continued)

(x) Provisions and contingencies (Continued)

Asset retirement obligations which meet the criteria of provisions are recognised as provisions and the amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related oil properties of an amount equivalent to the provision is also created. This is subsequently depleted as part of the costs of the oil properties. Interest expenses from the assets retirement obligations for each period are recognised with the effective interest method during the useful life of the related oil properties.

If the conditions for the recognition of the provisions are not met, the expenditures for the decommissioning, removal and site cleaning will be expensed in the profit or loss when occurred.

(y) Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached condition.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown in other gains, net in the consolidated income statement.

3 Financial risk management

Financial risk factors

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 overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage and reduce certain risk exposures.

Risk management is carried out by Corporate Treasury Department (Group Treasury) under policies approved by the Treasury Committee, comprising all the executive directors of the Company. Group Treasury identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Treasury Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong, the Chinese mainland and Thailand and is exposed to foreign exchange risk arising from various unhedged currency exposures, primarily with respect to the United States dollars ("USD"), Renminbi ("RMB") and Thailand Baht ("THB"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group has also entered into cross currency swap contracts to manage its exposure to foreign exchange risk from recognised liabilities, including medium-term notes denominated in foreign currencies. Group Treasury is responsible for managing the net position in each foreign currency by using external forward currency contracts and other suitable financial instruments.

3 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Transactions denominated in the USD mainly arise from the Group's operation in Hong Kong. Pursuant to Hong Kong's Linked Exchange Rate System under which HKD is pegged to the USD, management considers there are no significant foreign exchange risks with respect to the USD. Furthermore, there are no significant transactions and recognised assets and liabilities of the Thailand business in currency other than THB. Management considers there is no significant foreign exchange risk from the Thailand business except for the translation from functional to presentation currency.

At 31st December 2023, if the RMB had weakened/strengthened by 2 per cent (2022: 2 per cent) against HKD with all other variables held constant, pre-tax profit for the year would have been HK$30.4 million (2022: HK$42.6 million) lower/higher.

(ii) Price risk

The Group is exposed to equity securities price risk for the listed equity investments held by the Group which are classified as financial assets at FVOCI and financial assets at FVPL of HK$1,351.4 million (2022: HK$1,257.4 million) and HK$1,145.2 million (2022: HK$1,218.3 million) respectively.

The Group controls this risk through active monitoring of price movements and changes in market conditions that may have an impact on the value of these financial assets and instruments.

Majority of the Group's equity securities are publicly traded and are included in one of the following indexes: Hang Seng Index and Shanghai Stock Exchange A Share Index.

The table below summarises the impact of increases/decreases of the following indexes on the Group's pre-tax profit for the year and on other comprehensive income. The analysis is based on the assumption that the indexes had increased/decreased by 10 per cent with all other variables held constant and all the Group's equity securities moved according to the historical correlation with the indexes.

	Impact on pre-tax profit		Impact on other comprehensive income	
	2023 HK$'M	2022 HK$'M	**2023 HK$'M**	2022 HK$'M
Hang Seng Index	**–**	–	**4.0**	3.6
Shanghai Stock Exchange A Share Index	**84.0**	92.3	**81.1**	94.1

Pre-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as FVPL. Other comprehensive income would increase/decrease as a result of gains/losses on equity securities classified as FVOCI.

3 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk

Financial instruments at fixed and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group's interest-bearing assets mainly comprise floating and fixed rate bank deposits of HK$9,038.1 million (2022: HK$13,293.5 million). The Group's interest-bearing liabilities mainly comprises floating rate borrowings of HK$21,817.8 million (2022: HK$25,519.0 million), fixed rate borrowings of HK$35,951.1 million (2022: HK$33,785.0 million) and floating rate deposits received from customers of HK$1,482.0 million (2022: HK$1,453.7 million).

At 31st December 2023, if market interest rates on bank deposits had been 100 basis points (2022: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK$125.6 million (2022: HK$101.9 million) higher/lower, mainly as a result of higher/lower interest income on floating rate bank deposits.

At 31st December 2023, if market interest rates on borrowings and customers' deposits had been 100 basis points (2022: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK$254.1 million (2022: HK$273.3 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and customers' deposits.

(b) Credit risk

Credit risk of the Group mainly arises from:

	2023 HK$'M	2022 HK$'M
Cash and bank deposits	**9,038.1**	13,293.5
Debt securities and derivative financial instruments	**419.0**	639.8
Trade receivables	**4,590.6**	4,435.6
Other receivables	**3,532.2**	4,053.6
Loan and other receivables from associates	**889.9**	1,091.8
Loan and other receivables from joint ventures	**510.9**	612.8
Loan and other receivables from non-controlling shareholders	**248.8**	224.0
Other non-current assets	**3,923.2**	3,850.4

The Group has no significant concentrations of credit risk. The Group has credit policy to handle credit risk of customers. There is no significant concentration of sales to any individual customer. The top five largest customers account for less than 30 per cent of the total revenues. Furthermore, security deposits are required for gas customers. This also applies to the Chinese mainland associates and joint ventures where there is no significant concentration of sales to any individual customer. Other non-current assets mainly represent aviation fuel facility construction receivable. Management considered that counterparty default risk is low and there is no history of default in repayment. Debt securities, derivative financial instruments entered with financial institutions and cash transactions counter parties are mostly with good credit rating of investment grade or above. The Group has policies that limit the amount of credit exposure to any one financial institution.

The Group monitors the exposure to credit risk in respect of the financial assistance provided to its joint ventures and associates through exercising joint control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

3 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates is as follows:

	2023 %	2022 %
Cash and bank deposits		
AA	**7.3**	1.4
A	**75.1**	80.3
BBB	**10.5**	13.1
Unrated	**7.1**	5.2
	100.0	100.0
Debt securities		
AA	**6.3**	6.0
A	**8.2**	18.7
BBB	**4.2**	–
BB	**–**	1.3
Unrated	**81.3**	74.0
	100.0	100.0
Derivative financial instruments		
AA	**8.1**	41.4
A	**90.2**	58.6
BBB	**1.7**	–
	100.0	100.0

Credit ratings are quoted from Bloomberg.

Credit quality of loan and other receivables from associates, loan and other receivables from joint ventures, other non-current assets and trade and other receivables are disclosed in notes 21, 22, 27 and 29 respectively to the consolidated financial statements.

The Group has several types of financial assets that are subject to the expected credit loss model, including trade receivables, other receivables, loan and other receivables from associates, joint ventures and non-controlling shareholders, aviation fuel facility construction receivable and debt investments carried at amortised cost or FVOCI. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

3 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

Trade receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for trade receivables and contract assets. The expected credit loss provision rates for trade receivables and contract assets are based on historical payment profiles and historical credit loss experience, adjusted to reflect, where relevant and appropriate, current and information specific to the debtors, future economic and market conditions and forward-looking information on macroeconomic factors (e.g. Gross Domestic Product) affecting the ability of the debtors to settle the receivables that the Group considers are reasonable and appropriate. To measure the expected credit losses, trade receivables and contract assets have been grouped based on the days past due. The gross carrying amount of the trade receivables, contract assets and the loss allowance provision analysed by aging band are set out below:

	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total
31st December 2023						
Expected loss rate	**0.1%**	**0.5%**	**0.9%**	**0.7%**	**39.0%**	**5.0%**
Gross carrying amount – trade receivables and contract assets (HK$'M)	**4,182.1**	**1,091.1**	**123.6**	**288.1**	**795.7**	**6,480.6**
Loss allowance (HK$'M)	**2.3**	**5.2**	**1.1**	**2.0**	**310.3**	**320.9**
31st December 2022						
Expected loss rate	0.1%	0.2%	1.2%	3.0%	48.8%	5.2%
Gross carrying amount – trade receivables and contract assets (HK$'M)	3,654.6	1,004.1	132.2	95.1	570.1	5,456.1
Loss allowance (HK$'M)	1.5	2.3	1.6	2.8	278.2	286.4

The closing loss allowances for trade receivables and contract assets as at 31st December 2023 and 2022 reconcile to the opening loss allowances as follows:

	Loss allowance for trade receivables and contract assets	
	2023 HK$'M	2022 HK$'M
At 1st January	**286.4**	246.2
Increase in loss allowance recognised in the profit or loss (note 10)	**56.6**	73.9
Receivables written off as uncollectible	**(10.5)**	(13.3)
Unused amount reversed	**(6.8)**	(9.9)
Exchange differences	**(4.8)**	(10.5)
At 31st December (note 29(a))	**320.9**	286.4

A provision for impairment is established when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments after certain periods of time.

3 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

Other receivables, loans and other receivables from associates, joint ventures and non-controlling shareholders, and aviation fuel facility construction receivable

Impairment on other receivables, loans and other receivables from associates, joint ventures and non-controlling shareholders, and aviation fuel facility construction receivable are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses.

The Group applies 12-month expected credit loss model under HKFRS 9 and considers there is no significant increase in credit risk since initial recognition. The loss allowance for other receivables and loans and other receivables from associates, joint ventures and non-controlling shareholders as a result of applying the expected credit loss model was immaterial.

Other financial investments

All of the Group's debt investments at FVOCI are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12-month expected credit losses. Management consider 'low credit risk' for most of the listed bonds to be an investment grade credit rating with at least one major rating agency. The issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Taking into account the ongoing dealings with counterparties and securities pledged by the counterparties, management consider 'low credit risk' for the derivative financial instruments.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping adequate free cash and credit lines available.

The Group determines that there is no significant liquidity risk in view of the adequate and stable sources of funds and unutilised banking facilities.

3 Financial risk management (Continued)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's major financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, except for derivative financial instruments. Non-interest-bearing balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK$'M	Between 1 and 2 years HK$'M	Between 2 and 5 years HK$'M	Over 5 years HK$'M
At 31st December 2023				
Trade and other payables	**7,315.5**	**–**	**–**	**–**
Loan and other payables to joint ventures	**629.7**	**110.0**	**–**	**–**
Loan and other payables to non-controlling shareholders	**75.2**	**–**	**164.9**	**–**
Borrowings	**19,426.0**	**12,675.4**	**20,840.5**	**14,123.9**
Lease liabilities	**145.7**	**100.0**	**151.6**	**138.0**
Derivative financial instruments	**37.6**	**23.5**	**143.6**	**3.7**
At 31st December 2022				
Trade and other payables	10,112.3	–	–	–
Loan and other payables to joint ventures	263.4	–	113.1	–
Loan and other payables to non-controlling shareholders	163.4	15.6	153.8	–
Borrowings	21,550.3	9,287.3	23,876.6	14,115.5
Lease liabilities	170.8	124.7	128.8	57.9
Derivative financial instruments	–	21.1	254.3	18.9

The customers' deposits are not presented in the above liquidity analysis as management considers it is not practical to allocate the deposits into maturity groupings and the net movement in customers' deposits is not significant based on past experience.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back existing shares, drawdown and repay borrowings (including redeemable perpetual securities), issue and redeem perpetual capital securities, issue new shares, convertible bonds or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowing divided by total equity and net borrowing. Net borrowing is calculated as total borrowings (including redeemable perpetual securities), less time deposits, cash and bank deposits as shown in the consolidated statement of financial position.

3 Financial risk management (Continued)

Capital risk management (Continued)

The gearing ratios at 31st December 2023 and 2022 are as follows:

	2023 HK$'M	2022 HK$'M
Total borrowings (including redeemable perpetual securities)	**(57,768.9)**	(59,304.0)
Less: Time deposits, cash and bank deposits	**9,038.1**	13,293.5
Net borrowing	**(48,730.8)**	(46,010.5)
Total equity	**(71,018.7)**	(75,138.7)
Net borrowing	**(48,730.8)**	(46,010.5)
	(119,749.5)	(121,149.2)
Gearing ratio	**41%**	38%

Fair value estimation

The Group's financial instruments are measured in the consolidated 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 2023 and 2022.

	Level 1		Level 2		Level 3		Total	
HK$'M	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Financial assets								
Financial assets at FVPL								
– Debt securities	**263.1**	248.4	**–**	–	**–**	–	**263.1**	248.4
– Equity investments	**2,520.0**	1,218.3	**–**	–	**298.2**	3,318.7	**2,818.2**	4,537.0
Derivative financial instruments	**–**	–	**95.0**	62.5	**–**	241.8	**95.0**	304.3
Financial assets at FVOCI								
– Debt securities	**60.9**	87.1	**–**	–	**–**	–	**60.9**	87.1
– Equity investments	**1,351.4**	1,257.4	**–**	–	**418.2**	418.8	**1,769.6**	1,676.2
Total financial assets	**4,195.4**	2,811.2	**95.0**	62.5	**716.4**	3,979.3	**5,006.8**	6,853.0
Financial liabilities								
Other payables	**–**	–	**–**	–	**–**	154.0	**–**	154.0
Derivative financial instruments	**–**	–	**113.9**	93.6	**94.5**	200.7	**208.4**	294.3
Total financial liabilities	**–**	–	**113.9**	93.6	**94.5**	354.7	**208.4**	448.3

3 Financial risk management (Continued)

Fair value estimation (Continued)

There are no changes in valuation techniques during the year.

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 unlisted equity investments of approximately HK$0.7 billion (2022: approximately HK$0.8 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.
- As at 31st December 2022, financial assets include a total of approximately HK$2.9 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, 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 expected volatility of the fair value of the unlisted equity investment. The fair value increases with the increase in the expected volatility. These financial assets were transferred from level 3 to level 1 during 2023.
- As at 31st December 2022, financial assets also include derivative financial instrument of approximately HK$0.2 billion, the fair value is determined based on the binomial model. The significant unobservable inputs include discount rate of 15.8 per cent and share price expected volatility of the fair value of the underlying equity instrument of 42.4 per cent. The fair value movement was caused by the change in discount rate and share price expected volatility. Based on the latest discussion with the counter-party, the derivative financial instrument arrangement has been ceased during 2023. As a result, the fair value of the derivative financial instrument as at 31st December 2023 was reduced to zero.

3 Financial risk management (Continued)

Fair value estimation (Continued)

– As at 31st December 2022, financial liabilities include contingent consideration of 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 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. Based on the latest discussion with the counter-party, such obligation is released. As a result, the fair value of the contingent consideration as at 31st December 2023 was reduced to zero.

– Financial liabilities also include embedded derivative component of convertible bonds of approximately HK$0.1 billion (2022: approximately HK$0.2 billion), the fair value of which is determined based on binomial option pricing model. The significant unobservable inputs include share price expected volatility of 43.3 per cent (2022: 39.9 per cent). The fair value of embedded derivative component 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 2023 and 2022:

	Financial assets		Financial liabilities	
	2023 HK$M	2022 HK$M	**2023 HK$M**	2022 HK$M
At 1st January	**3,979.3**	3,960.5	**354.7**	930.6
Additions	**73.6**	366.9	**–**	–
Disposals	**(137.3)**	(59.0)	**–**	–
Change in fair value	**(1,728.3)**	43.0	**(255.6)**	(531.5)
Exchange differences	**(96.1)**	(332.1)	**(4.6)**	(44.4)
Transfer to level 1	**(1,374.8)**	–	**–**	–
At 31st December	**716.4**	3,979.3	**94.5**	354.7

There were transfer from level 3 to level 1 during the year.

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

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management incorporates their assessment on the impact arising from the relevant global political and economic situation into their evaluation.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

(a) Estimated impairment of assets

The Group tests annually whether goodwill has suffered any impairment or whenever events of changes in circumstances indicates that the carrying amount may not be recoverable. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amounts of the assets and cash-generating units have been determined based on the higher of fair value less costs of disposal and value-in-use calculations, and reflecting management's latest business plans and strategies in light of the latest market environment and the management's assessment on the business prospect thereof as of 31st December 2023. These calculations require the use of estimates which includes the following key assumptions as detailed below:

4 Critical accounting estimates and judgements (Continued)

(a) Estimated impairment of assets (Continued)

Chemical production project in the Chinese mainland

With respect to a chemical production project of the Group in the Chinese mainland which produces industrial chemical products including methanol and green methanol (under New Energy segment), the Group assessed its recoverable amount using the value-in-use method as at 31st December 2023. The key assumptions adopted in the assessment were future business growth, future product selling prices and production costs, production volume and a discount rate of 10.0 per cent. Based on the result of the assessment, an impairment provision of HK$719.9 million against property, plant and equipment held by a subsidiary of the Group was recognised in the profit or loss for the year ended 31st December 2023. Assuming the discount rate increased by 50 basis points with all other variables held constant, a further impairment loss to be recognised would not be material to the Group.

City-gas, renewable energy and related businesses in the Chinese mainland

In respect of several city-gas, renewable energy and related projects of the Group in the Chinese mainland (under gas, water, renewable energy and related businesses in the Chinese mainland segment), the Group assessed each of the projects' recoverable amounts by using the value-in-use method as at 31st December 2023. The key assumptions adopted in the assessments were future business growth, future selling/service prices and production costs, production volume (where applicable) and discount rates of 8.5 per cent to 15.5 per cent. Based on the results of the assessments, coupled with the transacted prices of certain transactions, an impairment provision of HK$959.7 million against goodwill and property, plant and equipment of those projects held by certain subsidiaries and joint ventures of the Group was recognised in the profit or loss for the year ended 31st December 2023. Assuming the discount rates increased by 50 basis points with all other variables held constant, the further impairment loss to be recognised on goodwill or property, plant and equipment held by certain subsidiaries and joint ventures of the Group individually would not be material to the Group.

Data centres in the Chinese mainland

In respect of several data centres of the Group in the Chinese mainland (under other segment), the Group assessed each of the centres' recoverable amount by using the value-in-use method as at 31st December 2023. The key assumptions adopted in the assessments were future business growth, future selling/service prices, the utilisation rate of racks and discount rate of 10.0 per cent. Based on the results of the assessments, an impairment provision of HK$469.7 million against property, plant and equipment of those projects held by certain subsidiaries of the Group was recognised in the profit or loss for the year ended 31st December 2023. Assuming the discount rate increased by 50 basis points with all other variables held constant, a further impairment loss to be recognised would not be material to the Group.

(b) Property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. For cost incurred and capitalised as property, plant and equipment, management assessed whether the Group has control over these assets based on relevant regulations and the terms as stipulated in the relevant agreements, where applicable.

4 Critical accounting estimates and judgements (Continued)

(c) Estimate of fair value of investment property

The valuation of investment properties (including those held by an associate) is performed in accordance with The HKIS Valuation Standards (2020 Edition) published by HKIS and the "International Valuation Standards" published by the International Valuation Standards Committee. The valuation is reviewed annually by qualified valuers by considering the information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- rental income derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the rental income.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are mainly determined using income capitalisation valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each date of statement of financial position.

The principal assumptions underlying management's estimation of fair value are those related to the capitalisation rate and market rentals. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

(d) Estimate of gas and water consumption

Revenue for gas and water supply may include an estimation of the gas and water supplied to the customers of which actual meter reading is not available. The estimation is done mainly based on the past consumption records and recent consumption pattern of the customers. As of the year-end date, the overall billed gas and water sales are in line with the gas and water supplied to the customers.

(e) Recognition of gas connection income and allocation of transaction price

Critical judgements in recognising revenue

Gas connection income is recognised when or as the control of the underlying performance over time, the progress towards complete satisfaction of the performance obligation is measured using input method. Management are required to exercise significant judgement in their review and revision of the estimates of the total contract costs and actual costs incurred up to the end of the reporting period for each contract as the contract progresses, based on past experience and specific circumstances.

Critical judgements in allocating the transaction price

Some gas connection contracts include installation services. Because these contracts include performance obligations, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis.

Management estimates that the stand-alone selling price at contract inception based on expected cost plus a margin approach for installation services and residual approach for connection services.

(f) Reserves estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group's mining and oil properties for coal mines in the Chinese mainland and oil concession in Thailand. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

4 Critical accounting estimates and judgements (Continued)

(f) Reserves estimates (Continued)

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate reserves changes from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

– Asset carrying values may be affected due to changes in estimated future cash flows.

– Depreciation charged in the profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

– Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

(g) Estimate of fair value of equity investments

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods (such as discounted cash flow model) and makes assumptions that are mainly based on market conditions existing at each date of statement of financial position. Details of the key assumptions used and the impact of changes to these assumptions are described in note 3.

(h) Gain on partial disposal of EcoCeres, Inc. and its subsidiaries ("EcoCeres Group")

As at the date of the disposal of the Group's partial interest in EcoCeres Group (see notes 7 and 43), the Group recognised the retained interest in EcoCeres Group, as an associate, at its fair value. The fair value of the Group's retained interest in EcoCeres Group is determined by using an equity allocation model which is scenario-based. The Group uses its judgement to assign probabilities to different exit scenarios in relation to the underlying shares of EcoCeres. Assuming the probability for one of the scenarios decreased by 10.0 per cent with all other variables held constant, the Group's gain on partial disposal of EcoCeres Group would be lower but the extent is not material.

