



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)

2025 Annual Report

**Smart Energy
for a Greener Future**



OUR MISSION

To provide our customers with safe, reliable, clean and smart energy along with quality services, while committed to fulfilling our social responsibility, ensuring sustainable business growth, enhancing our shareholders' return on investment, and bringing long-term benefit for our planet, society, and stakeholders.

OUR VISION

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

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2025 Awards and Recognitions



Sustainability Yearbook (China Edition) 2025

Member

“Top 10%” S&P Global CSA Score among Chinese Companies (Gas Utilities Sector)

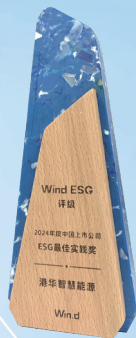
S&P Global



2025 Golden Kungpeng China Financial Value Ranking

Best Investment Value Award for Listed Companies

Hong Kong Commercial Daily and Global Commercial Newspapers Union



Wind ESG Rating

Top 100 Listed Companies with Best ESG Practices in China 2024

Wind



Guru Club Outstanding Companies List (Golden Grid Award) 2025

Investment Value of the Year Award

Gelonghui



12th Hong Kong Stock Market Top 100 List

Outstanding New Energy Listed Company of the Year

Top 100 Hong Kong Listed Companies Research Centre



2025 Electric Power Innovation Award

First Prize in System Achievement

China Electricity Council



2025 CSG Zero Carbon Cup – Zero-Carbon Industrial Park Solutions Competition

Gold Award – Park Operations

China Southern Power Grid



14th Polaris Cup

2025 Influential PV Power Plant O&M Brand

Polaris Solar Photovoltaic Network



7th Yuntu Awards

Excellence Award for Digital Enterprise Learning and Development Talent

Radnova Technology, Institute of Organization and Talent Development and CEIBS Business Review



11th China Securitization Forum Annual Conference 2025

Innovative Institution of the Year
Outstanding Corporate Asset Securitization Project of the Year

Shanghai Advanced Institute for Financial Research and China Securitization Forum



2025 Milestones

January

- Towngas Smart Energy (“the Group”) listed its “Zero-Carbon Smart Phase 1 Asset-Backed Securities Programme (Carbon Neutral)” (“quasi-REIT”) on the Shenzhen Stock Exchange.



February

- Phase 2 of the Towngas Operation Platform was officially launched in Shanghai, establishing the first group-level, cloud-based digital operation platform.



September

- Towngas Smart Energy achieved a significant upgrade to “AA+” rating in the Hang Seng Corporate Sustainability Index (“HSSUS”) ESG evaluation.
- Towngas Smart Energy won the Golden Kungpeng Best Investment Value Award for Listed Companies.



August

- The kick-off meeting for Towngas China Energy’s Power Sales Synergy initiative was held in Shenzhen. The Group’s two major business segments, Towngas China Energy and Towngas China, are working in synergy, capitalising on the gas segment’s customer base and service network to expand integrated and comprehensive energy services across four pilot provinces. These include electricity sales, green power, solar photovoltaics, and energy storage.

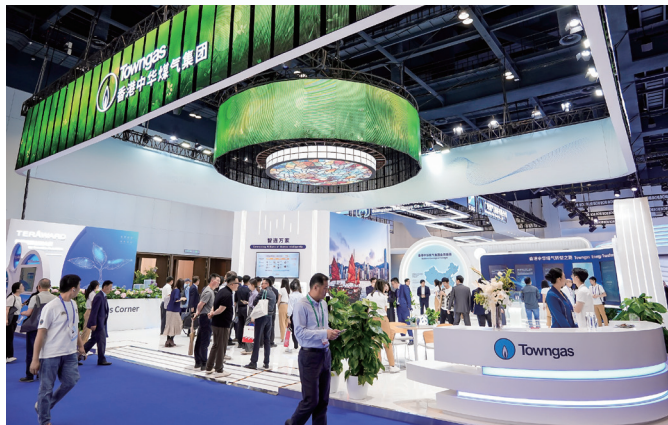


June

- The second tranche of the quasi-REIT was issued on the Shenzhen Stock Exchange.

May

- Towngas Smart Energy won two annual awards at the China Securitization Forum.
- The Group attended the 29th World Gas Conference and shared its experience in energy transition with the industry.



November

- The third tranche of the quasi-REIT was issued with an issuance size of RMB812 million.

October

- The Group attended the International Forum on Building Energy Efficiency in Beijing, helping to drive the industry's low-carbon transition through practical energy service applications.



December

- Towngas Smart Energy won the Golden Grid Award – Investment Value of the Year Award.
- Group representatives were invited to attend the Winter Safety Knowledge Press Conference hosted by the Ministry of Emergency Management, helping to enhance public safety awareness.

2025 Business Coverage

The Group has a portfolio comprising

969 projects

in 28 provincial regions on the Chinese mainland

Gansu

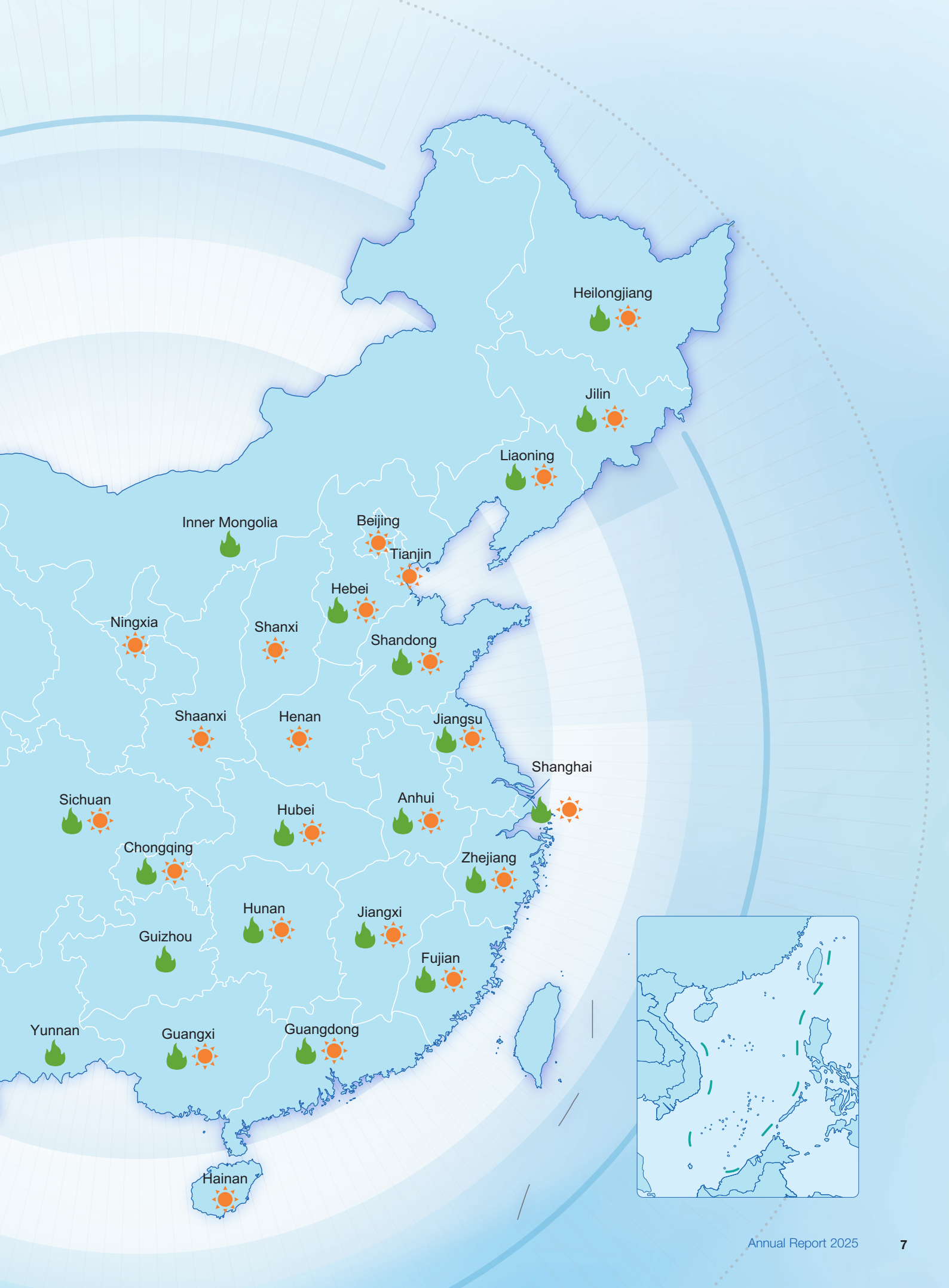


City-Gas Projects



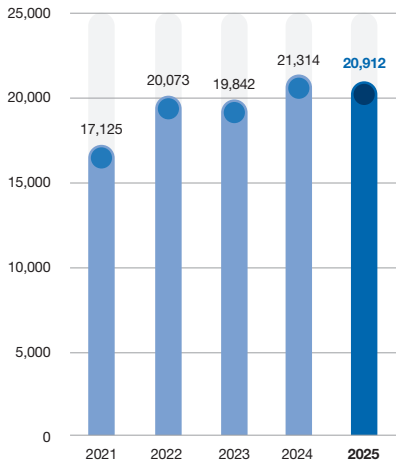
Renewable Energy Projects

2024 year end: 749 projects (inclusive of city-gas projects, photovoltaic projects and energy and carbon projects re-invested by the Group's companies)

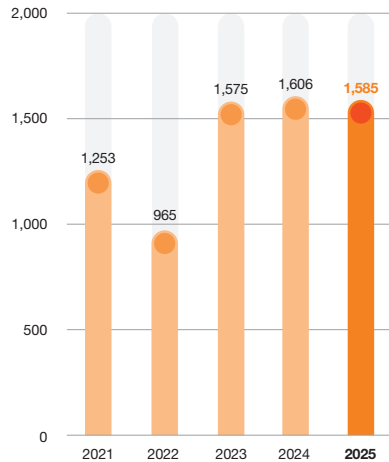


Business Highlights

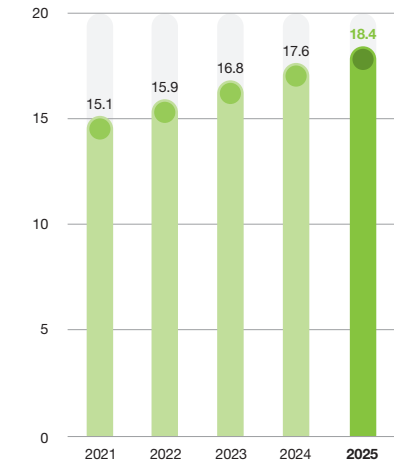
Revenue
(HK\$ Millions)



