



Report of the Directors

The Board has pleasure in presenting the Directors' Report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

Change of Company Name

Pursuant to a special resolution passed by the shareholders of the Company at an extraordinary general meeting held on 26 November 2021 ("2021 EGM"), the English name of the Company has been changed from "Towngas China Company Limited" to "Towngas Smart Energy Company Limited" and a dual foreign name in Chinese "港華智慧能源有限公司" has been adopted to replace "港華燃氣有限公司", both of which took effect from 14 December 2021.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales of piped gas and other types of energy, construction of gas pipelines, the sale of gas appliances and related products, and other value-added services in the People's Republic of China (the "PRC"). Particulars of its principal subsidiaries are set out in Note 47 to the consolidated financial statements.

Results and Final Dividend

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement on page 101.

The Directors have recommended the payment of a final dividend out of the retained earnings account and share premium account of HK fifteen cents per share (2020: HK fifteen cents per share) to shareholders whose names are on the register of members of the Company on Monday, 6 June 2022.

The proposed final dividend, if approved by the shareholders at the annual general meeting (the "AGM"), will be payable in cash, with an option granted to shareholders to receive new and fully paid shares of the Company in lieu of cash, or partly in cash and partly in new shares under the scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the proposed final dividend, but will rank *pari passu* in all other respects with the existing shares.

The circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to shareholders on or about Friday, 10 June 2022. Subject to approval by shareholders at the AGM to be held on Thursday, 26 May 2022 and compliance with the Companies Act of the Cayman Islands, the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be distributed to shareholders on or about Tuesday, 12 July 2022. The register of members of the Company will be closed from Wednesday, 1 June 2022 to Monday, 6 June 2022 (both days inclusive), for the purpose of determining shareholders who qualify for the final dividend and during which period no transfer of shares of the Company will be registered.



Report of the Directors

Results and Final Dividend *(Continued)*

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the AGM and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

The final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent on or about Tuesday, 12 July 2022 to the shareholders whose names appear on the register of members of the Company on Monday, 6 June 2022.

Business Review

The business review of the Group for the year ended 31 December 2021 including a fair review of the business, an indication of likely future development in the Group's business, and particulars of important events affecting the Group that have occurred since the end of the financial year of 2021 (if any), is set out in the sections headed "Chairman's Statement" on pages 6 to 11, "Financial Review" on pages 12 to 15 and "Review of Operations" on pages 16 to 31 of this Annual Report. A discussion on the Group's environmental policies and performance, an account of the Group's key relationships with its stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group can be found in "Review of Operations" on pages 16 to 31 and "Corporate Governance Report" on pages 74 to 94 as well as the standalone 2021 Environmental, Social and Governance Report.

Description of possible risks and uncertainties that the Group may be facing can be found in the "Financial Review" on pages 12 to 15, "Risk Factors" on pages 34 to 37 and Notes 4 to 6 to the consolidated financial statements on pages 152 to 173 of this Annual Report.

Also, the financial risk management objectives and policies of the Group can be found in Note 6 to the consolidated financial statements on pages 157 to 173. An analysis of the Group's performance during the year using financial key performance indicators is provided in the "Financial Highlights" on page 5 of this Annual Report.

Reserves

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 105.

The Company's reserves available for distribution to shareholders as at 31 December 2021 amounted to HK\$6,484 million (2020: HK\$4,814 million), subject to the applicable statutory requirements under the laws of the Cayman Islands.

Financial Summary

A summary of the results, assets and liabilities of the Group for each of the five years ended 31 December 2021 is set out on page 4.



Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

Share Capital

During the year, the Company declared a final dividend of HK fifteen cents per share for the year ended 31 December 2020 in cash (with scrip option). A total of 74,177,177 shares of the Company, fully paid, were issued and allotted in scrip form at HK\$5.08 per share on 13 July 2021. No consideration was received by the Company for the issue.

On 18 November 2021, 116,783,333 shares were allotted and issued to Clean Energy Ecosystem Pte. Ltd. ("the Investor") at the subscription price of HK\$5.00 per share of the Company pursuant to the subscription agreement dated 25 October 2021 entered into between the Company and the Investor (the "Subscription Agreement").

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

Directors

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

Non-Executive Directors

Dr. Lee Ka-kit (*Chairman*) (*Note 1*)
Mr. LIU Kai Lap Kenneth (*Note 2*)

Executive Directors

Mr. Alfred Chan Wing-kin (*Note 3*)
Mr. Peter Wong Wai-yee (*Chief Executive Officer*)
Mr. John Ho Hon-ming (*Company Secretary*)
Mr. Martin Kee Wai-ngai (*Chief Operating Officer – Gas Business*)
Dr. John Qiu Jian-hang (*Chief Operating Officer – Renewable Business*) (*Note 4*)



Report of the Directors

Directors *(Continued)*

Independent Non-Executive Directors

Dr. the Hon. Moses Cheng Mo-chi
Mr. Brian David Li Man-bun
Mr. James Kwan Yuk-choi
Dr. Hu Zhang-hong *(Note 5)*

Notes:

1. Dr. Lee Ka-kit was appointed as the Chairman of the Board and a Non-Executive Director with effect from 25 October 2021.
2. Mr. LIU Kai Lap Kenneth was appointed as a Non-Executive Director with effect from 18 November 2021.
3. Mr. Alfred Chan Wing-kin stepped down as Chairman of the Board with effect from 25 October 2021.
4. Dr. John Qiu Jian-hang was appointed as an Executive Director with effect from 10 November 2021.
5. Dr. Hu Zhang-hong was appointed as an Independent Non-Executive Director with effect from 10 November 2021 and resigned as an Independent Non-Executive Director with effect from 9 March 2022.

In accordance with articles 95 and 112 of the Articles, the Directors shall retire from rotation. Retiring directors, being eligible, may offer themselves for re-election at the forthcoming annual general meeting.

Each Independent Non-Executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-Executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Each of the Independent Non-Executive Directors was appointed for a period commencing from his appointment date and is subject to retirement by rotation at the AGM.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The biographical details of the Directors of the Company are set out on pages 38 to 48 of this Annual Report.