5 Segment information

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

	2023 HK$'M	2022 HK$'M
Gas sales before fuel cost adjustment	41,460.4	42,267.5
Fuel cost adjustment	1,058.0	1,348.2
Gas sales after fuel cost adjustment	42,518.4	43,615.7
Gas connection income	2,951.7	3,589.8
Equipment sales and maintenance services	3,147.6	3,389.4
Water and related sales	1,584.0	1,785.4
Biomass utilisation businesses	1,382.0	4,013.0
Renewable energy businesses	1,056.3	507.9
Oil and coal related sales	770.2	1,272.0
Other sales	3,560.9	2,780.2
	56,971.1	60,953.4

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, renewable energy and related businesses; (b) New Energy and (c) property business. Gas, water, renewable energy 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.

5 Segment information (Continued)

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

2023 HK$'M	Gas, water, renewable energy and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Chinese mainland				
Revenue recognised at a point in time	10,402.8	41,227.2	2,447.3	–	257.8	54,335.1
Revenue recognised over time	–	1,003.4	–	–	1,023.7	2,027.1
Finance and rental income	–	–	541.0	67.9	–	608.9
	10,402.8	42,230.6	2,988.3	67.9	1,281.5	56,971.1
Adjusted EBITDA	5,250.2	5,878.5	604.8	39.6	141.7	11,914.8
Depreciation and amortisation	(867.7)	(2,150.0)	(299.9)	–	(213.1)	(3,530.7)
Unallocated expenses						(246.8)
						8,137.3
Other gains, net (note 7)						324.9
Interest expense						(2,214.6)
Share of results of associates (note)	–	1,257.4	225.4	878.6	(0.3)	2,361.1
Share of results of joint ventures	–	556.8	0.3	10.8	(2.2)	565.7
Profit before taxation						9,174.4
Taxation						(2,003.1)
Profit for the year						7,171.3

Note

Share of results of associates includes an increase of HK$500.0 million (2022: a decrease of HK$62.0 million) being the Group's shared change in valuation of investment properties at the International Finance Centre complex for the year.

5 Segment information (Continued)

2022 HK$'M	Gas, water, renewable energy and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Chinese mainland				
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 (note 7)						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

The segment assets at 31st December 2023 and 2022 are as follows:

2023 **HK$'M**	**Gas, water, renewable energy and related businesses**		**New Energy**	**Property**	**Other segments**	**Total**
	Hong Kong	**Chinese mainland**				
Segment assets	**18,524.1**	**99,194.2**	**16,708.8**	**16,309.1**	**3,999.2**	**154,735.4**
Unallocated assets:						
Financial assets at FVOCI						**1,830.5**
Financial assets at FVPL						**3,081.3**
Time deposits, cash and bank balances excluded from segment assets						**1,253.9**
Others (note)						**1,076.5**
Total assets						**161,977.6**

5 Segment information (Continued)

2022 HK$'M	Gas, water, renewable energy and related businesses: Hong Kong	Gas, water, renewable energy and related businesses: 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 FVOCI						1,763.3
Financial assets at FVPL						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

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.

No liabilities are included in the internal reporting that are used by the ECM to assess performance and allocate resources. Accordingly, no segment liabilities are presented.

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2023 is HK$11,989.6 million (2022: HK$12,487.8 million), and the revenue from external customers in the Chinese mainland and other geographical locations is HK$44,981.5 million (2022: HK$48,465.6 million).

At 31st December 2023, the total of non-current assets other than financial instruments located in Hong Kong is HK$35,981.0 million (2022: HK$35,636.5 million), and the total of non-current assets other than financial instruments located in the Chinese mainland and other geographical locations is HK$95,749.2 million (2022: HK$97,344.8 million).

For the years ended 31st December 2023 and 2022, the percentage of revenues attributable to the Group's five largest customers is less than 30 per cent and none of the individual customers of the Group contributed 10% or more of the Group's revenue.

6 Total operating expenses

	2023 HK$'M	2022 HK$'M
Stores and materials used	**34,996.0**	39,308.9
Manpower costs (note 11)	**3,879.3**	3,741.0
Depreciation and amortisation	**3,541.8**	3,525.4
Other operating items	**6,416.7**	6,016.4
	48,833.8	52,591.7

7 Other gains, net

	2023 HK$'M	2022 HK$'M
Business restructuring (note a):		
Net gain on disposal of subsidiaries (note 43)	4,677.2	–
Impairment losses for assets	(2,148.4)	–
Remeasurement loss on assets classified as held-for-sale (note 44)	(678.8)	–
Realised losses on an equity investment and related derivatives	(1,729.4)	–
	120.6	–
Towngas Smart Energy Company Limited's ("Towngas Smart Energy") exit of Shanghai Gas Co., Ltd. ("Shanghai Gas") (note b):		
Gain on disposal of an associate	681.0	–
Other items:		
Impairment losses for assets (note c)	(1,089.3)	(240.0)
Gain on disposal of an associate engaged in water business	89.4	–
Loss on deemed disposal of a subsidiary and associates	(40.5)	–
Change in fair value of embedded derivative component of convertible bonds (note 32(b))	101.6	531.5
Net investment gains (note 8)	457.7	98.1
Fair value gain on investment property (note 17)	4.6	145.0
Ineffective portion on cash flow hedges (note 25)	(0.2)	(3.6)
	(476.7)	531.0
	324.9	531.0

Notes

(a) During the year, the Group underwent business restructuring in a bid to streamline and rationalise the whole New Energy business segment, with an aim of achieving a significant reduction in carbon emission. As part of the restructuring, the Group disposed its partial interest in EcoCeres, Inc. to a strategic investor, with the investment turned from a subsidiary to an associate which resulted in a net gain on disposal of approximately HK$4.7 billion.

Combining the factors of business restructuring plan as mentioned above and the volatility of commodity price environment, certain non-core and non-performing New Energy and other businesses had been scaled down or disposed of, resulting in impairment or disposal losses. This mainly included impairment provision against property, plant and equipment in relation to a chemical production project, vehicular fuel stations and data centres located in the Chinese mainland of HK$719.9 million, HK$148.7 million and HK$469.7 million respectively. In addition, the Group has reached agreements to dispose its logistics and coal investments and therefore has reclassified those net assets as assets held-for-sale during the year, with a combined remeasurement loss of HK$678.8 million being recognised for the year ended 31st December 2023.

In June 2023, the Group reached an agreement to dispose an unlisted equity investment, which principally owns a coking coal mine and related coke production and coke-gas conversion facility, resulting in realised losses on financial assets and related derivatives of HK$1,729.4 million and impairment losses of loan receivables and prepayment of HK$844.7 million for the year ended 31st December 2023.

7 Other gains, net (Continued)

Notes (Continued)

(b) On 23rd May 2023, Towngas Smart Energy 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 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 "Capital Reduction"). The consideration payable by Shanghai Gas to Towngas Smart Energy for the exit is RMB4,662.6 million.

Pursuant to the Capital Reduction Agreement, during the period from 1st 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 1st January 2023 to 28th February 2023 were equity accounted for by Towngas Smart Energy during the year ended 31st December 2023.

The Capital Reduction Agreement became effective on 23rd May 2023 upon satisfaction of the conditions. Accordingly, at 23rd May 2023, the interest in Shanghai Gas was derecognised and a gain of HK$681.0 million was recognised. The consideration was received during the year.

(c) The amount mainly included impairment provision against goodwill and property, plant and equipment related to several city-gas projects in the Chinese mainland of HK$959.7 million (2022: impairment provision against goodwill in relation to a city-gas joint venture in the Chinese mainland of HK$145.0 million).

8 Net investment gains

		2023 HK$'M	2022 HK$'M
(a)	**Interest income**		
	Bank deposits	**280.0**	145.8
	Listed financial assets at FVOCI	**1.6**	2.1
	Listed financial assets at FVPL	**0.9**	0.5
	Loans to associates and joint ventures	**30.6**	40.1
	Others	**10.1**	16.5
		323.2	205.0
(b)	**Net realised and unrealised (losses)/gains on financial assets at FVPL and derivative financial instruments**		
	Listed securities	**(21.0)**	(128.7)
	Unlisted securities	**11.6**	(32.5)
	Exchange differences	**(6.1)**	(21.3)
		(15.5)	(182.5)
(c)	**Net realised and unrealised (losses)/gains on financial assets at FVOCI**		
	Listed securities	**(7.9)**	–
	Exchange differences	**0.3**	0.3
		(7.6)	0.3
(d)	**Dividend income**		
	Listed financial assets at FVOCI	**45.1**	51.0
	Unlisted financial assets at FVOCI	**80.5**	68.7
	Listed financial assets at FVPL	**48.0**	48.0
		173.6	167.7
(e)	**Exchange losses**	**(16.0)**	(91.4)
		457.7	98.1

9 Interest expense

	2023 HK$'M	2022 HK$'M
Interest on bank and other loans wholly repayable within five years	**1,424.6**	1,158.8
Interest on guaranteed notes wholly repayable within five years	**535.8**	379.4
Interest on guaranteed notes not wholly repayable within five years	**301.4**	296.2
Interest on convertible bonds (note 32(b))	**79.3**	77.1
Interest on lease liabilities	**28.0**	18.9
	2,369.1	1,930.4
Less: amount capitalised	**(154.5)**	(154.6)
	2,214.6	1,775.8

The interest expense is capitalised at average rates from 2.46 per cent to 4.79 per cent (2022: 2.10 per cent to 4.79 per cent) per annum.

10 Profit before taxation

Profit before taxation is stated after charging and (crediting) the following:

	2023 HK$'M	2022 HK$'M
Cost of inventories sold	**35,101.8**	38,008.1
Depreciation and amortisation	**3,541.8**	3,525.4
Loss on disposal/write off of property, plant and equipment	**69.3**	210.8
(Gain)/loss on disposal of right-of-use assets	**(21.1)**	34.9
Impairment loss of trade receivables (note 3(b))	**56.6**	73.9
Rental income from investment property		
– gross rental income	**(67.5)**	(64.2)
– outgoing expenses	**27.7**	27.5
Auditors' remuneration		
– audit services	**48.0**	35.7
– non-audit services	**9.7**	11.8
Net loss on residential maintenance (note)	**95.4**	81.1

Note		
Analysis of net loss on residential maintenance:		
Residential maintenance revenue	**(220.9)**	(219.3)
Less expenses:		
Manpower costs	**181.9**	175.0
Other operating and administrative expenses	**134.4**	125.4
Net loss	**95.4**	81.1

11 Manpower costs

(a) Staff costs

	2023 HK$'M	2022 HK$'M
Salaries and wages	**3,396.3**	3,279.5
Pension costs – defined contribution retirement schemes	**477.9**	450.9
Pension costs – defined benefit retirement scheme (note 26)	**5.1**	10.6
	3,879.3	3,741.0

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2022: three) directors whose emoluments are reflected in the analysis shown in note 12. Details of the emoluments payable to the remaining three (2022: two) individuals during the year are as follows:

	2023 HK$'M	2022 HK$'M
Fee, salaries, allowances and benefits in kind	**7.0**	5.2
Performance bonus	**10.1**	18.1
Contributions to retirement scheme	**1.7**	1.5
Share-based payment benefits	**13.1**	0.5
	31.9	25.3

Number of individuals whose emoluments fell within:

Emoluments band (HK$'M)	2023	2022
16.5 – 17.0	**–**	1
11.0 – 11.5	**2**	–
9.0 – 9.5	**1**	–
8.0 – 8.5	**–**	1

(c) Emoluments of senior management

Senior management for the years ended 31st December 2023 and 2022 were all executive directors of the Company whose emoluments have been shown in note 12.

12 Benefits and interests of directors

(a) Directors' emoluments

Name of director	Fees HK$'M	Salary, allowances and benefits in kind HK$'M	Performance bonus HK$'M	Contributions to retirement scheme HK$'M	Sub-total HK$'M	Others HK$'M	Total HK$'M
	Emoluments paid or payable to every director whether of the Company or its subsidiary undertaking						
2023							
Peter Wong Wai-yee (Managing Director) (note (i))	0.5	7.2	17.1	5.4	30.2	7.5	37.7
John Ho Hon-ming (note (i) and (ii))	0.5	6.3	4.3	2.3	13.4	3.7	17.1
Colin Lam Ko-yin	0.3	0.2	–	–	0.5	–	0.5
Lee Ka-kit (note (i))	1.0	0.5	–	–	1.5	–	1.5
Lee Ka-shing	0.7	0.5	–	–	1.2	–	1.2
David Li Kwok-po	0.7	0.1	–	–	0.8	–	0.8
Poon Chung-kwong	0.7	–	–	–	0.7	–	0.7
Moses Cheng Mo-chi	0.7	–	–	–	0.7	–	0.7
Andrew Fung Hau-chung	0.3	–	–	–	0.3	–	0.3
	5.4	14.8	21.4	7.7	49.3	11.2	60.5

Note

(i) Mr. Peter Wong Wai-yee, Mr. John Ho Hon-ming (retirement on 1st January 2024) and Dr. Lee Ka-kit who are also directors of Towngas Smart Energy, a significant subsidiary of the Group. In this connection, the above emoluments included Mr. Peter Wong Wai-yee, Mr. John Ho Hon-ming and Dr. Lee Ka-kit each received directors' emoluments from Towngas Smart Energy of HK$16.1 million, HK$7.8 million and HK$0.3 million (2022: HK$9.5 million, HK$6.7 million and HK$0.3 million) respectively, including share-based payments benefits of HK$7.5 million and HK$3.7 million received by Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming respectively from Towngas Smart Energy during the year (2022: HK$0.9 million and HK$0.5 million).

(ii) Mr. John Ho Hon-ming was retired and Mr. Yeung Lui-ming was appointed as Executive Director on 1st January 2024.

12 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Name of director	Emoluments paid or payable to every director whether of the Company or its subsidiary undertaking: Fees HK$'M	Salary, allowances and benefits in kind HK$'M	Performance bonus HK$'M	Contributions to retirement scheme HK$'M	Sub-total HK$'M	Others HK$'M	Total HK$'M
2022							
Alfred Chan Wing-kin (Managing Director) (note (iii))	0.2	6.4	4.0	2.3	12.9	–	12.9
Peter Wong Wai-yee (Managing Director) (note (iii))	0.5	6.2	18.4	5.2	30.3	0.9	31.2
John Ho Hon-ming	0.5	4.9	6.9	2.2	14.5	0.5	15.0
Colin Lam Ko-yin	0.3	0.2	–	–	0.5	–	0.5
Lee Ka-kit	1.0	0.1	–	–	1.1	–	1.1
Lee Ka-shing	0.7	0.1	–	–	0.8	–	0.8
David Li Kwok-po	0.7	0.1	–	–	0.8	–	0.8
Poon Chung-kwong	0.7	–	–	–	0.7	–	0.7
Moses Cheng Mo-chi	0.7	–	–	–	0.7	–	0.7
Andrew Fung Hau-chung (note (iv))	0.1	–	–	–	0.1	–	0.1
	5.4	18.0	29.3	9.7	62.4	1.4	63.8

Note

(iii) Mr. Alfred Chan Wing-kin was retired and Mr. Peter Wong Wai-yee was appointed as Managing Director on 6th June 2022.

(iv) Mr. Andrew Fung Hau-chung was appointed as non-executive director of the Company on 14th June 2022.

The above remuneration paid to directors of the Company also represents the amount of short-term employee benefits of HK$41.6 million (2022: HK$52.7 million), post-employment benefits of HK$7.7 million (2022: HK$9.7 million) and share-based payment benefits of HK$11.2 million (2022: HK$1.4 million) paid to the Group's key management personnel during the year ended 31st December 2023. There were no other long-term benefits and termination benefits paid to the Group's key management during the year (2022: Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2022: Nil).

13 Taxation

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

	2023 HK$'M	2022 HK$'M
Current taxation – provision for Hong Kong Profits Tax at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year	**753.8**	815.5
Current taxation – provision for other jurisdictions income tax at the prevailing rates on the estimated assessable profits for the year (note)	**1,034.5**	837.6
Current taxation – over provision in prior years	**(10.4)**	(8.3)
Deferred taxation – origination and reversal of temporary differences	**101.9**	132.5
Withholding tax	**123.3**	81.9
	2,003.1	1,859.2

Note

The prevailing income tax rates of the Chinese mainland and Thailand range from 15 per cent to 25 per cent (2022: 15 per cent to 25 per cent) and 50 per cent (2022: 50 per cent) respectively.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2023 HK$'M	2022 HK$'M
Profit before taxation	**9,174.4**	8,183.6
Less: Share of results of associates	**(2,361.1)**	(865.2)
Share of results of joint ventures	**(565.7)**	(201.5)
	6,247.6	7,116.9
Calculated at a tax rate of 16.5% (2022: 16.5%)	**1,030.9**	1,174.3
Effect of different tax rates in other jurisdictions	**447.4**	309.2
Income not subject to taxation	**(211.8)**	(236.3)
Expenses not deductible for taxation purposes	**607.6**	296.2
Utilisation of previously unrecognised tax losses	**(24.2)**	(19.8)
Over provision in prior years	**(10.4)**	(8.3)
Withholding tax	**123.3**	81.9
Unrecognised tax losses and others	**40.3**	262.0
	2,003.1	1,859.2

Share of associates' taxation for the year ended 31st December 2023 of HK$602.5 million (2022: HK$590.4 million) is included in the profit or loss as share of results of associates.

Share of joint ventures' taxation for the year ended 31st December 2023 of HK$277.6 million (2022: HK$239.7 million) is included in the profit or loss as share of results of joint ventures.

14 Dividends

	2023 HK$'M	2022 HK$'M
Interim, paid of HK12 cents per ordinary share (2022: HK12 cents per ordinary share)	**2,239.2**	2,239.2
Final, proposed of HK23 cents per ordinary share (2022: HK23 cents per ordinary share)	**4,291.8**	4,291.8
	6,531.0	6,531.0

At a meeting held on 20th March 2024, the directors of the Company declared a final dividend of HK23 cents per ordinary share for the year ended 31st December 2023. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2023.

15 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$6,070.1 million (2022: HK$5,247.9 million) and the weighted average of 18,659,870,098 shares (2022: 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.

	2023 HK$'M	2022 HK$'M
Earnings		
Profit attributable to shareholders for the purpose of basic earnings per share	**6,070.1**	5,247.9
Effect of dilutive potential ordinary shares:		
Interests on convertible bonds, attributable to shareholders	**53.3**	51.2
Change in fair value of embedded derivative component of convertible bonds, attributable to shareholders	**(68.3)**	(357.3)
Reduction in share of subsidiaries' and an associate's profits	**(162.1)**	(37.5)
Profit attributable to shareholders for the purpose of diluted earnings per share	**5,893.0**	4,904.3

16 Property, plant and equipment

	Buildings, plant and equipment HK$'M	Mains and risers HK$'M	Meters and installations HK$'M	Mining and oil properties HK$'M	Others HK$'M	Capital work in progress HK$'M	Total HK$'M
Cost							
At 1st January 2023	32,074.0	53,346.2	4,762.0	3,317.8	997.3	11,276.9	105,774.2
Additions	1,319.8	1,052.8	247.8	36.0	81.3	5,715.8	8,453.5
Transfer from right-of-use assets	281.8	–	–	–	–	–	281.8
Acquisition of subsidiaries (note 42(a))	1,903.7	10.3	–	–	–	80.7	1,994.7
Disposal of subsidiaries	(1,543.5)	(38.1)	–	–	(27.7)	(1,399.9)	(3,009.2)
Transfer to assets held-for-sale (note 44)	(1,570.6)	(272.3)	(0.5)	(399.3)	(610.4)	(51.9)	(2,905.0)
Transfers from capital work in progress	1,856.8	2,941.1	36.8	–	1.6	(4,836.3)	–
Disposals/write off	(329.0)	(13.0)	(87.1)	(5.4)	(14.0)	(10.7)	(459.2)
Exchange differences	(658.0)	(992.4)	(6.8)	25.4	(26.9)	(202.8)	(1,861.5)
At 31st December 2023	33,335.0	56,034.6	4,952.2	2,974.5	401.2	10,571.8	108,269.3
Accumulated depreciation and impairment losses							
At 1st January 2023	13,610.7	14,215.3	3,519.8	1,391.8	256.7	961.1	33,955.4
Charge for the year	1,476.6	1,514.1	285.8	35.9	19.1	–	3,331.5
Disposal of subsidiaries	(219.1)	(4.5)	–	–	(2.4)	–	(226.0)
Transfer to assets held-for-sale (note 44)	(1,152.2)	(63.7)	(0.2)	(266.2)	(82.4)	–	(1,564.7)
Impairment	1,585.2	211.6	–	129.5	84.0	297.5	2,307.8
Disposals/write off	(211.0)	(6.1)	(68.1)	(1.2)	(14.0)	–	(300.4)
Exchange differences	(252.3)	(222.5)	(2.9)	8.0	(6.8)	(34.4)	(510.9)
At 31st December 2023	14,837.9	15,644.2	3,734.4	1,297.8	254.2	1,224.2	36,992.7
Net book value							
At 31st December 2023	18,497.1	40,390.4	1,217.8	1,676.7	147.0	9,347.6	71,276.6
At 31st December 2022	18,463.3	39,130.9	1,242.2	1,926.0	740.6	10,315.8	71,818.8

The carrying values of the property, plant and equipment related to a chemical production project in the Chinese mainland as at 31st December 2023 amounted to approximately HK$1.7 billion (2022: approximately HK$2.6 billion) in total. Impairment provision on property, plant and equipment of HK$719.9 million was recognised in the profit or loss for the year ended 31st December 2023 (2022: Nil).

