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港華智慧能源有限公司 Towngas Smart Energy Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

2024 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL AND OPERATIONAL OVERVIEW

Core operating profit surges by 35% to over HK\$1.6 billion
Proposed final dividend of 16 HK cents per share and
special dividend of 3 HK cents per share, totalling 19 HK cents per share

- In 2024, facing a complex and challenging economic environment, the Group's revenue grew against the trend by 7.4% to HK\$21,314 million (increased by 9.6% in RMB terms). Benefitting from the strong performance of renewable energy business and the steady growth in gas business profit with favourable cost pass-through outcomes, along with precise control of capital expenditure and successful reduction of financing costs, the Group recorded a significant rise of 34.5% in the core operating profit to HK\$1,601 million (increased by 37.2% in RMB terms) during the year. After deducting non-operating gains and losses, the profit attributable to shareholders of the Company amounted to HK\$1,606 million.
- The **renewable energy business** fully realised economies of scale during the year, with net profit jumping five-fold to HK\$479 million. As at 31 December 2024, the Group's cumulative grid-connected photovoltaic capacity reached 2.3GW, with its annual power generation doubling year-on-year to 1.83 billion kWh. The synergy between carbon asset management and power trading has become more prominent, with annual power trading volume exceeding 8.4 billion kWh. The business now fully covers comprehensive energy and carbon services, such as energy storage, power trading, and carbon asset management. Through the development of an asset-light model, it will provide another driving force for profit growth.
- For the **city-gas business**, the total gas sales volume recorded a considerable increase of 5% to 17,201 million cubic metres during the year. Through cost pass-through efforts and refined management, the dollar margin for city-gas increased to RMB0.56 per cubic metre (an increase of RMB0.02 per cubic metre compared with 2023), maintaining a steady profit growth for the gas business overall.
- The Group issued the first industrial and commercial distributed photovoltaic and energy storage "asset-backed securities program" ("Quasi-REITs") on the Chinese mainland market with a scale of RMB515 million, successfully reducing financing costs. The funds raised will be used to continue investing in renewable energy projects.
- In light of encouraging performance of renewable energy business, the Board proposes a final dividend of 16 HK cents per share and a one-off special dividend of 3 HK cents per share, totalling 19 HK cents per share, in recognition of shareholders' unwavering support.

FINANCIAL HIGHLIGHTS

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

| | Audited | |
|--|---------------------------------------|--------|
| | For The Year Ended 31 December | |
| | 2024 | 2023 |
| Revenue, HK million dollars | 21,314 | 19,842 |
| Core operating profit, HK million dollars | 1,601 | 1,190 |
| Non-operating gains and losses, net, HK million dollars | 5 | 385 |
| Profit attributable to shareholders, HK million dollars | 1,606 | 1,575 |
| Basic earnings per share, HK cents | 47.1 | 47.7 |
| Gas sales volume, million cubic metres, natural gas equivalent* | 17,201 | 16,458 |
| Total photovoltaic grid connection, GW | 2.3 | 1.8 |
| Number of city-gas customers as at 31 December, million households* | 17.64 | 16.77 |

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

CHAIRMAN'S STATEMENT

Actively embracing technology for the betterment of the times, and enhancing our development resilience to ensure steady and sustainable progress.

— Dr. the Hon. Lee Ka-kit

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

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

Final Dividend and Special Dividend

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

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

Renewable Energy Business

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

In terms of our renewable energy and smart energy systems, after several years of effort, the Group has made significant progress and is well on track to growth. Our distributed photovoltaic projects have a cumulative grid-connected installed capacity of 2.3GW, with electricity generation reaching 1.83 billion kWh. The customer base covers 20 industries, including eight major emission-control industries such as petrochemical, building materials and non-ferrous metals, etc., serving both private companies as well as large-scale central and state-owned enterprises, which has become a new driving force for the Group's profit growth.

