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香港中華煤氣有限公司
THE HONG KONG AND CHINA GAS COMPANY LIMITED
(Incorporated in Hong Kong under the Companies Ordinance with limited liability)
(Stock Code: 3)

2024 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL AND BUSINESS HIGHLIGHTS

Utility business remains robust
with renewable energy business achieving strong growth
as green energy businesses poised for take-off

- In 2024, the Group’s management focused on advancing the restructuring of its core business operations, implementing stringent cost control measures, and improving overall operational efficiency. The core operating profits of Hong Kong and Chinese mainland utility businesses have demonstrated consistent growth, while a base of 44 million households provided strong development potential for the integrated extended businesses. The green energy businesses, encompassing sustainable aviation fuel (“SAF”), hydrogen energy, and marine green methanol, are now ready to meet market demand. The renewable energy business of Towngas Smart Energy Company Limited, a subsidiary of the Group, recorded a fivefold increase in profit. Together with the city-gas business, the core operating profit increased substantially by 34.5 per cent to HK\$1,601 million.
- The Group’s annual revenue reached HK\$55,473 million, with core operating profit increasing by 5 per cent to HK\$5,955 million. After taking into account non-operating gains and losses, profit attributable to shareholders of the Group before property revaluation amounted to HK\$5,668 million, representing an increase of 2 per cent. After property revaluation, profit attributable to shareholders of the Group amounted to HK\$5,712 million.
- For the Hong Kong gas business, residential gas consumption was adversely affected by both the globally record-breaking temperatures in 2024 and the ongoing trend of Hong Kong residents travelling to the mainland for spending. However, commercial and industrial gas consumption maintained growth due to the recovery in the aviation and hotel sectors, resulting in an overall volume of gas sales growth of 0.1 per cent.

FINANCIAL AND BUSINESS HIGHLIGHTS (CONTINUED)

- For the mainland city-gas business, despite impact from geopolitical factors and global economy, city-gas sales increased by 5 per cent to 36,400 million cubic metres, benefitting from the country's strong development of high and new technology industries and rising urbanisation rates. The cost pass-through of natural gas for residential use was favourable, with the average dollar margin increasing by RMB0.05 to RMB0.52 per cubic metre.
- With respect to the green energy businesses, the SAF plant located in Malaysia is under construction and will commence production by the third quarter of 2025, adding annual production capacity of 300,000 tonnes. Construction of a new green methanol plant, in partnership with Foran Energy Group Company Limited, will begin in mid-2025, with initial annual production capacity expected to reach 200,000 tonnes by 2028. Regarding hydrogen energy, the HKSAR Government has promulgated a development blueprint for hydrogen energy applications in areas such as transportation, charging piles, construction sites, and more. The Group will actively participate in promoting the related businesses.
- With the extensive customer base and development of green energy businesses based on its robust utility businesses, the Group will be contributing to national and global efforts to combat climate change.
- A final dividend of HK23 cents per share is proposed. Including the interim dividend of HK12 cents per share paid on 11th September 2024, the total dividend payout for the whole year shall be HK35 cents per share.

FINANCIAL AND BUSINESS HIGHLIGHTS (CONTINUED)

Highlights of the results of the Group's business for the year and the comparative figures for the corresponding last year are as follows:

	Audited For the Year ended 31st December	
	2024	2023
Revenue, HK million dollars	55,473	56,971
Core operating profit, HK million dollars	5,955	5,664
Non-operating gains and losses and property revaluation, net, HK million dollars	(243)	406
Profit attributable to shareholders, HK million dollars	5,712	6,070
Basic earnings per share, HK cents	30.6	32.5
Town Gas Sold in Hong Kong, million MJ	27,159	27,125
Gas Sold by City-gas Business on the Chinese mainland, million cubic metres, natural gas equivalent*	36,355	34,699
Number of Customers in Hong Kong as at 31st December, thousand	2,037	2,020
Number of City-gas Customers on the Chinese mainland as at 31st December, thousand*	42,491	40,186

* *Inclusive of all mainland city-gas projects of the Group*

CHAIRMEN'S STATEMENT

New technologies bring new possibilities, and promoting energy transformation is the essential path along which the Group can progress.

——Dr. the Hon. Lee Ka-kit

We pursue sustainability to create long-term value for stakeholders.

——Dr. Lee Ka-shing

The global situation is complex with ongoing instability and subdued growth in the global economy, accumulating financial risks, de-globalisation and trade fragmentation, as well as rising risks of geopolitical conflicts, all of which have contributed to a new normal and presented new challenges at the macro level — challenges that we must face collectively in this era of tectonic shifts.

Given this context, we strive to develop a new growth model that focuses on strengthening our core competitiveness and exploring prospective energy sources and technologies. During the year, the Group focused on expanding and advancing growth businesses, including green methanol, hydrogen energy, sustainable aviation fuel and distributed photovoltaics, while continuing to diversify its business profile under an asset-light model. In 2024, the Group managed to maintain steady expansion in its overall operations, an achievement that met expectations but was not easy to come by, and we owe this to the hard work and dedication of all colleagues within the Group.

Final Dividend

The Group's annual revenue reached HK\$55,473 million, with core operating profit increasing by 5 per cent to HK\$5,955 million. After taking into account non-operating gains and losses, profit attributable to shareholders of the Group before property revaluation amounted to HK\$5,668 million, representing an increase of 2 per cent. After property revaluation, profit attributable to shareholders of the Group amounted to HK\$5,712 million. Basic earnings per share amounted to HK30.6 cents. The Board is proposing a final dividend of HK23 cents per share payable to shareholders whose names appear on the Company's Register of Members as at 12th June 2025. Together with the interim dividend of HK12 cents per share paid on 11th September 2024, the total dividend payout for the whole year shall be HK35 cents per share.

Hong Kong Utility Business

In 2024, the Group recorded encouraging results with growth across various business segments. The overall volume of gas sales under our gas business in Hong Kong remained stable with a slight increase of 0.1 per cent. During the year, we are pleased to see that local restaurants have increasingly switched to gas appliances, and the use of residential stoves that combine smart features and energy efficiency has further expanded in the Hong Kong market.

Safety and reliability of gas supply remain our paramount concern. To maintain a world-class level of service, all projects have been upgraded to meet the required maintenance standard using a forecast-based maintenance approach, where data is analysed with artificial intelligence and Internet of Things (IoT) technology. Furthermore, the Group is playing an active role in supporting and participating in the construction and development of the Northern Metropolis, reflecting our positive outlook on the future development of Hong Kong.