The additions to property, plant and equipment mainly included HK$973.3 million (2022: HK$938.7 million) and HK$7,091.9 million (2022: HK$6,044.0 million) in relation to gas, water, renewable energy and related businesses in Hong Kong and the Chinese mainland respectively. Remaining balance mainly included HK$279.8 million (2022: HK$564.5 million) in relation to New Energy segment and HK$108.5 million (2022: HK$292.5 million) in other segment.

16 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK$'M	Mains and risers HK$'M	Meters and installations HK$'M	Mining and oil properties HK$'M	Others HK$'M	Capital work in progress HK$'M	Total HK$'M
Cost							
At 1st January 2022	31,338.4	52,301.4	4,588.4	3,474.1	1,078.8	11,821.0	104,602.1
Additions	1,082.1	744.0	256.6	34.4	20.8	5,701.8	7,839.7
Transfers from capital work in progress	1,916.3	3,415.5	46.7	2.4	–	(5,380.9)	–
Disposals/write off	(417.5)	(14.1)	(111.5)	(1.0)	(20.8)	(135.6)	(700.5)
Exchange differences	(1,845.3)	(3,100.6)	(18.2)	(192.1)	(81.5)	(729.4)	(5,967.1)
At 31st December 2022	32,074.0	53,346.2	4,762.0	3,317.8	997.3	11,276.9	105,774.2
Accumulated depreciation and impairment losses							
At 1st January 2022	13,087.0	13,422.3	3,330.3	1,407.3	244.5	889.2	32,380.6
Charge for the year	1,482.9	1,447.5	289.1	39.1	36.8	–	3,295.4
Impairment	–	–	–	–	–	68.8	68.8
Disposals/write off	(322.1)	(4.6)	(91.1)	(0.2)	(3.1)	–	(421.1)
Exchange differences	(637.1)	(649.9)	(8.5)	(54.4)	(21.5)	3.1	(1,368.3)
At 31st December 2022	13,610.7	14,215.3	3,519.8	1,391.8	256.7	961.1	33,955.4
Net book value							
At 31st December 2022	18,463.3	39,130.9	1,242.2	1,926.0	740.6	10,315.8	71,818.8
At 31st December 2021	18,251.4	38,879.1	1,258.1	2,066.8	834.3	10,931.8	72,221.5

17 Investment property

	2023 HK$'M	2022 HK$'M
At 1st January	**996.5**	849.0
Additions	**–**	2.5
Fair value gain (note 7)	**4.6**	145.0
At 31st December	**1,001.1**	996.5

The Group's interest in the commercial investment property is located in Hong Kong under a land lease of over 50 years. The investment property was revalued at 31st December 2023 by an independent professionally qualified valuer, Knight Frank Petty Limited which conform to The HKIS Valuation Standards (2020 Edition) shown in note 2(h).

Fair value measurements using significant unobservable inputs

Fair value of completed commercial property in Hong Kong is generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuer's view of recent lettings, within the subject properties and other comparable properties.

17 Investment property (Continued)

Fair value measurements using significant unobservable inputs (Continued)

Information about fair value measurements as at 31st December 2023 using significant unobservable inputs is as follows:

Unobservable inputs	Commercial complex	Car park	Relationship of unobservable inputs to fair value
Capitalisation rate	5.4%	5.4%	The higher the capitalisation rate, the lower the fair value
Monthly rent	HK$19.9/sq.ft.	N/A	The higher the market rent, the higher the fair value

Valuation processes of the Group

The Group's finance division includes a team that review and analyse the valuation performed by the independent valuer for financial reporting purposes. At each financial year end, the finance division:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared with the prior year valuation report;
- Holds discussions with the independent valuer.

18 Right-of-use assets

	Prepaid leasehold land HK$'M	Buildings, plant and equipment and others HK$'M	Total HK$'M
At 1st January 2023	**2,419.7**	**393.6**	**2,813.3**
Additions	**67.9**	**138.5**	**206.4**
Acquisition of subsidiaries (note 42(a))	**9.2**	**455.7**	**464.9**
Depreciation and amortisation	**(60.7)**	**(134.0)**	**(194.7)**
Disposals	**(44.7)**	**(10.8)**	**(55.5)**
Disposal of subsidiaries	**(211.0)**	**(146.7)**	**(357.7)**
Transfer to assets held-for-sale (note 44)	**(365.6)**	**(14.7)**	**(380.3)**
Transfer to property, plant and equipment	**–**	**(281.8)**	**(281.8)**
Exchange differences	**(57.0)**	**(17.4)**	**(74.4)**
At 31st December 2023	**1,757.8**	**382.4**	**2,140.2**

	Prepaid leasehold land HK$'M	Buildings, plant and equipment and others HK$'M	Total HK$'M
At 1st January 2022	2,637.5	301.2	2,938.7
Additions	141.8	258.0	399.8
Depreciation and amortisation	(73.0)	(145.1)	(218.1)
Impairment	(21.2)	–	(21.2)
Disposals	(81.8)	(1.5)	(83.3)
Exchange differences	(183.6)	(19.0)	(202.6)
At 31st December 2022	2,419.7	393.6	2,813.3

18 Right-of-use assets (Continued)

The Group leases various land, office buildings and customer service centres. Rental contracts are made for a range of fixed periods with some of which have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Some leases contain variable payment terms that are linked to sales or net profits generated. Variable lease payments that depend on sales or net profits are recognised in the profit or loss in the period in which the condition that triggers those payments occurs. Most leases are subject to fixed payments.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. There are minimal lease contracts with extension or termination options.

19 Intangible assets

		2023 HK$'M	2022 HK$'M
(a)	**Goodwill**		
	At 1st January	**4,880.9**	5,103.6
	Acquisition of subsidiaries (note 42(a))	**67.7**	–
	Transfer to assets held-for-sale (note 44)	**(232.1)**	–
	Impairment	**(576.3)**	–
	Exchange differences	**(104.3)**	(222.7)
	At 31st December	**4,035.9**	4,880.9
(b)	**Other intangible assets**		
	Cost		
	At 1st January	**643.2**	665.5
	Additions	**–**	13.4
	Exchange differences	**(9.7)**	(35.7)
	At 31st December	**633.5**	643.2
	Accumulated amortisation		
	At 1st January	**(183.9)**	(161.9)
	Amortisation	**(23.0)**	(23.9)
	Exchange differences	**0.7**	1.9
	At 31st December	**(206.2)**	(183.9)
	Net book value		
	At 31st December	**427.3**	459.3
	Total intangible assets	**4,463.2**	5,340.2

19 Intangible assets (Continued)

Goodwill is allocated to an individual cash-generating unit and a group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, majority related to segment – gas, water, renewable energy and related businesses in the Chinese mainland. The goodwill balance included approximately HK$2.2 billion (2022: approximately HK$2.2 billion) related to the Group's investments in Towngas Smart Energy. The Group tests goodwill annually for impairment, or more frequently if there are indications that it might be impaired. For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on either fair value less costs of disposal or value-in-use calculations. The key assumptions used in the value-in-use calculations are detailed in note 4(a). Management assesses the fair value less costs of disposal in relation to the investments in certain subsidiaries by referencing to their market values as at the end of the reporting period.

Based on impairment tests performed, impairment provision on goodwill of HK$576.3 million (2022: Nil) was recognised for the year ended 31st December 2023.

20 Subsidiaries

Material non-controlling interests

The total non-controlling interest as at 31st December 2023 is HK$11,165.9 million (2022: HK$11,527.0 million) of which HK$8,756.2 million (2022: HK$9,592.5 million) is attributable to Towngas Smart Energy and the non-controlling interest in respect of other individual subsidiaries of the Group is not material.

Set out below are the summarised financial information of Towngas Smart Energy. The information below is the amount before inter-company eliminations.

Summarised statement of financial position	**2023 HK$'M**	2022 HK$'M
Assets		
Non-current assets	**43,826.9**	40,962.4
Current assets	**8,273.2**	8,183.8
	52,100.1	49,146.2
Liabilities		
Non-current liabilities	**(14,682.0)**	(12,415.8)
Current liabilities	**(13,522.0)**	(16,594.4)
	(28,204.0)	(29,010.2)
Net assets	**23,896.1**	20,136.0

20 Subsidiaries (Continued)

Material non-controlling interests (Continued)

Summarised income statement and statement of comprehensive income	2023 HK$'M	2022 HK$'M
Revenue	19,841.5	20,073.0
Profit before taxation	2,135.0	1,552.5
Taxation	(323.7)	(351.5)
Profit for the year	1,811.3	1,201.0
Other comprehensive loss	(180.6)	(2,290.1)
Total comprehensive income/(loss)	1,630.7	(1,089.1)
Total comprehensive income/(loss) attributable to non-controlling interests	666.4	(229.8)
Dividend paid to non-controlling shareholders	349.7	304.2

Summarised cash flow statement	2023 HK$'M	2022 HK$'M
Net cash generated from operating activities	1,300.7	1,339.6
Net cash generated from/(used in) investing activities	636.0	(3,165.4)
Net cash (used in)/generated from financing activities	(1,746.3)	2,036.3
Net increase in cash and cash equivalents	190.4	210.5
Cash and cash equivalents at beginning of year	4,000.7	4,071.2
Effect of foreign exchange rate changes	(107.2)	(281.0)
Cash and cash equivalents at end of year	4,083.9	4,000.7

21 Associates

	2023 HK$'M	2022 HK$'M
Investments in associates, including goodwill	35,926.5	33,501.9
Loans to associates – non-current	137.6	676.2
	36,064.1	34,178.1
Loan and other receivables from associates – current	752.3	415.6
Loan and other payables to associates – current	(72.2)	–
Fair value of listed investments	10,367.4	10,396.2

As at 31st December 2023, the Group's investments in associates, including goodwill in relation to the Chinese mainland's gas, water, renewable energy and related businesses, New Energy, property and other segments amounted to HK$14,404.8 million, HK$6,247.8 million, HK$15,228.0 million and HK$45.9 million respectively (2022: HK$18,609.6 million, HK$89.4 million, HK$14,770.6 million and HK$32.3 million respectively).

Loan and other receivables from associates are analysed below:

(i) Loans to associates in the Chinese mainland of HK$763.1 million (2022: HK$1,012.0 million) with interest rates ranging from 3.70 per cent to 4.90 per cent per annum (2022: 3.00 per cent to 7.20 per cent per annum) are unsecured and fully repayable during the period from 2024 to 2025 (2022: 2023 to 2025).

(ii) The remaining balances are unsecured, interest free and have no fixed terms of repayment.

(iii) Loan and other receivables from associates are considered to have low credit risk and the loss allowance recognised during the year was therefore limited to 12-month expected credit loss.

(iv) Loan and other receivables are denominated in the following currencies:

	2023 HK$'M	2022 HK$'M
USD	540.2	566.8
RMB	348.3	523.9
HKD	1.4	1.1
	889.9	1,091.8

Loan and other payables to associates are analysed below:

(i) As at 31st December 2023, loans from associates of HK$52.7 million with interest rate at 1.80 per cent per annum are unsecured and have no fixed terms of repayment (2022: HK$Nil).

(ii) The remaining balances are unsecured, interest free and have no fixed terms of repayment.

(iii) Loan and other payables are denominated in the following currencies:

	2023 HK$'M	2022 HK$'M
RMB	72.1	–
HKD	0.1	–
	72.2	–

21 Associates (Continued)

Particulars of the principal associates as at 31st December 2023 are listed below:

Name	Note	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
China-Singapore Suzhou Industrial Park Broad Energy Services Co., Ltd.		RMB71.1 million	25	PRC	Cooling and heating system business
蘇州工業園區蘇相合作區港華交通科技有限公司		RMB5.0 million	25	PRC	Electric vehicle charging
海南昆侖港華燃氣有限公司 (formerly known as Hainan Petrochina Kunlun Hong Kong & China Gas Co., Ltd.)		RMB50.4 million	49	PRC	Gas sales and related businesses
^Shenzhen Gas Corporation Ltd.		RMB2,876.8 million	26.5	PRC	Gas sales and related businesses
港華儲氣有限公司		RMB200.0 million	39	PRC	Gas storage project
蘇州元朔智慧能源有限公司		RMB15.0 million	27	PRC	Integrated energy project
Central Waterfront Property Investment Holdings Limited	(i)	US$100	15.8	British Virgin Islands	Investment holding
EcoCeres, Inc.	(ii)	US$38,938.8	43.9	Cayman Islands	Investment holding
GH-Fusion Limited	(iii)	US$200	50	British Virgin Islands	Investment holding
蘇州工業園區蘇相合作區市政公用發展有限公司		RMB50.0 million	49	PRC	Investment holding
河北金建佳天然氣有限公司		RMB90.0 million	20	PRC	LNG receiving terminal; pier
江蘇海企港華燃氣股份有限公司		RMB204.0 million	35	PRC	LNG refilling system for vessels
Hangzhou Natural Gas Company Limited		RMB1,195.0 million	32	PRC	Mid-stream natural gas and piped city-gas project
^Anhui Province Natural Gas Development Co., Ltd.		RMB478.3 million	20.3	PRC	Mid-stream natural gas project
Hebei Natural Gas Company Limited		RMB1,900.0 million	43	PRC	Mid-stream natural gas project
河南省中原石油天然氣管網有限公司		RMB60.0 million	49	PRC	Mid-stream natural gas project
泰州城投天然氣有限公司		RMB150.0 million	47.6	PRC	Natural gas pipeline project
S&T International Natural Gas Trading Company Limited		HK$21.0 million	40	Hong Kong	Natural gas trading

^ A listed company on the Shanghai Stock Exchange

Notes

(i) The Group has an effective interest of approximately 15.8 per cent in the IFC complex through its interest in Central Waterfront Property Investment Holdings Limited ("CWPI"). With the Group's presence on the board of directors of CWPI and participation in the financial and operating policies of the IFC complex, the Group could exercise significant influence over CWPI and accordingly the investment is accounted for as an associate.

(ii) 43.9% represents the Group's effective interest and voting right in EcoCeres, Inc.. As the Group could only exercise significant influence over EcoCeres, Inc. and accordingly the investment is accounted for as an associate.

(iii) The Group can only exercise significant influence over the board of directors in the associate.

21 Associates (Continued)

Particulars of the principal associates as at 31st December 2023 are listed below: (Continued)

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Towngas DETA Telecom (Dalian) Co., Ltd.	RMB10.0 million	49	PRC	Telecommunications business
深圳市互通聯寬帶網絡有限公司	RMB40.0 million	30	PRC	Telecommunications business
中經名氣網絡技術(北京)有限公司	RMB10.0 million	49	PRC	Telecommunications business
道勝環境產業有限公司	RMB1,273.5 million	49	PRC	Waste treatment project
# 佛山水務環保股份有限公司	RMB831.8 million	26.7	PRC	Water project
常州港華智慧能源有限公司	RMB201.0 million	28.1	PRC	Zero-carbon smart industrial park project
Held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly.				
四川能投分布式能源有限公司	*RMB512.6 million*	*24.4*	*PRC*	*Distributed energy systems businesses*
Zhuojia Public Engineering (Maanshan) Co., Ltd.	*RMB12.0 million*	*37.5*	*PRC*	*Gas pipe assembly*
Anguo Huagang Gas Company Limited	*RMB20.0 million*	*49*	*PRC*	*Gas sales and related businesses*
^ *Changchun Gas Co., Ltd.*	*RMB609.0 million*	*28.2*	*PRC*	*Gas sales and related businesses*
Dalian DETA Towngas Co., Ltd.	*RMB150.0 million*	*40*	*PRC*	*Gas sales and related businesses*
Ω *Foran Energy Group Co., Ltd.*	*RMB945.2 million*	*37*	*PRC*	*Gas sales and related businesses*
Shandong Jihua Gas Co., Ltd.	*RMB700.0 million*	*49*	*PRC*	*Gas sales and related businesses*
Zibo Lubo Gas Company Limited	*RMB100.0 million*	*27*	*PRC*	*Gas sales and related businesses*
撫州市撫北天然氣有限公司	*RMB16.0 million*	*40*	*PRC*	*Gas sales and related businesses*
臨朐港華燃氣有限公司	*US$14.8 million*	*42.4*	*PRC*	*Gas sales and related businesses*
石家莊華博燃氣有限公司	*RMB45.0 million*	*45*	*PRC*	*Gas sales and related businesses*
[1] *內蒙古西部天然氣包北管道有限公司*	*RMB200.0 million*	*30*	*PRC*	*Gas sales and related businesses*
Anhui Province Wenery Towngas Natural Gas Company Limited	*RMB240.0 million*	*49*	*PRC*	*Mid-stream natural gas project*
Dalian DETA Towngas China Energy Co., Ltd.	*RMB101.0 million*	*49*	*PRC*	*Renewable energy*

\# Direct associate of the Company

^ A listed company on the Shanghai Stock Exchange

Ω A listed company on the Shenzhen Stock Exchange

1 Newly formed during the year

21 Associates (Continued)

The following amounts represent the Group's share of income and results of the associates and are included in the consolidated income statement and statement of comprehensive income:

	2023 HK$'M	2022 HK$'M
Income	40,484.3	35,717.7
Expenses, including taxation	(38,123.2)	(34,852.5)
Profit after taxation	2,361.1	865.2
Other comprehensive income/(loss)	3.3	(11.5)
Total comprehensive income	2,364.4	853.7

Set out below are the summarised financial information of CWPI which is considered to be the only associate individually material to the Group and it is accounted for using the equity method. CWPI holds IFC complex as the commercial investment property for rental income in Hong Kong.

	CWPI	
Summarised statement of financial position	2023 HK$'M	2022 HK$'M
Assets		
Non-current assets	116,509.2	113,404.9
Current assets	563.1	543.6
	117,072.3	113,948.5
Liabilities		
Non-current liabilities	(18,766.9)	(18,605.9)
Current liabilities	(1,866.0)	(1,800.0)
	(20,632.9)	(20,405.9)
Net assets	96,439.4	93,542.6

21 Associates (Continued)

Summarised income statement and statement of comprehensive income	CWPI 2023 HK$'M	CWPI 2022 HK$'M
Income	8,533.9	4,734.9
Expenses, including taxation	(2,969.3)	(2,737.1)
Profit after taxation	5,564.6	1,997.8
Other comprehensive loss	(107.8)	(51.3)
Total comprehensive income	5,456.8	1,946.5
Share of total comprehensive income (15.79%)	861.6	307.4
Dividend received from the associate	404.2	380.5

The information above reflects the amounts presented in the financial statements of the associate adjusted for differences in accounting policies between the Group and the associate.

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate:

	CWPI 2023 HK$'M	CWPI 2022 HK$'M
Net assets		
At 1st January	93,542.6	94,006.1
Profit for the year	5,564.6	1,997.8
Other comprehensive loss	(107.8)	(51.3)
Dividend paid	(2,560.0)	(2,410.0)
At 31st December	96,439.4	93,542.6

	2023 HK$'M	2022 HK$'M
Carrying value		
Interest in an associate (15.79%)	15,227.8	14,770.4

22 Joint ventures

	2023 HK$'M	2022 HK$'M
Investments in joint ventures, including goodwill	**10,884.1**	11,163.0
Loan and other receivables from joint ventures – current	**510.9**	612.8
Loan from a joint venture – non-current	**(110.0)**	(113.1)
Loan and other payables to joint ventures – current	**(629.7)**	(263.4)

As at 31st December 2023, the Group's investments in joint ventures, including goodwill in relation to the Chinese mainland's gas, water, renewable energy and related businesses, New Energy and property segments amounted to HK$10,864.7 million, HK$14.9 million and HK$4.5 million respectively (2022: HK$11,148.5 million, HK$10.8 million and HK$3.7 million respectively).