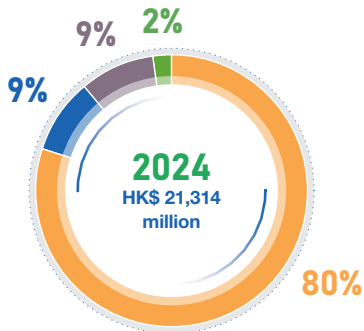
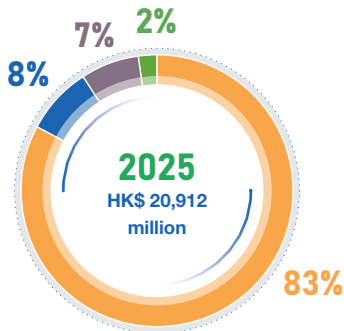
Profit Attributable to Shareholders of the Company
(HK\$ Millions)



Number of City-Gas Customers (All Entities)
(Millions Households)

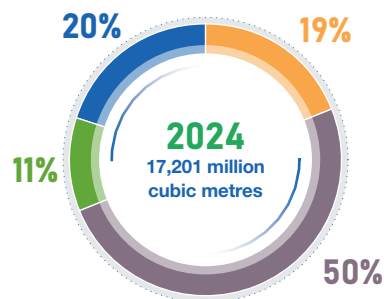
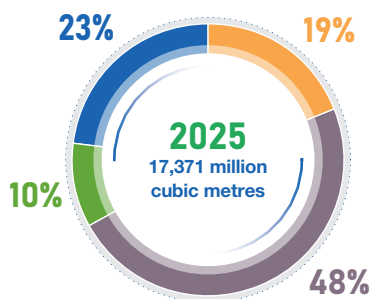


Analysis of Revenue



- Sales of Piped Gas
- Gas Connection
- Gas-related Products and Services
- Renewable Energy Business

Percentage of Gas Volume by Customer Mix (All Entities)



- Residential
- Industrial
- Commercial
- Wholesale and Power Plant

Five-Year Financial Summary


| | For the year ended 31 December | | | | 2025 |
|--------------------------------------|--------------------------------|----------------|----------------|----------------|-----------------|
| | 2021 HK\$'M | 2022 HK\$'M | 2023 HK\$'M | 2024 HK\$'M | HK\$'M |
| RESULTS | | | | | |
| Revenue | 17,125 | 20,073 | 19,842 | 21,314 | 20,912 |
| Profit before taxation | 2,145 | 1,584 | 2,196 | 2,205 | 2,171 |
| Taxation | (618) | (383) | (385) | (409) | (419) |
| Profit for the year | 1,527 | 1,201 | 1,811 | 1,796 | 1,752 |
| Profit for the year attributable to: | | | | | |
| Shareholders of the Company* | 1,253 | 965 | 1,575 | 1,606 | 1,585 |
| Non-controlling interests | 274 | 236 | 236 | 190 | 167 |
| Profit for the year | 1,527 | 1,201 | 1,811 | 1,796 | 1,752 |
| | HK cents | HK cents | HK cents | HK cents | HK cents |
| Earnings per share | | | | | |
| Basic | 41.5 | 30.2 | 47.7 | 47.1 | 44.5 |
| Diluted | 41.5 | 14.4 | 42.5 | 42.7 | 42.2 |

| | As at 31 December | | | | 2025 |
|---|-------------------|----------------|----------------|----------------|-----------------|
| | 2021 HK\$'M | 2022 HK\$'M | 2023 HK\$'M | 2024 HK\$'M | HK\$'M |
| ASSETS AND LIABILITIES | | | | | |
| Total assets | 54,237 | 52,944 | 53,464 | 53,043 | 55,207 |
| Total liabilities | (29,064) | (29,081) | (28,234) | (27,285) | (27,047) |
| | 25,173 | 23,863 | 25,230 | 25,758 | 28,160 |
| Equity attributable to shareholders of the Company | 22,895 | 21,505 | 22,847 | 23,448 | 25,722 |
| Non-controlling interests | 2,278 | 2,358 | 2,383 | 2,310 | 2,438 |
| Total equity | 25,173 | 23,863 | 25,230 | 25,758 | 28,160 |

* the Company: Towngas Smart Energy Company Limited

Chairman's Statement

Dr. the Hon. Lee Ka-kit



We are applying advanced technologies such as artificial intelligence to unleash new quality productive forces.

– Dr. the Hon. Lee Ka-kit



Looking back at 2025, the global economic landscape was reshaped amid turbulence. China's economy also demonstrated strong resilience within a pattern of stable progress, leading in research, development, application of artificial intelligence ("AI"), and steadily enhancing "new quality productive forces" to lay a solid foundation for the opening phase of the new Five-Year Plan. The country's continuous advancement of the green transition has opened up vast development space for the Group's smart green energy business.

For Towngas Smart Energy, this was a year that validated our strategic resolve to be more than just a public utility and become an energy technology enterprise that integrates AI and is accelerating into green development. Over the past year, the Group's stable utility operations generated robust cash flow, supporting its growth businesses in renewable energy. The Group also rapidly advanced the integration of artificial intelligence

into all operational segments, which helped to improve quality and efficiency while also strengthening its early-warning risk capabilities. These initiatives not only respond to the national call for developing "new quality productive forces", but also enable the Group to maintain its industry leadership.

Final Dividend

The Group's revenue for the year amounted to HK\$20,912 million, with core operating profit reaching HK\$1,573 million. Profit attributable to shareholders of the Company was HK\$1,585 million, while our basic earnings per share was HK44.5 cents. The Board recommends a final dividend of HK14 cents per share, payable to shareholders whose names appear on the Register of Members of the Company as at 4th June 2026. Together with the interim dividend of HK5 cents per share paid on 17th October 2025, the total dividend for the whole year will be HK19 cents per share.

City-Gas Business Maintains Steady Performance

The city-gas market in 2025 faced significant challenges. Geopolitical uncertainties disrupted global supply chains, while the restructuring of the real estate market on the Chinese mainland constrained profit margins in connection services. Against these industry-wide headwinds, the Group proactively pursued structural breakthroughs.

To optimise gas supply and control costs more effectively, the Group together with our parent company, HKCG, increased our strategic cooperation with leading upstream oil producers. We also continued to develop our "Gas+" business further, delivering high-quality, integrated energy services to industrial and commercial customers, with the aim of creating new growth drivers. Additionally, the Group made significant progress rationalising its pricing mechanism (i.e. cost pass-throughs) during the year.

Price adjustments for industrial and commercial customers were largely completed, with 90% of residential users either finalising or confirming their cost pass-through plans. These efforts are expected to improve our gross profit margins. Overall, the city-gas business maintained steady performance during the period, a hard-won achievement for the Group.

Renewable Energy Business Thrives

In 2025, the country made remarkable achievements in the clean energy transition, as the share of installed capacity of non-fossil energy sources exceeded 60%, providing solid macro support for our business expansion. Our strategy was clear and pragmatic: focus on efficiency. Building on our existing 128 zero-carbon smart industrial parks and 2.8 GW of industrial and commercial distributed photovoltaic projects, we are pursuing an “asset-light” development path. The Group has been utilising green financial instruments, including quasi-REIT products, to broaden our capital channels and optimise cash flow. These instruments also allow us to offer customised energy solutions to customers, featuring the “synergistic development of gas and electricity and the integrated model of photovoltaic, energy storage and electricity sales”. Through its inherent strengths, the Group has

demonstrated robust risk resilience and developmental tenacity.

With the implementation of the 15th Five-Year Plan, policy dividends in areas such as zero-carbon industrial parks, distributed energy, and smart microgrids will continue to unfold, signalling the advent of a new wave of industry opportunities. To capture these opportunities, we will adhere to a development strategy of “scale and value enhancement”, leveraging synergies with our gas segment to expand market coverage and business scale, thereby securing long-term sustainable growth for the Group.

Environmental, Social and Governance

Towngas Smart Energy integrates Environmental, Social and Governance (“ESG”) practices throughout the entire business. By responding to the sustainability expectations of employees, customers, communities and other stakeholders, we are contributing to the development of a green, safe and efficient energy ecosystem, as well as a sustainable society.

Our multi-tiered ESG governance framework and hierarchical management system ensures effective implementation of the Group's sustainability strategies. To reinforce the execution of these strategies, the Group links the

variable compensation of its senior management to their achievement of ESG targets. In 2025, the Group's ESG rating in the Hang Seng Corporate Sustainability Index was upgraded to “AA+”, a strong endorsement of our sustainable development practices and contributions.

Outlook for 2026

Over the past few years, the Group has aligned with the business restructuring and strategic adjustments of its parent company, HKCG, achieving significant progress and results. Towngas Smart Energy has evolved from a traditional energy company into one offering advanced green technology. Combining green energy with innovative technology has enabled us to maintain the Group's leading position in the industry. In the long run, we will direct our efforts and resources to the sectors the world needs most.

Since its inception, the Group has always been firmly rooted in the Greater China market; our greatest advantage is our ability to align with the country's energy needs and capitalise on our strengths as an energy provider. As we look ahead to 2026, we anticipate that external challenges will remain complex and volatile, yet with abundant opportunities for development.

In the city-gas business, with

the national 15th Five-Year Plan calling for advancing urbanisation in an orderly manner, we expect the real estate sector on the Chinese mainland to transition to higher-quality development as the sector shifts to a new model. It will also help the Group acquire new industrial and commercial customers. Since urban renewal, the renovation of old communities, and the construction of Quality Homes will require upgraded infrastructure such as gas pipelines, new business opportunities, including pipeline network upgrades and new customer connections, will open up for city-gas companies.

The country's Notice on Deepening Market-Based Reform of Feed-in Tariffs for New Energy to Promote High-Quality Development of New Energy stated that electricity generated from new energy projects such as wind and photovoltaic power will, in principle, fully enter the electricity market for trading. This marks the advent of a fully market-driven era for new energy feed-in tariffs, significantly enhancing capacity to absorb new energy – a development that aligns perfectly with the Group's core strengths. Consequently, we will continue to expand and strengthen our presence in the renewable energy sector, including broadening financing channels and maintaining investments in high-quality

photovoltaic and energy storage assets.

In the years ahead, the Group will fully implement its twin-engine strategy, ensuring steady growth in gas operations on the Chinese mainland while developing renewable energy as a new growth driver.

We will also apply advanced technologies, including artificial intelligence, to achieve “new quality productive forces”. In the meantime, we will remain committed to our “driven by people, guided by compassion” corporate ethos and continue our care for the community.

Finally, on behalf of the Board, I would like to extend our deepest gratitude to all shareholders, customers and employees. Your trust enables us to navigate the shifting tides with the purpose and confidence that will support even stronger performance in years to come.