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

As at 31 December 2021, the interests or short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to: (a) Divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares

Name of Company	Name of Director	Capacity	Interest in shares				Aggregate interest	Approximate percentage of the number of issued shares of the Company or its associated corporation as at 31.12.2021
			Personal interest	Family interest	Corporate interest	Other Interest		
Towngas Smart Energy Company Limited (formerly known as Towngas China Company Limited)	Lee Ka-kit (Note 1)	Discretionary beneficiary of discretionary trusts	–	–	–	2,084,895,656	2,084,895,656	65.98%
	Alfred Chan Wing-kin	Beneficial owner	4,161,034	–	–	–	4,161,034	0.13%
	Peter Wong Wai-yee	Beneficial owner	3,201,000	–	–	–	3,201,000	0.10%
	John Ho Hon-ming	Beneficial owner	1,133,862	–	–	–	1,133,862	0.04%
	James Kwan Yuk-choi	Beneficial owner	2,265,000	–	–	–	2,265,000	0.07%
HKCG	Lee Ka-kit (Note 2)	Discretionary beneficiary of discretionary trusts	–	–	–	7,748,692,715	7,748,692,715	41.53%
	Alfred Chan Wing-kin	Interest held jointly with spouse	355,772	–	–	–	355,772	0.00%
	John Ho Hon-ming	Beneficial owner	55,710	–	–	–	55,710	0.00%
	James Kwan Yuk-choi	Beneficial owner and interest of spouse	121,275	142,299	–	–	263,574	0.00%
Everwealth Investment A, L.P. (Note 3)	Alfred Chan Wing-kin	Beneficial owner (limited partner)	USD2,237,452	–	–	–	USD2,237,452	100.00%
EcoCeres, Inc. (Note 4)	Alfred Chan Wing-kin	Interest of controlled corporations	–	–	66,409	–	66,409	0.58%



Report of the Directors

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

Long positions in shares *(Continued)*

Notes:

1. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as trustees of respective discretionary trusts, held units in a unit trust ("Unit Trust"). Hopkins (Cayman) Limited ("Hopkins") as trustee of the Unit Trust owned all the issued ordinary shares of Henderson Development Limited ("Henderson Development"). Henderson Development was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Henderson Land Development Company Limited ("Henderson Land Development"). Dr. Lee Ka-kit, as one of the discretionary beneficiaries of the discretionary trusts, is deemed under the SFO to be interested in 41.53% of the total number of issued shares in HKCG and 2,084,895,656 shares of the Company representing approximately 65.98% of the total number of issued shares of the Company.
2. Hopkins owned all the issued ordinary shares which carry the voting rights in the share capital of Henderson Development as trustee of the Unit Trust. Rimmer and Riddick, as trustees of the respective discretionary trusts, held units in the Unit Trust. Dr. Lee Ka-kit as one of the discretionary beneficiaries of the discretionary trusts, was taken to have duties of disclosure in relation to these 7,748,692,715 shares by virtue of Part XV of the SFO.
3. Everwealth Investment A, L.P. is an exempted limited partnership and the number "USD2,237,452" in the column "Interest in shares – Personal Interest" refers to Mr. Alfred Chan Wing-Kin's capital commitment to the partnership as a limited partner.
4. Everwealth Investment A, L.P. is an exempted limited partnership and owns 66,409 ordinary shares of EcoCeres, Inc.. Since Mr. Alfred Chan Wing-kin's capital commitment as limited partner to the partnership was more than one-third of the total capital contribution requirements to the partnership, Mr. Alfred Chan Wing-kin was taken to be interested in these 66,409 ordinary shares of EcoCeres, Inc. by virtue of Part XV of the SFO.

Save as stated above, as at 31 December 2021, there were no other interests or short positions of the Directors and the chief executive in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Award Scheme

The Company adopted a share award scheme on 17 August 2021 (the "Share Award Scheme"). Pursuant to the Share Award Scheme, the scheme committee may, from time to time, at its absolute discretion select any eligible participant to be a selected participant under the Share Award Scheme and determine the number of shares of the Company to be granted (the "Award Shares") and the vesting conditions of such Award Shares. The Share Award Scheme shall be valid and effective for a term of 10 years commencing from the adoption date.



Share Award Scheme *(Continued)*

No shares shall be purchased pursuant to the Share Award Scheme if as a result of such purchase, the number of shares administered under the Share Award Scheme (including both shares forming part of the trust fund and shares which have been awarded to and vested in the selected participants) in aggregate exceed 5% of the total number of issued shares of the Company from time to time. For the avoidance of doubt, no account shall be taken into the calculation of the limit of the Share Award Scheme of any shares where the right to acquire such shares has been released or lapsed in accordance with the relevant provisions of the rules relating to the Share Award Scheme.

The maximum aggregate number of shares held by the trustee under the trust at any time under the Share Award Scheme shall not exceed 2% of the total number of issued shares of the Company from time to time.

During any 12-month period, the maximum number of Award Shares which may be granted to a selected participant under the Share Award Scheme (including Award Shares relevant to a lapsed grant) shall not exceed 0.1% of the total number of issued shares of the Company from time to time.

Tricor Trust (Hong Kong) Limited was appointed as a trustee of the Share Award Scheme. Subject to the terms and conditions of the Share Award Scheme and the fulfilment of all vesting conditions, the Award Shares held by the trustee on behalf of a selected participant shall vest in such selected participant and the trustee shall transfer the Award Shares to such selected participant.

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

During the year ended 31 December 2021, the trustee has purchased a total of 3,772,000 shares of the Company on the market for the purpose of the Share Award Scheme and no share was awarded by the Company to any of the eligible participants under the Share Award Scheme.