Loan and other receivables from joint ventures are analysed below:

(i) Loans to joint ventures in the Chinese mainland of HK$16.1 million (2022: HK$14.6 million) with interest rate at 3.70 per cent per annum (2022: 4.35 per cent per annum) are unsecured and fully repayable in 2024 (2022: 2023).

(ii) Loans to joint ventures in Hong Kong of HK$111.3 million (2022: HK$93.2 million) are unsecured, interest free and have no fixed terms of repayment.

(iii) The remaining balances are unsecured, interest free and have no fixed terms of repayment.

(iv) Loan and other receivables from joint ventures are considered to have low credit risk and the loss allowance recognised during the year was therefore limited to 12-month expected credit loss.

(v) Loan and other receivables are denominated in the following currencies:

	2023 HK$'M	2022 HK$'M
RMB	**399.6**	519.6
HKD	**111.3**	93.2
	510.9	612.8

Loan and other payables to joint ventures are analysed below:

(i) Loan from a joint venture of HK$110.0 million (2022: HK$113.1 million) with interest rate of 3.25 per cent per annum (2022: 3.25 per cent per annum) is unsecured and fully repayable in 2025 (2022: 2025).

(ii) Loans from joint ventures of HK$472.8 million (2022: HK$263.4 million) with interest rate at 1.80 per cent per annum (2022: 2.15 per cent per annum) are unsecured and have no fixed terms of repayment.

(iii) The remaining balances are unsecured, interest free and have no fixed terms of repayment.

(iv) Loan and other payables to joint ventures are denominated in RMB (2022: denominated in RMB).

22 Joint ventures (Continued)

Particulars of the principal joint ventures as at 31st December 2023 are listed below:

Name	Note	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Hua Yan Environmental Industry Development (Suzhou) Co., Ltd.	(i)	RMB75.0 million	55	PRC	Food and green waste treatment project
# Beijing Beiran & HKCG Gas Company Limited		RMB44.4 million	49	PRC	Gas sales and related businesses
Changzhou Hong Kong and China Gas Company Limited		RMB300.0 million	50	PRC	Gas sales and related businesses
Nanjing Hong Kong and China Gas Company Limited		RMB700.0 million	49	PRC	Gas sales and related businesses
Suzhou Hong Kong and China Gas Co., Ltd.	(i)	RMB200.0 million	55	PRC	Gas sales and related businesses
# Tongling Hong Kong and China Gas Company Limited	(i)	RMB170.0 million	70	PRC	Gas sales and related businesses
# Xian Qinhua Gas Group Company Limited		RMB1,000.0 million	49	PRC	Gas sales and related businesses
Zhangjiagang Hong Kong and China Gas Company Limited		RMB100.0 million	50	PRC	Gas sales and related businesses
山東港華燃氣集團有限公司 (formerly known as 濟南港華燃氣有限公司)		RMB700.0 million	49	PRC	Gas sales and related businesses
武漢市燃氣集團有限公司 (formerly known as 武漢市天然氣有限公司)		RMB420.0 million	49	PRC	Gas sales and related businesses
Towngas – China Power (HK) Integrated Energy Company Limited		HK$200	50	Hong Kong	Investment holding
Jilin Province Natural Gas Limited Company		RMB220.0 million	49	PRC	Mid-stream natural gas project
江蘇港華交通科技有限公司		RMB50.0 million	50	PRC	New energy vehicle charging service
Yieldway International Limited		HK$2	50	Hong Kong	Property development
Ying Tong TGT Network Services (Shenzhen) Co. Ltd.		RMB100.0 million	49	PRC	Telecommunications business
Suzhou Industrial Park Qingyuan Hong Kong & China Water Co., Ltd.		RMB1,200.0 million	50	PRC	Water Supply and sewage treatment

Direct joint ventures of the Company

Note

(i) The Group can only exercise joint control over the board of directors in these joint ventures.

22 Joint ventures (Continued)

Particulars of the principal joint ventures as at 31st December 2023 are listed below: (Continued)

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly.				
Anqing Hong Kong and China Gas Company Limited	*RMB73.0 million*	*50*	*PRC*	*Gas sales and related businesses*
Hangzhou Hong Kong and China Gas Company Limited	*US$20.0 million*	*50*	*PRC*	*Gas sales and related businesses*
Maanshan Hong Kong and China Gas Company Limited	*US$13.0 million*	*50*	*PRC*	*Gas sales and related businesses*
Taian Taishan Hong Kong and China Gas Company Limited	*RMB150.0 million*	*49*	*PRC*	*Gas sales and related businesses*
Weifang Hong Kong and China Gas Company Limited	*RMB400.0 million*	*50*	*PRC*	*Gas sales and related businesses*
Weihai Hong Kong and China Gas Company Limited	*RMB99.2 million*	*50*	*PRC*	*Gas sales and related businesses*
Wuhu Hong Kong & China Gas Company Limited	*RMB52.8 million*	*50*	*PRC*	*Gas sales and related businesses*
Zibo Hong Kong and China Gas Company Limited	*RMB100.0 million*	*50*	*PRC*	*Gas sales and related businesses*
重慶港華燃氣有限公司	*RMB20.0 million*	*50*	*PRC*	*Gas sales and related businesses*
泰安市泰港燃氣有限公司	*RMB139.2 million*	*49*	*PRC*	*Mid-stream natural gas project*
Tongling Towngas China Energy Co., Ltd.	*RMB24.5 million*	*40*	*PRC*	*Natural gas distributed energy systems businesses*
Ruihua (Shenzhen) Integrated Smart Energy Co., Ltd.	*RMB250.0 million*	*50*	*PRC*	*Renewable energy projects and asset-light service projects*

The following amounts represent the Group's share of income and results of the joint ventures and are included in the consolidated income statement and statement of comprehensive income:

	2023 HK$'M	2022 HK$'M
Income	**19,752.8**	20,431.7
Expenses, including taxation	**(19,187.1)**	(20,230.2)
Profit after taxation and total comprehensive income	**565.7**	201.5

No individual joint ventures are considered to be material to the Group.

23 Financial assets at fair value through other comprehensive income

	2023 HK$'M	2022 HK$'M
Debt securities (note (a))	**60.9**	87.1
Equity securities (note (b))	**1,769.6**	1,676.2
	1,830.5	1,763.3

Notes

		2023 HK$'M	2022 HK$'M
(a)	Debt securities		
	Listed – Hong Kong	**13.7**	13.8
	Listed – outside Hong Kong	**47.2**	73.3
		60.9	87.1

		2023 HK$'M	2022 HK$'M
(b)	Equity securities		
	Listed – Hong Kong	**84.3**	85.7
	Listed – outside Hong Kong	**1,267.1**	1,171.7
	Unlisted	**418.2**	418.8
		1,769.6	1,676.2

Included in the equity securities, it comprises HK$45.6 million (2022: HK$72.0 million) of perpetual bonds and HK$1,724.0 million (2022: HK$1,604.2 million) of investments that are mainly engaged in the provision of natural gas and related services and gas pipeline construction services. These are strategic investments and the Group considers the classification of FVOCI to be more relevant.

Financial assets at FVOCI are denominated in the following currencies:

	2023 HK$'M	2022 HK$'M
HKD	**43.1**	62.5
USD	**131.5**	159.2
RMB	**1,655.9**	1,541.6
	1,830.5	1,763.3

24 Financial assets at fair value through profit or loss

	2023 HK$'M	2022 HK$'M
Debt securities – non-current (note (a))	**263.1**	248.4
Equity securities (note (b))		
– Current	**1,374.8**	70.1
– Non-current	**1,443.4**	4,466.9
	3,081.3	4,785.4

Notes

		2023 HK$'M	2022 HK$'M
(a)	Debt securities		
	Listed – outside Hong Kong	**263.1**	248.4

		2023 HK$'M	2022 HK$'M
(b)	Equity securities		
	Listed – Hong Kong	**–**	0.3
	Listed – outside Hong Kong	**1,145.2**	1,218.0
	Unlisted	**1,673.0**	3,318.7
		2,818.2	4,537.0

Included in the unlisted equity securities, it comprises HK$1,374.8 million (2022: HK$2,942.9 million) of investment in certain equity interest of a company which owned a coking coal mine and related coke production and coke-gas conversion facility in the Chinese mainland. An impairment loss of HK$1,492.2 million was recognised during the year.

Financial assets at FVPL are denominated in the following currencies:

	2023 HK$'M	2022 HK$'M
HKD	**12.0**	12.0
USD	**11.1**	11.4
RMB	**3,058.2**	4,762.0
	3,081.3	4,785.4

25 Derivative financial instruments

	2023		2022	
	Assets HK$'M	Liabilities HK$'M	Assets HK$'M	Liabilities HK$'M
Non-current				
Cross currency swap and interest rate swap contracts – cash flow hedges	**70.6**	**(49.1)**	34.4	(26.0)
Cross currency swap contracts – held-for-trading	**–**	**–**	18.8	–
Foreign currency forward contracts – held-for-trading	**3.1**	**–**	–	(6.1)
Interest rate swap contracts – held-for-trading	**2.9**	**(27.2)**	3.4	(61.5)
Put option – held-for-trading (note 3)	**–**	**–**	241.8	–
Convertible bonds – embedded derivative component (note 32(b))	**–**	**(94.5)**	–	(200.7)
	76.6	**(170.8)**	298.4	(294.3)
Current				
Cross currency swap and interest rate swap contracts – cash flow hedges	**15.0**	**(23.3)**	5.1	–
Cross currency swap contracts – held for trading	**–**	**(7.4)**	–	–
Foreign currency forward contracts – held-for-trading	**3.4**	**–**	0.8	–
Interest rate swap contracts – held for trading	**–**	**(6.9)**	–	–
	18.4	**(37.6)**	5.9	–

The fair value of hedging derivatives is classified as current assets or liabilities when the remaining maturity of the hedged item is less than 12 months.

The full fair values of hedging derivatives are classified as non-current assets or liabilities when the remaining maturity of the hedged items is more than 12 months.

25 Derivative financial instruments (Continued)

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounted to a loss of HK$0.2 million (2022: HK$3.6 million) (note 7).

The major terms of the outstanding derivative contracts held for hedging as at 31st December 2023 are as follows:

Notional amount	Maturity	Forward contract rate
Cross currency swap and interest rate swap contracts – cash flow hedges		
RMB1,750 million	**2024 – 2026**	**HKD1 to RMB0.8144 – RMB0.9060**
USD250 million	**2024 – 2027**	**USD1 to RMB6.3760 – RMB6.927**
AUD25 million	**2025**	**AUD1 to HKD5.42**
JPY2 billion	**2027**	**JPY100 to HKD6.877**

Gains and losses recognised in the hedging reserve in equity (note 36) on the swaps as of 31st December 2023 will be continuously released to the profit or loss until the repayment of relevant borrowings.

26 Retirement benefit assets

	2023 HK$'M	2022 HK$'M
At 31st December	**105.4**	134.7

The Group operates a defined benefit retirement scheme in Hong Kong, namely the Workmen Retirement Scheme which is a final salary defined benefit scheme.

The amounts recognised in the consolidated statement of financial position are shown as follows:

	2023 HK$'M	2022 HK$'M
Fair value of plan assets	**569.6**	577.4
Present value of funded obligations	**(464.2)**	(442.7)
Net assets in the consolidated statement of financial position	**105.4**	134.7

The plan assets did not include any shares of the Company as at 31st December 2023 (2022: Nil).

The cost of the defined benefit retirement scheme recognised in the consolidated income statement is as follows:

	2023 HK$'M	2022 HK$'M
Current service cost	**10.2**	13.4
Net interest income	**(5.1)**	(2.8)
Total (note 11)	**5.1**	10.6

26 Retirement benefit assets (Continued)

The amounts recognised in the other comprehensive income are as follows:

	2023 HK$'M	2022 HK$'M
Actuarial loss due to liability experience	7.7	3.7
Actuarial loss/(gain) due to financial assumption changes	26.9	(108.9)
Actuarial loss due to demographic assumption changes	–	0.1
Actuarial loss/(gain)	34.6	(105.1)
Return on plan assets, excluding amounts included in interest income	(6.8)	147.6
Total	27.8	42.5

The movements in the defined benefit obligations are as follows:

	2023 HK$'M	2022 HK$'M
At 1st January	442.7	560.9
Current service cost	10.2	13.4
Interest cost	15.6	8.1
Benefits paid	(38.9)	(34.6)
Actuarial loss/(gain)	34.6	(105.1)
At 31st December	464.2	442.7

The movements in the fair value of plan assets are as follows:

	2023 HK$'M	2022 HK$'M
At 1st January	577.4	744.9
Return on plan assets, excluding amounts included in interest income	6.8	(147.6)
Interest income recognised in consolidated income statement	20.7	10.9
Contribution paid by employer	3.6	3.8
Benefits paid	(38.9)	(34.6)
At 31st December	569.6	577.4

The movements in the assets recognised in the consolidated statement of financial position are as follows:

	2023 HK$'M	2022 HK$'M
At 1st January	134.7	184.0
Remeasurement effects recognised in other comprehensive income	(27.8)	(42.5)
Total cost of defined benefit retirement scheme (note 11)	(5.1)	(10.6)
Contribution paid by employer	3.6	3.8
At 31st December	105.4	134.7

26 Retirement benefit assets (Continued)

The major categories of plan assets as a percentage of total plan assets are as follows:

	2023 %	2022 %
Equity securities	**68.8**	67.3
Debt securities	**29.0**	26.2
Cash	**2.2**	6.5

The principal actuarial assumptions used are as follows:

	2023 %	2022 %
Discount rate	**3.0**	3.7
Expected rate of future salary increases	**4.0**	3.5

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.25%**	**Decrease by 1.9%**	**Increase by 2.0%**
Salary increase rate	**0.25%**	**Increase by 0.5%**	**Decrease by 0.7%**
Maximum salary scale increase rate	**0.25%**	**Increase by 1.2%**	**Decrease by 1.3%**

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Expected contributions to the scheme for the year ending 31st December 2024 are HK$3.2 million.

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Investment risk	Strong investment returns tend to increase the fair value of scheme assets and therefore improve the scheme's financial position as measured by the net defined benefit asset/liability, whilst poor or negative investment returns tend to weaken the position. The scheme assets are invested in a diversified portfolio of equities, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical locations helps to reduce the concentration of risk associated with the scheme investments.
Interest rate risk	The defined benefit obligation is calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the defined benefit obligation
Salary risk	The defined benefit obligation is calculated with reference to the future salaries of members because the scheme's benefits are salary-related. Salary increases that are higher than expected will increase the defined benefit obligation.

26 Retirement benefit assets (Continued)

The weighted average duration of the benefit obligation is 7.9 years. Expected maturity analysis of benefit undiscounted payments:

	Within 5 years HK$'M	Beyond 5 years but within 10 years HK$'M	Beyond 10 years HK$'M
As 31st December 2023			
Expected benefit payments	**166.8**	**202.0**	**327.1**

27 Other non-current assets

	2023 HK$'M	2022 HK$'M
Aviation fuel facility construction receivable (note (a))	**3,778.6**	3,848.2
Other receivables and prepayments (note (b))	**1,908.2**	2,509.8
Deposit paid for acquisition of subsidiaries	**–**	178.7
Restricted bank deposit (note (c))	**108.7**	–
	5,795.5	6,536.7

Notes

(a) Aviation fuel facility construction receivable is denominated in HKD, unsecured and will be recovered by monthly instalments up to 2047.

(b) The balance includes prepayments of HK$1,859.0 million (2022: HK$1,847.7 million) for the right to use two storage tanks at the liquefied natural gas receiving terminal in Tangshan city for a contract term of 50 years, and the remaining balance mainly represents prepayments for inventory and capital expenditures to suppliers.

(c) The balance represents a deposit placed in a bank for backing of operation at an energy trading platform.

28 Inventories

	2023 HK$'M	2022 HK$'M
Stores and materials	**1,793.2**	2,690.3
Work in progress	**773.8**	736.0
	2,567.0	3,426.3

The Group wrote down the carrying value of inventories by HK$18.5 million (2022: HK$10.6 million) to its net realisable value during the year ended 31st December 2023.

29 Trade and other receivables

	2023 HK$'M	2022 HK$'M
Trade receivables (note (a))	**4,590.6**	4,435.6
Payments in advance (note (b))	**1,801.8**	2,173.6
Other receivables	**3,532.2**	4,053.6
	9,924.6	10,662.8

Notes

(a) 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:

	2023 HK$'M	2022 HK$'M
0 – 30 days	**3,880.4**	3,924.7
31 – 60 days	**120.8**	132.2
61 – 90 days	**139.3**	95.1
Over 90 days	**450.1**	283.6
	4,590.6	4,435.6

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for trade receivables. Note 3(b) provides for details about the calculation of the allowance.

The loss allowance further increased from HK$286.4 million to HK$320.9 million (note 3(b)) during the year.

(b) Balance mainly represents prepayment for purchase of materials and services in relation to the Group's gas, water, renewable energy and New Energy businesses in Hong Kong and the Chinese mainland. As at 31st December 2023, the directors of the Company reviewed the composition of the balance and considered the amount is recoverable.

Trade and other receivables are denominated in the following currencies:

	2023 HK$'M	2022 HK$'M
RMB	**6,805.9**	7,430.4
HKD	**3,096.0**	2,898.9
USD	**16.4**	326.2
Others	**6.3**	7.3
	9,924.6	10,662.8

30 Time deposits, cash and bank balances

	2023 HK$'M	2022 HK$'M
Time deposits over three months	**66.0**	52.3
Time deposits up to three months	**1,591.8**	5,332.7
Cash and bank balances	**7,380.3**	7,908.5
	8,972.1	13,241.2

The average effective interest rates on time deposits in Hong Kong and the Chinese mainland are 5.64 per cent and 1.53 per cent per annum respectively (2022: 3.15 per cent and 1.64 per cent per annum respectively). These deposits have average maturity dates within 69 days (2022: 59 days).

Time deposits, cash and bank balances are denominated in the following currencies:

	2023 HK$'M	2022 HK$'M
RMB	**7,606.4**	7,815.8
USD	**891.8**	4,158.6
HKD	**490.4**	810.2
THB	**35.8**	497.3
Others	**13.7**	11.6
	9,038.1	13,293.5

The conversion of Renminbi denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the Chinese mainland are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

31 Trade payables and other liabilities

	2023 HK$'M	2022 HK$'M
Trade payables (note (a))	**4,806.1**	4,272.7
Other payables and accruals (note (b))	**6,275.5**	5,600.4
Contract liabilities (note (c))	**8,719.2**	8,583.1
Lease liabilities (note (d))	**126.0**	154.2
Preferred shares (note (e))	**–**	3,393.9
	19,926.8	22,004.3

31 Trade payables and other liabilities (Continued)

Notes

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

	2023 HK$'M	2022 HK$'M
0 – 30 days	**1,698.8**	1,773.6
31 – 60 days	**738.0**	552.1
61 – 90 days	**722.1**	572.0
Over 90 days	**1,647.2**	1,375.0
	4,806.1	4,272.7

(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.

The following table shows the amount of the revenue recognised in the current reporting period relates to contract liability balance at the beginning of the year:

	2023 HK$'M	2022 HK$'M
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**5,802.0**	4,568.2

(d) As at 31st December 2023, the weighted average incremental borrowing rate applied to the lease liabilities were 3.0 per cent (2022: 3.0 per cent) for leases in Hong Kong and 5.0 per cent (2022: 5.0 per cent) for leases in the Chinese mainland.

(e) 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. The subsidiary has become an associate during the year and is therefore equity-accounted for.

(f) As at 31st December 2023, the amount of unsatisfied performance obligations expected to be recognised within one year and after one year are HK$3,880.4 million (2022: HK$4,054.3 million) and HK$3,975.2 million (2022: HK$4,898.2 million) respectively.