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

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

City-Gas Business

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

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

Environmental, Social and Governance

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

Business Outlook for 2025

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

Currently, our parent company’s strategic cooperation with PipeChina and the three major national petroleum corporations is steaming ahead. Looking forward, we are building a diversified resource pool, further strengthening our ability to acquire quality resources, bolstering the development of international trading platforms while also seizing opportunities to import spot liquefied natural gas. In 2025, we will see two new gas wells commence operation as part of the second phase of the parent company’s gas storage facility in Jintan District, Changzhou, Jiangsu Province. This will raise the facility’s total storage capacity to approximately 480 million cubic metres, further bolstering the injection/extraction and emergency peak-shaving capabilities of the “West-to-East Gas Pipeline” and the “Sichuan-to-East Gas Pipeline”, as well as strengthening our synergy with the Group.

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

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

Lee Ka-kit
Chairman

Hong Kong, 14 March 2025

The Board of Directors is pleased to announce the audited results of the Group for the year ended 31 December 2024 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024

| | <i>NOTES</i> | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--------------------------------------|--------------|---------------------------------------|---------------------------------------|
| Revenue | 3 | 21,314,027 | 19,841,511 |
| Total operating expenses | 4 | (19,419,838) | (18,177,618) |
| | | 1,894,189 | 1,663,893 |
| Other income | | 220,764 | 192,630 |
| Other gains, net | 5 | 179,587 | 426,559 |
| Share of results of associates | | 353,642 | 365,660 |
| Share of results of joint ventures | | 285,569 | 317,531 |
| Finance costs | 6 | (728,603) | (769,839) |
| Profit before taxation | 7 | 2,205,148 | 2,196,434 |
| Taxation | 8 | (408,654) | (385,110) |
| Profit for the year | | 1,796,494 | 1,811,324 |
| Profit for the year attributable to: | | | |
| Shareholders of the Company | | 1,606,116 | 1,574,623 |
| Non-controlling interests | | 190,378 | 236,701 |
| | | 1,796,494 | 1,811,324 |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Proposed dividend per ordinary share | 9 | | |
| Final dividend | | 16 | 16 |
| Special dividend | | 3 | - |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Earnings per share | 10 | | |
| – Basic | | 47.1 | 47.7 |
| – Diluted | | 42.7 | 42.5 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2024

| | <i>NOTE</i> | 2024 HK\$'000 | 2023 HK\$'000 <i>(restated)</i> |
|---|-------------|--------------------------------|---|
| Non-current assets | | | |
| Property, plant and equipment | | 28,435,338 | 28,555,243 |
| Right-of-use assets | | 868,439 | 1,012,469 |
| Intangible assets | | 355,416 | 384,994 |
| Goodwill | | 4,629,309 | 4,820,508 |
| Interests in associates | | 4,562,111 | 5,251,449 |
| Interests in joint ventures | | 3,866,526 | 3,803,404 |
| Loans to associates | | - | 47,701 |
| Equity instruments at fair value through other comprehensive income | | 1,274,026 | 1,353,339 |
| Other financial assets | | 115,918 | 70,628 |
| Restricted deposits | | 5,321 | 108,691 |
| | | 44,112,404 | 45,408,426 |
| Current assets | | | |
| Inventories | | 576,155 | 588,608 |
| Loans to associates | | 37,654 | 9,851 |
| Loans to joint ventures | | 24,596 | 166,507 |
| Trade and other receivables, deposits and prepayments | <i>11</i> | 4,410,069 | 2,782,350 |
| Amounts due from non-controlling shareholders | | 135,390 | 219,806 |
| Other financial assets | | - | 10,708 |
| Time deposits over three months | | 25,223 | 21,562 |
| Bank balances and cash | | 2,699,885 | 4,080,302 |
| | | 7,908,972 | 7,879,694 |
| Assets classified as held for sale | | 1,021,371 | 176,583 |
| | | 8,930,343 | 8,056,277 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2024