Arrangements to Purchase Shares or Debentures

Other than the Share Award Scheme as mentioned above, at no time during the year was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



Report of the Directors

Equity-linked Agreements

On 18 November 2021, the Company issued the 1% unsecured convertible bonds due 2026 in the principal amount of RMB1,835,603,119.35 (equivalent to HK\$2,217,715,500 at the exchange rate agreed with the Investor) (the “Convertible Bonds”) to the Investor pursuant to the Subscription Agreement, and based on the initial conversion price of HK\$6.33 per share, a maximum number of 350,350,000 shares of the Company may be allotted and issued by the Company upon full conversion of the Convertible Bonds. No application has been or will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

For further details, please refer to the Company’s announcements dated 25 October 2021 and 18 November 2021.

The gross proceeds from the subscription of the Convertible Bonds was approximately HK\$2,218 million and the net proceeds was approximately HK\$2,216 million. The Company intends to apply the net proceeds for its general corporate purposes, including investing in its Smart Energy Business. As at 31 December 2021, none of the Convertible Bonds were converted.

Other than the Convertible Bonds as mentioned above, no equity-linked agreements were entered into by the Group, or existed during the year.

Directors’ Material Interests in Transactions, Arrangements or Contracts

Other than the transactions disclosed under the heading “Connected Transactions and Continuing Connected Transactions” below, there were no transactions, arrangements or contracts of significance in relation to the Group’s business to which the Company, or any of its subsidiaries, fellow subsidiaries or its holding company was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, which were entered into in the year or subsisted at the end of the year or at any time during the year.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Permitted Indemnity Provision

The Articles provides that every Director, auditor or other officer of the Company is entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director, auditor or other officer of the Company in defending any proceedings, in which judgement is given in his/her favour, or in which he/she is acquitted.

The permitted indemnity provision was in force during the year and the Company has arranged appropriate directors’ and officers’ liabilities insurance coverage for the Directors and officers of the Company.



Competing Business

During the year and up to the date of this report, the following Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

Dr. Lee Ka-kit, the Chairman and a Non-Executive Director of the Company, is one of the Chairmen of HKCG; Mr. Alfred Chan Wing-kin, an Executive Director of the Company, is the Managing Director of HKCG; Mr. Peter Wong Wai-yee, an Executive Director and the Chief Executive Officer of the Company, is a Deputy Managing Director of HKCG; Mr. John Ho Hon-ming, an Executive Director and the Company Secretary of the Company, is an Executive Director of HKCG; and Dr. the Hon. Moses Cheng Mo-chi, an Independent Non-Executive Director of the Company, is an Independent Non-Executive Director of HKCG.

HKCG and its subsidiaries (excluding the Group) (the "HKCG Group") are principally engaged in the production, distribution and marketing of gas, water supply and emerging environmental-friendly energy businesses in Hong Kong and the PRC. Although some of the businesses carried out by the HKCG Group are similar to the businesses carried out by the Group, they are of different scales and/or in different locations. Therefore, the Directors are of the view that the businesses of the HKCG Group do not compete directly with the businesses of the Group.

Save as disclosed above, none of the Directors had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the Group's business.

Substantial Shareholders

As at 31 December 2021, so far as the Directors are aware, the interests or short positions of every person, other than the Directors or chief executive of the Company, in the issued shares of the Company (the "Shares") as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO were as follows:

Long positions in Shares

Name of shareholder	Capacity	Aggregate interest in Shares	Approximate percentage of the number of Shares as at 31.12.2021
Lee Shau-kee	Interest of controlled corporations	2,084,895,656 (Note 1)	65.98%
Rimmer	Trustee	2,084,895,656 (Note 2)	65.98%
Riddick	Trustee	2,084,895,656 (Note 2)	65.98%
Hopkins	Interest of controlled corporations	2,084,895,656 (Note 2)	65.98%



Report of the Directors

Substantial Shareholders *(Continued)*

Long positions in Shares *(Continued)*

Name of shareholder	Capacity	Aggregate interest in Shares	Approximate percentage of the number of Shares as at 31.12.2021
Henderson Development	Interest of controlled corporations	2,084,895,656 <i>(Note 2)</i>	65.98%
Henderson Land Development	Interest of controlled corporations	2,084,895,656 <i>(Note 2)</i>	65.98%
Faxson Investment Limited ("Faxson")	Interest of controlled corporations	2,084,895,656 <i>(Note 2)</i>	65.98%
HKCG	Interest of controlled corporations	2,084,895,656 <i>(Note 3)</i>	65.98%
Towngas International Company Limited ("TICL")	Interest of controlled corporation	1,905,302,051 <i>(Note 3)</i>	60.30%
Hong Kong & China Gas (China) Limited ("HK&CG (China)")	Beneficial owner	1,905,302,051 <i>(Note 3)</i>	60.30%
Towngas Investment Company Limited ("TICL-HK")	Interest of controlled corporations	179,593,605 <i>(Note 3)</i>	5.68%
Planwise Properties Limited ("Planwise")	Beneficial owner	176,588,786 <i>(Note 3)</i>	5.59%
Tang Kok Yew	Interest of controlled corporations	467,133,333 <i>(Note 4)</i>	14.78%
Capstar Holdings ("Capstar")	Interest of controlled corporations	467,133,333 <i>(Note 4)</i>	14.78%
Affinity Fund V General Partner Limited ("Affinity Fund V")	Interest of controlled corporations	467,133,333 <i>(Note 4)</i>	14.78%
Converging Worldview Investments Pte. Ltd. ("Converging Worldview")	Interest of controlled corporations	467,133,333 <i>(Note 4)</i>	14.78%
Clean Energy Ecosystem Pte. Ltd. ("Clean Energy Ecosystem")	Beneficial owner	467,133,333 <i>(Note 4)</i>	14.78%



Substantial Shareholders *(Continued)*

Long positions in Shares *(Continued)*

Notes:

1. The entire issued share capital of Rimmer, Riddick and Hopkins were owned by Dr. the Hon. Lee Shau-kee. Dr. the Hon. Lee Shau-kee was therefore taken to be interested in the same 2,084,895,656 Shares as set out in Notes 2 and 3 below by virtue of Part XV of the SFO.
2. Rimmer and Riddick as trustees of respective discretionary trusts, held units in a unit trust ("Unit Trust"). Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of Henderson Development. Henderson Development was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Henderson Land Development. Henderson Land Development through its subsidiaries (including Faxson) was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HKCG. Each of Rimmer, Riddick, Hopkins, Henderson Development, Henderson Land Development and Faxson was therefore taken to be interested in the same 2,084,895,656 Shares which HKCG is deemed interested in as described in Note 3 below by virtue of Part XV of the SFO.
3. As HK&CG (China) was a wholly-owned subsidiary of TICL, which in turn was a wholly-owned subsidiary of HKCG, each of TICL and HKCG was therefore taken to be interested in the 1,905,302,051 Shares held by HK&CG (China) by virtue of Part XV of the SFO. In addition, as Planwise and Superfun Enterprises Limited ("Superfun") were wholly-owned subsidiaries of TICL-HK, which in turn was a wholly-owned subsidiary of HKCG, each of TICL-HK and HKCG was therefore taken to be interested in 179,593,605 Shares, which included (a) the 176,588,786 Shares held by Planwise; and (b) the 3,004,819 Shares held by Superfun by virtue of Part XV of the SFO.
4. Mr. Tang Kok Yew was taken to be interested in these 467,133,333 Shares which were held by Clean Energy Ecosystem through his controlled corporations Capstar, Affinity Fund V and Converging Worldview, including (i) 116,783,333 Shares (representing approximately 3.70% of the number of issued Shares as at 31 December 2021); and (ii) unlisted Convertible Bonds, which may be fully converted into 350,350,000 Shares based on the initial conversion price (subject to adjustment events) of HK\$6.33 per Share, pursuant to the Subscription Agreement dated 25 October 2021.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 December 2021, were entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Short Positions in Shares and Underlying Shares

As at 31 December 2021, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares.

Other Persons

As at 31 December 2021, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executive and the substantial shareholders of the Company as disclosed above) in the Shares or underlying Shares that was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the Listing Rules.



Report of the Directors

Connected Transactions and Continuing Connected Transactions

Set out below is the information in relation to the connected transactions and continuing connected transactions that existed during the year ended 31 December 2021 which are required to be disclosed in this Annual Report in accordance with Chapter 14A of the Listing Rules.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The auditor has issued an unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group below and Note 43 to the consolidated financial statements, as appropriate, in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Gas Purchase Transactions and Pipeline Materials Purchase Transactions

On 5 December 2018, the Company and HKCG entered into two master agreements respectively, namely:

- (1) an agreement (the "2018 Gas Purchase Master Agreement") relating to the purchase of various types of fuel gas (including but not limited to liquefied coalbed methane, compressed natural gas and liquefied natural gas) by members of the Group from members of the HKCG Group (the "Gas Purchase Transactions"); and
- (2) an agreement (the "2018 Pipeline Materials Purchase Master Agreement", and together with the 2018 Gas Purchase Master Agreement, collectively referred to as the "2018 CCT Master Agreements") relating to the purchase of various pipeline construction materials, gas meters and measuring tools by members of the Group from members of the HKCG Group (the "Pipeline Materials Purchase Transactions"),

each for a term commencing from 1 January 2019 to 31 December 2021 (both days inclusive). Particulars of the Gas Purchase Transactions, the Pipeline Materials Purchase Transactions and the 2018 CCT Master Agreements were disclosed in the announcement of the Company dated 5 December 2018. Further, as announced by the Company on 23 May 2019, the Company had revised the annual cap amounts in respect of the Gas Purchase Transactions for the financial years ending 31 December 2019, 2020 and 2021 respectively.



Connected Transactions and Continuing Connected Transactions *(Continued)*

Gas Purchase Transactions and Pipeline Materials Purchase Transactions *(Continued)*

As the 2018 Gas Purchase Master Agreement and the 2018 Pipeline Materials Purchase Master Agreement were to expire on 31 December 2021, on 10 December 2021, the Company and HKCG entered into two new master agreements respectively, namely:

- (1) an agreement relating to the Gas Purchase Transactions (the “2021 Master Gas Purchase Agreement”); and
- (2) an agreement relating to the Pipeline Materials Purchase Transactions (the “2021 Master Pipeline Materials Purchase Agreement”,

each for a term commencing from 1 January 2022 to 31 December 2024 (both days inclusive). Particulars of the 2021 Master Gas Purchase Agreement and 2021 Master Pipeline Materials Purchase Agreement were disclosed in the announcement of the Company dated 10 December 2021.

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The transactions contemplated under the 2021 Master Gas Purchase Agreement and the 2021 Master Pipeline Materials Purchase Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules which were subject to the reporting, announcement and annual review requirements but were exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Gas Purchase Transactions and the Pipeline Materials Purchase Transactions were subject to the annual cap amounts of RMB140,000,000 (approximately HK\$168,858,000) and RMB250,000,000 (approximately HK\$301,532,000) respectively for the year ended 31 December 2021. The actual respective amounts of the Gas Purchase Transactions and the Pipeline Materials Purchase Transactions for the year ended 31 December 2021 were RMB58,774,000 (approximately HK\$70,889,000) and RMB177,936,000 (approximately HK\$214,613,000) respectively, which had not exceeded the annual cap amounts as stated above.

The Board, including the Independent Non-Executive Directors, had reviewed and confirmed that the Gas Purchase Transactions and the Pipeline Materials Purchase Transactions for the year ended 31 December 2021 were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Board also considers that the transactions had been conducted in accordance with the pricing policies under the relevant master agreements and the Company’s internal control procedures are adequate and effective.