City Gas on the Chinese Mainland

The cost pass-through initiative of our city-gas business on the Chinese mainland is progressing well, with over 70 per cent of the city-gas joint ventures achieving residential cost pass-through. Coupled with the drop in international natural gas price, the city-gas dollar margin rebounded remarkably. Meanwhile, to support local governments in promoting the implementation of the “One City, One Enterprise” policy, the Group is advancing the optimisation and restructuring of gas projects in Chaozhou, Jinan, Dalian, among other regions, during the year to further enhance the value of its city-gas assets.

Thirty years have passed since 1994, when the Group first ventured into the Chinese mainland market and began contributing to the development of the country’s natural gas industry, marking a significant milestone. In alignment with the national “dual carbon” strategy, we have developed projects to apply bio-natural gas in Jiangsu, Zhejiang, Shandong, and Sichuan, and are steadily advancing a hydrogen blending in natural gas project named “Bringing Hydrogen into Households”. These initiatives are committed to providing cleaner energy to the general public.

To cope with the impact of international affairs on gas resources and gas prices, the Group has initiated a “1+3” strategic cooperation with PipeChina and three major national petroleum corporations, striving to build a dual gas source model of “offshore gas + onshore gas”. In the future, we will continue to strengthen internal infrastructure and seek further cooperation with external parties to improve the mobility of our resource pool, secure supply and reduce costs.

Renewable Energy

With respect to renewable energy, the Group’s subsidiary Towngas Smart Energy Company Limited (“Towngas Smart Energy”, stock code: 1083.HK) implemented an asset-light business model. As a result, it successfully signed up strategic investors for a number of projects, with its core business continuing to reap profit throughout the year. Currently, the Group operates over 1,000 renewable energy projects in 24 provincial-level regions across the Chinese mainland. With our grid-connected photovoltaic capacity reaching 2.3 GW and electricity generation amounting to 1,830 million kWh, this sector has become a new driver of the Group’s profit growth.

Our Energy as a Service (“EaaS”) initiative has been progressing steadily. Building on its photovoltaic customer base, the Group has established an integrated energy service model of “photovoltaics + energy storage + electricity sales” to facilitate the energy management of its customers. Such model offers significant competitive advantages within the industry.

In 2024, Towngas Smart Energy's overall revenue increased by 7.4 per cent to HK\$21,314 million; while its core operating profit increased by 34.5 per cent to HK\$1,601 million (an increase of 37.2 per cent in RMB term). Profit attributable to shareholders of Towngas Smart Energy amounted to HK\$1,606 million, representing an increase of HK\$31 million over the previous year.

Green Energy

We have developed a new growth model to promote our growth businesses such as green energy through a multi-pronged approach. In particular, the Group's green methanol production plant in Inner Mongolia is expected to increase its annual production capacity to 150,000 tonnes by the end of 2025. In response to the strong global demand for green methanol, we aim to further increase its capacity to 300,000 tonnes per year by 2028. In addition, the Group has signed a cooperation framework agreement with Foran Energy Group Company Limited. Under this agreement, both parties will jointly establish an investment platform, with a planned investment of RMB10,000 million to develop a total annual capacity of 1 million tonnes of green methanol. Construction of a new green methanol plant will begin in mid-2025, with initial annual production capacity expected to reach 200,000 tonnes by 2028. We are confident that this will help Hong Kong and the Greater Bay Area consolidate their position and competitiveness as a major shipping hub.

In terms of hydrogen energy development, we are among the first to support the HKSAR Government's Strategy of Hydrogen Development in Hong Kong. We have launched Hong Kong's first green hydrogen project in a landfill in Tseung Kwan O, utilising landfill biogas to generate green hydrogen. We also worked with business partners to develop the hydrogen power generation business, promoting green practices at construction sites in Hong Kong, hydrogen charging piles, and more. Looking ahead, we aim to contribute our expertise to the establishment of a hydrogen energy standard certification in Hong Kong, laying a foundation for the application and development of hydrogen energy in the city.

Extended Businesses

In terms of the extended businesses, the Group has integrated Towngas Lifestyle, its brand on the Chinese mainland, with its Hong Kong retail business, leveraging the vast customer base of 44 million households to promote the three business divisions of smart kitchens, insurance, and home safety, all of which have become a key growth driver.

Environmental, Social and Governance

On the environmental, social and governance ("ESG") front, the Group once again received a series of prestigious awards and honours during the year, including, inter alia, ranking among the "Top 1%" of Chinese companies in the S&P Global ESG Score and continuing to receive the "UNSDG Achievement Awards Hong Kong". We also successfully organised the "Biodiversity and New Energies Symposium" to inspire the community to foster a harmonious coexistence between humanity and nature. We would like to extend our gratitude to those who have supported and encouraged our works. Looking forward and as always, we will continue to fulfill our corporate social responsibilities and care for and give back to the community.

Business Outlook for 2025

Towngas has been accumulating valuable experience and achievements throughout its journey of more than 160 years. However, over the passage of time and with a much-changed world, our business development and management model must evolve to meet the challenges across various aspects. The Group will focus on its core businesses and accelerate their integration, while continuing to reduce costs and increase efficiency. We will enhance team performance, optimise cash flow management, and foster business development with a forward-looking vision. Our goal is to provide solutions that address the pressing climate and energy crises.

Looking ahead to the new year, we expect gas sales in Hong Kong to maintain steady growth as the city's tourism industry rebounds, and initiatives such as the Top Talent Pass Scheme bring in tens of thousands of people. The development of the Northern Metropolis is also expected to create new opportunities for our business in Hong Kong. On the Chinese mainland, the country's commitment to developing new and high technologies has yielded rewards across various sectors, driving the demand for industrial gas, particularly with the accelerated development of new energy vehicles, lithium batteries, solar cells, semiconductors and other industries. The Group will press ahead with its "Gas+" business to provide high-quality integrated energy services to industrial and commercial customers. We will also actively develop bio-natural gas grid connection projects and exploring business opportunities for hydrogen blending in natural gas pipelines.

For the gas resources business, the Group will further deepen its strategic cooperation with PipeChina and the three major national petroleum corporations to build a diversified resource pool and strengthen its ability to acquire high-quality upstream resources. At the same time, we will strive to bolster the development of international trading business platforms, seize opportunities to import spot liquefied natural gas ("LNG"), and establish gas resource consumption channels based on long-term agreement for overseas LNG imports. In addition, in 2025, we will see two new gas wells commence operation as part of the second phase of the gas storage facility in Jintan. This will raise the facility's total storage capacity to approximately 480 million cubic metres, apart from also bolstering the national "West-to-East Gas Pipeline" and "Sichuan-to-East Gas Pipeline" networks' injection/extraction and emergency peak-shaving capabilities.