Dr. the Hon. Lee Ka-kit

Chairman

18th March 2026

Board of Directors



Dr. the Hon. Lee Ka-kit

GBM, GBS, JP, DBA (Hon)

- ◆ Chairman and Non-executive Director ◆ Aged 62
- ◆ Appointed on 25th October 2021

Qualifications and Education

- Honorary University Fellowship, The University of Hong Kong
- Honorary Degree of Doctor of Business Administration, Edinburgh Napier University

Other Major Offices

- Chairman of Nomination Committee of the Company
- The Hong Kong and China Gas Company Limited*
- Chairman and Non-executive Director
- Henderson Land Development Company Limited*
- Chairman and Managing Director
- Henderson Investment Limited* - Vice Chairman

Public Services

- The Standing Committee of the 14th National Committee of the Chinese People's Political Consultative Conference
- Member
- One Country Two Systems Research Institute
- Chairman of the Board of Directors

Relationship with Substantial Shareholders[#]

- Henderson Land Development Company Limited*
- Chairman and Managing Director
- Henderson Development Limited - Chairman
- Hopkins (Cayman) Limited - Director
- Rimmer (Cayman) Limited - Director
- Riddick (Cayman) Limited - Director



Dr. the Hon. Moses Cheng Mo-chi

GBM, GBS, OBE, JP

- ◆ Independent Non-executive Director ◆ Aged 76
- ◆ Appointed on 23rd May 2007

Qualifications and Education

- Practising Solicitor

Other Major Offices

- Chairman of Remuneration Committee of the Company
- Member of Board Audit and Risk Committee and Nomination Committee of the Company
- Messrs. P.C. Woo & Co - Senior Consultant
- The Hong Kong and China Gas Company Limited*
- Independent Non-executive Director
- Guangdong Investment Limited*
- Independent Non-executive Director
- K. Wah International Holdings Limited*
- Non-executive Director
- Liu Chong Hing Investment Limited*
- Independent Non-executive Director
- Tian An China Investments Company Limited*
- Non-executive Director

Public Services

- Executive Council of the Hong Kong Special Administrative Region - Non-official member
- Hong Kong Maritime and Port Development Board
- Chairman
- The Hong Kong Institute of Directors
- Honorary President and Chairman Emeritus

Past Experience

Dr. Cheng was a senior partner and consultant of Messrs. P.C. Woo & Co. from 1994 to January 2023. He was also a member of the Legislative Council of Hong Kong as well as the founder Chairman of the Insurance Authority and The Hong Kong Institute of Directors.

* listed public company

under the provisions of the Securities and Futures Ordinance of Hong Kong



Mr. Brian David Li Man-bun

BBS, JP, FCA, MBA, MA (Cantab)

◆ Independent Non-executive Director ◆ Aged 51

◆ Appointed on 23rd May 2007

Qualifications and Education

- MBA degree, Stanford University
- BA degree, University of Cambridge
- Fellow of The Hong Kong Institute of Certified Public Accountants
- Fellow of The Institute of Chartered Accountants in England and Wales
- Member of The Hong Kong Academy of Finance
- Honorary Certified Banker of The Hong Kong Institute of Bankers
- Full Member of The Treasury Markets Association

Other Major Offices

- Chairman of Board Audit and Risk Committee of the Company
- Member of Remuneration Committee and Nomination Committee of the Company
- The Bank of East Asia, Limited ("BEA")* - Co-Chief Executive
- China Overseas Land & Investment Limited* - Independent Non-Executive Director
- Guangdong Investment Limited* - Independent Non-Executive Director

Public Services

- The National Committee of the Chinese People's Political Consultative Conference - Member, and Vice Chairman of Committee on Social and Legal Affairs
- Chief Executive's Council of Advisers of the Government of the Hong Kong Special Administrative Region - Member
- Hong Kong-Shenzhen Innovation and Technology Park Limited - Board Member
- Disaster Relief Fund Advisory Committee - Member
- The Council of The University of Hong Kong - Member

Past Experience

Mr. Li was General Manager & Head of Wealth Management Division of BEA* from 2004 to 2009. He was appointed Deputy Chief Executive of BEA* in 2009 and Co-Chief Executive of BEA* in 2019. Mr. Li retired as an independent non-executive director of Shenzhen Investment Holdings Bay Area Development Company Limited* with effect from 19th May 2023.



Dr. Christine Loh Kung-wai

SBS, OBE, JP, Chevalier de l'Ordre National du Mérite

◆ Independent Non-executive Director ◆ Aged 70

◆ Appointed on 4th April 2022

Qualifications and Education

- Bachelor of Laws, University of Hull
- Master of Laws in Chinese and Comparative Law, City University of Hong Kong
- Honorary degree of Doctor of Laws, University of Hull
- Honorary degree of Doctor of Science, University of Exeter

Other Major Offices

- Chairman of Environmental, Social and Governance Committee of the Company
- Member of Board Audit and Risk Committee, Nomination Committee and Remuneration Committee of the Company
- Institute for the Environment of the Hong Kong University of Science and Technology - Chief Development Strategist
- New Forests Proprietary Limited - Director
- Asia Pacific Center for the Energy Transition Ltd. - Member

Past Experience

Dr. Loh was the Under Secretary for the Environment in the Government of the Hong Kong Special Administrative Region from 2012 to 2017. Her direct policy responsibilities included air quality, energy, climate change and biodiversity. She worked with Chinese mainland counterparts to define new policies to control shipping emissions, an area of work she pioneered prior to joining the Government of the Hong Kong Special Administrative Region and changed China's national policy in this area. Between April 2019 and March 2020, she was the Special Consultant to the Office of the Chief Executive of the Government of the Hong Kong Special Administrative Region on the ecological civilization aspects of the Outline Development Plan for the Greater Bay Area. She was formerly a director of Global Maritime Forum, an industry platform managed from Denmark for senior management to discuss maritime issues.

* listed public company



Mr. Kenneth Liu Kai-lap

BSc

- ◆ Non-executive Director ◆ Aged 51
- ◆ Appointed on 18th November 2021

Qualifications and Education

- Bachelor of Science in Computer Science, University of Washington

Other Major Offices

- Affinity Equity Partners - Partner
- Various investee companies of Affinity Equity Partners - Director

Past Experience

Mr. Liu joined Affinity Equity Partners in 2006 and was part of the founding team in 2012 to set up its franchise on the Chinese mainland which is based in Beijing. Mr. Liu has over 20 years of experience investing in and advising companies in Greater China across a wide range of industries, including consumer and retail, industrials, business services, technology, media telecommunications, and healthcare. Prior to making his career in private equity, he spent his early career in the technology sector, and worked as a senior software engineer at Amazon's headquarters in Seattle, Washington until 2000.



Mr. Peter Wong Wai-ye

CPA (CANADA), CMA, CPA (HK), ACG, HKACG, AdFHKIE, FIGEM, FHKIoD, FHKMA, MBA

- ◆ Executive Director and Chief Executive Officer ◆ Aged 74
- ◆ Appointed on 1st March 2007

Qualifications and Education

- Chartered Professional Accountant of Canada
- Certified Public Accountant of Hong Kong
- Chartered Company Secretary and Chartered Governance Professional in Hong Kong and the United Kingdom
- Adjunct Fellow of The Hong Kong Institution of Engineers
- Fellow of The Institution of Gas Engineers and Managers of the United Kingdom
- Fellow of The Hong Kong Institute of Directors
- Professor of Practice of HKMA Institute of Advanced Management Development
- Completed the Advanced Management Program from Harvard Business School in the United States

Other Major Offices

- Member of Environmental, Social and Governance Committee of the Company
- The Hong Kong and China Gas Company Limited ("HKCG")* - Managing Director
- EcoCeres, Inc. - Director
- Shenzhen Gas Corporation Ltd.* - Vice Chairman
- Foran Energy Group Co., Ltd.* - Vice Chairman

Public Services

- Employers' Federation of Hong Kong - Council Member
- Hong Kong Trade Development Council Infrastructure Development Advisory Committee - Member
- The Hong Kong Management Association ("HKMA") Global Centre for ESG Education and Research - Chairman of the Advisory Board
- HKMA - Council Member and Member of Executive Committee

Past Experience

Mr. Wong was named consecutively as one of "The Best CEO of Chinese Listed Companies" by Forbes in 2012 and 2013. He received the inaugural Climate Governance Award in the "Listed Company – Executive Directors" category from The Hong Kong Institute of Directors in 2024. Mr. Wong was a member of the Mainland Business Advisory Committee of the Hong Kong Trade Development Council, a member of the Advisory Committee and External Advisor of the Career Planning and Development Steering Committee of the College of Professional and Continuing Education, The Hong Kong Polytechnic University as well as a Council member of the Vocational Training Council.

* listed public company



Dr. John Qiu Jian-hang

CEng, MIGEM, DSc (Eng), MSc (Eng), BSc (Eng)

- ◆ Executive Director and Chief Operating Officer - Renewable Business ◆ Aged 62
- ◆ Appointed on 10th November 2021

Qualifications and Education

- Chartered Engineer of Institution of Gas Engineers & Managers of the United Kingdom
- Member of Institution of Gas Engineers & Managers of the United Kingdom
- Bachelor's degree in Engineering, Tsinghua University, the PRC
- Master's degree in Engineering, Tsinghua University, the PRC
- Doctorate degree in Engineering, Heriot-Watt University, the United Kingdom
- Completed the Executive Development Programme of the Wharton School, University of Pennsylvania

Other Major Offices

- Member of Environmental, Social and Governance Committee of the Company
- The Hong Kong and China Gas Company Limited ("HKCG")* - Chief Operating Officer - Renewable Business

Past Experience

Dr. Qiu joined the HKCG Group in 2003 and has been the Chief Operating Officer – Renewable Business of HKCG*, leading the high potential business of renewable energy on the Chinese mainland since 2021. He was appointed to various management roles in different business joint ventures on the Chinese mainland throughout his 20 years with the HKCG Group. These include positions of General Manager of both Maanshan Hong Kong and China Gas Company Limited (馬鞍山港華燃氣有限公司), a joint venture of the Company and Xian Qinhuo Gas Group Co., Ltd. (西安秦華燃氣集團有限公司), a joint venture of HKCG, in 2003 and 2006, respectively. He successively served as Regional General Manager of the South China region in 2009 overseeing 16 joint ventures. In the same year, Dr. Qiu's role was expanded to Senior Vice President, Commercial & Industrial Marketing on top of managing the South China region. He was previously a supervisor of Foran Energy Group Co., Ltd.* as well as the chairman of its Supervisory Board.