Report of the Directors

Connected Transactions and Continuing Connected Transactions *(Continued)*

Project Management Transactions, System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions, Sale of Distributed Energy Transactions, and Engineering Work Services Transactions

On 6 December 2019, the Company and two subsidiaries of HKCG, the Company and HKCG, and a wholly-owned subsidiary of the Company and HKCG entered into four master agreements respectively, namely:

- (1) an agreement (the "2019 Master Project Management Agreement") for the provision of project management services relating to the monitoring and managing of gas facilities projects and construction and installation projects of the Group by 瀋陽三全工程監理諮詢有限公司 ("Shenyang Sanquan"), a non wholly-owned subsidiary of HKCG, to members of the Group (the "Project Management Transactions");
- (2) an agreement (the "2019 Master System Software, Cloud Computing System and Safety Inspection Supporting Services Agreement") relating to the provision by 卓銳智高(武漢)科技有限公司 ("S-Tech (Wuhan)"), a wholly-owned subsidiary of HKCG, to members of the Group of (i) the user authorisation, installation, management and maintenance and the provision of technical supporting services in respect of the system software developed by S-Tech (Wuhan), including but not limited to Towngas Customer Information System, Geographic Information System, Supervisory Control and Data Acquisition, Mobility Meter Reading Application, Mobility Regular Safety Inspection Application and Mobility Maintenance Service Application and (ii) the user authorisation, installation, management and maintenance and the provision of technical supporting services relating to a cloud computing hardware system which will manage, operate and monitor the network infrastructure of information systems (the "System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions");
- (3) an agreement (the "2019 Master Sale of Distributed Energy Agreement") relating to the sale of distributed energy (including but not limited to electricity, steam, heating, cooling and hot water which are generated through the use of energy efficient technology to capture residual heat) by members of the Group to members of the HKCG Group (the "Sale of Distributed Energy Transactions"); and
- (4) an agreement (the "2019 Master Engineering Work Services Agreement", and together with the 2019 Master Project Management Agreement, the 2019 Master System Software, Cloud Computing System and Safety Inspection Supporting Services Agreement and the 2019 Master Sale of Distributed Energy Agreement, collectively referred to as the "2019 CCT Master Agreements") relating to the provision of engineering work services (including but not limited to non-excavation engineering work services, pipeline positioning measurement services, bidding agency services, cost consultation services, sale of innovative tools, urban pipeline engineering services, water supply, drainage and heating engineering work services, technical consultation services for engineering projects, and pipeline inspection services) ("Engineering Work Services") by 卓裕(廣東)工程建設有限公司 ("U-Tech (Guang Dong)"), a wholly-owned subsidiary of the Company, to members of the HKCG Group (the "Engineering Work Services Transactions"),



Connected Transactions and Continuing Connected Transactions *(Continued)*

Project Management Transactions, System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions, Sale of Distributed Energy Transactions, and Engineering Work Services Transactions *(Continued)*

each for a term commencing from 1 January 2020 to 31 December 2022 (both days inclusive). Particulars of the Project Management Transactions, the System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions, the Sale of Distributed Energy Transactions, the Engineering Work Services Transactions and the 2019 CCT Master Agreements were disclosed in the announcement of the Company dated 6 December 2019. Further, as announced by the Company on 27 August 2021, the Company had revised the annual cap amounts in respect of the Sale of Distributed Energy Transactions for the financial years ending 31 December 2021 and 2022 respectively.

As HKCG is a controlling shareholder of the Company, and Shenyang Sanquan and S-Tech (Wuhan) are subsidiaries of HKCG, each of HKCG, Shenyang Sanquan and S-Tech (Wuhan) is therefore a connected person of the Company under the Listing Rules. The transactions contemplated under the 2019 CCT Master Agreements constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules which were subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Project Management Transactions, the System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions, the Sale of Distributed Energy Transactions and the Engineering Work Services Transactions were subject to the annual cap amounts of RMB12,000,000 (approximately HK\$14,474,000), RMB30,000,000 (approximately HK\$36,184,000), RMB8,000,000 (approximately HK\$9,649,000) and RMB19,000,000 (approximately HK\$22,916,000) respectively for the year ended 31 December 2021. The actual respective amounts of the Project Management Transactions, the System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions, the Sale of Distributed Energy Transactions and the Engineering Work Services Transactions for the year ended 31 December 2021 were RMB11,369,000 (approximately HK\$13,712,000), RMB21,901,000 (approximately HK\$26,415,000), nil and RMB7,871,000 (approximately HK\$9,493,000) respectively, which had not exceeded the annual cap amounts as stated above.

The Board, including the Independent Non-Executive Directors, had reviewed and confirmed that the Project Management Transactions, the System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions, the Sale of Distributed Energy Transactions and the Engineering Work Services Transactions for the year ended 31 December 2021 were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Board also considers that the transactions had been conducted in accordance with the pricing policies under the relevant master agreements and the Company's internal control procedures are adequate and effective.



Report of the Directors

Connected Transactions and Continuing Connected Transactions *(Continued)*

Engineering Work and Consultation Services Transactions and Healthy and Lifestyle Products and Services Purchase Transactions

U-Tech (Guang Dong), an indirect wholly-owned subsidiary of the Company, had from time to time in its ordinary course of business provided Engineering Work Services to members of the HKCG Group pursuant to the 2019 Master Engineering Work Services Agreement, which term will expire on 31 December 2022. Other members of the Group who are capable of providing the Engineering Work Services had also in the past occasionally provided promotion and marketing consultation services to members of the HKCG Group (together with the Engineering Work Services Transactions, the “Engineering Work and Consultation Services Transactions”), but the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the aggregate fees per annum paid to the HKCG Group are less than 0.1%.

On 10 December 2021, the Company, HKCG and U-Tech (Guang Dong) had entered into an agreement (the “2021 Master Engineering Work and Consultation Services Agreement”) to set out the principal terms and conditions governing the Engineering Work and Consultation Services Transactions, and to terminate the 2019 Master Engineering Work Services Agreement with effect from 1 January 2022.

On 10 December 2021, the Company and HKCG entered into an agreement (the “2021 Master Healthy and Lifestyle Products and Services Purchase Agreement”) relating to the purchase of flour, edible oils, tea leaves, chili sauce, rice, wine, ginger, other quality agricultural products, quality healthy food and household products, quality gas safety products (such as gas alarms) and quality home gas safety inspection services (the “Healthy and Lifestyle Products and Services Purchase Transactions”).