In terms of renewable energy, with our photovoltaic business already yielding profits, the Group will continue to leverage its strong industrial and commercial customer base. In this regard, we will focus on expanding our energy storage projects and actively accelerate the development of our EaaS business to seize the opportunities, and tackle the challenges, arising from time-of-use electricity pricing reforms as well as the rapid market integration of new energy power generation developments.

In 2025, the Group will continue to respond to the policy needs and demands of the international market, while also expanding and strengthening the green energy initiatives across maritime, land and air transportation sectors. In particular, the green methanol project in Foshan will commence construction in mid-2025 aiming at achieving an initial annual production capacity of 200,000 tonnes of green methanol by 2028 in order to serve major ports in South China, including Kwai Chung Terminals in Hong Kong, Nansha Port in Guangzhou and Yantian Port in Shenzhen as well as those in Southeast Asia.

In terms of the extended businesses, our strategic objective is to provide excellent services to a vast market comprising over 44 million customers, aiming to maintain steady earnings growth. We will also develop a more diversified product profile and broaden our market to achieve rapid growth.

In 2025, the Group will continue to advance its digital systems, with a particular focus on enhancing the capabilities of our Artificial Intelligence Internet of Things (AIoT) platform. This will enable us to maximise the value of data through accumulation and transformation.

Going forward, we will continue to embrace technological innovation. By organising the TERA-Award Smart Energy Innovation Competition, we aim to discover more zero-carbon projects and green unicorns, accelerating the transition of scientific research achievements from the laboratory to the market, ultimately benefitting humanity. We firmly believe that new technologies bring new possibilities, and promoting energy transformation is the essential path along which the Group, the community, and the country can progress.

Passing of Former Chairman

Dr. the Honourable Lee Shau-kee, GBM, the former Chairman of the Group, passed away on 17th March 2025.

Dr. Lee served as Chairman of the Group from 1983 to 2019, during which time he achieved remarkable success and under his outstanding leadership, Towngas was recognised as the “Company of the Year” in the gas industry. Dr. Lee earned widespread acclaim for his approach to interpersonal relations and his unique investment strategies. As one of Hong Kong’s leading business figures, Dr. Lee made significant contributions to Hong Kong’s economic prosperity. He was also a highly respected philanthropist, who donated generously to many major educational and community initiatives in Hong Kong, the Chinese mainland and overseas. The Board will continue to work on furthering the mission laid down by Dr. Lee, and is of the view that his passing will not have any impact on the operations of the Group.

The Board expresses its deepest sorrow at the passing of Dr. Lee.

Partnering for Success, Reaching New Heights

We would like to express our sincere gratitude to all colleagues of the Group for their hard work and unwavering dedication, which have contributed to our remarkable achievements despite the challenges we encountered. Last year, 70 of our colleagues successfully traversed the Gobi Desert on foot, accomplishing the task with exceptional determination. The way in which they supported one another and worked cohesively was truly inspiring. As we move forward, we are confident that the Group will continue to nurture this spirit of collaboration and unity to overcome future challenges, while creating long-term value for our stakeholders through ongoing advancements in sustainability.

Lee Ka-kit
Chairman

Lee Ka-shing
Chairman

Hong Kong, 19th March 2025

Business Review

Utilities Businesses

Hong Kong Utility

During the year, given the rising northbound consumption among Hong Kong people, and the above-normal temperature in Hong Kong due to climate warming, with the fact that 2024 was the hottest year on record globally, residential gas sales decreased slightly by 1.4 per cent for the year.

Despite the impact on the local catering industry due to the shift in local consumer behaviour, the gradual recovery of the tourism industry in Hong Kong, combined with the country's effort to boost domestic demand, has led to an increase in gas consumption in the hotel sector, with hotel-related gas sales increasing by 6.6 per cent. In 2024, overall commercial and industrial gas sales increased by 2 per cent, while town gas sales slightly increased by 0.1 per cent for the year.

We will continue to invest in infrastructure construction. Projects commenced construction during the year included the laying of approximately 1.5 kilometres of intermediate pressure pipelines and 3.5 kilometres of low pressure pipelines to supply gas to the expanded passenger terminal, a police station and two fire stations in connection with construction of the third runway system at the Hong Kong International Airport.

In response to the increasingly extreme weather, various climate resilience measures are in place. These include enhancing flood prevention facilities at the Tai Po Gas Production Plant and introducing ultrasonic technology for pipeline inspections, ensuring a safe and reliable gas supply. In the long term, we plan to gradually introduce and use zero-carbon fuels to replace fossil fuels, striving to achieve carbon neutrality.

Mainland Utilities

During the year, inclusive of its subsidiary, Towngas Smart Energy, the Group had a total of 322 city-gas projects across 23 provincial regions on the Chinese mainland. Benefitting from the country's vigorous development of high and new technology industries and the increase in urbanisation rates, 2.3 million new customers were acquired, bringing the total number of customers to 42.49 million. The Group's total gas sales volume for the year increased by 5 per cent to 36,400 million cubic metres, of which the industrial and commercial gas sales volume increased by 3.1 per cent.

As the country vigorously promoted the rapid development of the new energy industry, the gas demand from industrial customers in the "new trio" industries, namely new energy vehicles, lithium batteries, and photovoltaic cells, continued to increase.

During the year, the Group entered into 568 new "Gas+" energy service projects, bringing the total number of contracted projects to 1,139, of which more than 800 have been put into operation, providing customers with approximately 2,200 million kWh of clean energy annually.

During the year, the Group generally achieved cost pass-through for non-residential customers, and more than 70 per cent of city-gas joint ventures completed cost pass-through for residential customers. Coupled with the decline in international natural gas prices, the Group recorded a significant recovery in the dollar margin. The average dollar margin of city gas in 2024 was RMB0.52 per cubic metre, representing an increase of RMB0.05 per cubic metre as compared to 2023. On the other hand, to support the implementation of the “One City, One Enterprise” policy by various local governments, the Group is advancing the optimisation and restructuring of gas projects in Chaozhou, Jinan, Dalian and other regions.

Gas Resources Business

The gas resources sector recorded coordinated gas volume of 4,420 million cubic metres, accounting for 12 per cent of the total gas volume, achieving financial benefits of RMB381 million in 2024. Through the Hong Kong LNG international trade business platform, the Group has implemented a long-term agreement plan for the international import of LNG with a total volume of 1.5 million tonnes and has launched a long-term cooperation with the three major national petroleum corporations to provide a total of 15,000 million cubic metres of natural gas. Meanwhile, the Group has entered into cooperation with enterprises such as Guizhou Natural Gas Company, Hubei Natural Gas Company, and ENN Group, in order to enhance the complementary protection capacity.