Trade payables and other liabilities are denominated in the following currencies:

	2023 HK$'M	2022 HK$'M
RMB	**17,116.8**	15,823.0
HKD	**2,516.5**	2,434.7
USD	**278.2**	3,730.8
Others	**15.3**	15.8
	19,926.8	22,004.3

32 Borrowings

	2023 HK$'M	2022 HK$'M
Non-current		
Bank and other loans	**18,784.2**	15,631.6
Guaranteed notes (note (a))	**20,073.9**	22,136.6
Convertible bonds (note (b))	**1,857.8**	1,854.9
	40,715.9	39,623.1
Current		
Bank and other loans	**9,379.5**	17,967.3
Guaranteed notes (note (a))	**5,329.9**	1,713.6
Redeemable perpetual securities (note (c))	**2,343.6**	–
	17,053.0	19,680.9
Total borrowings	**57,768.9**	59,304.0

Notes

(a) Guaranteed notes

As at 31st December 2023, HK$19,310.5 million, USD200.0 million, RMB2,500.0 million, AUD25.0 million and JPY2,000.0 million (2022: HK$19,520.5 million, USD200.0 million, RMB2,335.0 million, AUD25.0 million and JPY2,000.0 million) guaranteed notes were issued by HKCG (Finance) Limited or TCCL (Finance) Limited, subsidiaries of the Group. The notes are unsecured and guaranteed by the Company or Towngas Smart Energy as to repayment, mainly carry fixed coupon rates ranging from 0.68 per cent to 5.00 per cent per annum payable quarterly, half-yearly or annually in arrear and have maturity terms between 2 to 40 years.

(b) Convertible bonds

In November 2021, Towngas Smart Energy, issued and allotted new shares and convertible bonds due 2026 of principal amount of RMB1,835.6 million (equivalent to HK$2,217.7 million at an agreed exchange rate) to an investor. Details of the transactions were disclosed in Towngas Smart Energy's announcements dated 25th October 2021 and 18th November 2021.

There was no movement in the number of the convertible bonds during the years ended 31st December 2023 and 2022. The convertible bonds entitle the investor to convert them into ordinary shares of Towngas Smart Energy in whole or in part at any time during the conversion period at a conversion price of HK$6.33 per share, subject to adjustments. Effective from 12th July 2022, the conversion price of the convertible bonds has been adjusted from HK$6.33 per share to HK$6.26 per share as a result of distributions of scrip shares at HK$4.028 per share made by Towngas Smart Energy to the shareholders for the year ended 31st December 2021. Effective from 11th July 2023, the conversion price of the convertible bonds has been further adjusted from HK$6.26 per share to HK$6.18 per share as a result of distributions of scrip shares at HK$3.49 per share made by Towngas Smart Energy to the shareholders for the year ended 31st December 2022. The conversion period commences from the date of issue and will expire on the close of business on the earlier of (i) the date which is 5 business days prior to the maturity date, i.e. 18th 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.

32 Borrowings (Continued)

Notes (Continued)

(b) Convertible bonds (Continued)

The convertible bonds comprise two components:

(i) 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 per cent (2022: 4 per cent) per annum.

(ii) 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$'M	Embedded derivative component (note 25) HK$'M	Total HK$'M
As at 1st January 2022	1,956.6	776.6	2,733.2
Exchange differences	(156.6)	(44.4)	(201.0)
Interest expense (note 9)	77.1	–	77.1
Interest paid	(22.2)	–	(22.2)
Change in fair value (note 7)	–	(531.5)	(531.5)
As at 31st December 2022	1,854.9	200.7	2,055.6
Exchange differences	(54.2)	(4.6)	(58.8)
Interest expense (note 9)	79.3	–	79.3
Interest paid	(22.2)	–	(22.2)
Change in fair value (note 7)	–	(101.6)	(101.6)
As at 31st December 2023	1,857.8	94.5	1,952.3

(c) Redeemable perpetual securities

In February 2019, the Group re-issued perpetual capital securities of US$300 million ("Perpetual Capital Securities") and the proceeds were mainly used to refinance the 2014 first-issued perpetual capital securities redeemed in January 2019. The Perpetual Capital Securities have 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. On 22nd December 2023, the Group announced that it will redeem all of the Perpetual Capital Securities on the first call date of 12th February 2024. In this connection, the Perpetual Capital Securities were re-classified as redeemable perpetual securities under current liabilities as at 31st December 2023. The redemption was completed on 14th February 2024 after payment has been made in accordance with terms and conditions of the Perpetual Capital Securities.

(d) The maturity of borrowings is as follows:

	Bank and other loans		Guaranteed notes, convertible bonds and redeemable perpetual securities	
	2023 HK$'M	2022 HK$'M	2023 HK$'M	2022 HK$'M
Within 1 year	9,379.5	17,967.3	7,673.5	1,713.6
Between 1 and 2 years	8,317.1	3,579.9	2,905.1	4,257.9
Between 2 and 5 years	9,079.3	11,254.1	9,826.5	10,232.8
Wholly repayable within 5 years	26,775.9	32,801.3	20,405.1	16,204.3
Wholly repayable over 5 years	1,387.8	797.6	9,200.1	9,500.8

32 Borrowings (Continued)

Notes (Continued)

(d) The maturity of borrowings is as follows: (Continued)

As at 31st December 2023, the Group's borrowings amounted to HK$57,768.9 million (2022: HK$59,304.0 million). All the bank and other loans were unsecured. Guaranteed notes of HK$3,731.4 million (2022: HK$3,603.4 million) were hedged.

	2023		2022	
	Within 1 year HK$'M	Over 1 year HK$'M	Within 1 year HK$'M	Over 1 year HK$'M
Bank and other loans				
– Fixed rate	4,523.4	6,355.7	4,523.8	7,336.1
– Floating rate	4,856.1	12,428.5	13,443.5	8,295.5
Guaranteed notes, convertible bonds and redeemable perpetual securities				
– Fixed rate	6,533.5	18,538.5	1,713.6	20,211.5
– Floating rate	1,140.0	3,393.2	–	3,780.0

The exposure of the Group's floating rate borrowings to interest rate changes and the contractual repricing dates are mainly within 6 months from the date of statement of financial position, except for some guaranteed notes, convertible bonds and bank loans subject to fixed interest rate and with maturity terms ranged from 1 to 40 years. The effective interest rates of the Group's borrowings at the date of statement of financial position are as follows:

	2023					2022				
	HKD	USD	RMB	AUD	JPY	HKD	USD	RMB	AUD	JPY
Bank and other loans	5.8%	4.1%	3.6%	N/A	N/A	5.2%	4.0%	3.7%	N/A	1.2%
Guaranteed notes	3.6%	4.7%	3.1%	3.0%	2.9%	3.3%	4.6%	3.0%	3.0%	2.9%
Convertible bonds	N/A	N/A	4.0%	N/A	N/A	N/A	N/A	4.0%	N/A	N/A
Redeemable perpetual securities	N/A	4.8%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(e) The carrying values of borrowings approximate their fair values as the balances impact of discounting is not significant.

(f) The carrying amounts of the borrowings are denominated in the following currencies:

	2023 HK$'M	2022 HK$'M
HKD	28,339.3	31,872.8
RMB	24,889.2	25,221.1
USD	4,296.6	1,951.5
AUD	133.0	132.8
JPY	110.8	125.8
	57,768.9	59,304.0

33 Deferred taxation

The movements in the deferred taxation are as follows:

	2023 HK$'M	2022 HK$'M
At 1st January	6,926.7	7,225.4
Charged to the profit or loss	225.2	214.4
Charged/(credited) to other comprehensive income	38.2	(33.0)
Disposal of subsidiaries	23.4	–
Transfer to assets held-for-sale (note 44)	(38.2)	–
Withholding tax	(109.2)	(93.4)
Exchange differences	(141.8)	(386.7)
At 31st December	6,924.3	6,926.7

The movements in deferred tax liabilities and (assets) during the year are as follows:

	Accelerated tax depreciation HK$'M	Mining and oil properties HK$'M	Financial instruments HK$'M	Right-of-use assets HK$'M	Lease liabilities HK$'M	Provision HK$'M	Tax losses HK$'M	Others HK$'M	Total HK$'M
At 1st January 2022 (restated)	4,243.6	1,344.6	616.8	54.4	(58.4)	(8.3)	(10.8)	1,043.5	7,225.4
Charged/(credited) to profit or loss	195.5	5.1	(43.1)	25.2	(25.8)	–	–	57.5	214.4
Credited to other comprehensive income	–	–	(33.0)	–	–	–	–	–	(33.0)
Withholding tax	–	–	–	–	–	–	–	(93.4)	(93.4)
Exchange differences	(203.4)	(61.3)	(42.7)	(5.8)	5.5	–	–	(79.0)	(386.7)
At 31st December 2022 (restated)	4,235.7	1,288.4	498.0	73.8	(78.7)	(8.3)	(10.8)	928.6	6,926.7

	Accelerated tax depreciation HK$'M	Mining and oil properties HK$'M	Financial instruments HK$'M	Right-of-use assets HK$'M	Lease liabilities HK$'M	Provision HK$'M	Tax losses HK$'M	Others HK$'M	Total HK$'M
At 1st January 2023 (restated)	4,235.7	1,288.4	498.0	73.8	(78.7)	(8.3)	(10.8)	928.6	6,926.7
Charged/(credited) to profit or loss	149.4	(6.1)	(10.9)	43.6	(45.2)	–	–	94.4	225.2
Charged to other comprehensive income	–	–	38.2	–	–	–	–	–	38.2
Disposal of subsidiaries	(3.3)	–	–	(34.7)	35.2	–	–	26.2	23.4
Transfer to assets held-for-sale	9.5	(15.0)	–	(3.7)	4.7	–	–	(33.7)	(38.2)
Withholding tax	–	–	–	–	–	–	–	(109.2)	(109.2)
Exchange differences	(114.4)	14.0	(9.4)	(1.2)	1.3	–	–	(32.1)	(141.8)
At 31st December 2023	4,276.9	1,281.3	515.9	77.8	(82.7)	(8.3)	(10.8)	874.2	6,924.3

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK$1,132.4 million (2022: HK$1,054.0 million) in respect of losses amounting to HK$4,733.8 million (2022: HK$4,489.6 million) that can be carried forward and set off against future taxable income. These tax losses have no expiry dates except for the tax losses of HK$3,836.4 million (2022: HK$3,575.4 million) which will expire at various dates up to and including 2028 (2022: 2027).

33 Deferred taxation (Continued)

Prior to the amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction", the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis that they arise from a single transaction. Following the amendments to HKAS 12, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. Where the Group has applied the amendments retrospectively to leasing transactions that occurred on or after 1st January 2022, the balances of deferred tax assets and liabilities as at 1st January 2022 and 31st December 2022 have been restated. There is no impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

Certain balances of deferred tax assets and liabilities as at 1st January 2022 and 31st December 2022 have also been restated to conform to the current year's presentation.

34 Other non-current liabilities

	2023 HK$'M	2022 HK$'M
Customers' deposits (note (a))	1,482.0	1,453.7
Contract liabilities (note (b))	866.9	867.6
Loan and other payables to non-controlling shareholders	164.9	169.4
Lease liabilities (note (c))	292.9	274.0
Asset retirement obligations	89.5	85.9
	2,896.2	2,850.6

Notes

(a) Customers' deposits mainly represent deposits received from customers pursuant to gas supply contracts agreed with customers and are repayable upon termination of gas supply contracts subject to the customers' fulfilment of certain conditions.

(b) Contract liabilities include only the non-current portion. The current portion is disclosed in note 31.

(c) Lease liabilities include only lease with contractual maturities over 1 year, the current portion is disclosed in note 31.

35 Share capital

	Number of shares		Share capital	
	2023	2022	2023 HK$'M	2022 HK$'M
Issued and fully paid:				
At beginning and end of year	18,659,870,098	18,659,870,098	5,474.7	5,474.7

36 Reserves

	Investment revaluation reserve HK$'M	Hedging reserve HK$'M	Exchange reserve HK$'M	Other reserves (note) HK$'M	Retained profits HK$'M	Total HK$'M
As at 1st January 2023	418.9	(5.8)	(1,272.6)	40.3	56,572.0	55,752.8
Profit attributable to shareholders	–	–	–	–	6,070.1	6,070.1
Other comprehensive income:						
Movement in reserve of financial assets at FVOCI	78.6	–	–	–	–	78.6
Remeasurements of retirement benefit	–	–	–	–	(27.8)	(27.8)
Change in fair value of cash flow hedges	–	(10.1)	–	–	–	(10.1)
Share of other comprehensive income of associates	(3.8)	(17.0)	–	24.1	–	3.3
Exchange differences	–	–	(1,424.1)	–	–	(1,424.1)
Total comprehensive income for the year	74.8	(27.1)	(1,424.1)	24.1	6,042.3	4,690.0
Capital injections in subsidiaries	–	–	–	–	108.1	108.1
Further acquisition of subsidiaries (note 42(b))	–	–	–	–	(11.2)	(11.2)
Deemed partial disposal of subsidiaries	–	–	(0.9)	–	1.1	0.2
Disposal of subsidiaries (note 43)	–	–	50.0	–	–	50.0
Release of exchange reserve	–	–	283.8	–	–	283.8
2022 final dividend paid	–	–	–	–	(4,291.8)	(4,291.8)
2023 interim dividend paid	–	–	–	–	(2,239.2)	(2,239.2)
Share-based payments of a subsidiary	–	–	–	6.2	–	6.2
Share award scheme of a subsidiary	–	–	–	38.1	(8.9)	29.2
At 31st December 2023	493.7	(32.9)	(2,363.8)	108.7	56,172.4	54,378.1
Balance after 2023 final dividend proposed	493.7	(32.9)	(2,363.8)	108.7	51,880.6	50,086.3
2023 final dividend proposed	–	–	–	–	4,291.8	4,291.8
	493.7	(32.9)	(2,363.8)	108.7	56,172.4	54,378.1

36 Reserves (Continued)

	Investment revaluation reserve HK$'M	Hedging reserve HK$'M	Exchange reserve HK$'M	Other reserves (note) HK$'M	Retained profits HK$'M	Total HK$'M
As at 1st January 2022	551.3	(18.8)	3,484.8	40.8	57,893.6	61,951.7
Profit attributable to shareholders	–	–	–	–	5,247.9	5,247.9
Other comprehensive income:						
Movement in reserve of financial assets at FVOCI	(129.0)	–	–	–	–	(129.0)
Remeasurements of retirement benefit	–	–	–	–	(42.5)	(42.5)
Change in fair value of cash flow hedges	–	21.1	–	–	–	21.1
Share of other comprehensive loss of an associate	(3.4)	(8.1)	–	–	–	(11.5)
Exchange differences	–	–	(4,757.4)	–	–	(4,757.4)
Total comprehensive income for the year	(132.4)	13.0	(4,757.4)	–	5,205.4	328.6
Capital injections in subsidiaries	–	–	–	–	55.4	55.4
Further acquisition of subsidiaries (note 42(b))	–	–	–	–	(37.7)	(37.7)
Deemed partial disposal of subsidiaries (note 41(d))	–	–	–	(3.3)	(30.8)	(34.1)
2021 final dividend paid	–	–	–	–	(4,291.8)	(4,291.8)
2022 interim dividend paid	–	–	–	–	(2,239.2)	(2,239.2)
Share-based payments of subsidiaries	–	–	–	(32.6)	17.1	(15.5)
Share award scheme of a subsidiary	–	–	–	35.4	–	35.4
At 31st December 2022	418.9	(5.8)	(1,272.6)	40.3	56,572.0	55,752.8
Balance after 2022 final dividend proposed	418.9	(5.8)	(1,272.6)	40.3	52,280.2	51,461.0
2022 final dividend proposed	–	–	–	–	4,291.8	4,291.8
	418.9	(5.8)	(1,272.6)	40.3	56,572.0	55,752.8

Note

Other reserves arise from the issue of equity-settled share-based payments to certain employees to allow them to invest in the equity interest in Towngas Smart Energy and the purchase of shares under a share award scheme of Towngas Smart Energy.

At 31st December 2023, there are 24,000 shares (2022: 10,737,000 shares) held by the trustee of the share award scheme. During the year ended 31st December 2023, an additional 950,000 shares (2022: 6,965,000 shares) were purchased by the trustee from the market at an average price of approximately HK$3.34 per share (2022: HK$4.29 per share), with an aggregate amount of approximately HK$3,172,000 (2022: approximately HK$29,897,000). During the year ended 31st December 2023, 11,633,000 shares (2022: Nil) were granted to the selected eligible employees with amount of HK$39,596,000 (2022: Nil) recognised as share-based payment expenses and included in staff costs when vested during the year.

37 Perpetual capital securities

In December 2023, a redemption notice was issued that the issuer, Towngas (Finance) Ltd., a wholly-owned subsidiary of the Group will redeem all of the perpetual capital securities on 12th February 2024 (the "First Call Date") at their principal amount together with any distribution accrued to the First Call Date. In such case, the perpetual capital securities are reclassified to current borrowings as at 31st December 2023. Details of the reclassification are disclosed in note 32.

38 Contingent liabilities

The Company and the Group did not have any material contingent liabilities as at 31st December 2023 and 2022.

39 Commitments

(a) Capital expenditures for property, plant and equipment

	2023 HK$'M	2022 HK$'M
Contracts had been entered into but not brought into the consolidated financial statements at 31st December	**5,590.3**	5,491.0

(b) Share of capital expenditures for property, plant and equipment of joint ventures

	2023 HK$'M	2022 HK$'M
Contracts had been entered into but not brought into the consolidated financial statements at 31st December	**3,807.9**	4,488.4

(c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to finance certain new projects under various contracts in the Chinese mainland. The directors of the Company estimate that as at 31st December 2023, the Group's commitments to these projects were approximately HK$7,948.0 million (2022: HK$7,543.2 million).

(d) Lease commitments

Lessor

The Group leases out the building facilities of the commercial complex and car parks of Grand Waterfront (further details of the carrying value of the property are contained in note 17). Except for certain car parks rented out on an hourly or a monthly basis, these leases typically run for a period of 2 to 5 years.

At 31st December 2023 and 2022, future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	2023 HK$'M	2022 HK$'M
Not later than 1 year	**23.9**	22.2
Later than 1 year and not later than 5 years	**14.8**	22.7
Later than 5 years	**–**	0.5
	38.7	45.4

40 Related party transactions

Henderson Land Development Company Limited ("Henderson") is a related party of the Group by virtue of its significant interest in and influence over the Group. Other related parties include subsidiaries of Henderson and one bank with a common director with the Company during the year. During the year, the transactions carried out and year end balances with the associates, joint ventures and other related parties are shown as follows:

(a) Interest income and sale of goods and services

	2023 HK$'M	2022 HK$'M
Associates		
Sale of goods and services (note (i))	**668.5**	426.6
Loan interest income (note (ii))	**23.8**	38.0
Joint ventures		
Sale of goods and services (note (i))	**838.0**	436.9
Loan interest income (note (ii))	**7.0**	2.1
Other related parties		
Sale of goods and services (note (i))	**406.3**	233.5

(b) Interest expense and purchase of goods and services

	2023 HK$'M	2022 HK$'M
Associates		
Purchase of goods and services (note (i))	**244.6**	322.8
Joint ventures		
Purchase of goods and services (note (i))	**52.3**	22.3
Loan interest expenses (note (ii))	**8.4**	4.3
Other related parties		
Purchase of goods and services (note (i))	**9.3**	10.1
Interest expense on bank loans (note (i))	**0.9**	2.2

Notes

(i) These related party transactions were conducted at prices and terms as agreed by parties involved.

(ii) For the terms and year end balances of loans, please refer to notes 21 and 22.

(c) Year end balances arising from interest expense and sale of goods and services to other related parties

	2023 HK$'M	2022 HK$'M
Bank loans and interest payables	**505.3**	497.3
Trade receivables	**4.6**	2.5

Note

For the terms and year end balances of bank loans and interest payables, and trade receivables, please refer to notes 32 and 29 respectively.

(d) Other related party transactions are also disclosed in note 12.