Mr. Zhou Heng-xiang

CEng, MIGEM, MBA

- ◆ Executive Director and Chief Operating Officer - Mainland Gas Business ◆ Aged 54
- ◆ Appointed on 1st September 2025

Qualifications and Education

- Senior Gas Engineer
- Chartered Engineer of Institution of Gas Engineers & Managers of the United Kingdom
- Member of Institution of Gas Engineers & Managers of the United Kingdom
- Bachelor's degree, Shanghai Jiao Tong University, the PRC
- MBA degree, Shanghai University of Finance and Economics, the PRC

Other Major Offices

- Member of Environmental, Social and Governance Committee of the Company
- The Hong Kong and China Gas Company Limited ("HKCG")* - Chief Operating Officer - Mainland Gas Business
- China-Singapore Suzhou Industrial Park Smart Land Co., Ltd.* - Director
- Shenzhen Gas Corporation Ltd.* - Director
- Foran Energy Group Co., Ltd.* - Director
- Changchun Gas Co., Ltd.* - Director
- Anhui Province Natural Gas Development Co., Ltd.* - Vice Chairman

Past Experience

Mr. Zhou joined the Company in 2002, was appointed as the General Manager of Suzhou Hong Kong and China Gas Co., Ltd. in 2004, and also acted as the General Manager for Greater Suzhou District in 2006. He was appointed as the General Manager for Suzhou and Zhejiang District in 2015. He also took a role in the Group's Department of Strategic Development in 2019, where he led the strategic planning and was tasked with achieving the four major decarbonisation objectives. He was appointed as an Executive Vice President and Vice President of HKCG* in 2021, and took charge of the gas business in Shanghai District and the gas resources centre and managed the operations work in the mainland utility business. Mr. Zhou is experienced in regional operations, national energy policy rationalisation, strategic development positioning for groups, and coordination of gas resources. He was appointed as the Chief Operating Officer – Gas Resources of HKCG* in 2023, heading its gas resources segment and leading the team in the alignment and collaboration of gas resources businesses on the Chinese mainland and Hong Kong. He was formerly the chairman and a supervisor of the Supervisory Board of Foran Energy Group Co., Ltd.*, and a director of Nanjing Public Utilities Development Co., Ltd.*.

* listed public company



Management Discussion and Analysis

| CITY-GAS BUSINESS

| RENEWABLE ENERGY BUSINESS

| ENVIRONMENTAL, SOCIAL AND GOVERNANCE

City-Gas Business

In 2025, the sluggish global economic recovery and ongoing adjustments in the Chinese mainland property market posed significant challenges for traditional public utilities. In response, the Group seized the strategic opportunities that have arisen from the country's energy transition, by pivoting towards high-quality development focused on unlocking potential in existing markets and structural optimisation. We have also aligned with the policy in the national 15th Five-Year Plan that calls for replacing bulk coal with natural gas and developing “quality homes”. To that end, the Group began promoting natural gas in industrial and commercial markets and the renovation of old residential communities with piped natural gas. These initiatives have successfully unlocked new growth opportunities within mature markets.

-
-
- The gas storage facility in Weiyuan County, Sichuan Province.



The National Energy Administration's Guiding Opinions on Energy Work for 2025 outlines measures to advance the green and low-carbon energy transition by developing and using clean natural gas, enhancing peak-shaving and storage capacity, and promoting reforms to pricing mechanisms and pipeline network operations. These initiatives are all closely aligned with the Group's strategic direction.

Business Scale and User Growth

In 2025, the Group's total gas sales volume amounted to approximately 17.371 billion cubic metres, a year-on-year increase of 1%. As at the end of 2025, the Group operated 197 city-gas projects across the Chinese mainland, spanning 19 provincial regions. Despite challenging market conditions, the Group achieved counter-trend growth in its customer base, adding 750,000 new customers to bring the total to 18.39 million.

Steadily Achieving Cost Pass-Throughs

The Group also aligned with national efforts to accelerate the implementation of an upstream and downstream natural gas price linkage mechanism for households in 2025. Cost pass-throughs and cost pass-through plans were confirmed for 90% of residential users during the year, with all industrial and commercial users completing the cost pass-throughs. Consequently, the average dollar margin for city gas increased by RMB0.02 per cubic metre compared with the previous year, reaching RMB0.58 per cubic metre.

“Gas+” Business

In recent years, the Group has been vigorously promoting its “Gas+” business, as single gas supply is no longer sufficient to meet the needs of modern industrial and commercial customers. Providing high-quality integrated energy services to these customers has made this business a strategic new growth driver for the Group.

In 2025, the Group focused on energy trusteeship services for public institutions and industrial equipment upgrades in response to the national policy on large-scale equipment renewal. Furthermore, the Group continued to broaden the reach of its “Gas+” energy services and expanded into new areas such as light-asset-based energy trusteeship and industrial energy conservation.

The “Gas+” business achieved sales of 1.63 billion kWh (equivalent to approximately 160 million cubic metres of natural gas) during the year, with natural gas sales volume reaching 156 million cubic metres. These results underline the success of replacing steam, electricity and other energy sources with the “Gas+” business model, reinforcing the Group’s presence substantially in existing markets, and developing comprehensive energy services.

Favourable Policies

The outline of the national 15th Five-Year Plan proposes “promoting safe, reliable and orderly substitution of fossil fuels, strengthening the clean and efficient utilisation of fossil fuels, and advancing the transformation and upgrading of coal-fired power alongside the replacement of bulk coal”. This clearly defines the crucial role of natural gas in the energy transition as a substitute for coal and other traditional high-carbon energy sources, bringing significant incremental market growth for the city-gas business in areas such as industrial fuel and residential heating.

The 15th Five-Year Plan also explicitly calls for “developing

quality homes that are safe, comfortable, green and smart by implementing housing quality improvement programmes”. This indicates that urban renewal and the revitalisation of older neighbourhoods will emerge as a new engine of market growth. Substantial upgrades to gas pipeline networks will consequently be necessary, opening up new market opportunities for city-gas enterprises in network renovation and new customer connections.

Ongoing national efforts in urbanisation and urban regeneration, along with the expected high-quality recovery of the real estate market after bottoming out, are set to create further growth momentum for city-gas enterprises.



Urbanisation and urban renewal on the Chinese mainland are creating new business opportunities to acquire new customers and increase connection rates for the Group.

Low-Carbon Transition

To align with the national dual carbon strategy, the Group is increasing the proportion of green gas (i.e. biomass natural gas generated from domestic waste and agricultural residues) in its pipeline network and integrating it into the city-gas network.

By blending this green gas with conventional natural gas for end-user consumption, we are able to reduce carbon emissions while also lowering procurement costs. The Group has so far rolled out 11 such projects across provinces on the Chinese

mainland, including Jiangsu, Zhejiang, Shandong and Sichuan. In 2025, integrated gas volume amounted 4.5 million cubic metres, bringing the cumulative total to 34.5 million cubic metres.

Coordinating Gas Resources

To source its gas, the Group and its parent company have established a multi-source synergy and multi-channel operating model. During the year, we put in place our medium-to-long-term sale and purchase agreements with major national

petroleum corporations and PipeChina. Through the use of a centralised negotiation, decentralised signing model, total contracted volume amounted to 15 billion cubic metres. Together with external sales from the Group's gas trading arm and the internal redistribution of surplus gas among subsidiaries, the Group and its parent company managed and dispatched a total of 4.64 billion cubic metres of gas in 2025. This further increased the proportion of self-sourced gas, effectively hedging against price volatility risks.



The Group, along with its parent company, HKCG, signed an agreement with PetroChina, under which the two parties will combine their respective strengths across the value chain to deepen cooperation in areas such as resource coordination, market development, emergency supply assurance and energy innovation to advance the national energy strategy. By signing this agreement, both sides are aiming to achieve high-quality growth for the sustainable development of the natural gas industry.

AI-Powered Safety Enhancements

Safety is the lifeline of the gas business, and technology is its guardian. To that end, the Group has been introducing AI technology to upgrade its safety management systems and elevate asset integrity management in the following areas:

Construction Management:
Using the mobile engineering information cloud platform with an AI-powered large model for construction quality control, we can automatically identify critical operations and assess construction quality. This prevents potential hazards at source and enables the digitalised, standardised management and delivery of gas engineering projects.

Operations and Maintenance:
By integrating AI-powered smart diagnostic capabilities into the Group's proprietary operational platform, we are able to monitor the status of critical facilities, such as flow meters and pressure regulators, to identify abnormal signals proactively. This is part of the transformation of our safety management system from post-incident emergency response to proactive preventive maintenance.



The use of drones to detect leaks in riser pipes in residential areas not only utilises technology to enhance management efficiency, but also adds precision to our safety measures for the community.

Renewable Energy Business

In 2025, the renewable energy industry faced the short-term challenge brought by electricity price volatility, adjustments to market-based trading mechanisms, as well as a period of industry consolidation. As a result of these external headwinds, the Group's renewable energy business experienced performance fluctuations during the year. To strengthen our core competitiveness and further expand the operational scale of the business, we continued rolling out our integrated decarbonisation business model of "photovoltaics + energy storage + electricity sales", which will serve as a strategic pillar supporting the Group's growth.

During the year, the government of the People's Republic of China issued the Notice on Deepening Market-Based Reform of Feed-in Tariffs for New Energy to Promote High-Quality Development of New Energy. This policy has been established to enable companies involved in wind and photovoltaic power and other new energy projects to participate in electricity trading according to market principles. It is also designed to secure reasonable returns for new energy projects and mitigate market volatility risks. The Group welcomes this evolution towards a fairer, more efficient and healthier market landscape, as it will enable us to fully capitalise on our competitive advantages and capture greater market share.

Additional policy directives included the 2025 Government Work Report, which proposes to "develop zero-carbon industrial parks and factories", and the national guiding opinions on "promoting the integration of source-grid-load-storage". Both directives align closely with the Group's business trajectory and are highly consistent with the core direction of the 15th Five-Year Plan. Capitalising on the strategic layout of our 128 zero-carbon smart industrial parks, we are contributing to the country's dual carbon goals, while achieving industry-leading economies of scale and cost advantages. Based on our synergies with the gas segment, we will advance our strategy of "gas and electricity

complementarity, scenario sharing and customer linkage" to unlock new opportunities for market growth.

As at the end of 2025, the Group's renewable energy business covered 25 provinces, autonomous regions and municipalities, serving a stable, high-quality customer base of more than 2,000 industrial customers.

Distributed photovoltaics: capacity increased by 500 MW during the year, bringing our cumulative grid-connected installed capacity to 2.8 GW; photovoltaic electricity generation increased by 36% to 2.48 billion kWh.

The Group provides integrated distributed photovoltaic power generation services for industrial customers. AI-powered drones carry out smart inspections, enabling us to monitor equipment status and environmental risks more efficiently, significantly reducing both safety risks and inspection costs.



Renewable Energy Business

Contracted industrial and commercial energy storage: 1,041 MWh.

Power trading: electricity sales volume reached 8.4 billion kWh.

With the steady expansion of carbon asset management and carbon services, the unique competitive advantage derived from the synergy of “gas-electricity-carbon” has become more prominent.

To enhance our risk resilience and long-term competitiveness, the Group focused on the following initiatives:

Advancing the Energy as a Service (EaaS) model: Centred on “a one-stop integrated energy solution and full-lifecycle professional operation”, the Group integrates multiple services such as green power supply,

energy efficiency management, power trading, and carbon asset operations. Through its digital and intelligent scheduling and scaled operations, the Group assisted customers in optimising their energy consumption and achieving their low-carbon goals.