Water and Environmental Businesses

The Group’s water and environmental businesses maintained a steady growth in 2024. During the year, the new sewage treatment project (phase one) in Wujin National High-Tech Industrial Zone, Changzhou, Jiangsu Province was put into operation. The annual water sales volume was 1,060 million tonnes, representing an increase of 2 per cent year-on-year; the sewage treatment volume was 590 million tonnes, representing an increase of 4.1 per cent year-on-year; and the waste treatment volume was 1.61 million tonnes, representing an increase of 10.3 per cent year-on-year (the above figures include Foshan Water).

Growth Businesses

Renewable Energy

The Group has invested in and constructed over 1,000 renewable energy projects in 24 provinces, autonomous regions and municipalities. The energy and carbon services have been growing at a rapid pace, with industrial and commercial energy storage contracts exceeding 400,000 kWh for the year, the volume of electricity sales transactions reaching 8,400 million kWh, the capacity of cumulative grid-connected installations of distributed photovoltaic (PV) amounting to 2.3 GW, and the volume of electricity generated reaching 1.83 billion kWh. The net profit from renewable energy business for the year was HK\$479 million, representing a year-on-year increase of five times, among which, the profit from energy and carbon services for the year was HK\$110 million, representing a year-on-year increase of two times.

Sustainable Aviation Fuel

EcoCeres, Inc., which was incubated by the Group and in which the Group remains a strategic shareholder, continued to be one of the world's leading producers of SAF in 2024, with an annual production volume of approximately 180,000 tonnes, accounting for approximately 20 per cent of the global SAF market share. EcoCeres's plant in Zhangjiagang, Jiangsu, reached 100 per cent of the plant's designed production capacity during the year. The new production plant in Johor, Malaysia, is expected to be completed and begin initial production by the third quarter of 2025, providing additional production capacity of 300,000 tonnes.

Green Methanol

As the first enterprise on the Chinese mainland to produce ISCC EU and ISCC PLUS-certified green methanol, our production plant in Ordos City, Inner Mongolia, utilises proprietary technology to convert biomass and municipal waste into green methanol. The annual production capacity of the plant in 2024 was 100,000 tonnes, and it is expected to increase to 150,000 tonnes per year by the end of 2025.

We are expanding the green methanol supply chain through collaborations with various partners. Notably, during the year, the Company signed a "Cooperation Framework Agreement for Green Fuel and Chemical Projects" with Foran Energy Group Company Limited. Both parties initially plan to raise RMB10,000 million through various financing means to establish green methanol production bases across the country, developing a green fuel and chemical supply platform with an annual production capacity of 1 million tonnes.

Hydrogen Energy

On the supply of green hydrogen, we have taken the lead in responding to the Strategy of Hydrogen Development in Hong Kong by launching the first green hydrogen project in Hong Kong at the landfill extension in Tseung Kwan O, which is expected to be completed in 2025. It will then be able to produce about 330 kilograms of hydrogen per day, sufficient to power 7 to 8 hydrogen buses for one day of operation.

TERA-Award

The TERA-Award Smart Energy Innovation Competition, initiated by Group Chairman Dr. the Hon. Lee Ka-kit, was held for the third time in 2024. Cumulatively, it has attracted nearly 1,000 zero-carbon technology entrepreneurial projects from 59 countries and regions around the world, and has successfully assisted multiple startups towards commercialisation.

Extended Businesses

In 2024, the Group's Towngas Lifestyle implemented an integrated restructuring of its extended businesses, with a focus on the three major business lines: smart kitchen, insurance, and home safety. Leveraging the strengths of our digital platform, we will further improve the quality of our products and services to drive the continued growth of our extended businesses.

With the increased supply of public housing in Hong Kong, retail sales of appliances increased by 2.3 per cent in 2024 over the previous year. On the Chinese mainland, Bauhinia sold approximately 670,000 units throughout the year, achieving remarkable results.

The insurance business recorded a 7 per cent year-on-year increase in premium income, with comprehensive home property insurance premiums rising by 50 per cent.

The "TGSE CHIP", jointly developed by Towngas Lifestyle, StarFive and ChinaFive, has successfully expanded its applications from smart gas meters to kitchen settings including gas appliances, gas alarms, and smoke detectors. Sales of the TGSE CHIP have exceeded 3.85 million units by the end of 2024.

The Board of Directors has pleasure in presenting a summary of results of the Group for the year ended 31st December 2024 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2024

	Note	2024 HK\$ Million	2023 HK\$ Million
Revenue	4	55,472.8	56,971.1
Total operating expenses	5	(47,294.9)	(48,833.8)
		<u>8,177.9</u>	<u>8,137.3</u>
Other gains, net	6	489.4	324.9
Interest expense		(2,257.1)	(2,214.6)
Share of results of associates		1,466.7	2,361.1
Share of results of joint ventures		613.5	565.7
		<u>8,490.4</u>	<u>9,174.4</u>
Profit before taxation			
Taxation	7	(1,729.2)	(2,003.1)
		<u>6,761.2</u>	<u>7,171.3</u>
Profit for the year		<u><u>6,761.2</u></u>	<u><u>7,171.3</u></u>
Attributable to:			
Shareholders of the Company		5,711.5	6,070.1
Holders of perpetual capital securities		-	108.4
Non-controlling interests		1,049.7	992.8
		<u>6,761.2</u>	<u>7,171.3</u>
		<u><u>6,761.2</u></u>	<u><u>7,171.3</u></u>
Dividends	8	6,531.0	6,531.0
		<u><u>6,531.0</u></u>	<u><u>6,531.0</u></u>
Earnings per share – basic, HK cents	9	30.6	32.5
		<u><u>30.6</u></u>	<u><u>32.5</u></u>
Earnings per share – diluted, HK cents	9	30.1	31.6
		<u><u>30.1</u></u>	<u><u>31.6</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December 2024

	2024	2023
	HK\$	HK\$
	Million	Million
Profit for the year	6,761.2	7,171.3
Other comprehensive income:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Movement in reserve of equity investments at fair value through other comprehensive income	(26.2)	110.0
Remeasurements of retirement benefit	25.9	(27.8)
Exchange differences	(414.7)	(327.8)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Movement in reserve of debt investments at fair value through other comprehensive income	(0.1)	5.0
Change in fair value of cash flow hedges	4.9	(28.0)
Share of other comprehensive income of associates	84.0	3.3
Exchange differences	(1,863.3)	(1,424.1)
Other comprehensive loss for the year, net of tax	(2,189.5)	(1,689.4)
Total comprehensive income for the year	4,571.7	5,481.9
Total comprehensive income attributable to:		
Shareholders of the Company	3,945.2	4,690.0
Holders of perpetual capital securities	-	108.4
Non-controlling interests	626.5	683.5
	4,571.7	5,481.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st December 2024