| | NOTE | 2024 HK\$'000 | 2023 HK\$'000 (restated) |
|---|------|--------------------|--------------------------------|
| Current liabilities | | | |
| Trade and other payables and accrued charges | 12 | 4,172,797 | 3,705,656 |
| Contract liabilities | | 3,473,768 | 3,632,142 |
| Lease liabilities | | 29,681 | 48,433 |
| Amounts due to non-controlling shareholders | | 39,983 | 73,356 |
| Taxation payable | | 1,225,582 | 1,412,241 |
| Borrowings – amounts due within one year | | 3,695,547 | 5,499,842 |
| Loan from ultimate holding company | | 15,113 | 28,453 |
| Loans from associates | | 5,462 | 24 |
| Loans from joint ventures | | 3,517 | 27,467 |
| Convertible bonds | | 1,866,938 | 1,952,264 |
| | | <u>14,528,388</u> | <u>16,379,878</u> |
| Liabilities associated with assets classified as held for sale | | <u>-</u> | <u>10,090</u> |
| | | <u>14,528,388</u> | <u>16,389,968</u> |
| Net current liabilities | | <u>(5,598,045)</u> | <u>(8,333,691)</u> |
| Total assets less current liabilities | | <u>38,514,359</u> | <u>37,074,735</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 111,143 | 206,846 |
| Borrowings – amounts due after one year | | 11,731,460 | 10,782,229 |
| Deferred taxation | | 899,044 | 839,983 |
| Loans from non-controlling shareholders | | 14,692 | 15,187 |
| | | <u>12,756,339</u> | <u>11,844,245</u> |
| Net assets | | <u>25,758,020</u> | <u>25,230,490</u> |
| Capital and reserves | | | |
| Share capital | | 348,065 | 335,450 |
| Reserves | | <u>23,099,673</u> | <u>22,511,762</u> |
| Equity attributable to shareholders of the Company | | 23,447,738 | 22,847,212 |
| Non-controlling interests | | <u>2,310,282</u> | <u>2,383,278</u> |
| Total equity | | <u>25,758,020</u> | <u>25,230,490</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

1. BASIS OF PREPARATION

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately HK\$5,598 million as at 31 December 2024. The Group's liabilities as at 31 December 2024 included borrowings of approximately HK\$3,696 million that are repayable within one year from the end of the reporting period.

As at 31 December 2024, the Group is able to raise funds through a Medium Term Note Programme ("MTN Programme") amounting to approximately HK\$13,452 million, the remaining issuance amount under the debt financing instruments programme registered in the National Association of Financial Market Institutional Investors (the "Panda Bonds") amounting to approximately HK\$15,432 million and unutilised facilities from banks and its parent company HKCG amounting to approximately HK\$10,248 million ("Facilities"). When considering the Group's ability to continue as a going concern, the Directors considered that the Group's bank borrowings of approximately HK\$3,696 million that are repayable within one year from the end of the reporting period will be rolled over or refinanced as the Group has a good relationship with the banks and has good credibility.

Taking into account the internally generated funds, the amount of funds which can be raised from the MTN Programme, the remaining issuance amount of Panda Bonds and those available Facilities, the Directors are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

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

Except as described below, the application of amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the other disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

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

Convertible instruments with conversion options not meeting “fixed for fixed criterion”

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

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

| | 31 December 2024 | | |
|--------------------------------|-------------------|------------------|--|
| | As reported | Reclassification | Without the application of the 2020 Amendments and 2022 Amendments |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current liabilities | | | |
| Convertible bonds | 1,866,938 | (1,866,938) | - |
| Non-current liabilities | | | |
| Convertible bonds | - | 1,866,938 | 1,866,938 |
| Total effect on net assets | - | - | - |
| | 31 December 2023 | | |
| | Originally stated | Reclassification | Restated |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current liabilities | | | |
| Convertible bonds | - | 1,952,264 | 1,952,264 |
| Non-current liabilities | | | |
| Convertible bonds | 1,952,264 | (1,952,264) | - |
| Total effect on net assets | - | - | - |
| | 1 January 2023 | | |
| | Originally stated | Reclassification | Restated |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current liabilities | | | |
| Convertible bonds | - | 2,055,619 | 2,055,619 |
| Non-current liabilities | | | |
| Convertible bonds | 2,055,619 | (2,055,619) | - |
| Total effect on net assets | - | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. SEGMENT INFORMATION

Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker of the Group has been identified as the executive directors of the Company (the "Executive Directors").