41 Notes to consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash from operating activities

	2023 HK$'M	2022 HK$'M
Profit before taxation	**9,174.4**	8,183.6
Share of results of associates	**(2,361.1)**	(865.2)
Share of results of joint ventures	**(565.7)**	(201.5)
Fair value gain on investment property	**(4.6)**	(145.0)
Impairment loss of trade receivables	**56.6**	73.9
Net gain on disposal of subsidiaries	**(4,677.2)**	–
Gain on disposal of associates	**(770.4)**	–
Loss on deemed disposal of a subsidiary and associates	**40.5**	–
Provision for assets	**3,237.7**	240.0
Remeasurement loss on assets classified as held-for-sale	**678.8**	–
Realised losses on an equity investment and related derivatives	**1,729.4**	–
Ineffective portion on cash flow hedges	**0.2**	3.6
Interest income	**(323.2)**	(204.5)
Interest expense	**2,214.6**	1,775.8
Dividend income from investments in securities	**(173.5)**	(167.7)
Depreciation and amortisation	**3,549.2**	3,525.4
Loss on disposal/write off of property, plant and equipment	**69.3**	210.8
(Gain)/loss on disposal of right-of-use assets	**(21.1)**	34.9
Net realised and unrealised losses/(gains) on financial assets at FVOCI	**7.6**	(0.3)
Net realised and unrealised losses on financial assets at FVPL and derivative financial instruments	**15.5**	183.0
Change in fair value of embedded derivative component of convertible bonds	**(101.6)**	(531.5)
Share-based payments	**48.9**	(13.5)
Tax paid	**(1,756.1)**	(1,260.3)
Exchange differences	**15.9**	91.4
Changes in working capital		
Increase in customers' deposits	**43.5**	19.7
Decrease/(increase) in inventories	**166.3**	(401.3)
Decrease/(increase) in trade and other receivables	**317.2**	(2,153.2)
Increase in trade payables and other liabilities	**315.5**	1,227.4
Increase in asset retirement obligations	**3.6**	12.4
Changes in retirement benefit assets	**1.5**	6.8
Net cash from operating activities	**10,931.7**	9,644.7

41 Notes to consolidated cash flow statement (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Leases HK$'M	Borrowings HK$'M
At 1st January 2022	326.3	55,111.1
Cash flows	(151.4)	5,734.3
Exchange differences	(21.7)	(1,985.1)
Other non-cash movement	275.0	443.7
At 31st December 2022	428.2	59,304.0
Cash flows	(519.0)	(2,538.2)
Exchange differences	(20.7)	(635.4)
Acquisition of subsidiaries	543.8	156.0
Disposal of subsidiaries	(150.0)	(652.4)
Transfer to assets held-for-sale	(18.7)	(352.5)
Reclass from perpetual capital securities	–	2,375.0
Other non-cash movement	155.3	112.4
At 31st December 2023	**418.9**	**57,768.9**

(c) During the year ended 31st December 2023, total cash outflow for lease was included in the statement of cash flows in (a) interest paid of HK$28.0 million (2022: HK$18.9 million) under "financing activities", (b) principal elements of lease payments of HK$491.0 million (2022: HK$132.5 million) under "financing activities".

(d) During the year ended 31st December 2023, Towngas Smart Energy issued shares to employees of the Group for a proceed of HK$0.4 million and deemed partial disposal in a subsidiary for a proceed of HK$15.7 million. The net gain of HK$0.2 million arising from these transactions with non-controlling interests was directly recognised in reserves.

During the year ended 31st December 2022, Towngas Smart Energy issued shares to employees of the Group for a proceed of HK$42.6 million. EcoCeres, Inc., a subsidiary of the Group also issued ordinary shares to investors for a proceed of HK$98.9 million. The net loss of HK$34.1 million arising from these transactions with non-controlling interests was directly recognised in reserves.

42 Acquisition of subsidiaries

(a) Acquisition of subsidiaries

For the year ended 31st December 2023, the Group acquired a number of subsidiaries with the combined effect shown as follows::

	Purchase consideration HK$'M
Acquisition of assets through acquisition of smart energy companies, being principally engaged in the business of photovoltaics in the Chinese mainland	563.0
達茂港華燃氣有限公司, being engaged in the provision for natural gas and related services in the Chinese mainland	80.0
安徽智燃舒適家家居商貿有限公司, being engaged in the provision for gas related extended business in the Chinese mainland	7.4

The inclusion of the acquired businesses did not have a significant impact of the Group's revenue and profit for the year ended 31st December 2023.

42 Acquisition of subsidiaries (Continued)

(a) Acquisition of subsidiaries (Continued)

The details of fair value of net identifiable assets acquired were as follows:

	Acquirees' fair value at acquisition date HK$'M
Property, plant and equipment (note 16)	1,994.7
Right-of-use assets (note 18)	464.9
Inventories	1.4
Trade and other receivables	334.8
Cash and bank balances	60.5
Trade payables and other liabilities	(2,116.3)
Borrowings	(156.0)
Net assets	584.0
Non-controlling interests	(1.3)
Net identifiable assets acquired	582.7
Goodwill (note 19(a))	67.7
Purchase consideration	650.4

The goodwill is attributable to the future profitability of the acquired businesses and the synergies to arise after the Group's acquisition.

The non-controlling interests were measured on the basis of proportionate share of the fair value of net identifiable assets acquired as of the acquisition date.

Net cash outflow arising on acquisition during the year ended 31st December 2023:

	HK$'M
Purchase consideration for acquisition, settled in cash	360.0
Cash and cash equivalents in businesses acquired	(60.5)
Cash outflow on acquisition	299.5

As at 31st December 2023, purchase consideration of HK$107.1 million remained unpaid and was included in trade payables and other liabilities.

(b) Further acquisition of subsidiaries

During the year, the Group has further acquired the interest in several subsidiaries, from non-controlling shareholders with total considerations amounted of approximately HK$37.0 million (2022: approximately HK$34.4 million). The difference between the share of net assets value acquired and total consideration was recognised directly in equity for these transactions with non-controlling interests.

(c) Apart from the above, there were no other material acquisitions of subsidiaries during the year ended 31st December 2023.

43 Disposal of subsidiaries

Disposal under the Group's New Energy segment

During the year, the Group disposed its partial interest in EcoCeres Group which principally engaged in biomass utilisation businesses for a cash consideration of approximately HK$2.5 billion. Following the disposal, the Group's effective interest and voting right in EcoCeres, Inc. decreased from 65.5% to 44.2%. As a result, EcoCeres Group ceased to be subsidiaries and became associates of the Group.

The disposal resulted in a net gain on disposal as follows:

	HK$'M
Fair value of retained interest as an associate	5,976.0
Consideration received	2,505.0
	8,481.0
The assets and liabilities disposed of are as follows:	
Property, plant and equipment	2,658.6
Right-of-use assets	356.0
Deferred tax assets	26.7
Inventories	565.7
Trade and other receivables	360.1
Cash and bank balances	4,570.6
Trade payables and other liabilities	(276.1)
Preferred shares	(3,393.9)
Borrowings	(652.4)
Provision for taxation	(101.8)
Other non-current liabilities	(97.7)
Net assets	4,015.8
Non-controlling interests	(477.0)
	3,538.8
Release of exchange reserve upon disposal	50.0
	3,588.8
Transaction related costs	(215.0)
Net gain on disposal	4,677.2

Analysis of net cash outflow in respect of disposal of subsidiaries:

	HK$'M
Cash and cash equivalents disposed	(4,570.6)
Consideration received	2,505.0
	(2,065.6)

Cumulative foreign exchange losses of EcoCeres Group amounting to HK$50.0 million that were recognised in other comprehensive income were released to profit or loss upon the disposal during the year.

Apart from the above, there were no other material disposals of subsidiaries during the year ended 31st December 2023.

44 Assets held-for-sale/liabilities directly associated with assets held-for-sale

During the year, Yi An (Inner Mongolia) Holding Co., Ltd. ("Yian (IM)"), a subsidiary of the Group, entered into a memorandum of understanding (the "MOU") with an independent third party under which Yian (IM) agreed to dispose its entire equity interest in 山東嘉祥易隆港務有限公司("嘉祥易隆"), which principally engages in logistics business in the Chinese mainland, for a cash consideration of approximately HK$280 million. The completion of the disposal of interest in 嘉祥易隆 is subject to the satisfaction of conditions precedent as set out in the MOU. Accordingly, the Group's interest in 嘉祥易隆 was reclassified as an asset held-for-sale as at 31st December 2023 and was measured at the lower of carrying amount and fair value less costs of disposal. Based on the fair value of the equity interest, a remeasurement loss of HK$543.2 million was recognised as "Other gains, net" in the consolidated income statement.

The Group also reclassified its entire equity interest in Inner Mongolia Ke Jian Coal Company Limited ("Kejian"), a subsidiary of the Group which principally engages in coal-related businesses to an asset held-for-sale as at 31st December 2023 as the Group intended to recover the carrying amount through sales. Upon reclassification, the investment was measured at the lower of carrying amount and fair value less costs of disposal. Based on the fair value of the equity interest, a remeasurement loss of HK$135.6 million was recognised as "Other gains, net" in the consolidated income statements. A sale and purchase agreement for this disposal was entered into in July 2023, with a consideration of approximately HK$600 million.

In November 2023, Fanico Investments Limited, Apex Time Holdings Limited and Chao Sheng Investments Limited, three subsidiaries of the Group which holds 60% equity interest in Chaozhou Hong Kong and China Gas Co. Ltd., 60% equity interest in 饒平港華燃氣有限公司 and 60% equity interest in Chaozhou Fengxi Hong Kong and China Gas Co., Ltd. (collectively, "Chaozhou Group") respectively, entered into a joint venture agreement with an independent third party. 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 to a new joint venture. Upon completion of the transaction, the Group will cease to have control in Chaozhou Group and will hold an equity interest of 36.5% in the newly formed joint venture. Accordingly, the Group's interest in Chaozhou Group was reclassified as an asset held-for-sale as at 31st December 2023 and was measured at the lower of carrying amount and fair value less costs of disposal. The fair value of the attributable interest in the joint venture is expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, there is no change in the carrying amount upon this reclassification. In March 2024, the transfer of Chaozhou Group has been completed.

The major classes of assets and liabilities of subsidiaries classified as held-for-sale as follows:

	HK$'M
Property, plant and equipment	1,340.3
Right-of-use assets	380.3
Intangible assets	232.1
Deferred tax assets	9.9
Inventories	22.0
Trade and other receivables	118.2
Cash and bank balances	96.1
Assets of subsidiaries reclassified as held-for-sale	2,198.9
Trade and other payables	300.9
Borrowings	352.5
Deferred tax liabilities	48.1
Other non-current liabilities	15.7
Liabilities of subsidiaries reclassified as held-for-sale	717.2

45 Statement of financial position of the Company

	2023 HK$'M	2022 HK$'M
Assets		
Non-current assets		
Property, plant and equipment	13,135.3	12,994.0
Right-of-use assets	235.1	265.0
Intangible assets	13.4	13.4
Subsidiaries	28,370.8	26,926.0
Associate	664.7	664.7
Joint ventures	884.1	831.7
Retirement benefit assets	105.4	134.7
	43,408.8	41,829.5
Current assets		
Inventories	1,241.4	1,210.1
Trade and other receivables	2,527.9	2,466.8
Loan and other receivables from associates	22.8	22.4
Other receivables from joint ventures	62.2	37.6
Derivative financial instruments	0.4	0.3
Time deposits up to three months, cash and bank balances	772.3	1,274.7
	4,627.0	5,011.9
Current liabilities		
Trade payables and other liabilities	(1,831.3)	(1,855.7)
Provision for taxation	(698.3)	(670.2)
Borrowings	(1,820.1)	(2,672.4)
	(4,349.7)	(5,198.3)
Total assets less current liabilities	43,686.1	41,643.1

45 Statement of financial position of the Company (Continued)

	2023 HK$'M	2022 HK$'M
Non-current liabilities		
Loan and other payables to subsidiaries	**(25,846.9)**	(22,345.6)
Deferred taxation	**(1,528.7)**	(1,503.8)
Derivative financial instruments	**–**	(1.5)
Other non-current liabilities	**(1,470.4)**	(1,455.8)
	(28,846.0)	(25,306.7)
Net assets	**14,840.1**	16,336.4
Capital and reserves		
Share capital	**5,474.7**	5,474.7
Retained profits (note (a))	**9,365.4**	10,861.7
	14,840.1	16,336.4

Approved by the Board of Directors on 20th March 2024

Lee Ka-kit
Director

David Li Kwok-po
Director

45 Statement of financial position of the Company (Continued)

Note

(a) Retained profits

	HK$'M
At 1st January 2023	**10,861.7**
Profit attributable to shareholders	**5,062.5**
Other comprehensive income:	
Remeasurements of retirement benefit	**(27.8)**
Total comprehensive income for the year	**15,896.4**
2022 final dividend paid	**(4,291.8)**
2023 interim dividend paid	**(2,239.2)**
At 31st December 2023	**9,365.4**
Balance after 2023 final dividend proposed	**5,073.6**
2023 final dividend proposed	**4,291.8**
	9,365.4
At 1st January 2022	12,499.1
Profit attributable to shareholders	4,936.1
Other comprehensive income:	
Remeasurements of retirement benefit	(42.5)
Total comprehensive income for the year	17,392.7
2021 final dividend paid	(4,291.8)
2022 interim dividend paid	(2,239.2)
At 31st December 2022	10,861.7
Balance after 2022 final dividend proposed	6,569.9
2022 final dividend proposed	4,291.8
	10,861.7

Subsidiaries

The following is a list of the principal subsidiaries as at 31st December 2023:

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas and related businesses in Hong Kong				
Lion Legend Limited	HK$100	100	Hong Kong	Café, restaurant and retail sales
Summit Result Developments Limited	HK$100	100	Hong Kong	Customers centre
Uticom Limited	HK$100	100	Hong Kong	Development of automatic meter reading system
Hong Kong & China Gas LNG International Trading Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding and liquefied natural gas trading
P-Tech Renewable Energy Limited	HK$100	100	Hong Kong	Investment holding
Towngas Enterprise Limited	HK$2	100	Hong Kong	Investment holding
# Quality Testing Services Limited	HK$10,000	100	Hong Kong	Laboratory testing
P-Tech Landfill Gas (NENT) Limited	HK$100	100	Hong Kong	Landfill gas project
P-Tech Landfill Gas (NENT Extension) Company Limited	HK$100	100	Hong Kong	Landfill gas project
P-Tech Landfill Gas (SENT) Company Limited	HK$100	100	Hong Kong	Landfill gas project
Towngas Energy Academy Limited	HK$100	100	Hong Kong	Research & development and training
Gas, water, renewable energy and related businesses in the Chinese mainland				
† 港華熱能科技(南京)有限公司 (formerly known as Hong Kong and China Gas Agricultural Investment (Nanjing) Limited)	RMB50.0 million	100	PRC	Agricultural and related businesses
港華紫荊農莊(句容)有限公司	RMB40.0 million	78.3	PRC	Agricultural and related businesses
Shanxi ECO Coalbed Methane Co., Ltd.	RMB200.0 million	70	PRC	Coalbed gas project
港華國際能源貿易有限公司	RMB50.0 million	100	PRC	Energy related businesses
Dunhuang Towngas China Energy Storage Power Plant Co., Ltd.	RMB14.0 million	100	PRC	Energy storage project
Jiangsu Jinzhuo Construction Engineering Co., Ltd.	RMB100.0 million	63	PRC	Engineering work services
銅陵市隆中環保有限公司	RMB96.0 million	100	PRC	Food waste treatment project
Chaozhou Hong Kong and China Gas Co., Ltd.	HK$100.0 million	60	PRC	Gas sales and related businesses
Danyang Hongkong & China Gas Co., Ltd.	RMB60.0 million	80	PRC	Gas sales and related businesses
Fengcheng Hong Kong & China Gas Co. Ltd.	RMB88.0 million	55	PRC	Gas sales and related businesses
Guangzhou Dongyong Hong Kong & China Gas Company Limited	HK$71.3 million	82.6	PRC	Gas sales and related businesses
Guangzhou Hong Kong and China Gas Company Limited	RMB105.0 million	80	PRC	Gas sales and related businesses
Jiangxi Hong Kong & China Gas Co., Ltd.	RMB25.9 million	56	PRC	Gas sales and related businesses
Jilin Hong Kong and China Gas Company Limited	RMB100.0 million	63	PRC	Gas sales and related businesses

Direct subsidiaries of the Company

† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water, renewable energy and related businesses in the Chinese mainland (Continued)				
Jingxian Hong Kong and China Gas Company Limited	RMB79.0 million	81	PRC	Gas sales and related businesses
† Peixian Hongkong and China Gas Company Limited	RMB100.0 million	100	PRC	Gas sales and related businesses
† Pingxiang Hong Kong & China Gas Co., Ltd.	RMB104.8 million	100	PRC	Gas sales and related businesses
† Suining Hong Kong and China Gas Co., Ltd.	RMB66.5 million	100	PRC	Gas sales and related businesses
Taizhou Hong Kong and China Gas Company Limited	RMB83.0 million	65	PRC	Gas sales and related businesses
Taizhou Yongan Hong Kong & China Gas Co., Ltd.	US$10.0 million	93.9	PRC	Gas sales and related businesses
Wujiang Hong Kong and China Gas Company Limited	RMB60.0 million	80	PRC	Gas sales and related businesses
Xuzhou Hong Kong and China Gas Company Limited	RMB125.0 million	80	PRC	Gas sales and related businesses
Yixing Hong Kong and China Gas Company Limited	RMB172.0 million	80	PRC	Gas sales and related businesses
† Zhang Shu Hong Kong & China Gas Co., Ltd.	US$5.0 million	100	PRC	Gas sales and related businesses
Zhongshan Hong Kong and China Gas Limited	RMB96.0 million	70	PRC	Gas sales and related businesses
常州金壇港華燃氣有限公司	RMB120.0 million	60	PRC	Gas sales and related businesses
† 豐縣港華燃氣有限公司	US$4.5 million	100	PRC	Gas sales and related businesses
饒平港華燃氣有限公司	HK$126.0 million	60	PRC	Gas sales and related businesses
† 新密港華燃氣有限公司	US$12.5 million	100	PRC	Gas sales and related businesses
† 港華儲氣(金壇)有限公司	RMB300.0 million	100	PRC	Gas storage project
1 陽城易高清潔能源有限公司	RMB7.3 million	100	PRC	Gas vehicle filling station
上海恒素健康管理有限公司	RMB25.0 million	100	PRC	Health management project
† C-Tech Investment Company Limited	RMB210.0 million	100	PRC	Investment holding
† Hong Kong & China Gas Investment Limited	US$75.0 million	100	PRC	Investment holding
† Hua Yan Environmental Investment (JiangSu) Co., Ltd.	RMB892.1 million	100	PRC	Investment holding
† 名氣家投資有限公司 (formerly known as 名氣家投資(深圳)有限公司)	RMB444.5 million	100	PRC	Investment holding
† 港華分布式能源投資(深圳)有限公司	RMB210.0 million	100	PRC	Investment holding
† 港華綜合電能投資(深圳)有限公司	RMB610.0 million	100	PRC	Investment holding

† Wholly foreign-owned enterprises

1 Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water, renewable energy and related businesses in the Chinese mainland (Continued)				
Towngas Zero Carbon (Tianjin) Investment Partnership (Limited Partner)	RMB251.0 million	100	PRC	Investment platform
港華（深圳）能源管理有限公司	RMB1.0 million	100	PRC	Investment platform
鄭州卓惠洗滌有限公司	RMB15.0 million	80	PRC	Laundry business
上海港燃能源集團有限公司	RMB0.6 million	100	PRC	Leasee of an office
寧夏易達天然氣有限公司	RMB210.0 million	70	PRC	LNG business
† 港華天然氣（唐山）有限公司 (formerly known as 唐山皓華貿易有限公司)	RMB500.0 million	100	PRC	LNG storage tanks and terminal
北京港能光伏發電有限公司	RMB5.0 million	100	PRC	Photovoltaic project
常州港能投智慧能源有限公司	RMB100.0 million	55	PRC	Photovoltaic project
1 常州鋭能新能源有限公司	RMB5.5 million	100	PRC	Photovoltaic project
南京港能光伏有限公司	RMB8.4 million	55	PRC	Photovoltaic project
泉州港能投光伏有限公司	RMB24.0 million	100	PRC	Photovoltaic Project
宿遷港能投光伏有限公司	RMB51.0 million	100	PRC	Photovoltaic Project
1 宿遷鑫洲新能源有限公司	RMB45.5 million	90	PRC	Photovoltaic project
宿遷迅途能源有限公司	RMB10.0 million	100	PRC	Photovoltaic project
時代城市發展（常州）有限公司	RMB9.0 million	100	PRC	Waste treatment project
† Maanshan Hong Kong and China Water Company Limited	RMB212.6 million	100	PRC	Water supply and related businesses
# Wuhu Hong Kong and China Water Company Limited	RMB400.0 million	75	PRC	Water supply and related businesses
Wujiang Hong Kong & China Water Co., Ltd.	RMB860.0 million	80	PRC	Water supply and related businesses
† 安徽省江北華衍水務有限公司	RMB374.4 million	100	PRC	Water supply and related businesses
The following subsidiaries engaged in gas, renewable energy and related businesses are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly.				
† *U-Tech (Guang Dong) Engineering Construction Co., Ltd.*	*RMB77.4 million*	*100*	*PRC*	*Engineering and related business*
ʃ *Changzhou Towngas China Energy Co., Ltd.*	*RMB31.0 million*	*45*	*PRC*	*Distributed energy systems businesses*
Maanshan Towngas China Energy Co., Ltd.	*RMB50.0 million*	*85*	*PRC*	*Distributed energy systems businesses*
Qingdao Towngas China Energy Co, Ltd.	*RMB15.4 million*	*62.4*	*PRC*	*Distributed energy systems businesses*