	Note	2024 HK\$ Million	2023 HK\$ Million (restated)
Assets			
Non-current assets			
Property, plant and equipment		70,776.0	71,276.6
Investment property		966.6	1,001.1
Right-of-use assets		1,872.1	2,140.2
Intangible assets		4,388.0	4,463.2
Associates		36,074.7	36,064.1
Joint ventures		10,612.1	10,884.1
Financial assets at fair value through other comprehensive income		1,692.0	1,830.5
Financial assets at fair value through profit or loss		1,436.3	1,706.5
Derivative financial instruments		120.3	76.6
Retirement benefit assets		127.9	105.4
Other non-current assets		5,862.0	5,795.5
		<u>133,928.0</u>	<u>135,343.8</u>
Current assets			
Inventories		2,794.6	2,567.0
Trade and other receivables	10	11,474.9	9,924.6
Loan and other receivables from associates		1,191.5	752.3
Loan and other receivables from joint ventures		494.7	510.9
Loan and other receivables from non-controlling shareholders		142.6	248.8
Financial assets at fair value through profit or loss		1,330.0	1,374.8
Derivative financial instruments		1.0	18.4
Time deposits over three months		89.1	66.0
Time deposits up to three months, cash and bank balances		6,271.5	8,972.1
		<u>23,789.9</u>	<u>24,434.9</u>
Assets held-for-sale		<u>550.7</u>	<u>2,198.9</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31st December 2024

	Note	2024 HK\$ Million	2023 HK\$ Million (restated)
Current liabilities			
Trade payables and other liabilities	11	(20,750.8)	(19,926.8)
Loan and other payables to associates		(261.5)	(72.2)
Loan and other payables to joint ventures		(473.4)	(629.7)
Loan and other payables to non-controlling shareholders		(52.7)	(85.9)
Provision for taxation		(930.7)	(1,619.3)
Borrowings		(13,461.2)	(16,567.2)
Redeemable perpetual securities		-	(2,343.6)
Derivative financial instruments		(80.2)	(132.1)
		<u>(36,010.5)</u>	<u>(41,376.8)</u>
Liabilities directly associated with assets held-for-sale			
		<u>(57.0)</u>	<u>(717.2)</u>
Total assets less current liabilities		<u>122,201.1</u>	<u>119,883.6</u>
Non-current liabilities			
Deferred taxation		(6,908.4)	(6,924.3)
Borrowings		(43,961.0)	(38,858.1)
Derivative financial instruments		(87.2)	(76.3)
Loan from a joint venture		(127.1)	(110.0)
Other non-current liabilities		(2,783.9)	(2,896.2)
		<u>(53,867.6)</u>	<u>(48,864.9)</u>
Net assets		<u>68,333.5</u>	<u>71,018.7</u>
Capital and reserves			
Share capital		5,474.7	5,474.7
Reserves		51,915.7	54,378.1
Shareholders' funds		<u>57,390.4</u>	<u>59,852.8</u>
Non-controlling interests		<u>10,943.1</u>	<u>11,165.9</u>
Total equity		<u>68,333.5</u>	<u>71,018.7</u>

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 financial figures in respect of the announcement of the Group’s results for the year ended 31st December 2024 have been agreed by the Company’s auditor, PricewaterhouseCoopers Hong Kong (“PwC”), to the amount set out in the Group’s audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and consequently no assurance has been expressed by PwC on this announcement.

As at 31st December 2024, 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\$11.7 billion, which included the borrowings of approximately HK\$13.5 billion that are repayable within one year from the end of the reporting period. Taking into consideration the Group’s available facilities, history of obtaining external financing and the Group’s expected cash flows from operations, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the years ended 31st December 2024 and 2023 included in this announcement of 2024 annual results does not constitute the Group’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the “Companies Ordinance”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31st December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31st December 2024 in due course.

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

2. Changes in accounting policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Changes in accounting policies (Continued)

The Group has adopted the following amendments and interpretation to standards which are effective for the Group's financial year beginning 1st January 2024 and relevant to the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to HKFRS 16 HK Int 5 (revised)	Lease Liability in a Sale and Leaseback 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	Supplier Finance Arrangements

Except as described below, the adoption of the amendments and interpretation to standards has no material impact on the Group's results and financial position or any substantial changes in the Group's accounting policies.

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31st December 2023.

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

Convertible bonds (with conversion options not meeting “fixed for fixed criterion”)

When determining the classification of convertible bonds (including the host liability measured at amortised cost and the conversion option measured at fair value through profit or loss) as current or non-current, the Group considers both the redemption through cash settlement and the transfer of the Group's own equity instruments as a result of exercise of conversion options by holders as settlement of the convertible bonds.

The Group has applied the new accounting policy and the amendments retrospectively. The application of the amendments in the current year has the following impacts on the convertible bonds with conversion options not meeting “fixed for fixed criterion”.

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

Except as described above, the application of the 2020 Amendments and 2022 Amendments has no other material impact on the classification of the Group's other liabilities. The change in accounting policy does not have impact to the Group's profit or loss or earnings per share for the year ended 31st December 2024 and 31st December 2023. The details of the impacts on each financial statement line item on the consolidated statement of financial position arising from the application of the amendments are set out under “Impacts of application of amendments to HKFRSs on the consolidated financial statements” below. Comparative figures have been restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Changes in accounting policies (Continued)

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

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

HK\$ Million	At 31st December 2024		
	As reported	Reclassification	Without the application of the 2020 Amendments and 2022 Amendments
Current liabilities			
Borrowings	13,461.2	(1,849.6)	11,611.6
Derivative financial instruments	80.2	(17.3)	62.9
Total current liabilities	36,010.5	(1,866.9)	34,143.6
Non-current liabilities			
Borrowings	43,961.0	1,849.6	45,810.6
Derivative financial instruments	87.2	17.3	104.5
Total non-current liabilities	53,867.6	1,866.9	55,734.5
Net current liabilities	11,726.9	(1,866.9)	9,860.0
Total assets less current liabilities	122,201.1	1,866.9	124,068.0
Net assets	68,333.5	-	68,333.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Changes in accounting policies (Continued)

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

HK\$ Million	At 31st December 2023		
	Originally stated	Reclassification	Restated
Current liabilities			
Borrowings	14,709.4	1,857.8	16,567.2
Derivative financial instruments	37.6	94.5	132.1
Total current liabilities	39,424.5	1,952.3	41,376.8
Non-current liabilities			
Borrowings	40,715.9	(1,857.8)	38,858.1
Derivative financial instruments	170.8	(94.5)	76.3
Total non-current liabilities	50,817.2	(1,952.3)	48,864.9
Net current liabilities	13,507.9	1,952.3	15,460.2
Total assets less current liabilities	121,835.9	(1,952.3)	119,883.6
Net assets	71,018.7	-	71,018.7

HK\$ Million	At 1st January 2023		
	Originally stated	Reclassification	Restated
Current liabilities			
Borrowings	19,680.9	1,854.9	21,535.8
Derivative financial instruments	-	200.7	200.7
Total current liabilities	43,522.8	2,055.6	45,578.4
Non-current liabilities			
Borrowings	39,623.1	(1,854.9)	37,768.2
Derivative financial instruments	294.3	(200.7)	93.6
Total non-current liabilities	49,807.8	(2,055.6)	47,752.2
Net current liabilities	14,811.8	2,055.6	16,867.4
Total assets less current liabilities	124,946.5	(2,055.6)	122,890.9
Net assets	75,138.7	-	75,138.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Group's financial instruments are measured in the 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 2024 and 2023.