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors to facilitate strategic decision making.

The Group currently organises its operations into four operating divisions, which also represent the operating segments of the Group for financial reporting purposes. The principal activities of the operating and reportable segments are as follows:

| | | |
|-----------------------------|---|--|
| Sales of piped gas business | – | Sales of piped gas and other gas-related energy |
| Gas connection | – | Construction of gas pipeline networks under gas connection contracts |
| Renewable energy business | – | Sales of renewable energy (mainly photovoltaic power) and other related energy and services |
| Extended business | – | Sales of gas related household appliances and related products, and other related value-added services |

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

Amounts of segment assets and liabilities of the Group are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors. Therefore, segment assets and liabilities are not presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. SEGMENT INFORMATION (CONTINUED)

Information regarding these segments is presented below:

| | Sales of piped gas business HK\$'000 | Gas connection HK\$'000 | Renewable energy business HK\$'000 | Extended business HK\$'000 | Consolidated HK\$'000 |
|--|---|--|---|---|----------------------------------|
| For the year ended 31 December 2024 | | | | | |
| REVENUE | | | | | |
| Revenue recognised at a point in time | 17,056,130 | 1,378,505 | 1,863,466 | 529,459 | 20,827,560 |
| Revenue recognised over time | - | 486,467 | - | - | 486,467 |
| External | 17,056,130 | 1,864,972 | 1,863,466 | 529,459 | 21,314,027 |
| Segment results | 983,503 | 726,350 | 254,900 | 98,361 | 2,063,114 |
| Other income | | | | | 220,764 |
| Other gains, net | | | | | 179,587 |
| Unallocated corporate expenses | | | | | (168,925) |
| Share of results of associates | | | | | 353,642 |
| Share of results of joint ventures | | | | | 285,569 |
| Finance costs | | | | | (728,603) |
| Profit before taxation | | | | | 2,205,148 |
| Taxation | | | | | (408,654) |
| Profit for the year | | | | | 1,796,494 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

3. SEGMENT INFORMATION (CONTINUED)

| | Sales of piped gas business <i>HK\$'000</i> | Gas connection <i>HK\$'000</i> | Renewable energy business <i>HK\$'000</i> | Extended business <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|--|--------------------------------------|--|---|---------------------------------|
| For the year ended 31 December 2023 | | | | | |
| REVENUE | | | | | |
| Revenue recognised at a point in time | 16,291,454 | 1,391,601 | 1,056,327 | 625,868 | 19,365,250 |
| Revenue recognised over time | - | 476,261 | - | - | 476,261 |
| External | <u>16,291,454</u> | <u>1,867,862</u> | <u>1,056,327</u> | <u>625,868</u> | <u>19,841,511</u> |
| Segment results | <u>893,321</u> | <u>728,233</u> | <u>84,967</u> | <u>123,183</u> | 1,829,704 |
| Other income | | | | | 192,630 |
| Other gains, net | | | | | 426,559 |
| Unallocated corporate expenses | | | | | (165,811) |
| Share of results of associates | | | | | 365,660 |
| Share of results of joint ventures | | | | | 317,531 |
| Finance costs | | | | | <u>(769,839)</u> |
| Profit before taxation | | | | | 2,196,434 |
| Taxation | | | | | <u>(385,110)</u> |
| Profit for the year | | | | | <u>1,811,324</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

4. TOTAL OPERATING EXPENSES

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

5. OTHER GAINS, NET

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

6. FINANCE COSTS

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

7. PROFIT BEFORE TAXATION

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit before taxation has been arrived at after charging: | | |
| Amortisation of intangible assets | 17,706 | 18,057 |
| Depreciation of right-of-use assets | 54,705 | 53,703 |
| Cost of inventories sold | 17,225,083 | 16,278,678 |
| Depreciation of property, plant and equipment | 1,165,899 | 997,803 |
| Staff costs | 1,421,232 | 1,306,363 |
| Impairment loss of trade receivables, net of reversal | 33,221 | 22,435 |
| and after crediting: | | |
| Interest income | 66,969 | 78,420 |
| Dividend income from equity instruments at fair value through other comprehensive income | <u>36,959</u> | <u>36,634</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