† Wholly foreign-owned enterprises

1 Newly formed during the year

Direct subsidiaries of the Company

ʃ The Group can exercise control over the boards of directors in these subsidiaries

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water, renewable energy and related businesses in the Chinese mainland (Continued)				
The following subsidiaries engaged in gas, renewable energy and related businesses are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly. (Continued)				
† *Shenzhen Towngas China Energy Co., Ltd.*	*RMB6.0 million*	*100*	*PRC*	*Distributed energy systems businesses*
Songyang Towngas China Energy Co., Ltd	*RMB30.0 million*	*85.4*	*PRC*	*Distributed energy systems businesses*
Tangshan Fengnan Towngas China Energy Co., Ltd.	*RMB96.0 million*	*51*	*PRC*	*Distributed energy systems businesses*
† *Xuzhou Economic and Technological Development Zone Towngas China Energy Co., Ltd.*	*RMB56.0 million*	*100*	*PRC*	*Distributed energy systems businesses*
† *廣西港華智慧能源有限公司*	*RMB10.0 million*	*100*	*PRC*	*Distributed energy systems businesses*
瀋陽智慧能源系統科技有限公司	*RMB100.0 million*	*55*	*PRC*	*Distributed energy systems businesses*
ʃ *唐山港能投智慧能源有限公司*	*RMB80.0 million*	*49*	*PRC*	*Distributed energy systems businesses*
ʃ *徐州工業園區中港熱力有限公司*	*RMB160.0 million*	*49.8*	*PRC*	*Distributed energy systems businesses*
陽信港能投智慧能源有限公司	*RMB15.0 million*	*67.8*	*PRC*	*Distributed energy systems businesses*
† *An Shan Hong Kong and China Gas Company Limited*	*US$20.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Baotou Hong Kong & China Gas Company Limited	*RMB20.0 million*	*85*	*PRC*	*Gas sales and related businesses*
Beipiao Hong Kong and China Gas Company Limited	*RMB56.0 million*	*80*	*PRC*	*Gas sales and related businesses*
Ben Xi Hongkong and China Gas Company Limited	*RMB335.0 million*	*80*	*PRC*	*Gas sales and related businesses*
Boxing Hongkong & China Gas Co., Ltd	*RMB40.0 million*	*65*	*PRC*	*Gas sales and related businesses*
† *Cang Xi Hong Kong and China Gas Company Limited*	*RMB20.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Cangxian Hong Kong & China Gas Co., Ltd.	*RMB10.0 million*	*90*	*PRC*	*Gas sales and related businesses*
Changting Hong Kong and China Gas Company Limited	*RMB22.0 million*	*90*	*PRC*	*Gas sales and related businesses*
Chaoyang Hongkong and China Gas Company Limited	*US$10.8 million*	*90*	*PRC*	*Gas sales and related businesses*
Chi Ping Hongkong & China Gas Co. Ltd.	*RMB40.0 million*	*85*	*PRC*	*Gas sales and related businesses*
† *Chizhou Hong Kong and China Gas Company Ltd.*	*RMB70.0 million*	*100*	*PRC*	*Gas sales and related businesses*

† Wholly foreign-owned enterprises

ʃ The Group can exercise control over the boards of directors in these subsidiaries

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water, renewable energy and related businesses in the Chinese mainland (Continued)				
The following subsidiaries engaged in gas, renewable energy and related businesses are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly. (Continued)				
Da Yi Hong Kong and China Gas Company Limited	*RMB20.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Dafeng Hong Kong and China Gas Company Limited	*RMB80.0 million*	*51*	*PRC*	*Gas sales and related businesses*
† *Dalian Changxing Hong Kong and China Gas Co. Ltd.*	*US$14.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Dalian Lvshun Hong Kong and China Gas Co. Ltd.*	*US$15.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Dalian Taipingwan Hongkong and China Gas Company Limited*	*RMB40.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Feicheng Hong Kong and China Gas Company Limited*	*RMB32.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Fuxin Hongkong and China Gas Company Limited	*RMB77.2 million*	*90*	*PRC*	*Gas sales and related businesses*
† *Gao Chun Hong Kong and China Gas Co., Ltd.*	*US$11.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Gongzhuling Hong Kong and China Gas Company Limited*	*RMB88.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Guilin Hong Kong & China Gas Co., Ltd.*	*RMB30.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Huang Shan Hong Kong & China Gas Co., Ltd.*	*RMB40.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Huang Shan Taiping Hong Kong & China Gas Co., Ltd.*	*US$3.5 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Huangshan Huizhou Hong Kong & China Gas Co., Ltd.*	*US$2.1 million*	*100*	*PRC*	*Gas sales and related businesses*
Huzhou Hong Kong and China Gas Company Limited	*US$10.5 million*	*98.9*	*PRC*	*Gas sales and related businesses*
Ji Nan Ping Yin Hong Kong & China Gas Co., Ltd.	*RMB200.0 million*	*82.2*	*PRC*	*Gas sales and related businesses*
Jiajiang Hong Kong & China Gas Company Limited	*RMB20.0 million*	*70*	*PRC*	*Gas sales and related businesses*
Jianping Hong Kong and China Gas Company Limited	*RMB58.0 million*	*80*	*PRC*	*Gas sales and related businesses*
† *Kazuo Hong Kong & China Gas Co., Ltd.*	*US$6.4 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Laiyang Hong Kong and China Gas Co., Ltd.*	*US$11.5 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Lezhi Hong Kong and China Gas Company Limited*	*RMB30.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Liuzhou Hong Kong & China Gas Co., Ltd.*	*RMB50.0 million*	*100*	*PRC*	*Gas sales and related businesses*

† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water, renewable energy and related businesses in the Chinese mainland (Continued)				
The following subsidiaries engaged in gas, renewable energy and related businesses are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly. (Continued)				
† *Longkou Hongkong and China Gas Company Limited*	*US$7.1 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Luliang Hong Kong & China Gas Company Limited*	*RMB52.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Maanshan Bowang Hong Kong & China Gas Co., Ltd.	*US$10.0 million*	*75.1*	*PRC*	*Gas sales and related businesses*
† *Maanshan Jiangbei Hong Kong and China Towngas Company Limited*	*US$10.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Meishan Peng Shan Hong Kong and China Gas Company Limited	*RMB20.0 million*	*70*	*PRC*	*Gas sales and related businesses*
Mengcun Hong Kong & China Gas Co., Ltd.	*RMB10.0 million*	*90*	*PRC*	*Gas sales and related businesses*
Mianyang Heqing Towngas Co., Ltd	*RMB10.0 million*	*80*	*PRC*	*Gas sales and related businesses*
† *Mianyang Hong Kong & China Gas Co., Ltd.*	*RMB90.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Mianzhu Hong Kong and China Gas Co., Ltd.	*RMB30.0 million*	*80*	*PRC*	*Gas sales and related businesses*
Mianzhu Yuquan Hong Kong and China Gas Co., Ltd.	*RMB5.0 million*	*80*	*PRC*	*Gas sales and related businesses*
Miluo Hong Kong and China Gas Co. Ltd	*RMB50.0 million*	*70*	*PRC*	*Gas sales and related businesses*
Peng Xi Hong Kong and China Gas Company Limited	*RMB20.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Qingdao Dong Yi Hong Kong and China Gas Company Limited	*RMB30.0 million*	*60*	*PRC*	*Gas sales and related businesses*
Qingdao Zhongji Hong Kong and China Gas Company Limited	*RMB150.0 million*	*90*	*PRC*	*Gas sales and related businesses*
Qinhuangdao Hong Kong & China Gas Co., Ltd.	*RMB15.0 million*	*51*	*PRC*	*Gas sales and related businesses*
Santai Hong Kong & China Co., Ltd.	*RMB30.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Shenyang Hong Kong & China Gas Company Limited*	*US$24.5 million*	*100*	*PRC*	*Gas sales and related businesses*
Siping Hong Kong & China Gas Company Limited	*RMB45.0 million*	*80*	*PRC*	*Gas sales and related businesses*
Tie Ling Hong Kong and China Gas Company Limited	*RMB333.0 million*	*80*	*PRC*	*Gas sales and related businesses*
† *Tongshan Hong Kong and China Gas Co. Ltd*	*RMB124.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Tongxiang Hong Kong and China Gas Company Limited	*US$7.0 million*	*76*	*PRC*	*Gas sales and related businesses*
Wulian Hong Kong & China Gas Company Limited	*RMB20.0 million*	*70*	*PRC*	*Gas sales and related businesses*

† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water, renewable energy and related businesses in the Chinese mainland (Continued)				
The following subsidiaries engaged in gas, renewable energy and related businesses are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly. (Continued)				
† *Wuning Hong Kong & China Gas Co., Ltd.*	*RMB40.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Xin Jin Hong Kong and China Gas Company Limited	*RMB40.0 million*	*60*	*PRC*	*Gas sales and related businesses*
Xingyi Hong Kong & China Gas Company Limited	*RMB50.0 million*	*70*	*PRC*	*Gas sales and related businesses*
YanShan Hong Kong & China Gas Co., Ltd.	*RMB10.0 million*	*90*	*PRC*	*Gas sales and related businesses*
† *Yang Jiang Hong Kong and China Gas Company Limited*	*RMB50.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Yangxin Hong Kong & China Gas Company Limited	*RMB18.0 million*	*51*	*PRC*	*Gas sales and related businesses*
† *Yifeng Hong Kong and China Gas Co., Ltd.*	*RMB32.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Yingkou Hong Kong and China Gas Co., Ltd.*	*US$9.4 million*	*100*	*PRC*	*Gas sales and related businesses*
Yue Chi Hong Kong and China Gas Company Limited	*RMB30.0 million*	*90*	*PRC*	*Gas sales and related businesses*
† *Zhao Yuan Hong Kong & China Gas Co., Ltd.*	*RMB22.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Zhong Jiang Hong Kong and China Gas Company Limited*	*RMB30.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Zhongxiang Hong Kong & China Gas Co., Ltd.*	*RMB42.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *本溪滿族自治縣港華天然氣有限公司*	*RMB40.0 million*	*100*	*PRC*	*Gas sales and related businesses*
潮州楓溪港華燃氣有限公司	*RMB60.0 million*	*60*	*PRC*	*Gas sales and related businesses*
成都新都港華燃氣有限公司	*RMB50.0 million*	*100*	*PRC*	*Gas sales and related businesses*
大連瓦房店港華燃氣有限公司	*RMB40.0 million*	*90*	*PRC*	*Gas sales and related businesses*
† *阜新大力燃氣有限責任公司*	*RMB13.9 million*	*100*	*PRC*	*Gas sales and related businesses*
† *阜新新邱港華燃氣有限公司*	*RMB34.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *廣西中威管道燃氣發展集團有限責任公司*	*RMB30.0 million*	*100*	*PRC*	*Gas sales and related businesses*
簡陽港華燃氣有限公司	*RMB150.0 million*	*100*	*PRC*	*Gas sales and related businesses*
九江港華燃氣有限公司	*RMB10.0 million*	*60*	*PRC*	*Gas sales and related businesses*
† *內蒙古港華天然氣有限公司*	*RMB2.0 million*	*100*	*PRC*	*Gas sales and related businesses*
平昌港華燃氣有限公司	*RMB20.0 million*	*90*	*PRC*	*Gas sales and related businesses*
齊齊哈爾港華燃氣有限公司	*RMB128.6 million*	*61.7*	*PRC*	*Gas sales and related businesses*
青島嶗山灣港華能源有限公司	*RMB30.0 million*	*60*	*PRC*	*Gas sales and related businesses*
清遠港華燃氣有限公司	*RMB50.0 million*	*80*	*PRC*	*Gas sales and related businesses*

† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water, renewable energy and related businesses in the Chinese mainland (Continued)				
The following subsidiaries engaged in gas, renewable energy and related businesses are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly. (Continued)				
韶關港華燃氣有限公司	*RMB50.0 million*	*100*	*PRC*	*Gas sales and related businesses*
松陽港華燃氣有限公司	*RMB80.0 million*	*51.4*	*PRC*	*Gas sales and related businesses*
威遠港華燃氣有限公司	*RMB30.0 million*	*100*	*PRC*	*Gas sales and related businesses*
修水港華燃氣有限公司	*RMB30.0 million*	*60*	*PRC*	*Gas sales and related businesses*
資陽港華燃氣有限公司	*RMB30.0 million*	*90*	*PRC*	*Gas sales and related businesses*
[1] *達茂港華燃氣有限公司*	*RMB100.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Towngas China Energy Investment Limited*	*RMB2,250.0 million*	*100*	*PRC*	*Investment holding*
† *Towngas Investments Limited*	*US$200.0 million*	*100*	*PRC*	*Investment holding*
內蒙古港億天然氣有限公司	*RMB80.0 million*	*85*	*PRC*	*Mid-stream natural gas project*
† *Towngas Natural Gas Sales Co., Ltd.*	*RMB50.0 million*	*100*	*PRC*	*Procurement of natural gas sources*
† *Anqiu Towngas China PV Power Generation Co., Ltd.*	*RMB47.0 million*	*100*	*PRC*	*Renewable energy*
† *Ben Xi Towngas China Energy Co., Ltd.*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
† *Binzhou Xinrunfeng New Energy Co., Ltd.*	*RMB15.0 million*	*100*	*PRC*	*Renewable energy*
Cangzhou Towngas China Energy Co., Ltd.	*RMB50.0 million*	*90*	*PRC*	*Renewable energy*
Changsha Towngas China Energy Co., Ltd	*RMB14.6 million*	*100*	*PRC*	*Renewable energy*
Dangtu Towngas China Energy Co., Ltd.	*RMB30.0 million*	*75*	*PRC*	*Renewable energy*
Danyang Towngas China Energy Storage Power Plant Co., Ltd.	*RMB30.0 million*	*90*	*PRC*	*Renewable energy*
Fuxin Towngas China Energy Co., Ltd.	*RMB145.0 million*	*58*	*PRC*	*Renewable energy*
† *Guangdong Shenggui Electric Power Co., Ltd*	*RMB15.0 million*	*100*	*PRC*	*Renewable energy*
† *Guangzhou Towngas China Energy Co., Ltd.*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
Guangzhou Zhensen New Energy Co., Ltd.	*RMB19.5 million*	*100*	*PRC*	*Renewable energy*
† *Jining Daohong New Energy Co., Ltd.*	*RMB11.0 million*	*100*	*PRC*	*Renewable energy*
Liyang Hengdian Towngas China PV Power Generation Co., Ltd.	*RMB22.5 million*	*60*	*PRC*	*Renewable energy*
† *Maanshan Zhengpugang New District Towngas China Photovoltaic Co., Ltd.*	*RMB3.5 million*	*100*	*PRC*	*Renewable energy*
† *Nantong Towngas Electric Smart Energy Co., Ltd*	*RMB210.0 million*	*100*	*PRC*	*Renewable energy*
† *Qingdao Towngas China Photovoltaic Co, Ltd.*	*RMB80.0 million*	*100*	*PRC*	*Renewable energy*

[1] Newly formed during the year

† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water, renewable energy and related businesses in the Chinese mainland (Continued)				
The following subsidiaries engaged in gas, renewable energy and related businesses are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly. (Continued)				
† *Qingdao Towngas China PV Power Generation Co., Ltd.*	*RMB29.0 million*	*100*	*PRC*	*Renewable energy*
† *Shenzhen Towngas China Integrated Energy Co., Ltd.*	*RMB94.0 million*	*100*	*PRC*	*Renewable energy*
† *Shuyang Zhongye Shukai New Energy Co., Ltd.*	*RMB30.0 million*	*100*	*PRC*	*Renewable energy*
Suzhou Guangchen Towngas China PV Power Generation Co., Ltd.	*RMB15.0 million*	*80*	*PRC*	*Renewable energy*
Taizhou Towngas China Energy Co., Ltd.	*RMB210.0 million*	*80*	*PRC*	*Renewable energy*
† *Tangshan Towngas China Integrated Energy Co., Ltd.*	*RMB200.0 million*	*100*	*PRC*	*Renewable energy*
† *Towngas Energy Huai'an Smart Energy Co., Ltd*	*RMB200.0 million*	*100*	*PRC*	*Renewable energy*
Towngas Smart Energy Maanshan Comprehensive Co., Ltd.	*RMB74.5 million*	*90*	*PRC*	*Renewable energy*
† *Weihai Towngas Energy Investment Photovoltaic Power Generation Co., Ltd.*	*RMB7.0 million*	*100*	*PRC*	*Renewable energy*
† *Wuhan Towngas China Energy Co., Ltd.*	*RMB120.0 million*	*100*	*PRC*	*Renewable energy*
† *Xinye Qidian Photovoltaic Technology Co., Ltd.*	*RMB13.0 million*	*100*	*PRC*	*Renewable energy*
† *Xuzhou gangran Intelligent Energy Co., Ltd*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
† *Xuzhou Jiawang Towngas China Energy Co., Ltd.*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
† *Yancheng Towngas China Smart Energy Co., Ltd.*	*RMB60.0 million*	*100*	*PRC*	*Renewable energy*
† *Yangtze River Delta Integrated Development Demonstration Zone (Suzhou Wujiang) Towngas China Energy Co., Ltd.*	*RMB150.0 million*	*100*	*PRC*	*Renewable energy*
Yingkou Towngas China Energy Co., Ltd.	*RMB60.0 million*	*100*	*PRC*	*Renewable energy*
†1 *上海浦東港華數智慧源發展有限公司*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
† *上海港華智慧能源有限公司*	*RMB3,800.0 million*	*100*	*PRC*	*Renewable energy*
† *中山港能智慧能源有限公司*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
† *佛山順德港投智慧能源有限公司 (formerly known as 佛山振森光能有限公司)*	*RMB213.8 million*	*100*	*PRC*	*Renewable energy*

† Wholly foreign-owned enterprises

1 Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water, renewable energy and related businesses in the Chinese mainland (Continued)				
The following subsidiaries engaged in gas, renewable energy and related businesses are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly. (Continued)				
† *南京港能智慧能源有限公司*	*RMB40.0 million*	*100*	*PRC*	*Renewable energy*
† *南陽港能投清潔能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
† *博興港能投智慧能源有限公司*	*RMB90.0 million*	*100*	*PRC*	*Renewable energy*
† *咸寧港能投智慧能源有限公司*	*RMB80.0 million*	*100*	*PRC*	*Renewable energy*
† *大連港華智慧能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
†1 *威海港能投清潔能源有限公司*	*RMB24.5 million*	*100*	*PRC*	*Renewable energy*
† *宜豐縣港能投新能源有限公司*	*RMB70.0 million*	*100*	*PRC*	*Renewable energy*
†1 *宿遷港華能源有限公司*	*RMB84.5 million*	*100*	*PRC*	*Renewable energy*
† *廈門港華智慧能源有限公司*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
† *廣州晴盈新能源科技有限公司*	*RMB12.0 million*	*100*	*PRC*	*Renewable energy*
† *廣州森樂新能源有限公司*	*RMB14.0 million*	*100*	*PRC*	*Renewable energy*
張家港港電智慧能源有限公司	*RMB100.0 million*	*80*	*PRC*	*Renewable energy*
†1 *徐州港能投智慧能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
† *惠州港華能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
扶綏港能投智慧能源有限公司	*RMB110.0 million*	*100*	*PRC*	*Renewable energy*
揚州港華智慧能源有限公司	*RMB200.0 million*	*95*	*PRC*	*Renewable energy*
† *東莞港能投智慧能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
株洲市國華智慧能源有限公司	*RMB92.9 million*	*55*	*PRC*	*Renewable energy*
† *桐鄉港能投智慧能源有限公司*	*RMB1.0 million*	*100*	*PRC*	*Renewable energy*
† *楊凌港華綜能新能源有限公司*	*RMB80.0 million*	*100*	*PRC*	*Renewable energy*
†1 *武漢經濟技術開發區港華智慧能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
† *江門港華智慧能源有限公司 (formerly known as 江門天森新能源有限公司)*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
† *池州港能投智慧能源有限公司*	*RMB60.0 million*	*100*	*PRC*	*Renewable energy*
†1 *汨羅港能投新能源科技有限公司*	*RMB80.0 million*	*100*	*PRC*	*Renewable energy*
† *泉州港華智慧能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
† *泰安港華智慧能源有限公司*	*RMB80.0 million*	*100*	*PRC*	*Renewable energy*
泰州姜堰港能投智慧能源有限公司	*RMB75.0 million*	*90*	*PRC*	*Renewable energy*
†1 *泰州高港港電智慧能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
† *洋浦港華智慧能源有限公司*	*RMB60.0 million*	*100*	*PRC*	*Renewable energy*
†1 *淄博港能投清潔能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
†1 *深圳坪山港能投智慧能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
†1 *清遠港能投智慧能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
† *港華(深圳)綠電有限公司*	*RMB200.0 million*	*100*	*PRC*	*Renewable energy*
†1 *港華數智慧源科技(深圳)有限公司*	*RMB90.0 million*	*100*	*PRC*	*Renewable energy*
† *港華能源創科(深圳)有限公司*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*