Each of the 2021 Master Engineering Work and Consultation Services Agreement and the 2021 Master Healthy and Lifestyle Products and Services Purchase Agreement shall be for a term commencing from 1 January 2022 to 31 December 2024 (both days inclusive). Particulars of the Engineering Work and Consultation Services Transactions, Healthy and Lifestyle Products and Services Purchase Transactions, 2021 Master Engineering Work and Consultation Services Agreement and 2021 Master Healthy and Lifestyle Products and Services Purchase Agreement were disclosed in the announcement of the Company dated 10 December 2021.

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The transactions contemplated under the 2021 Master Engineering Work and Consultation Services Agreement and 2021 Master Healthy and Lifestyle Products and Services Purchase Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules which were subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.



Connected Transactions and Continuing Connected Transactions *(Continued)*

LNG Storage Rental Transactions

On 27 August 2021, the Company and HKCG entered into an agreement (the “2021 Master LNG Storage Rental Agreement”) pursuant to which members of the Group shall from time to time according to their needs rent liquefied natural gas (“LNG”) storage facilities from members of the HKCG Group (the “LNG Storage Rental Transactions”). The 2021 Master LNG Storage Rental Agreement shall be for a term commencing from 1 September 2021 to 31 December 2023 (both days inclusive). Particulars of the LNG Storage Rental Transactions and the 2021 Master LNG Storage Rental Agreement were disclosed in the announcement of the Company dated 27 August 2021.

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The transactions contemplated under the 2021 Master LNG Storage Rental Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules which were subject to the reporting, announcement and annual review requirements but were exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The LNG Storage Rental Transactions were subject to the annual cap amount of RMB75,000,000 (approximately HK\$90,460,000) for the year ended 31 December 2021. There was no transaction under the 2021 Master LNG Storage Rental Agreement for the year ended 31 December 2021.

The Board, including the Independent Non-Executive Directors, had reviewed and confirmed that the LNG Storage Rental Transactions for the year ended 31 December 2021 were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Board also considers that the transactions had been conducted in accordance with the pricing policies under the relevant master agreement and the Company’s internal control procedures are adequate and effective.



Report of the Directors

Connected Transactions and Continuing Connected Transactions *(Continued)*

Disposal of Interest in a Subsidiary – Jiangsu Jinzhuo

On 7 May 2021, U-Tech (Guang Dong), an indirect wholly-owned subsidiary of the Company, entered into:

- (1) an agreement (the “First Transfer Agreement”) with 港華投資有限公司 (“HCIL”), an indirect wholly-owned subsidiary of HKCG, pursuant to which U-Tech (Guang Dong) agreed to sell 29.9% equity interest in 江蘇金卓建設工程有限公司 (“Jiangsu Jinzhuo”) to HCIL at the consideration of RMB41,860,000 (approximately HK\$50,967,000) (the “First Disposal”); and
- (2) an agreement (the “Second Transfer Agreement”) with 湖州鼎昌工程設計合夥企業 (普通合夥) (“Huzhou Dingchang”), a substantial shareholder of Jiangsu Jinzhuo, pursuant to which U-Tech (Guang Dong) agreed to sell 0.2% equity interest in Jiangsu Jinzhuo to Huzhou Dingchang (the “Second Disposal”).

After completion of both the First Disposal and the Second Disposal, Jiangsu Jinzhuo had ceased to be a subsidiary of the Company.

As HKCG is a controlling shareholder of the Company, and HCIL is a subsidiary of HKCG, HCIL is a connected person of the Company under the Listing Rules. The entering into of the First Transfer Agreement and the First Disposal contemplated thereunder therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The First Disposal is only subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As Huzhou Dingchang is a substantial shareholder of Jiangsu Jinzhuo which is an insignificant subsidiary of the Company, notwithstanding its interest in Jiangsu Jinzhuo, Huzhou Dingchang is not regarded as a connected person of the Company pursuant to Rule 14A.09 of the Listing Rules. The entering into of the Second Transfer Agreement and the Second Disposal contemplated thereunder therefore does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Particulars of the First Transfer Agreement, the First Disposal, the Second Transfer Agreement and the Second Disposal were disclosed in the announcements of the Company dated 7 May 2021.



Connected Transactions and Continuing Connected Transactions *(Continued)*

Deemed Disposal of Equity Interest in a Subsidiary – Cosy Home (Chengdu) and Formation of Joint Ventures

On 24 September 2021, 港華燃氣投資有限公司 (“Towngas China Investments”), an indirect wholly-owned subsidiary of the Company, and 名氣家 (深圳) 信息服務有限公司 (“Towngas Lifestyle (Shenzhen)”), an indirect wholly-owned subsidiary of HKCG, entered into an agreement (the “Capital Increase Agreement”) in relation to the capital injection of RMB15,000,000 (approximately HK\$18,092,000) to 港華舒適家 (成都) 科技服務有限公司 (“Cosy Home (Chengdu)”), a then indirect wholly-owned subsidiary of the Company, by Towngas Lifestyle (Shenzhen) (the “Capital Injection”). On same day, Towngas China Investments and Towngas Lifestyle (Shenzhen) also signed the articles of Cosy Home (Chengdu) (the “Chengdu JV Articles”).

Upon completion of the Capital Injection, the equity interest in Cosy Home (Chengdu) held by Towngas China Investments will be decreased from 100% to 40%, and Cosy Home (Chengdu) will cease to be a subsidiary of the Company. As such, the Capital Injection constitutes a deemed disposal for the Company under Rule 14.29 of the Listing Rules.

As HKCG is a controlling shareholder of the Company and Towngas Lifestyle (Shenzhen) is a subsidiary of HKCG, Towngas Lifestyle (Shenzhen) is a connected person of the Company under the Listing Rules. As such, the Capital Injection and the entering into of the Capital Increase Agreement and the signing of the Chengdu JV Articles constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Capital Injection, the Capital Increase Agreement and the transactions contemplated thereunder (including the resulting formation of a joint venture with the HKCG Group) are therefore subject to the reporting and announcement requirements, but are exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

On 24 September 2021, 湖州港華燃氣有限公司 (“Huzhou Towngas China”, an indirect non-wholly owned subsidiary of the Company), 桐鄉港華天然氣有限公司 (“Tongxiang Towngas China”, an indirect non-wholly owned subsidiary of the Company), 杭州港華燃氣有限公司 (“Hangzhou Towngas China”, a jointly controlled entity owned as to 50% by the Company) and Towngas Lifestyle (Shenzhen) signed the articles (the “Hangzhou JV Articles”) for establishing 港華到家 (杭州) 信息技術有限公司 (the “Hangzhou JV Company”) to carry out the business of creating a new health business landscape, including the sale of health services and health products.