8. TAXATION

| | 2024 <i>HK\$'000</i> | 2023 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| The charge comprises: | | |
| People's Republic of China ("PRC") Enterprise Income Tax ("EIT") | | |
| – current year | 300,629 | 223,448 |
| Deferred taxation | <u>108,025</u> | <u>161,662</u> |
| | <u>408,654</u> | <u>385,110</u> |

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both years.

The EIT rates applicable for the Group's PRC subsidiaries range from 15% to 25% (2023: 15% to 25%).

Following the 2020 edition of "Catalogue of Encouraged Industries in Western Region (Order No. 40 [2021])" released by the National Development and Reform Commission of the PRC in 2021, certain subsidiaries which are operating in the Western China were granted a concessionary tax rate of 15% by the local tax bureau.

Regarding the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"), as the Group is operating in jurisdictions where the Pillar Two legislation has not been enacted or substantially enacted, the Group is yet to apply the temporary exception during the year. Additional disclosures will be made when the Pillar Two legislation is enacted or substantially enacted in the future.

9. DIVIDENDS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the shareholders of the Company is based on the following data:

| | 2024 | 2023 |
|---|-------------------------|------------------|
| | HK\$'000 | HK\$'000 |
| <u>Earnings</u> | | |
| Profit for the year attributable to shareholders of the Company for the purpose of basic earnings per share | 1,606,116 | 1,574,623 |
| Effect of dilutive potential ordinary shares: | | |
| Interest expense on convertible bonds | 81,609 | 79,323 |
| Change in fair value of embedded derivative component of convertible bonds | <u>(75,558)</u> | <u>(101,573)</u> |
| Profit for the year attributable to shareholders of the Company for the purpose of diluted earnings per share | <u>1,612,167</u> | <u>1,552,373</u> |
| | Number of shares | |
| | 2024 | 2023 |
| | '000 | '000 |
| <u>Number of shares</u> | | |
| Weighted average number of ordinary shares in issue less shares held for share award scheme for the purpose of basic earnings per share | 3,413,761 | 3,298,521 |
| Effect of dilutive potential ordinary shares: | | |
| Convertible bonds | 362,193 | 356,454 |
| Share options | - | 469 |
| Weighted average number of subscription shares | - | 1 |
| Weighted average number of subscription shares that would have issued at market | <u>-</u> | <u>(1)</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>3,775,954</u> | <u>3,655,444</u> |

The weighted average number of ordinary shares in issue for the calculation of basic and diluted earnings per share for both years presented have been adjusted for the effect of shares held by the trustee pursuant to the share award scheme.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Trade receivables

The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. Longer credit period is also allowed on a case by case basis. The following is an aged analysis of trade receivables net of allowance of credit losses presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

Trade payables

The Group normally receives credit terms of 0 to 60 days from its suppliers. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

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

13. EVENT AFTER THE REPORTING PERIOD

On 19 December 2024, Towngas China Energy Investment Limited (“TCEI”), an indirect wholly-owned subsidiary of the Company, has entered into an equity interest transfer agreement with Hong Kong and China Integrated Power Investment (Shenzhen) Limited (“HCIP”), an indirect wholly-owned subsidiary of HKCG, pursuant to which HCIP agreed to sell the 55% equity interests in Changzhou Towngas China Smart Energy Co., Ltd. (“Changzhou Towngas”) held by it to TCEI at the consideration of approximately RMB57,137,000 (equivalent to HK\$60,810,000). On 6 March 2025, the transfer of 55% equity interest in Changzhou Towngas has been completed.