At the Group’s energy storage station in Anhui Province, wheeled inspection robots conduct round-the-clock, comprehensive autonomous inspections. Equipped with temperature monitoring, anomaly detection, and automated data reporting capabilities, they effectively enhance operations and maintenance efficiency while reducing costs and operational risks.

Prioritising digitalised and intelligent upgrades: In collaboration with Tencent and Tsinghua University, we developed an AI-powered smart energy management platform to achieve full-process intelligent management of “control, scheduling and trading” for zero-carbon industrial parks. Coupled with the use of drones and robots for AI-powered inspections and cleaning, this platform effectively

reduced operational costs and safety risks, improving asset operational efficiency and quality, thereby continuously enhancing new quality productive forces.

To deepen its Assets under Management (“AuM”) strategy, the Group brought in strategic investors to diversify investment risks and foster ecosystem cooperation. During the year, the Group launched a second

and third tranche of its quasi-REITs, bringing cumulative AuM financing to RMB3.5 billion. This continuously broadened capital channels, optimised the Group’s cash flow structure, and advanced its asset-light strategy, laying a solid foundation for future development.



The Group has introduced automated robotic cleaning to ensure the efficient operation of equipment, which improves asset operational efficiency and quality while further controlling maintenance costs.

Environmental, Social and Governance

Towngas Smart Energy has integrated Environmental, Social, and Governance (“ESG”) practices into all of its business practices. By responding to the expectations of employees, customers, communities and other stakeholders, the Group is helping to build a green, safe and efficient energy ecosystem and a sustainable society.

Under the leadership of the Board, the Group ensures its sustainability strategies are implemented according to its multi-tiered ESG governance framework and hierarchical management system. To reinforce the execution of its ESG strategy, the variable compensation of its senior management is linked to their achievement of ESG targets. During the year, the Group’s ESG rating in the Hang Seng Corporate Sustainability Index was upgraded

to “AA+”, reflecting the strong recognition it has received for its sustainable development practices and contributions.

Low-Carbon Initiatives and Green Actions

The Group launched its Saving Energy, Going All Green low-carbon initiative. This campaign had four main themes: Towngas Greening Day, Earth Hour, Low-Carbon Living Experts,

and Creative Uses of Coffee Grounds, encouraging employees and communities to participate in green activities. Subsidiaries of the Group responded to this initiative by collaborating with local communities to organise activities such as tree planting, botanical printing and coffee ground recycling. Through these efforts, we were able to promote the concept of resource circularity and contribute to building a sustainable green ecosystem.



We officially inaugurated the Green Firefly Centre, built by Towngas Smart Energy and The Bank of East Asia (BEA), at Qiaojia Primary School in Yuechi County, Guang’an, Sichuan Province. As part of this philanthropic initiative, we equipped the school, which was founded in 1922, with its first solar-powered smart classroom – a new milestone in its digital education journey.

Community Investment and Care

The Group organises a wide range of philanthropic activities, which include rural revitalisation, safety education and care services for the community, all of which are tailored to local conditions and community needs. We launched agricultural assistance programmes to support rural development through practical action. We also engaged communities and schools in disseminating gas safety knowledge and visited social welfare centres to provide companionship and care for the elderly.

In 2025, we completed construction of the Green Firefly Centre, jointly developed by the Group with The Bank of East Asia (BEA), at Qiaojia Primary School in Guang'an, Sichuan Province. Continuing our 16-year philanthropic commitment to education, we donated a solar-powered smart classroom to the school and introduced gas safety courses as part of our “green philanthropy + safety education” campaign.

We also continued our Gentle Breeze Movement programme during the year, in keeping with our commitment to educational

philanthropy. During the year, we extended this programme to Changting County Experimental Primary School in Fujian Province, where we organised an educational support campaign. Donations under this campaign included desks and chairs, drones, sports equipment and other educational resources for enhancing the school's facilities and teaching quality. As at the end of 2025, the Group, along with its parent company, had donated a cumulative total of over RMB5.5 million, benefitting nearly 20,000 students through the Gentle Breeze Movement programme.



The Group donated drones to Changting County Experimental Primary School in Fujian Province. With these drones, students are able to design their own flight paths independently and gain a deeper understanding of advanced technological concepts, such as coordinate systems and sensor principles, through practice in three-dimensional space. It also helps the students improve their spatial reasoning and innovation capabilities.

Risk Factors

The following outlines the major risks and uncertainties faced by the Group. For further details on how the Group manages its risks, please refer to the “Risk Management and Internal Control” section of our Corporate Governance Report on pages 81 to 83.

Economic Environment

According to the International Monetary Fund (“IMF”)’s “World Economic Outlook” published in January 2026, global economy continued to show resilience, with an estimated economic growth rate of 3.3% in 2025, similar to the expected growth in 2026. Factors including surging investment in Artificial Intelligence (“AI”) and broadly accommodative global financial conditions have favourable impact on global economic growth. On the other side, trade frictions could further exacerbate and geopolitical tensions could erupt, contributing to the uncertainty in global economic growth.

The Federal Reserve (“the Fed”) lowered interest rates by 75 basis points in 2025, and stated that the economic outlook is uncertain and the Fed is attentive to the risks to achieving its employment and inflation goals. The “dot plot” published by the Fed in December 2025 indicates that the Fed might cut rates further by 25 basis points in 2026. However, the future rate path remains quite uncertain, and will depend on development in US labour market and inflation.

According to preliminary estimates by the National Bureau of Statistics, the Chinese mainland’s gross domestic product recorded a year-on-year growth of 5.0% in 2025, similar to the growth in 2024. The Chinese mainland’s consumer price index for 2025 remained flat compared with the previous year, while it increased by 0.8% year-on-year in December 2025. The Chinese mainland’s Purchasing Managers’ Index for the manufacturing sector fluctuated narrowly around the 50% expansion-contraction threshold, similar with previous year. In December 2025, the annual Central Economic Work Conference highlighted that there are still long-standing and new challenges in China’s economic development, and the impact of changes in the external environment has deepened. Imbalance between strong supply and weak demand in the Chinese mainland has become more evident. During the year, the Chinese mainland supported economic development through a series of policies, including lowering the reserve requirement ratio for financial institutions, reducing policy interest rates, ratcheting up efforts to further reverse the downturn of and stabilise the real estate market and boosting consumption. The key tasks of the Chinese mainland’s economic work for 2026 include special initiatives boosting consumption and building a robust domestic market; insisting on a comprehensive green transformation with carbon emissions peaking and carbon neutrality as the goals, by further advancing energy conservation and carbon reduction in key industries, moving faster to develop a new type of energy system, and expanding the application of green electricity; focusing on stabilising the real estate market and steadily advancing the construction of “quality homes”.

Policy Changes, Business Competition and Challenges

With respect to the Group’s city-gas business, the sluggish global economic recovery and ongoing adjustments in the Chinese mainland property market posed significant challenges for the business. In response, the Group seized the strategic opportunities that have arisen from the country’s energy transition, by pivoting towards high-quality development focused on unlocking potential in existing markets and structural optimisation. The Group has also aligned with the policy in the national 15th Five-Year Plan that calls for replacing bulk coal with natural gas and developing “quality homes”. To that end, the Group began promoting natural gas in industrial and commercial markets and the renovation of old residential communities with piped natural gas. These initiatives have successfully unlocked new growth opportunities within mature markets.

In recent years, the Group has been vigorously promoting its “Gas+” business, as single gas supply is no longer sufficient to meet the needs of modern industrial and commercial customers. Providing high-quality integrated energy services to these customers has made this business a strategic new growth driver for the Group.

In 2025, the renewable energy industry faced the short-term challenge brought by electricity price volatility, adjustments to market-based trading mechanisms, as well as a period of industry consolidation. As a result of these external headwinds, the Group’s renewable energy business experienced performance fluctuations during the year. To strengthen the Group’s core competitiveness and further expand the operational scale of the business, the Group continued rolling out its integrated decarbonisation business model of “photovoltaics + energy storage + electricity sales”, which will serve as a strategic pillar supporting the Group’s growth.

To enhance risk resilience and long-term competitiveness, the Group’s renewable energy business focused on the following initiatives. Firstly, advancing the Energy as a Service (“EaaS”) model. Centred on “a one-stop integrated energy solution and full-lifecycle professional operation”, the Group integrates multiple services such as green power supply, energy efficiency management, power trading, and carbon asset operations. Through its digital and intelligent scheduling and scaled operations, the Group assisted customers in optimising their energy consumption and achieving their low-carbon goals. Secondly, prioritising digitalised and intelligent upgrades. In collaboration with Tencent and Tsinghua University, the Group developed an AI-powered smart energy management platform to achieve full-process intelligent management of “control, scheduling and trading” for zero-carbon industrial parks. Coupled with the use of drones and robots for AI-powered inspections and cleaning, this platform effectively reduced operational costs and safety risks, improving asset operational efficiency and quality, thereby continuously enhancing new quality productive forces.

Meanwhile, to deepen its Assets under Management (“AuM”) strategy, the Group brought in strategic investors to diversify investment risks and foster ecosystem cooperation. During the year, the Group launched a second and third tranche of its quasi-REITs, bringing cumulative AuM financing to RMB3.5 billion. This continuously broadened capital channels, optimised the Group’s cash flow structure, and advanced its asset-light strategy, laying a solid foundation for future development.

Geopolitical Tensions and Military Conflicts

The complex and volatile international political and economic situation and the ongoing geopolitical tensions (including the recent military conflict in the Middle East region) have brought about uncertainties in global energy supply and climate policies, resulting in substantial volatility of the price of gas feedstocks, which may have an adverse impact on the Group’s financial condition and operating results. However, in view of the diversified sources of gas feedstocks and certain long-term contracts which have been entered into to secure supply at pre-determined prices, the management expects that the short-term impact of the tight energy supply will be limited to the Group. Meanwhile, the management will continue to closely monitor the development at the Middle East region and its associated risks and uncertainties, and assess their impact on the Group’s operations and financial performance.

Risk Factors

Reliability of Gas Supply

To source its gas, the Group and its parent company have established a multi-source synergy and multi-channel operating model. During the year, we put in place our medium-to-long-term sale and purchase agreements with major national petroleum corporations and PipeChina. Together with external sales from the Group's gas trading arm and the internal redistribution of surplus gas among subsidiaries further increased the proportion of self-sourced gas, effectively hedging against price volatility risks. Meanwhile, a variety of energy sources have also been obtained, including unconventional piped natural gas on the Chinese mainland and gas obtained through the reinforcement of our pipeline network interconnections.

To ensure reliable gas transportation, the Group has a sophisticated Supervisory Control and Data Acquisition ("SCADA") system to effectively monitor and control the Group's pressure-regulating stations and network. The Group also has a comprehensive staff training programme, asset management systems, and contingency plans with regular practice drills, in preparation for unforeseen events that might affect the Group's customers and the public.