The Hangzhou JV Company will be owned by Huzhou Towngas China (as to 12%), Tongxiang Towngas China (as to 12%), Hangzhou Towngas China (as to 25%) and Towngas Lifestyle (Shenzhen) (as to 51%).



Report of the Directors

Connected Transactions and Continuing Connected Transactions *(Continued)*

Deemed Disposal of Equity Interest in a Subsidiary – Cosy Home (Chengdu) and Formation of Joint Ventures *(Continued)*

On 17 December 2021, 齊齊哈爾港華燃氣有限公司 (“Qiqihar Towngas China”, an indirect non-wholly owned subsidiary of the Company), 鞍山港華燃氣有限公司 (“Anshan Towngas China”, an indirect wholly-owned subsidiary of the Company), 營口港華燃氣有限公司 (“Yingkou Towngas China”, an indirect wholly-owned subsidiary of the Company), 吉林港華燃氣有限公司 (“Jilin Towngas China”, an indirect non-wholly owned subsidiary of HKCG) and Towngas Lifestyle (Shenzhen) signed the articles (the “Shenyang JV Articles”) for establishing 港華到家 (瀋陽) 信息技術有限公司 (the “Shenyang JV Company”) to carry out the business of creating a new form of health business, including the sale of health services and health products.

The Shenyang JV Company will be owned as to 10% by each of Qiqihar Towngas China, Anshan Towngas China, Yingkou Towngas China and Jilin Towngas China respectively and as to 60% by Towngas Lifestyle (Shenzhen).

As HKCG is a controlling shareholder of the Company, each of Towngas Lifestyle (Shenzhen) and Jilin Towngas China, being a subsidiary of HKCG, is therefore a connected person of the Company under the Listing Rules. As such, the establishment of the Hangzhou JV Company and Shenyang JV Company and the signing of the Hangzhou JV Articles and Shenyang JV Articles constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

The establishment of the Hangzhou JV Company and Shenyang JV Company each constitutes a de minimis connected transaction under Rule 14A.76(1) of the Listing Rules and is therefore fully exempt from all reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. However, given that all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of (i) the capital contribution to be made by the Group in the Hangzhou JV Company and Shenyang JV Company and (ii) the other formation of joint venture transactions between the Group and the HKCG Group (including the Capital Injection) for the previous 12 months on an aggregate basis are more than 0.1% but less than 5%, the establishment of the Hangzhou JV Company and Shenyang JV Company is therefore subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Particulars of the Capital Injection, the Capital Increase Agreement, the Chengdu JV Articles, the establishment of the Hangzhou JV Company and Shenyang JV Company and the Hangzhou JV Articles and Shenyang JV Articles were disclosed in the announcements of the Company dated 24 September, 28 September and 17 December 2021 respectively.



Connected Transactions and Continuing Connected Transactions *(Continued)*

Acquisition of Equity Interests in Smart Energy Companies

On 3 December 2021, Towngas China Energy Investment Limited (“TCEI”, an indirect wholly-owned subsidiary of the Company established in the PRC), entered into 31 transfer agreements (the “Transfer Agreements”) with 港華綜合電能投資(深圳)有限公司 (“HCIP”, an indirect wholly-owned subsidiary of HKCG established in the PRC), pursuant to which HCIP agreed to sell the equity interests in 31 PRC companies (the “Smart Energy Companies”) held by it to TCEI at the aggregate consideration of RMB509,206,186 (approximately HK\$613,205,908) (the “Acquisition”). The interest acquired and consideration payable under the Transfer Agreements are summarized below:

Interest acquired by TCEI from HCIP under the relevant Transfer Agreement	Consideration paid by TCEI to HCIP (RMB)
1 100% equity interest in 長沙港能投智慧能源有限公司 (Changsha Towngas China Energy Co., Ltd)	4,905,223
2 100% equity interest in 廣東晟桂電力有限公司 (Guangdong Shenggui Electric Power Co., Ltd)	14,995,015
3 100% equity interest in 安丘航洲新能源科技有限公司 (Anqiu Towngas China PV Power Generation Co., Ltd.)	34,000,575
4 100% equity interest in 青島嘉嘉通新能源科技有限公司 (Qingdao Towngas China PV Power Generation Co., Ltd.)	28,946,417
5 100% equity interest in 新野縣啟電光伏科技有限公司 (Xinye Qidian Photovoltaic Technology Co., Ltd.)	13,654,891
6 100% equity interest in 佛山振森光能有限公司 (Foshan Towngas China PV Power Generation Co., Ltd.)	21,492,211
7 100% equity interest in 濟寧道宏新能源有限公司 (Jining Daohong New Energy Co., Ltd.)	10,993,597
8 100% equity interest in 沭陽中鄴沭開新能源有限公司 (Shuyang Zhongye Shukai New Energy Co., Ltd.)	30,000,000
9 100% equity interest in 濱州鑫潤豐新能源有限公司 (Binzhou Xinrunfeng New Energy Co., Ltd.)	14,999,970
10 100% equity interest in 深圳港華綜合能源有限公司 (Shenzhen Towngas China Integrated Energy Co., Ltd.)	13,995,938
11 100% equity interest in 鹽城港華智慧能源有限公司 (Yancheng Towngas China Smart Energy Co., Ltd.)	33,995,512
12 100% equity interest in 馬鞍山市鄭蒲港新區港能投光伏有限公司 (Maanshan Zhengpugang New District Towngas China Photovoltaic Co., Ltd.)	Nil
13 100% equity interest in 煙台港能投光伏有限公司 (Yantai Towngas China Photovoltaic Co., Ltd.)	Nil
14 100% equity interest in 南京港能投智慧能源有限公司 (Nanjing Towngas China Energy Co., Ltd)	Nil
15 100% equity interest in 青島港投光伏發電有限公司 (Qingdao China Photovoltaic Co., Ltd.)	Nil