BUSINESS REVIEW

City-Gas Business

In 2024, China's gross domestic product reported a year-on-year growth of 5%. This is mainly attributable to the country's dynamic measures to stimulate consumption and stabilise the real estate sector, hand-in-hand with its continuous optimisation of the business environment as well as its introduction of policies conducive to the development of the natural gas industry in 2024. The Group has been able to capitalise on these favourable policies and market opportunities, proactively pursuing innovative business development models, which have facilitated steady development in our city-gas business on the Chinese mainland. During the year, the Group recorded an overall gas sales volume of 17,201 million cubic metres, representing an increase of 5%. The Group has a total of 191 city-gas projects in aggregate (inclusive of corporate reinvestment projects), with 4 new projects added during the year. The number of customers reached 17.64 million, representing an increase of 870,000 customers during the year. At the same time, through cost pass-through efforts and refined management, the dollar margin for city-gas increased to RMB0.56 per cubic metre (an increase of RMB0.02 per cubic metre compared with 2023), maintaining a steady profit growth for the gas business.

The Group has further expanded our "Gas+" energy service sector, growing the business to increase its contribution to gross profit. During the year, the Group secured more than 315 new "Gas+" energy service contracts and thus the accumulated number of these projects reached 661. In recent years, riding on the introduction of favourable national policies on energy cost trusteeship services and extensive equipment large-scale equipment renewals for public institutions, the Group entered into several strategic cooperation agreements with the Government Offices Administration of Jiangsu Province and the Government Offices Administration of Jiangxi Province. As a result, more than ten energy conservation projects for public institutions were launched through approaches such as light-asset energy cost trusteeship and multi-energy complementary supply. It also kick-started an extensive equipment replacement and development programme for the first batch of over 3,000 boiler units.

In line with the "One City, One Enterprise" policy by local governments, the Group has been advancing the optimisation and restructuring of gas projects in Chaozhou, Jinan, Dalian, and other regions, achieving resource integration and optimised allocation to further enhance the value of our city-gas assets and risk resilience.

Renewable Energy Business

The country has been promoting green and low-carbon transformation and sustainable development, with multiple strategies being formulated to advance the implementation of the dual carbon goals and to accelerate the adoption of renewable energy alternatives in key areas such as manufacturing, transportation, construction and new infrastructure. In 2024, the Group's renewable energy business entered a growth trajectory. As at the end of 2024, the Group has invested in more than 1,000 renewable energy projects in 24 provinces, autonomous regions and municipalities. The accumulated grid-connected installed capacity of our distributed photovoltaic projects reached 2.3GW, and we signed contracts for over 400,000 kWh of industrial and commercial energy storage projects. Our power trading volume reached 8.4 billion kWh. Carbon management and carbon services have also shown steady development. Full year net profit for the renewable energy business amounted to HK\$479 million, representing a year-on-year growth of 5 times.

Adhering to the Group's three strategic directions of integrated energy solutions, decarbonisation and digitalisation, we continued to actively expand renewable energy projects in zero-carbon smart industrial parks. We are also committed to implementing "Energy as a Service" ("EaaS") projects, providing "photovoltaics + energy storage + electricity sales" one-stop integrated energy management services to industrial and commercial customers, encompassing integrated energy services such as photovoltaics, energy storage, battery charging and swapping, carbon trading, power trading, engineering and operation & maintenance, energy saving and digitalisation. During the year, the EaaS business contributed stable revenues to the Group, with the full year profit from energy and carbon services amounting to HK\$110 million, representing a year-on-year growth of 2 times. The Group's virtual power plant project in Shanghai was also commissioned successfully, with contracts signed for multiple commercial office buildings, aggregating 81 MW of resources.

The Group has been proactively pursuing an asset-light business model, successfully introducing multiple strategic investors to jointly invest in our photovoltaic assets. During the year, the Group successfully issued the Quasi-REITs on the Shenzhen Stock Exchange, with an issuance size of RMB515 million, representing the first tranche of the RMB5.0 billion shelf offering. The issue was 2.5 times oversubscribed, indicating a positive market response. The funds raised will be used by the Group to continue investing in renewable energy projects, including photovoltaic power generation and energy storage stations.