HK\$ Million	Level 1		Level 2		Level 3		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
Financial assets								
Financial assets at fair value through profit or loss								
- Debt securities	44.5	263.1	-	-	-	-	44.5	263.1
- Equity investments	1,102.6	1,145.2	1,330.0	1,374.8	289.2	298.2	2,721.8	2,818.2
Derivative financial instruments	-	-	121.3	95.0	-	-	121.3	95.0
Financial assets at fair value through other comprehensive income								
- Debt securities	16.3	60.9	-	-	-	-	16.3	60.9
- Equity investments	1,308.5	1,351.4	-	-	367.2	418.2	1,675.7	1,769.6
Total financial assets	<u>2,471.9</u>	<u>2,820.6</u>	<u>1,451.3</u>	<u>1,469.8</u>	<u>656.4</u>	<u>716.4</u>	<u>4,579.6</u>	<u>5,006.8</u>
Financial liabilities								
Derivative financial instruments	-	-	150.1	113.9	17.3	94.5	167.4	208.4
Total financial liabilities	<u>-</u>	<u>-</u>	<u>150.1</u>	<u>113.9</u>	<u>17.3</u>	<u>94.5</u>	<u>167.4</u>	<u>208.4</u>

There are no changes in valuation techniques during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows based on observable foreign exchange rates and yield curves.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is calculated as the present value of future cash flows based on the forward exchange rates at the end of the reporting period.

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

- Financial assets include unlisted equity investments of approximately HK\$0.7 billion (2023 : approximately HK\$0.7 billion), the fair values of which are determined with reference to their attributable net assets values and recent comparable transaction price, where available, being significant unobservable inputs. The fair value increases with the increase in the attributable net assets value and recent comparable transaction price, where available.
- Financial liabilities include embedded derivative component of convertible bonds of approximately HK\$17.3 million (2023: approximately HK\$94.5 million), the fair value of which is determined based on binomial option pricing model. The significant unobservable inputs include share price expected volatility of 32.6 per cent (2023: 43.2 per cent). The fair value of embedded derivative component of convertible bonds increases with the increase in the share price expected volatility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The following table presents the changes in level 3 instruments of the Group for the year ended 31st December 2024 and 2023:

HK\$ Million	Financial assets		Financial liabilities	
	2024	2023	2024	2023
At 1st January	716.4	3,979.3	94.5	354.7
Additions	17.5	73.6	-	-
Disposals	(67.8)	(137.3)	-	-
Change in fair value	11.2	(1,728.3)	(75.6)	(255.6)
Exchange differences	(20.9)	(96.1)	(1.6)	(4.6)
Transfer to level 2	-	(1,374.8)	-	-
At 31st December	<u>656.4</u>	<u>716.4</u>	<u>17.3</u>	<u>94.5</u>

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

4. Segment information

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

	2024 HK\$ Million	2023 HK\$ Million (restated)
Gas sales before fuel cost adjustment	40,479.5	41,460.4
Fuel cost adjustment	1,045.9	1,058.0
Gas sales after fuel cost adjustment	<u>41,525.4</u>	<u>42,518.4</u>
Gas connection income	2,897.4	2,951.7
Equipment sales and maintenance services	3,613.9	3,389.8
Water and related sales	1,572.9	1,584.0
Renewable energy businesses	1,863.5	1,056.3
Biomass utilisation businesses	-	1,382.0
Other sales	3,999.7	4,088.9
	<u>55,472.8</u>	<u>56,971.1</u>

Note

Certain comparative figures have been reclassified to conform to the current year's presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (Continued)

The chief operating decision-maker has been identified as the executive management members (the “EMM”, formerly known as the “executive committee members” or the “ECM”) of the Company. The EMM reviews the Group’s internal reporting in order to assess performance and allocate resources. The EMM 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) Green 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 EMM 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 EMM is measured in a manner consistent with that in the consolidated financial statements.

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

2024 HK\$ Million	<u>Gas, water, renewable energy and related businesses</u>		<u>Green Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Chinese mainland</u>				
Revenue recognised at a point in time	10,688.0	41,618.8	730.1	-	-	53,036.9
Revenue recognised over time	7.2	1,006.8	-	-	791.0	1,805.0
Finance and rental income	563.5	-	-	67.4	-	630.9
	<u>11,258.7</u>	<u>42,625.6</u>	<u>730.1</u>	<u>67.4</u>	<u>791.0</u>	<u>55,472.8</u>
Adjusted EBITDA	5,814.1	6,116.5	(218.7)	40.6	71.3	11,823.8
Depreciation and amortisation	(861.4)	(2,359.5)	(161.2)	-	(161.7)	(3,543.8)
Unallocated expenses						(102.1)
						8,177.9
Other gains, net (note 6)						489.4
Interest expense						(2,257.1)
Share of results of associates (note 6)	-	1,139.8	(79.5)	415.5	(9.1)	1,466.7
Share of results of joint ventures	-	611.2	0.1	10.9	(8.7)	613.5
Profit before taxation						8,490.4
Taxation						(1,729.2)
Profit for the year						<u>6,761.2</u>

Note

Share of results of associates includes an increase of HK\$78.6 million (2023: HK\$500.0 million) being the Group’s shared change in valuation of investment properties at the International Finance Centre complex for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (Continued)

2023 HK\$ Million (Restated)	<u>Gas, water, renewable energy and related businesses</u>		<u>Green Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Chinese mainland</u>				
Revenue recognised at a point in time	10,402.8	41,485.0	2,447.3	-	-	54,335.1
Revenue recognised over time	-	1,013.0	-	-	1,014.1	2,027.1
Finance and rental income	541.0	-	-	67.9	-	608.9
	<u>10,943.8</u>	<u>42,498.0</u>	<u>2,447.3</u>	<u>67.9</u>	<u>1,014.1</u>	<u>56,971.1</u>
Adjusted EBITDA	5,852.6	5,884.3	13.3	39.6	125.0	11,914.8
Depreciation and amortisation	(867.7)	(2,175.3)	(299.9)	-	(187.8)	(3,530.7)
Unallocated expenses						(246.8)
						<u>8,137.3</u>
Other gains, net (note 6)						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						<u>9,174.4</u>
Taxation						<u>(2,003.1)</u>
Profit for the year						<u><u>7,171.3</u></u>