Production and Network Safety

Preventing gas leakages or explosions in the Group's gas transportation networks and storage facilities is a top priority for the Group. Risks include the possibility of damage to critical facilities or related infrastructure from a third party, a security threat or extreme weather events such as typhoons, floods or landslides, and other factors affecting the safety of the Group's infrastructure or causing an interruption to service which would have a significant legal, financial and/or reputational impact on the Group. Therefore, to mitigate these risks, the Group conducts regular reviews of all operating procedures, implements targeted strategies for addressing them, and proactively enhances on-site safety inspections.

The Group has also implemented various climate resilience measures, including enhancing flood prevention facilities and introducing ultrasonic technology for pipeline inspections, and formulating emergency response plans for extreme weather events with regular drills, in order to ensure a safe and reliable gas supply.

To proactively prevent potential safety hazards, the Group's renewable energy business leverages AI agents for safety management. Through Internet of Things monitoring points and high-definition cameras, it enables reliable early warnings for risks such as fires and equipment abnormalities.

The Group also maintains insurance coverage against any property damage or financial loss.

Financial Liquidity

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants. The Group's working capital and bank and other borrowings is the main source of liquidity.

The Group successfully raised funds of RMB1.8 billion through cumulative issuance of three tranches of quasi-REITs, further enhancing its cash flow. The Group will continue to develop diversified financing channels to support investments in its renewable energy business.

Information Security

The Group's business operations are dependent on information technology systems. Any critical system failure, leakage or loss of sensitive information could adversely affect the Group's business. To safeguard operations against information security threats, the Group has protective measures to manage data loss and monitor suspicious cyber activities. The Group also engages third parties to perform security assessments. The Group enhances employees' awareness of information security and has developed system contingency plans for system failure with regular drills. Furthermore, the Group will continue to monitor regulatory requirements relating to information security on the Chinese mainland, and further strengthen information security related internal control measures to ensure its business operations comply with regulatory requirements.

Ethics and Integrity

Maintaining strong corporate governance standards and operating ethically are among Group management's top concerns. Poor ethical behaviour by employees could damage the Group's long-established business relationships with stakeholders, including customers and suppliers, and subsequently may result in negative reputational and financial impact on the Group. To foster a culture of integrity and trust within the team and ensure employees adhere to ethical standards, the Group has relevant policies and provides regular training in these policies to its employees. The Group has also established formal channels for reporting suspected cases of fraud and encouraging its business partners to follow the same ethical principles that the Group promotes in Anti-Fraud Policy.

Health and Safety

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

To mitigate and contain the risks directly or indirectly under the Group's control, the Group encourages staff at all levels to monitor and report any hazards and/or potential threats. The Group also has comprehensive safety guidelines and measures that ensure its safety performance conforms to the highest industry standards. The Group's safety management system, certified for compliance with international standards, is reviewed and updated regularly to ensure the related issues are properly addressed. The Group also emphasises the importance of maintaining a comprehensive and effective safety and health culture by providing staff and contractors with professional, technical and safety-related training.

To mitigate the risk of significant incidents, the Group has proactively adopted AI technologies and continues to advance the digitalisation of safety management. By leveraging standardised and structured data as the core foundation, the Group conducts proactive risk insights. The Group's gas business has implemented video AI technology through a smart operations platform to achieve comprehensive, real-time safety monitoring. This enables the automatic detection and identification of abnormal behaviours, such as unauthorised entry into restricted areas, failure to wear required safety equipment, or abnormal operation of equipment, with alerts issued at the earliest possible stage. These measures help facilitate prompt responses to potential risks and enhance the efficiency and accuracy of routine monitoring.

Financial Review

In 2025, total gas sales volume of the Group rose by **1%** to **17,371 million** cubic metres.



The total number of Group customers rose to **18.39 million**, representing an increase of **750,000** customers during the year.

Profit attributable to shareholders of the Company decreased by **1%** to **HK\$1,585 million**.

Revenue

For the year of 2025, the cost pass-throughs of piped gas continued to improve with all industrial and commercial users completed cost pass-throughs. Meanwhile, multiple cities where the Group's city-gas projects are located have achieved cost pass-throughs for residential users. The ongoing downturn in the mainland property market has led to the decrease in number of new household gas connection, resulting in the decrease in gas connection sales. The midday valley-price electricity tariff policy adjustment has resulted in a decline in the revenue of the renewable energy business. The Group's total revenue in the year of 2025 amounted to HK\$20,912 million, representing a decrease of 2% compared to the corresponding last year.

| | 2025 HK\$ million | 2024 HK\$ million (restated) |
|-----------------------------------|----------------------|------------------------------------|
| Sales of piped gas | 17,499 | 17,056 |
| Gas connection | 1,372 | 1,865 |
| Gas-related products and services | 382 | 529 |
| Gas business | 19,253 | 19,450 |
| Renewable energy business | 1,659 | 1,864 |
| Total | 20,912 | 21,314 |

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 in the year of 2025 amounted to HK\$19,527 million, representing an increase of 1% compared to the corresponding last year.

| | 2025 HK\$ million | 2024 HK\$ million |
|-------------------------------------|----------------------|----------------------|
| Gas fuel, stores and materials used | 15,892 | 15,847 |
| Staff costs | 1,459 | 1,421 |
| Depreciation and amortisation | 1,322 | 1,238 |
| Other expenses | 854 | 914 |
| Total | 19,527 | 19,420 |

Other Gains, Net

Net other gains increased by 117% from HK\$180 million in the corresponding last year to HK\$390 million, mainly due to the impairment provision of property, plant and equipment and goodwill of HK\$147 million made in last year and increase of HK\$68 million in gain from restructuring of extended business during the year.

Share of Results of Associates

The share of profits of associates increased by 71% from HK\$354 million in the corresponding last year to HK\$607 million. This was mainly driven by associates actively promoting cost pass-throughs resulting in a steady improvement in the city-gas dollar margin and continuous enhancement in quality and efficiency. Meanwhile, the Group had proactively introduced strategic investors and partners to dispose of certain subsidiaries' interests to promote the expansion of light-asset services in the renewable energy business. Upon completion of the disposal, these companies are no longer subsidiaries of the Group, but since the Group still retains partial interests, they are recognised as associates or joint ventures.

Share of Results of Joint Ventures

The share of profits of joint ventures increased by 3% from HK\$286 million in the corresponding last year to HK\$294 million. This was mainly driven by certain joint ventures actively promoting cost pass-throughs, resulting in a steady improvement in the city-gas dollar margin.

Finance Costs

The finance costs of the Group decreased by 11% from HK\$729 million in the corresponding last year to HK\$648 million. Stringent control of capital expenditure and successful securing of low-interest loans have reduced the finance costs.

Profit for the Year

During the year of 2025, profit attributable to shareholders of the Company amounted to HK\$1,585 million, representing a decrease of 1% compared to the corresponding last year. Basic earnings per share amounted to HK44.5 cents, representing a decrease of 6% compared to the corresponding last 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 maintaining borrowings at a healthy level.

As at 31st December 2025, the Group's borrowings amounted to HK\$15,128 million (2024: HK\$15,427 million), of which HK\$4,383 million (2024: HK\$3,696 million) represented borrowings due within 1 year, HK\$10,534 million (2024: HK\$10,640 million) represented borrowings due between 1 to 5 years, and HK\$211 million (2024: HK\$1,091 million) represented borrowings due over 5 years. HK\$11,140 million (2024: HK\$12,044 million) of the Group's borrowings bore interests at fixed rates, while the Group's other borrowings were arranged on a floating interest rate basis. The maturities and interest rates of the borrowings were arranged to provide sound financial resources and stable interest costs for the Group. The businesses of the Group mainly occurred on the Chinese mainland and most transactions, assets and liabilities were stated 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\$13,559 million (2024: HK\$13,859 million) and the remaining HK\$1,569 million borrowings were denominated mainly in United States dollars ("USD") (2024: HK\$1,568 million denominated mainly in USD) as at the end of the year. Cross currency swaps contracts were entered to hedge foreign currency risk for most of the 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\$17.53 million (2024: HK\$15.11 million), approximately HK\$0.86 million (2024: HK\$3.52 million) and approximately HK\$15.37 million (2024: HK\$14.69 million) from HKCG, 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 second and third quasi-REIT products on the Chinese mainland in the year of 2025, with a scale of approximately RMB470 million and RMB812 million respectively, featuring a senior class security coupon rate of 2.2% and 2.3% respectively.

As at 31st December 2025, the Group's cash and cash equivalents together with time deposits and restricted deposits amounted to HK\$2,562 million (2024: HK\$2,730 million), of which 99% (2024: 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 31st December 2025 was 34% (2024: 36%).

As at 31st December 2025, the unissued portion of the Group's MTN Programme amounted to approximately HK\$12,896 million and unutilised facilities from banks and HKCG amounted to approximately HK\$11,891 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, convertible bonds and equity funding. The Group maintains a strong liquidity position with its cash and cash equivalents on hand, unutilised credit facilities and MTN Programme. 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 sound credit profile.

Contingent Liabilities

The Group had no material contingent liabilities as at 31st December 2025.

Report of the Directors

The board of directors (the “Board”) of Towngas Smart Energy Company Limited (the “Company”) has pleasure in presenting the Directors’ Report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31st December 2025.

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales of piped gas, renewable energy and other types of energy, construction of gas pipelines, the sales 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 48 to the consolidated financial statements.

Results and Final Dividend

The results of the Group for the year ended 31st December 2025 are set out in the consolidated income statement on page 92.

An interim dividend of HK5 cents per share was paid to shareholders on 17th October 2025 and the Board has recommended the payment of a final dividend of HK14 cents per share (2024: HK16 cents per share and a special dividend of HK3 cents per share), out of the share premium account to shareholders whose names are on the register of members of the Company on Thursday, 4th June 2026.

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, 12th June 2026. Subject to approval by shareholders at the AGM to be held on Wednesday, 27th May 2026 and compliance with the Companies Act of the Cayman Islands, the cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be distributed to shareholders on or about Tuesday, 14th July 2026. The register of members of the Company will be closed from Tuesday, 2nd June 2026 to Thursday, 4th June 2026 (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.

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 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.

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, 14th July 2026 to the shareholders whose names appear on the register of members of the Company on Thursday, 4th June 2026.

Business Review

The business review of the Group for the year ended 31st December 2025 including a fair review of the Group's 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 2025 (if any), is set out on pages 10 to 13, pages 18 to 25 and pages 32 to 35 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 on pages 18 to 27 and pages 61 to 86 as well as the standalone Environmental, Social and Governance Report 2025 (the "2025 ESG Report").

Description of possible risks and uncertainties that the Group may be facing can be found on pages 28 to 35 and Notes 4 to 6 to the consolidated financial statements on pages 129 to 143 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 131 to 143. An analysis of the Group's performance during the year using financial key performance indicators is provided in the section headed "Business Highlights" on page 8 of this Annual Report.