FINANCIAL REVIEW

Revenue

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

| Business Segments | 2024 <i>HK\$ million</i> | 2023 <i>HK\$ million</i> |
|-----------------------------|-----------------------------|-----------------------------|
| Sales of piped gas business | 17,056 | 16,292 |
| Gas connection | 1,865 | 1,868 |
| Renewable energy business | 1,864 | 1,056 |
| Extended business | 529 | 626 |
| Total | <u>21,314</u> | <u>19,842</u> |

Total Operating Expenses

Total operating expenses of the Group included gas fuel, stores and materials used, staff costs, depreciation and amortisation, and other expenses. Total operating expenses of the Group in 2024 amounted to HK\$19,420 million, representing an increase of 6.8% compared to last year.

| | 2024 <i>HK\$ million</i> | 2023 <i>HK\$ million</i> |
|-------------------------------------|-----------------------------|-----------------------------|
| Gas fuel, stores and materials used | 15,847 | 15,125 |
| Staff costs | 1,421 | 1,306 |
| Depreciation and amortisation | 1,238 | 1,070 |
| Other expenses | 914 | 677 |
| Total | <u>19,420</u> | <u>18,178</u> |

Other Gains, Net

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

Share of Results of Associates

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

Share of Results of Joint Ventures

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

Finance Costs

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

Profit for the Year

In 2024, profit attributable to shareholders of the Company amounted to HK\$1,606 million, representing an increase of 2.0% compared to last year. Excluding non-operating gains and losses (i.e. gain from change in fair value of embedded derivative component of convertible bonds of HK\$76 million and non-recurring items totalling HK\$71 million), core operating profit amounted to HK\$1,601 million, increased significantly year-on-year by 34.5% (increased by 37.2% in RMB terms). Basic earnings per share amounted to 47.1 HK cents, representing a decrease of 1.3% year-on-year.

FINANCIAL POSITION

The Group has adopted a prudent approach in financial resources management, maintaining an appropriate level of cash and cash equivalents as well as adequate financing facilities to meet the requirements of day-to-day operations and business development, while also controlling borrowings at a healthy level.

As at 31 December 2024, the Group's borrowings amounted to HK\$15,427 million (2023: HK\$16,282 million), of which HK\$3,696 million (2023: HK\$5,500 million) represented borrowings due within 1 year, HK\$10,640 million (2023: HK\$10,038 million) represented borrowings due between 1 to 5 years, and HK\$1,091 million (2023: HK\$744 million) represented borrowings due over 5 years. Other than the HK\$12,044 million (2023: HK\$12,392 million) in borrowings which bore interests at fixed rates, the Group's other borrowings were arranged on a floating interest rate basis. The maturities and interest rates of the loans were arranged to provide sound financial resources and stable interest costs for the Group. The businesses of the Group were mainly engaged on the Chinese mainland and most of the transactions, assets and liabilities were denominated in RMB. As a result, the Group bore currency risk from fluctuations of RMB exchange rate for non-RMB denominated deposits and borrowings. The Group's borrowings denominated in RMB amounted to HK\$13,859 million (2023: HK\$14,323 million) and the remaining HK\$1,568 million borrowings were denominated mainly in United States dollars ("USD") as at the end of the year (2023: HK\$1,959 million borrowings were denominated mainly in USD). Cross currency swaps contracts were made to hedge foreign currency risk for the most of non-RMB denominated borrowings so as to reduce risk arising from fluctuations of RMB. Apart from the borrowings as mentioned above, the Group also has RMB loans amounted to approximately HK\$15 million (2023: HK\$28 million), approximately HK\$5 million (2023: HK\$20,000), approximately HK\$4 million (2023: HK\$27 million) and approximately HK\$15 million (2023: HK\$15 million) from the parent company HKCG, associates, joint ventures, and non-controlling shareholders on a fixed interest rate basis respectively.