Note

Certain comparative figures have been reclassified due to the change of the internal organisational structure of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (Continued)

The segment assets at 31st December 2024 and 2023 are as follows:

2024 HK\$ Million	<u>Gas, water, renewable energy and related businesses</u>		<u>Green Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Chinese mainland</u>				
Segment assets	22,588.4	99,851.4	10,107.1	16,369.9	3,636.7	152,553.5
Unallocated assets:						
Financial assets at fair value through other comprehensive income						1,692.0
Financial assets at fair value through profit or loss						2,766.3
Time deposits, cash and bank balances excluded from segment assets						818.7
Others (note)						438.1
Total assets						<u>158,268.6</u>

2023 HK\$ Million (Restated)	<u>Gas, water, renewable energy and related businesses</u>		<u>Green Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Chinese mainland</u>				
Segment assets	21,743.8	100,501.4	12,947.7	16,309.1	3,788.8	155,290.8
Unallocated assets:						
Financial assets at fair value through other comprehensive income						1,830.5
Financial assets at fair value through profit or loss						3,081.3
Time deposits, cash and bank balances excluded from segment assets						1,253.9
Others (note)						521.1
Total assets						<u>161,977.6</u>

Note

Certain comparative figures have been reclassified due to the change of the internal organisational structure of the Group.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (Continued)

No liabilities are included in the internal reporting that are used by the EMM 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 2024 is HK\$12,084.9 million (2023: HK\$11,989.6 million), and the revenue from external customers in the Chinese mainland and other geographical locations is HK\$43,387.9 million (2023: HK\$44,981.5 million).

At 31st December 2024, the total of non-current assets other than financial instruments located in Hong Kong is HK\$36,175.6 million (2023: HK\$35,981.0 million), and the total of non-current assets other than financial instruments located in the Chinese mainland and other geographical locations is HK\$94,503.8 million (2023: HK\$95,749.2 million).

5. Total operating expenses

	2024	2023
	HK\$ Million	HK\$ Million
Stores and materials used	32,364.5	34,996.0
Manpower costs	4,030.0	3,879.3
Depreciation and amortisation	3,567.9	3,541.8
Other operating items	7,332.5	6,416.7
	47,294.9	48,833.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Other gains, net

	2024 HK\$ Million	2023 HK\$ Million
Business restructuring (note a):		
Net gain on disposal of subsidiaries	-	4,677.2
Impairment losses for assets	-	(2,148.4)
Remeasurement loss on assets classified as held-for-sale	-	(678.8)
Realised losses on an equity investment and related derivatives	-	(1,729.4)
	<u>-</u>	<u>120.6</u>
	-----	-----
Towngas Smart Energy Company Limited's ("Towngas Smart Energy") exit of Shanghai Gas Co., Ltd.:		
Gain on disposal of an associate	-	681.0
	-----	-----
Other items:		
Impairment losses for assets (note b)	(178.3)	(1,089.3)
Gain on disposal of subsidiaries	182.9	-
Gain on disposal of an associate engaged in water business	-	89.4
Gain/(loss) on deemed disposal of subsidiaries and associates	31.5	(40.5)
Change in fair value of embedded derivative component of convertible bonds	75.6	101.6
Net investment gains	414.2	457.7
Fair value (loss)/gain on investment property	(34.5)	4.6
Ineffective portion on cash flow hedges	(2.0)	(0.2)
	<u>489.4</u>	<u>(476.7)</u>
	=====	=====
	<u>489.4</u>	<u>324.9</u>

Notes

- (a) During the year ended 31st December 2023, the Group underwent business restructuring in a bid to streamline and rationalise the whole emerging energy business, 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 emerging energy and other businesses had been scaled down or disposed of, resulting in impairment or disposal losses for the year ended 31st December 2023, the amount 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Other gains, net (Continued)

Notes (Continued)

- (a) 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.
- (b) The amount represents impairment provision against goodwill, property, plant and equipment and intangible asset of HK\$178.3 million (2023: impairment provision against goodwill and property, plant and equipment related to several city-gas projects in the Chinese mainland of HK\$959.7 million).

7. Taxation

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

	2024 HK\$ Million	2023 HK\$ Million
Current taxation - provision for Hong Kong Profits Tax at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits for the year	822.1	753.8
Current taxation - provision for other jurisdictions income tax at the prevailing rates on the estimated assessable profits for the year (note)	814.1	1,034.5
Current taxation - over provision in prior years	(131.0)	(10.4)
Deferred taxation - origination and reversal of temporary differences	153.4	101.9
Withholding tax	70.6	123.3
	<u>1,729.2</u>	<u>2,003.1</u>

Note

The prevailing income tax rates of the Chinese mainland and Thailand range from 15 per cent to 25 per cent (2023: 15 per cent to 25 per cent) and 50 per cent (2023: 50 per cent) respectively.

8. Dividends

	2024 HK\$ Million	2023 HK\$ Million
Interim, paid of HK12 cents per ordinary share (2023: HK12 cents per ordinary share)	2,239.2	2,239.2
Final, proposed of HK23 cents per ordinary share (2023: HK23 cents per ordinary share)	4,291.8	4,291.8
	<u>6,531.0</u>	<u>6,531.0</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$5,711.5 million (2023: HK\$6,070.1 million) and the weighted average of 18,659,870,098 shares (2023: 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.