Report of the Directors

Connected Transactions and Continuing Connected Transactions *(Continued)* Acquisition of Equity Interests in Smart Energy Companies *(Continued)*

Interest acquired by TCEI from HCIP under the relevant Transfer Agreement	Consideration paid by TCEI to HCIP (RMB)
16 100% equity interest in 廈門港能投光伏有限公司 (Xiamen Towngas China Photovoltaic Co., Ltd.)	Nil
17 100% equity interest in 營口港能投智慧能源有限公司 (Yingkou Towngas China Energy Co., Ltd.)	Nil
18 100% equity interest in 本溪港能投智慧能源有限公司 (Ben Xi Towngas China Energy Co., Ltd.)	Nil
19 100% equity interest in 廣州振森新能源有限公司 (Guangzhou Zhensen New Energy Co., Ltd.)	Nil
20 100% equity interest in 武漢港能投智慧能源有限公司 (Wuhan Towngas China Energy Co., Ltd.)	Nil
21 100% equity interest in 唐山港投綜合智慧能源有限公司 (Tangshan Towngas China Integrated Energy Co., Ltd.)	Nil
22 100% equity interest in 長三角一體化示範區(蘇州吳江)港能投智慧能源有限公司 (Yangtze River Delta Integrated Development Demonstration Zone (Suzhou Wujiang) Towngas China Energy Co., Ltd.)	Nil
23 100% equity interest in 滄州港能投智慧能源有限公司 (Cangzhou Towngas China Energy Co., Ltd.)	Nil
24 100% equity interest in 西安港能投智慧能源有限公司 (Xi'an Towngas China Energy Co., Ltd.)	Nil
25 100% equity interest in 陽江港能投光伏有限公司 (Yangjiang Towngas China Photovoltaic Co., Ltd.)	Nil
26 100% equity interest in 廣州港能智慧能源有限公司 (Guangzhou Towngas China Energy Co., Ltd.)	Nil
27 60% equity interest in 溧陽恒電新能源科技有限公司 (Liyang Hengdian Towngas China PV Power Generation Co., Ltd.)	14,199,424
28 90% equity interest in 丹陽港能投智慧能源有限公司 (Danyang Towngas China Energy Storage Power Plant Co., Ltd.)	27,084,277
29 80% equity interest in 蘇州光辰新能源科技有限公司 (Suzhou Guangchen Towngas China PV Power Generation Co., Ltd.)	11,999,948
30 80% equity interest in 泰州港能智慧能源有限公司 (Taizhou Towngas China Energy Co., Ltd.)	168,234,090
31 49% equity interest in 大連德泰港能投智慧能源有限公司 (Dalian DETA Towngas China Energy Co., Ltd.)	65,709,098
Total consideration:	509,206,186



Connected Transactions and Continuing Connected Transactions *(Continued)*

Acquisition of Equity Interests in Smart Energy Companies *(Continued)*

As HKCG is a controlling shareholder of the Company and HCIP is a subsidiary of HKCG, HCIP is a connected person of the Company under the Listing Rules. The Acquisition and the entering into of the Transfer Agreements therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition under the Transfer Agreements are more than 0.1% but all of them are less than 5%, the Acquisition is only subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Particulars of the Acquisition, Transfer Agreements and the Smart Energy Companies were disclosed in the announcement of the Company dated 3 December 2021.

Related Party Transactions

Details of the related party transactions undertaken in the normal course of business are set out in Note 43 to the consolidated financial statements. In relation to those related party transactions that also constituted connected transactions under the Listing Rules, they are in compliance with applicable requirements under the Listing Rules and are reported in this Annual Report in accordance with the Listing Rules.

Borrowings

Particulars of borrowings of the Group as at 31 December 2021 are set out in Note 33 to the consolidated financial statements.

Donations

During the year, the Group made charitable and other donations amounting to approximately HK\$662,000.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report and during the year, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Major Customers and Suppliers

The percentage of the operating cost attributable to the Group's five largest suppliers was less than 30% during the year. The percentage of the turnover attributable to the Group's five largest customers was less than 30% during the year.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on pro-rata basis to existing shareholders.



Report of the Directors

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 3,772,000 Shares at a total consideration of HK\$19,928,390.

Emolument Policy

As at 31 December 2021, the Group had 23,287 employees, with 99% located in Chinese mainland. Employee remuneration is based on individual performance, job nature and the relevant responsibilities involved. On-the-job training is provided as well as optimal benefits packages for employees, which include medical and retirement plans, year-end bonuses and other incentives. Employees are also encouraged to adopt a work-life balance, whilst improving the work environment on a continuing basis. The Group aims to help employees realise their full potential as well as their contribution to the Group.

The emoluments of the Directors are recommended by the Remuneration Committee of the Company for the Board's approval, having regard to the Group's operating results, individual performance and comparable market statistics. No Director or executive, nor any of his/her associates, is involved in deciding his/her own remuneration.

The Company has adopted a Share Award Scheme on 17 August 2021 providing incentives to Directors and eligible participants, details of which are set out in Note 39 to the consolidated financial statements.



Corporate Governance

The Company had complied with the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules during the year ended 31 December 2021.

Details of the corporate governance of the Group are set out in the “Corporate Governance Report” on pages 74 to 94 of this Annual Report.

Auditor

The consolidated financial statements of the Company for the year ended 31 December 2021 have been audited by Messrs. Deloitte Touche Tohmatsu (“Deloitte”). A resolution will be submitted to the forthcoming AGM of the Company to re-appoint Deloitte as the auditor of the Company.

This report is signed for and on behalf of the Board.

John Ho Hon-ming

Executive Director and Company Secretary

Hong Kong, 17 March 2022