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

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

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

The operating and capital expenditure of the Group is funded by cash flows from operations, internal liquidity, financing arrangements with banks, the MTN Programme, Panda Bonds, convertible bonds and equity funding. The Group maintains a strong liquidity position with its cash and cash equivalents on hand, unutilised credit facilities, its MTN Programme and Panda Bonds. We have adequate financial resources to meet our contractual obligations and operating requirements. Benefiting from our good credit ratings, the Group enjoys favourable interest rates on bank loans and notes.

CREDIT RATINGS

Moody's Investors Service maintained the issuer rating of Towngas Smart Energy at "Baa1" with a "stable" outlook rating. Standard & Poor's also affirmed the long-term corporate credit rating of Towngas Smart Energy at "BBB+" and its rating outlook as "stable". In addition, China Chengxin International also maintained the credit rating of Towngas Smart Energy at "AAA" and its rating outlook as "stable". These ratings reflect the credit rating agencies' recognition of the Group's stable business and credit profile.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2024.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2024, the Group had 24,455 employees. Employee remuneration is based on individual performance, job nature and the relevant responsibilities involved. Our employees are provided with on-the-job training as well as optimal benefits packages, which include medical welfare, retirement plans, year-end bonus, as well as other incentives. We encourage work-life balance among our employees. At the same time, we make every effort to improve their work environment on a continuing basis. Our aim is to help them unleash their full potential, creating a full life for themselves while also contributing to the Group.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends the payment of a final dividend of 16 HK cents per share and a special dividend of 3 HK cents per share, in an aggregate of 19 HK cents per share from the share premium account of the Company payable to shareholders whose names are on the register of members of the Company on 6 June 2025, which is subject to the approval by shareholders at the annual general meeting ("AGM") and compliance with the Companies Act of the Cayman Islands.

The proposed final dividend and special dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares in lieu of cash in whole or in part of the final dividend and special dividend under the scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, rank *pari passu* in all respects with the existing shares in issue on the date of the allotment and issue of the new shares except that they shall not be entitled to the proposed final dividend and special dividend. The circular containing details of the Scrip Dividend Scheme and the relevant election form is expected to be sent to shareholders on or about 13 June 2025.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the final dividend and special dividend at the forthcoming AGM of the Company and the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of, and permission to deal in, the new shares to be issued under the Scrip Dividend Scheme.

It is expected that the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be sent by ordinary mail to shareholders at their own risk on or about 14 July 2025.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed for the following periods:

- (1) from 26 May 2025 to 29 May 2025, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to attend and vote at the AGM; and
- (2) from 4 June 2025 to 6 June 2025, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to the final dividend and special dividend to be approved at the AGM.

All completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share transfer office of the Company, Computershare Hong Kong Investor Services Limited, Shops 1712 - 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 23 May 2025 and 3 June 2025 respectively.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 29 May 2025. For details of the AGM, please refer to the Notice of AGM which is expected to be published on or about Tuesday, 15 April 2025.

CORPORATE GOVERNANCE

The Company had 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 (the "Listing Rules") during the year.

The Company has a board audit and risk committee (the "Board Audit and Risk Committee") which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls systems.

A meeting of the Board Audit and Risk Committee was held on 27 February 2025 to review the Group's audited consolidated financial statements for the year ended 31 December 2024 in conjunction with the Group's internal auditor and Deloitte Touche Tohmatsu, the Group's external auditor.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2024.

By Order of the Board
Peter Wong Wai-yee
Executive Director and Chief Executive Officer

Hong Kong, 14 March 2025

At the date of this announcement, the Board comprises:

Non-Executive Directors:

LEE Ka-kit (*Chairman*)
Kenneth LIU Kai-lap

Independent Non-Executive Directors:

Moses CHENG Mo-chi
Brian David LI Man-bun
Christine LOH Kung-wai

Executive Directors:

Peter WONG Wai-yee (*Chief Executive Officer*)
Martin KEE Wai-ngai (*Chief Operating Officer – Gas Business*)
John QIU Jian-hang (*Chief Operating Officer – Renewable Business*)