† Wholly foreign-owned enterprises

1 Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water, renewable energy and related businesses in the Chinese mainland (Continued)				
The following subsidiaries engaged in gas, renewable energy and related businesses are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly. (Continued)				
[†,1] *滁州港華綜合能源有限公司*	*RMB58.0 million*	*100*	*PRC*	*Renewable energy*
[†] *漢川港能投智慧能源有限公司 (formerly known as 漢川港能投新能源科技有限公司)*	*RMB80.0 million*	*100*	*PRC*	*Renewable energy*
[†] *漳州台商投資區港華智慧新能源有限公司*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
漳浦港能投新能源科技有限公司	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
濟南港能投清潔能源有限公司	*RMB74.5 million*	*100*	*PRC*	*Renewable energy*
[†] *濰坊港能投清潔能源有限公司*	*RMB130.0 million*	*100*	*PRC*	*Renewable energy*
石家莊港能新能源有限公司	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
[†] *福州港能投新能源科技有限公司*	*RMB128.0 million*	*100*	*PRC*	*Renewable energy*
[†] *臨沂港能投清潔能源有限公司*	*RMB80.0 million*	*100*	*PRC*	*Renewable energy*
[†] *莆田港華智慧能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
蘇州綠創港華太瓦時投資中心	*RMB283.0 million*	*95*	*PRC*	*Renewable energy*
[†,1] *衡陽高新技術產業開發區港華能源有限公司*	*RMB65.0 million*	*100*	*PRC*	*Renewable energy*
[†] *西安港華新能源有限公司*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
[†] *遼寧撫順港能智慧能源有限公司*	*RMB80.0 million*	*100*	*PRC*	*Renewable energy*
[†] *遼寧港能智慧能源科技有限公司*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
[†] *鄭州港能清潔能源有限公司*	*RMB38.0 million*	*100*	*PRC*	*Renewable energy*
銅陵港華綜合智慧能源有限公司	*RMB70.0 million*	*90*	*PRC*	*Renewable energy*
[†] *鐵嶺港能投智慧能源有限公司*	*RMB150.0 million*	*100*	*PRC*	*Renewable energy*
[1] *長沙港華智慧能源有限公司*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
[†,1] *開封市港華新能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
[†] *陝西港華建能電力工程有限公司*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
[†] *陝西港華智慧新能源有限公司 (formerly known as 陝西港華匯達智慧能源有限公司)*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
[†] *青島市萊西港能清潔能源有限公司*	*RMB140.0 million*	*100*	*PRC*	*Renewable energy*
[†,1] *青島港能投清潔能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
[†] *鞏義市港華新能源有限公司*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
[†] *馬鞍山市博望區港華智慧能源有限公司*	*RMB7.0 million*	*100*	*PRC*	*Renewable energy*
[†,1] *黃山港華智慧能源有限公司*	*RMB60.0 million*	*100*	*PRC*	*Renewable energy*
[†] *齊齊哈爾港能投智慧能源有限公司*	*RMB100.0 million*	*100*	*PRC*	*Renewable energy*
[†,1] *龍口港能投清潔能源有限公司*	*RMB50.0 million*	*100*	*PRC*	*Renewable energy*
濟寧港華智慧能源有限公司	*RMB200.0 million*	*85*	*PRC*	*Renewable energy*
[†] *聊城港能投光伏發電有限公司*	*RMB60.0 million*	*100*	*PRC*	*Renewable energy*
[†] *港華(深圳)碳資產運營有限公司*	*RMB189.0 million*	*100*	*PRC*	*Renewable energy*
四川港華合縱能源有限公司	*RMB230.0 million*	*98.8*	*PRC*	*Upstream natural gas project*

† Wholly foreign-owned enterprises

1 Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water, renewable energy and related businesses in the Chinese mainland (Continued)				
The following subsidiaries engaged in gas, renewable energy and related businesses are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly. (Continued)				
Heilongjiang Hong Kong & China Lianfu New Energy Company Limited	*RMB13.0 million*	*55*	*PRC*	*Vehicle gas refilling stations*
† *Qiqihar Xingqixiang Gas Company Limited*	*RMB60.0 million*	*100*	*PRC*	*Vehicle gas refilling stations*
New Energy businesses				
ECO Aviation Fuel Development Limited	HK$2	100	Hong Kong	Aviation fuel facility
ECO Aviation Fuel Services Limited	HK$10,000	100	Hong Kong	Aviation fuel facility
Inner Mongolia ECO Coal Chemical Technology Company Limited	RMB3,493.9 million	100	PRC	Chemical business
† 內蒙古科建煤炭有限責任公司	RMB486.0 million	100	PRC	Coal related business
易高清潔能源管理服務（西安）有限公司	RMB9.2 million	100	PRC	Consultancy service
† 易高新能源工程管理服務（深圳）有限公司	RMB15.0 million	100	PRC	Consultancy service
† ECO Environmental Energy Investments Limited	US$100.0 million	100	PRC	Investment holding
† Yi An (Inner Mongolia) Holding Co. Ltd.	US$238.2 million	100	PRC	Investment holding
山東嘉祥易隆港務有限公司	RMB523.2 million	96	PRC	Logistics business
ECO Orient Resources (Thailand) Ltd.	THB425.0 million	100	Thailand	Oil business
† ECO Services Management Company Limited	RMB80.0 million	100	PRC	Project management
Other businesses				
Climate-Tech Energy Global Consultancy Limited	HK$100	100	Hong Kong	ESG consultancy services
# P-Tech Engineering Company Limited	HK$2	100	Hong Kong	Engineering and related businesses
U-Tech Engineering Company Limited	HK$22.2 million	100	Hong Kong	Engineering and related businesses
M-Tech Instrument (Hong Kong) Limited	HK$100	100	Hong Kong	Gas meter and related businesses
† 卓度計量技術（深圳）有限公司	RMB109.0 million	100	PRC	Gas meter and related businesses
G-Tech Piping Company Limited	HK$100	100	Hong Kong	PE piping system business
† 卓通管道系統（中山）有限公司	RMB41.0 million	100	PRC	PE piping system business
Starmax Assets Limited	HK$90.0 million	100	British Virgin Islands/ Hong Kong	Property development
† 珠海卓銳高科信息技術有限公司	RMB7.0 million	100	PRC	System development & consultancy services
卓銳智高（武漢）科技有限公司	RMB51.2 million	100	PRC	System development & consultancy services

† Wholly foreign-owned enterprises

Direct subsidiaries of the Company

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Other businesses (Continued)				
HDC Data Centre Limited	HK$100	100	Hong Kong	Telecommunications business
TGT China Cloud Data Services (Harbin) Co., Ltd.	RMB161.0 million	92.2	PRC	Telecommunications business
Towngas Chibo Data Service (Jinan) Co., Ltd.	RMB249.0 million	93.6	PRC	Telecommunications business
† Towngas Telecom (Fengxian) Company Limited	RMB7.5 million	100	PRC	Telecommunications business
† Towngas Telecom (Peixian) Co., Ltd.	RMB9.0 million	100	PRC	Telecommunications business
Towngas Telecom (Shandong) Company Limited	RMB40.0 million	90.1	PRC	Telecommunications business
† Towngas Telecommunications (Shenzhen) Limited	RMB6.0 million	100	PRC	Telecommunications business
Towngas Telecommunications Fixed Network Limited	HK$35.0 million	100	Hong Kong	Telecommunications business
北京馳波名氣通數據服務有限公司	RMB9.0 million	100	PRC	Telecommunications business
† 大連名氣通數據服務有限公司	RMB173.0 million	100	PRC	Telecommunications business
東莞名氣通數據服務有限公司	RMB178.0 million	82	PRC	Telecommunications business
萊陽名氣通電訊有限公司	US$1.6 million	90	PRC	Telecommunications business
† 名氣通網絡(深圳)有限公司	RMB293.0 million	100	PRC	Telecommunications business
卓明信息(深圳)有限公司	RMB49.0 million	100	PRC	Telecommunications business
Financing & securities investments				
C-Tech (Finance) Limited	HK$100	100	Hong Kong	Financing
# Eagle Legend International Limited	HK$100	100	Hong Kong	Financing
# HKCG (Finance) Limited	HK$100	100	Hong Kong	Financing
Hong Kong and China Energy (Finance) Limited	HK$100	100	Hong Kong	Financing
Hong Kong and China Power (Finance) Limited	HK$100	100	Hong Kong	Financing
# Towngas (Finance) Limited	HK$100	100	British Virgin Islands	Financing
Barnaby Assets Limited	US$1	100	British Virgin Islands/ Hong Kong	Securities investment
# China Guide Resources Limited	HK$100	100	Hong Kong	Securities investment
Danetop Services Limited	US$1	100	British Virgin Islands/ Hong Kong	Securities investment
Investstar Limited	HK$100	100	Hong Kong	Securities investment
Superfun Enterprises Limited	US$1	100	British Virgin Islands/ Hong Kong	Securities investment
Upwind International Limited	US$1	100	British Virgin Islands/ Hong Kong	Securities investment

† Wholly foreign-owned enterprises

Direct subsidiaries of the Company

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Financing & securities investments (Continued)				
The following subsidiaries engaged in financing & securities investments are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly.				
TCCL (Finance) Limited	*HK$1*	*100*	*Hong Kong*	*Financing*
TCCL (Project Finance) Limited	*HK$100*	*100*	*Hong Kong*	*Financing*
Investment holding				
Apex Time Holdings Limited	HK$100	100	Hong Kong	Investment holding
[1] Brilliant Shine Ventures Limited	US$1	100	British Virgin Islands	Investment holding
C-Tech Laundry (0003) Investment Company Limited	HK$100	100	Hong Kong	Investment holding
ECO Advanced Carbon Materials Company Limited	HK$100	100	Hong Kong	Investment holding
ECO Coal Chemical Technology (Inner Mongolia) Limited	HK$100	100	Hong Kong	Investment holding
ECO Environmental Energy (China) Limited	HK$100	100	Hong Kong	Investment holding
ECO Environmental Investments Limited	HK$2	100	Hong Kong	Investment holding
ECO Natural Gas (China) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
ECO Natural Gas (Xian) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
ECO Orient Energy (Thailand) Ltd.	US$12,000	100	Bermuda	Investment holding
[#1] Eminent Power Enterprises Limited	US$1	100	British Virgin Islands	Investment holding
[1] Excel Creation Investments Limited	US$1	100	British Virgin Islands	Investment holding
Fanico Investments Limited	HK$1	100	Hong Kong	Investment holding
G-Tech Piping Technologies Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong & China Gas (Anhui) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Changzhou) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Chaozhou) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (China) Limited	HK$10,000	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Danyang) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Fengcheng) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Guangzhou) Limited	HK$1,000	100	British Virgin Islands/ Hong Kong	Investment holding

[1] Newly formed during the year

[#] Direct subsidiaries of the Company

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Investment holding (Continued)				
Hong Kong & China Gas (Hebei) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jilin Province) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jinan) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jintan) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Nanjing) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Panyu) Limited	HK$1,000	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Suzhou) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Taizhou) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Wuhan) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Wujiang) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Xuzhou) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Yixing) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Zhangjiagang) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Zhongshan) Limited	HK$1,000	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water (Suzhou) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water (Wujiang) Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water Limited (carrying on business in Hong Kong as Hua Yan Water (China) Limited)	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong and China Energy Holdings Company Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Energy Investment Holdings Company Limited	US$1	100	British Virgin Islands	Investment holding
Hong Kong and China Environmental Holdings Company Limited	HK$100	100	Hong Kong	Investment holding

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Investment holding (Continued)				
Hong Kong and China Gas (Hainan) Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Jiangsu) Agricultural Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Jiangxi) Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Jingxian) Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Qianhai) Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Suxiang) Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Tangshan) Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Xinmi) Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Zhangshu) Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Zhengzhou) Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Power Holdings Company Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Power Investment Holdings Company Limited	US$1	100	British Virgin Islands	Investment holding
Hong Kong and China Water (Anhui Jiangbei) Limited	HK$100	100	Hong Kong	Investment holding
Hong Kong and China Water (Maanshan) Limited	HK$100	100	Hong Kong	Investment holding
Meter Technologies Limited	HK$100	100	Hong Kong	Investment holding
M-Tech Instrument Corporation (Holding) Limited	HK$119	100	Hong Kong	Investment holding
# Premier Century Investments Limited	HK$14.0 million	100	Hong Kong	Investment holding
Sky Global Limited (carrying on business in Hong Kong as Hong Kong & China Gas (Jilin Gas) Limited)	US$100	100	British Virgin Islands/ Hong Kong	Investment holding
TGT BROADBANDgo Company Limited	US$1	100	British Virgin Islands	Investment holding
TGT Destic Company Limited	HK$100	100	Hong Kong	Investment holding
TGT Fengxian Company Limited	HK$100	100	Hong Kong	Investment holding
TGT Harbin Company Limited	HK$100	100	Hong Kong	Investment holding
TGT Laiyang Company Limited	HK$100	100	Hong Kong	Investment holding
TGT Peixian Company Limited	HK$100	100	Hong Kong	Investment holding

Direct subsidiaries of the Company

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Investment holding (Continued)				
TGT Shanghai Data Services Company Limited	HK$100	100	Hong Kong	Investment holding
TGT Shenzhen Data Services Company Limited	HK$100	100	Hong Kong	Investment holding
TGT Songshanhu Company Limited	HK$100	100	Hong Kong	Investment holding
TGT TGgo Company Limited	US$1	100	British Virgin Islands	Investment holding
Towngas Global Net Limited	HK$0.2	100	Cayman Islands/ Hong Kong	Investment holding
# Towngas International Company Limited	US$1	100	British Virgin Islands/ Hong Kong	Investment holding
# Towngas Investment Company Limited	HK$2	100	Hong Kong	Investment holding
1 Towngas Lifestyle (Hong Kong) Company Limited	HK$100	100	Hong Kong	Investment holding
1 Towngas Lifestyle Holding Company Limited	US$1	100	Cayman Islands	Investment holding
Towngas Lifestyle Holding Company Limited	HK$100	100	Hong Kong	Investment holding
Towngas Renewable Energy Company Limited	US$1	100	British Virgin Islands	Investment holding
# Towngas Smart Energy Company Limited	US$1	100	British Virgin Islands	Investment holding
* Towngas Smart Energy Company Limited	3,354,500,581 shares of HK$0.1 each	67.2	Cayman Islands/ Hong Kong	Investment holding
Towngas Telecommunications (China) Limited	US$1	100	British Virgin Islands	Investment holding
Towngas Telecommunications Company Limited	HK$100	100	Hong Kong	Investment holding
The following subsidiaries engaged in investment holding are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly.				
Chao Sheng Investments Limited	*HK$100*	*100*	*Hong Kong*	*Investment holding*
Hong Kong & China Gas (Anqing) Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Hong Kong and China Gas (Dalian) Limited	*HK$100*	*100*	*Hong Kong*	*Investment holding*
Hong Kong & China Gas (Hangzhou) Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Hong Kong & China Gas (Huzhou) Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*

\# Direct subsidiaries of the Company

1 Newly formed during the year

* Listed on The Stock Exchange of Hong Kong Limited

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2023: (Continued)

Name	Issued share capital/ Registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Investment holding (Continued)				
The following subsidiaries engaged in investment holding are held by Towngas Smart Energy and the respective equity interest held by Towngas Smart Energy is shown accordingly. (Continued)				
Hong Kong & China Gas (Maanshan) Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Hong Kong & China Gas (Qingdao) Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Hong Kong & China Gas (Taian) Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Hong Kong & China Gas (Tongxiang) Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Hong Kong & China Gas (Weifang) Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Hong Kong & China Gas (Weihai) Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Hong Kong & China Gas (Yantai) Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Hong Kong & China Gas (Yingkou) Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Hong Kong & China Gas (Zibo) Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Hong Kong and China Gas (Zhumadian) Limited	*HK$100*	*100*	*Hong Kong*	*Investment holding*
Towngas (BVI) Holdings Limited	*US$1*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Towngas China Energy Investment Limited	*HK$100*	*100*	*Hong Kong*	*Investment holding*
Towngas China Holdings Limited	*HK$100*	*100*	*Hong Kong*	*Investment holding*
Towngas China Group Limited	*US$12,821*	*100*	*British Virgin Islands/ Hong Kong*	*Investment holding*
Towngas China (Fengxi) Limited	*HK$100*	*100*	*Hong Kong*	*Investment holding*
Towngas China (Zhengpugang) Limited	*HK$100*	*100*	*Hong Kong*	*Investment holding*
Towngas Renewable Energy (HK) Company Limited	*HK$100*	*100*	*Hong Kong*	*Investment holding*
TSEL (Gas) Holdings Limited	*HK$100*	*100*	*Hong Kong*	*Investment holding*
TSEL (Gas) Investment Limited	*HK$100*	*100*	*Hong Kong*	*Investment holding*

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

Corporate Information

Directors
Lee Ka-kit (Chairman)
Lee Ka-shing (Chairman)
Colin Lam Ko-yin
Andrew Fung Hau-chung
David Li Kwok-po*
Poon Chung-kwong*
Moses Cheng Mo-chi*
Peter Wong Wai-yee
Yeung Lui-ming

* Independent Non-executive Director

Managing Director
Peter Wong Wai-yee

Executive Director and Chief Financial Officer
Yeung Lui-ming

Company Secretary
Elsa Wong Lai-kin

Board Audit and Risk Committee
David Li Kwok-po (Chairman)
Poon Chung-kwong
Moses Cheng Mo-chi

Remuneration Committee
David Li Kwok-po (Chairman)
Lee Ka-kit
Lee Ka-shing
Poon Chung-kwong
Moses Cheng Mo-chi

Nomination Committee
Lee Ka-kit (Chairman)
Lee Ka-shing (Chairman)
David Li Kwok-po
Poon Chung-kwong
Moses Cheng Mo-chi

Board Environmental, Social and Governance Committee
Peter Wong Wai-yee (Chairman)
Moses Cheng Mo-chi
Yeung Lui-ming

Registered Office
23rd Floor, 363 Java Road,
North Point, Hong Kong

Company's Website
www.towngas.com

Share Registrar
Computershare Hong Kong
Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
Tel: 2862 8555
Fax: 2865 0990

Auditor
PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building,
Central, Hong Kong

Investor Relations
Investor Relations Department
Tel: 2963 2739
Fax: 2911 9005
e-mail: invrelation@towngas.com

Group Corporate Affairs Department
Tel: 2963 3493
Fax: 2516 7368
e-mail: cad@towngas.com

Company Secretarial Department
Tel: 2963 3292
Fax: 2562 6682
e-mail: compsec@towngas.com

Financial Calendar

Half-Year Results	Announced on Tuesday, 15th August 2023
Full-Year Results	Announced on Wednesday, 20th March 2024
Annual Report	Posted to Shareholders on Wednesday, 24th April 2024
Register of Members	(i) To be closed from Thursday, 30th May 2024 to Tuesday, 4th June 2024, for the purpose of determining entitlement of Shareholders to the right to attend and vote at the Annual General Meeting
	(ii) To be closed from Tuesday, 11th June 2024 to Thursday, 13th June 2024, for the purpose of determining Shareholders who qualify for the proposed final dividend
Annual General Meeting	To be held on Tuesday, 4th June 2024
Dividends – Interim	HK12 cents – Paid on Friday, 8th September 2023
– Final (Proposed)	HK23 cents – Payable on Monday, 24th June 2024

Both printed English and Chinese versions of this Annual Report are available upon request from the Company and the Company's share registrar free of charge. The website version of this Annual Report is also available on the Company's website.

The Hong Kong and China Gas Company Limited
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