	2024	2023
	HK\$ Million	HK\$ Million
Earnings		
Profit attributable to shareholders for the purpose of basic earnings per share	5,711.5	6,070.1
Effect of dilutive potential ordinary shares:		
Interests on convertible bonds, attributable to shareholders	55.8	53.3
Change in fair value of embedded derivative component of convertible bonds, attributable to shareholders	(51.7)	(68.3)
Reduction in share of subsidiaries' and an associate's profits	(107.7)	(162.1)
	<hr/>	<hr/>
Profit attributable to shareholders for the purpose of diluted earnings per share	5,607.9	5,893.0
	<hr/> <hr/>	<hr/> <hr/>

10. Trade and other receivables

	2024	2023
	HK\$ Million	HK\$ Million
Trade receivables (note)	5,130.4	4,590.6
Payments in advance	1,715.7	1,801.8
Other receivables	4,628.8	3,532.2
	<hr/>	<hr/>
	11,474.9	9,924.6
	<hr/> <hr/>	<hr/> <hr/>

Note

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

	2024	2023
	HK\$ Million	HK\$ Million
0 - 30 days	4,417.0	3,880.4
31 - 60 days	82.2	120.8
61 - 90 days	75.4	139.3
Over 90 days	555.8	450.1
	<hr/>	<hr/>
	5,130.4	4,590.6
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Trade payables and other liabilities

	2024 HK\$ Million	2023 HK\$ Million
Trade payables (note a)	4,938.9	4,806.1
Other payables and accruals (note b)	7,191.3	6,275.5
Contract liabilities (note c)	8,512.6	8,719.2
Lease liabilities	108.0	126.0
	<u>20,750.8</u>	<u>19,926.8</u>

Notes

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

	2024 HK\$ Million	2023 HK\$ Million
0 - 30 days	1,648.8	1,698.8
31 - 60 days	638.4	738.0
61 - 90 days	786.1	722.1
Over 90 days	1,865.6	1,647.2
	<u>4,938.9</u>	<u>4,806.1</u>

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

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

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 31st December 2024, the Group had a net current borrowings position of HK\$7,101 million (after reclassification of convertible bonds to current liabilities, 31st December 2023: HK\$9,873 million) and long-term borrowings of HK\$43,961 million (after reclassification, 31st December 2023: HK\$38,858 million). In addition, banking facilities available for use amounted to HK\$30,000 million (31st December 2023: HK\$25,300 million).

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities, debt and equity financing. The Group has adequate and stable sources of funds, unutilised banking facilities and Medium Term Note Programmes 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\$6,027 million, with an average tenor of 5.5 years, have been issued in 2024. In line with the Group’s long-term business investments, as at 31st December 2024, the total nominal amount of medium term notes issued has reached HK\$24.2 billion with tenors ranging from 2 to 40 years, mainly at fixed interest rates with an average of 3.6 per cent per annum and an average tenor of 12.8 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, 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 2024, the total nominal amount of medium term notes issued has reached RMB1.8 billion, mainly at fixed interest rates with an average of 4.2 per cent per annum and an average tenor of 4.4 years. The carrying value of the issued notes in Renminbi (“RMB”), Australian dollar (“AUD”), Japanese yen (“JPY”), United States dollar and Hong Kong dollar under the Programmes (the “MTNs”) as at 31st December 2024 was HK\$25,983 million (31st December 2023: HK\$23,754 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, raising a total of RMB1.5 billion with an average annual interest rate of 3.27 per cent. Among them is the first sustainability-linked Panda Bond issued by a Hong Kong enterprise on the Chinese mainland. The 1-year RMB1 billion Panda Bond was repaid on 12th June 2024. The carrying value of the Panda Bond as at 31st December 2024 was HK\$533 million.

Additionally, Towngas Smart Energy became the first Hong Kong-listed company to issue an “asset-backed security programme” (“Quasi-REITs”) for industrial and commercial distributed photovoltaic and energy storage facilities in the Chinese mainland market during the year, with a scale of RMB515 million featuring a priority security coupon rate of 2.3 per cent, successfully reducing financing costs and enhancing the Group’s financial resilience.

As at 31st December 2024, the Group’s borrowings amounted to HK\$57,422 million (31st December 2023: HK\$57,769 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 2024 was HK\$1,850 million (31st December 2023: HK\$1,858 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\$13,526 million (31st December 2023: HK\$15,822 million)

were long-term and HK\$7,623 million (31st December 2023: HK\$5,996 million) had maturities within one year. As at 31st December 2024, the maturity profile of the Group's borrowings was 23 per cent within 1 year, 26 per cent within 1 to 2 years, 31 per cent within 2 to 5 years and 20 per cent over 5 years (after reclassification, 31st December 2023: 33 per cent within 1 year, 19 per cent within 1 to 2 years, 30 per cent within 2 to 5 years and 18 per cent over 5 years).

As at 31st December 2024, the AUD, JPY and a certain portion of RMB 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 dollar borrowings: HK\$31,643 million; Renminbi borrowings: HK\$5,070 million).

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 2024 was 43 per cent (31st December 2023: 41 per cent).

Guarantee

As at 31st December 2024 and 2023, 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.

EMPLOYEES AND PRODUCTIVITY

As at the end of 2024, the number of employees engaged in the town gas business in Hong Kong was 2,169 (2023 year end: 2,135), the number of customers was 2,036,921, and each employee served the equivalent of 939 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 2,401 as at the end of 2024 compared to 2,364 as at the end of 2023. Related manpower costs amounted to HK\$1,365 million for 2024, an increase of HK\$87 million compared to 2023. 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 54,000 as at the end of 2024, similar to previous year.

DIVIDEND

The Board now recommends a final dividend of HK23 cents per share payable to shareholders of the Company whose names are on the register of members of the Company on 12th June 2025. The necessary resolution will be proposed at the forthcoming Annual General Meeting on 4th June 2025, and if passed, dividend warrants will be posted on 23rd June 2025.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of shareholders to the right to attend and vote at the forthcoming Annual General Meeting (or any adjournment thereof), the register of members of the Company will be closed from Friday, 30th May 2025 to Wednesday, 4th June 2025, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 29th May 2025.

In order to determine shareholders who qualify for the proposed final dividend, the register of members of the Company will be closed from Tuesday, 10th June 2025 to Thursday, 12th June 2025, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Monday, 9th June 2025.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 4th June 2025. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about Thursday, 24th April 2025.

CORPORATE GOVERNANCE

During the year ended 31st December 2024, the Company complied with all applicable 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 Board Audit and Risk Committee has reviewed the Group's consolidated financial statements for the year ended 31st December 2024, including the accounting principles and practices adopted by the Group, in conjunction with the Group's internal auditor and PricewaterhouseCoopers, the Group's external auditor.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as redemption of Perpetual Capital Securities in February 2024 as detailed in "Financing structure" section, 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 2024.

By Order of the Board
Peter Wong Wai-ye
Managing Director

Hong Kong, 19th March 2025

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

Non-executive Directors: Dr. the Hon. Lee Ka-kit (Chairman), Dr. Lee Ka-shing (Chairman), Dr. Colin Lam Ko-yin and Mr. Andrew Fung Hau-chung

Independent Non-executive Directors: Dr. the Hon. Sir David Li Kwok-po, Prof. the Hon. Poon Chung-kwong, Dr. the Hon. Moses Cheng Mo-chi and Prof. Anna Wong Wai-kwan

Executive Directors: Mr. Peter Wong Wai-ye, Mr. Yeung Lui-ming and Mr. Chan Ying-lung