The Company has complied with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), the Companies Act of the Cayman Islands (as revised from time to time) and any other applicable laws and regulations relating to anti-corruption and prevention of bribery including but not limited to the disclosure of information and corporate governance practices.

The Group requires its businesses on the Chinese mainland to abide by the laws and regulations of the Chinese mainland in the process of their development and operation. Major areas include foreign investment access, corporate governance, taxation, labour contracts and social insurance, land administration, environmental protection, work safety, anti-monopoly and anti-unfair competition, intellectual property, price control, administration of urban gas, administration of distributed photovoltaic power generation, administration of internet and telecommunications, internet security, data and privacy protection, and administration of mineral resources.

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 pages 96 to 97.

The Company's share premium account available for distribution to shareholders as at 31st December 2025 amounted to HK\$5,715 million (2024: HK\$5,885 million), subject to the applicable statutory requirements under the Companies Act of the Cayman Islands.

Financial Summary

A summary of the results, assets and liabilities of the Group for the last five years ended 31st December 2025 is set out on page 9.

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 HK16 cents per share and a one-off special dividend of HK3 cents per share for the year ended 31st December 2024 in cash (with scrip option). A total of 149,126,070 shares of the Company were allotted and issued on 14th July 2025 to the shareholders of the Company who elected to receive all or part of such final dividend and special dividend in scrip form, which were fully paid up at HK\$3.446 per share by way of applying the corresponding amounts of dividends to which those shareholders were entitled.

During the year, the Company also approved payment of interim dividend of HK5 cents per share for the six months ended 30th June 2025 in cash (with scrip option). A total of 31,924,173 shares of the Company were allotted and issued on 17th October 2025 to the shareholders of the Company who elected to receive all or part of such interim dividend in scrip form, which were fully paid up at HK\$3.998 per share by way of applying the corresponding amounts of dividends to which those shareholders were entitled.

The Company has also allotted and issued a total of 9,988,000 shares during the year in respect of exercise of share options by the grantees pursuant to the share options scheme of the Company.

The Company did not hold any treasury shares during the year and as at 31st December 2025.

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

Bank Loans, Medium Term Note Programme, Debentures and Convertible Bonds

Particulars of the bank loans, Medium Term Note Programme, debentures and convertible bonds of the Company and the Group issued or outstanding during the year and as at 31st December 2025 are set out in Notes 3, 33, and 36 to the consolidated financial statements on pages 103 to 128, pages 169 to 170 and page 172 and Financial Review on pages 32 to 35, respectively.

Asset-backed Securities Program

In December 2024, the “Smart Zero Carbon Phases 1-10 Green Assets Support Program (Carbon Neutral)” (“ABS Program”) backed by industrial and commercial distributed photovoltaic and energy storage assets in the mainland injected by the Group was established and launched on the Shenzhen Stock Exchange. The issuance of the first tranche of asset-backed securities (“ABS”) under the ABS Program has raised RMB515 million, marking the initial issuance under a RMB5 billion shelf offering. The coupon rate for the senior class ABS is 2.3% and the ABS Program is structured with an initial three-year term, extendable for additional terms of 3 years each, up to a maximum duration of 18 years. Under a Subscription Agreement entered into with Huatai Securities Asset Management (the “ABS Manager”, acting on behalf of the ABS Program), the Group subscribed for equity class ABS in the amount of RMB38 million (representing approximately 7.4% of the total principal amount of all ABS issued under the first tranche of the ABS Program).

In June 2025, the Group disposed of its equity interests in certain subsidiaries principally engaged in rooftop photovoltaic power generation, together with the relevant debts owed by these subsidiaries to the Group, to the ABS Program in connection with the issuance of the second tranche of the ABS, raising approximately RMB470 million. The Group also subscribed for equity class ABS in the amount of RMB24 million (representing approximately 5.1% of the total principal amount of all ABS issued under the second tranche of the ABS Program).

Further, in November 2025, the Group disposed of its equity interests in certain subsidiaries principally engaged in rooftop photovoltaic power generation and energy storage, together with the relevant debts owed by these subsidiaries to the Group, to the ABS Program in connection with the issuance of the third tranche of the ABS, raising approximately RMB812 million. The Group also subscribed for equity class ABS in the amount of RMB42 million (representing approximately 5.2% of the total principal amount of all ABS issued under the third tranche of the ABS Program).

The Company has utilised in part the net proceeds from the ABS Program for investments in rooftop photovoltaic power generation and energy storage power station projects, repayment of bank borrowings and general working capital purpose.

For details, please refer to the Company’s announcement dated 3rd December 2024, 3rd June 2025 and 10th November 2025.

Directors

The directors of the Company (the “Directors”) during the year and up to the date of this Annual Report are as follows:

Non-executive Directors

Dr. the Hon. Lee Ka-kit (*Chairman*)

Mr. Kenneth Liu Kai-lap

Executive Directors

Mr. Peter Wong Wai-yee (*Chief Executive Officer*)

Mr. Martin Kee Wai-ngai (*Chief Operating Officer – Gas Business*) (*resigned on 1st September 2025*)

Mr. Zhou Heng-xiang (*Chief Operating Officer – Mainland Gas Business*) (*appointed on 1st September 2025*)

Dr. John Qiu Jian-hang (*Chief Operating Officer – Renewable Business*)

Independent Non-executive Directors

Dr. the Hon. Moses Cheng Mo-chi

Mr. Brian David Li Man-bun

Dr. Christine Loh Kung-wai

In accordance with article 95 of the Memorandum of Association and Articles of Association of the Company (“the Articles”), Mr. Zhou Heng-xiang shall retire from office at the forthcoming AGM and, being eligible, offers himself for re-election; and in accordance with article 112 of the Articles, Mr. Peter Wong Wai-yee, Mr. Brian David Li Man-bun and Dr. Christine Loh Kung-wai (being the longest in office since their last election), shall retire from office by rotation at the forthcoming AGM. Mr. Peter Wong Wai-yee, Mr. Brian David Li Man-bun and Dr. Christine Loh Kung-wai, being eligible, would offer themselves for re-election at the AGM.

The Company has received from each of its Independent Non-executive Directors an annual confirmation of his/her 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. Mr. Zhou Heng-xiang (appointed as Executive Director on 1st September 2025) had obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 25th August 2025 and had confirmed that he understood his obligations as a director of the Company.

Each of the Independent Non-executive Directors was appointed for a period commencing from his/her 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 1 year without payment of compensation, other than statutory compensation.

The biographical details of the current Directors of the Company are set out on pages 14 to 17 of this Annual Report.

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

As at 31st December 2025, the interests or short positions of the Directors and the chief executive of the Company 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 and underlying shares

| Name of Company | Name of Director | Capacity | Interest in shares | | | Number of underlying shares pursuant to share options | Aggregate interest | %* |
|--|--|---|--------------------|-----------------|----------------|---|--------------------|-------|
| | | | Personal interest | Family interest | Other Interest | | | |
| Towngas Smart Energy Company Limited | Lee Ka-kit <i>(Notes 2 & 4)</i> | Discretionary beneficiary of discretionary trusts | - | - | 2,542,547,046 | - | 2,542,547,046 | 69.25 |
| | Peter Wong Wai-yee | Beneficial owner | 11,387,000 | - | - | 1,800,000 <i>(Note 1)</i> | 13,187,000 | 0.36 |
| | John Qiu Jian-hang | Beneficial owner | 4,348,868 | - | - | 1,500,000 <i>(Note 1)</i> | 5,848,868 | 0.16 |
| | Zhou Heng-xiang | Beneficial owner/ Interest of spouse | 287,862 | 25,551 | - | - | 313,413 | 0.01 |
| The Hong Kong and China Gas Company Limited ("HKCG") | Lee Ka-kit <i>(Notes 3 & 4)</i> | Discretionary beneficiary of discretionary trusts | - | - | 7,748,692,715 | - | 7,748,692,715 | 41.53 |
| | Zhou Heng-xiang | Interest of spouse | - | 10,000 | - | - | 10,000 | 0.00 |

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

Long positions in shares and underlying shares (Continued)

| Name of Company | Name of Director | Capacity | Interest in shares | | | Number of underlying shares pursuant to share options | Aggregate interest | %* |
|---|--------------------|------------------|--------------------|-----------------|----------------|---|-----------------------|-------|
| | | | Personal interest | Family interest | Other Interest | | | |
| Towngas Lifestyle Holding Company Limited | Peter Wong Wai-yee | Beneficial owner | - | - | - | 1,700 | 1,700 (Note 5) | 0.17 |
| | Zhou Heng-xiang | Beneficial owner | - | - | - | 350 | 350 (Note 5) | 0.04 |
| Momentum Growth Partners, LP | Zhou Heng-xiang | Beneficial owner | 2,000,000 | - | - | - | 2,000,000 (Note 6) | 11.77 |

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

Notes:

- These underlying shares (being regarded for the time being as unlisted physically settled equity derivatives) represent share options granted by the Company under its existing share option scheme. Details of the share options are set out in the section headed "Share Option Scheme" below.
- By virtue of SFO, Rimmer (Cayman) Limited ("Rimmer"), Riddick (Cayman) Limited ("Riddick") and Hopkins (Cayman) Limited ("Hopkins") are respectively interested in 2,542,547,046 shares of the Company, which are duplicated in the interests described in Note 4. All the issued shares in Rimmer, Riddick and Hopkins were beneficially owned by the late Dr. the Hon. Lee Chau-kee and each of his sons, Dr. the Hon. Lee Ka-kit and Dr. Lee Ka-shing will inherit certain shares in Rimmer, Riddick and Hopkins. Rimmer and Riddick (the relevant trustees of the respective discretionary trusts) hold units in a unit trust of which Hopkins is the trustee ("Unit Trust") as described in Note 4, but each is not entitled to any interest in its trust assets which are, in the ordinary course of business, held by Hopkins as trustee of the Unit Trust independently without any reference to shareholders of Hopkins, and each of Dr. the Hon. Lee Ka-kit and Dr. Lee Ka-shing remains to be one of the discretionary beneficiaries of such discretionary trusts.
- Dr. the Hon. Lee Ka-kit, as one of the discretionary beneficiaries of the discretionary trusts, is deemed under the SFO to be interested in these 7,748,692,715 shares of HKCG (approximately 41.53% of the total number of issued shares in HKCG).

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

Long positions in shares and underlying shares (Continued)

Notes (Continued):

4. Rimmer and Riddick as trustees of different discretionary trusts held units in the Unit Trust. 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"). Henderson Land Development through its subsidiaries was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HKCG. Dr. the Hon. Lee Ka-kit as one of the discretionary beneficiaries of the 2 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.
5. These underlying shares (being regarded for the time being as unlisted physically settled equity derivatives) represent share options granted by Towngas Lifestyle Holding Company Limited (an associated corporation of the Company) under its existing share option scheme on 11th November 2025 with an exercise price of HK\$1,932.09 per share option. The beginning period for the exercise of share options is not yet determined as of 31st December 2025 and shall be exercisable up to 10th November 2035.
6. Momentum Growth Partners, LP, being an associated corporation of the Company, is an exempted limited partnership. The interests refer to Mr. Zhou Heng-xiang's capital contribution (in Hong Kong dollars) to the partnership as limited partner.

Save as stated above, as at 31st December 2025, there were no other interests or short positions of the Directors and the chief executives 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 Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to an ordinary resolution passed at the AGM held on 26th May 2022 (the "SOS Adoption Date") and the Share Option Scheme was also approved by ordinary resolution of the shareholders of HKCG, the parent company of the Company, at HKCG's annual general meeting on 6th June 2022.

The major terms of the Share Option Scheme disclosed in accordance with Chapter 17 of the Listing Rules are as follows:

1. The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants, attracting and retaining persons with the right calibre and experience to work for or make contribution to the Group, fostering a sense of belonging with the Group, and allowing the participants to enjoy the results of the Company achieved through their contributions to the Group.
2. The Board may at its discretion grant options to any (i) director, chief executive or employee (whether full-time or part-time) of each member of the Group; or (ii) consultant and other adviser to each member of the Group who is also a director and/or senior management staff of subsidiary(ies) of HKCG (the "Participants").
3. The total number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the SOS Adoption Date. Subject to the Listing Rules requirements, the 10% limit may be renewed with prior shareholders' approval.

Share Option Scheme (*Continued*)

4. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) (if any) of the Company must not exceed 30% of the total number of shares in issue from time to time. As at the date of this Annual Report, the total number of shares available for issue in respect of which options may be granted under the Share Option Scheme was 294,401,534, representing approximately 8.02% of the shares in issue as at the date of this Annual Report. As at the date of this Annual Report, the total number of shares available for issue under the Share Option Scheme (including shares available for issue in respect of options granted but not yet exercised) was 306,001,534, representing approximately 8.33% of the shares in issue as at the date of this Annual Report.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each Participant under the Share Option Scheme in any 12-month period shall not exceed 1% of the total number of shares in issue at the relevant time. For options granted or to be granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, the said limit is reduced to 0.1% of the total number of shares in issue and HK\$5 million in aggregate value based on the closing price of the shares on the date of such grant. Any further grant of share options in excess of such limits is subject to shareholders' approval in general meeting.

5. The exercise period of any share option granted under the Share Option Scheme shall be determined by the Board but such period must not exceed 10 years from the date of grant of the relevant share option.
6. The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. The Board shall at its sole discretion determine and specify in the offer letter such performance targets that needs to be achieved by the selected Participants (the "Grantee(s)") before an option can be exercised and/or any minimum period for which an option must be held before the option can be exercised.
7. The acceptance of an offer of grant of share options must be made during a period from the offer date to such date as the Board may determine and specify in the offer letter (both days inclusive), together with a non-refundable remittance in favour of the Company of HK\$1.00 from each Grantee.
8. The exercise price in relation to each option shall be at least the highest of:
 - (i) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day;
 - (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the 5 business days immediately preceding the date of offer; and
 - (iii) the nominal value of a share.
9. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the SOS Adoption Date. As at the date of this Annual Report, the remaining life of the Share Option Scheme is approximately 6 years and 2 months.

Share Option Scheme (Continued)

For further details, please refer to the Company's circular dated 14th April 2022.

Details and movements of share options that were granted under the Share Option Scheme or remained outstanding during the year ended 31st December 2025 are as follows:

| Grantees | Date of Grant | Closing Price of the Shares Immediately before the Date of Grant (HK\$) | Exercise Period | Vesting Date (Note 1) | Exercise price (HK\$) | Number of share options | | | | |
|--|---------------|---|-------------------------|-----------------------|-----------------------|------------------------------|-------------------------|-----------------------------------|---------------------------|------------------------------|
| | | | | | | Outstanding as at 01.01.2025 | Granted during the year | Cancelled/ lapsed during the year | Exercised during the year | Outstanding as at 31.12.2025 |
| Category 1: Directors | | | | | | | | | | |
| Peter Wong Wai-ye | 25.11.2022 | 3.42 | 25.11.2023 – 24.11.2025 | 25.11.2023 | 3.40 | 1,800,000 | - | - | (1,800,000) | - |
| | 18.03.2025 | 3.54 | 18.03.2026 – 17.03.2028 | 18.03.2026 | 3.57 | - | 1,800,000 | - | - | 1,800,000 |
| Martin Kee Wai-ngai (resigned on 1st September 2025) | 25.11.2022 | 3.42 | 25.11.2023 – 24.11.2025 | 25.11.2023 | 3.40 | 900,000 | - | - | (900,000) | - |
| | 18.03.2025 | 3.54 | 18.03.2026 – 17.03.2028 | 18.03.2026 | 3.57 | - | 500,000 | - | - | 500,000 |
| John Qiu Jian-hang | 25.11.2022 | 3.42 | 25.11.2023 – 24.11.2025 | 25.11.2023 | 3.40 | 1,350,000 | - | - | (1,350,000) | - |
| | 18.03.2025 | 3.54 | 18.03.2026 – 17.03.2028 | 18.03.2026 | 3.57 | - | 1,500,000 | - | - | 1,500,000 |
| Category 2: Others | | | | | | | | | | |
| (i) directors or senior management staff of the subsidiaries of the Company; and | 25.11.2022 | 3.42 | 25.11.2023 – 24.11.2025 | 25.11.2023 | 3.40 | 6,424,000 | - | (486,000) | (5,938,000) | - |
| (ii) directors of both subsidiaries of the Company and of HKCG | 18.03.2025 | 3.54 | 18.03.2026 – 17.03.2028 | 18.03.2026 | 3.57 | - | 7,800,000 | - | - | 7,800,000 |
| Total | | | | | | 10,474,000 | 11,600,000 | (486,000) | (9,988,000) | 11,600,000 |

Notes:

- The vesting period of the share options fell on the first anniversary of the dates of grant, i.e. 25th November 2023 and 18th March 2026 respectively.
- The weighted average closing price of the shares immediately before the dates on which the options were exercised during the year was HK\$3.87 per share.
- The share options were lapsed upon grantees' retirement and/or the expiry of exercise period.

Share Option Scheme (*Continued*)

During the year ended 31st December 2025, 11,600,000 share options were granted pursuant to the Share Option Scheme (and no share options granted were in excess of the 1% individual limit), 9,988,000 share options were exercised, 486,000 share options were lapsed and no share options were vested and cancelled.

The number of options available for grant under the scheme mandate as at 1st January 2025 and 31st December 2025 were 305,515,534 and 294,401,534, respectively, representing approximately 8.32% and 8.02% of the total number of shares of the Company in issue as at the date of this Annual Report. No service provider sublimit was set under the Share Option Scheme.

The number of shares that may be issued in respect of options granted under the Share Option Scheme during the year ended 31st December 2025 was 11,600,000, representing approximately 0.33% of the weighted average number of shares of the Company in issue for the financial year.

Further details of the Share Option Scheme, including the accounting standard and policy adopted and the fair value of the share options at the date of grant are set out in Notes 3 and 39 to the consolidated financial statements.

Share Award Scheme

The Company adopted a share award scheme (the “Share Award Scheme”) on 17th August 2021 (the “Adoption Date”). The major terms of the Share Award Scheme disclosed in accordance with the Listing Rules are as follows:

1. The purpose of the Share Award Scheme is to (a) recognise the contributions by certain eligible participants and providing them with incentives in order to retain them for the continual operation and development of the Group; and (b) attract suitable personnel for the further development of the Group and to contribute to the long-term growth of the Group.
2. Pursuant to the Share Award Scheme, the scheme committee may, from time to time, at its absolute discretion select any director or employee of the Company or any subsidiary of the Company (other than anyone who is resident in a place where the grant of award shares of the Company and/or vesting and transfer of the award shares is not permitted under the laws or regulations of such place or where in the view of the scheme committee compliance with such applicable laws or regulations would make it necessary or expedient to exclude such person from participating in the Share Aware Scheme) to be a selected participant (“SAS Selected Participant(s)”) under the Share Award Scheme and determine the number of award shares of the Company to be granted (the “Award Share(s)”) and the vesting conditions of such Award Shares.
3. Pursuant to the Share Award Scheme, the scheme’s trustee, based on the scheme committee’s recommendation, applies Company’s shares that have been purchased from the market at the prevailing market price, to satisfy the Award Shares for allocation to the SAS Selected Participants.

Share Award Scheme *(Continued)*

4. 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 SAS Selected Participants) in aggregate exceed 5% of the total number of issued shares of the Company from time to time (being 183,584,509 shares as at the date of this Annual Report based on the total number of 3,671,690,180 shares of the Company in issue as at the date of this Annual Report). 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.
5. 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 (being 73,433,803 shares as at the date of this Annual Report based on the total number of 3,671,690,180 shares of the Company in issue as at the date of this Annual Report).
6. During any 12-month period, the maximum number of Award Shares which may be granted to a SAS 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. No service provider sublimit was set under the Share Award Scheme.
7. The Share Award Scheme does not specify a minimum period for which an award must be held before it can be vested. The scheme committee shall at its sole discretion determine and specify in the award letter such performance targets that need to be achieved by the SAS Selected Participants before an award can be vested and/or any minimum period for which an award must be held before vesting.
8. 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 SAS Selected Participant shall vest in such SAS Selected Participant and the trustee shall transfer the Award Shares to such SAS Selected Participant. The trustee shall not exercise the voting rights in respect of any Shares held by it under the trust.
9. No consideration is payable by SAS Selected Participants for the grant of awards.
10. The Share Award Scheme shall be valid and effective for a term of 10 years commencing from the Adoption Date. As at the date of this Annual Report, the remaining life of the Share Award Scheme is approximately 5 years and 5 months.

Share Award Scheme (Continued)

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

Details and movements of Award Shares that were granted under the Share Award Scheme or remained unvested at any time during the year ended 31st December 2025 are as follows:

| | Date of Grant | Vesting Period | Vesting Date | Number of award shares | | | | |
|--|---------------|-------------------------|--------------|---------------------------|-------------------------|------------------------|-----------------------------------|---------------------------|
| | | | | Unvested as at 01.01.2025 | Granted during the year | Vested during the year | Forfeited/ Lapsed during the year | Unvested as at 31.12.2025 |
| Category 1: Directors | | | | | | | | |
| Peter Wong Wai-ye | 18.03.2025 | 18.03.2025 - 30.04.2025 | 30.04.2025 | - | 1,800,000 | (1,800,000) | - | - |
| Martin Kee Wai-ngai <i>(resigned on 1st September 2025)</i> | 18.03.2025 | 18.03.2025 - 30.04.2025 | 30.04.2025 | - | 500,000 | (500,000) | - | - |
| John Qiu Jian-hang | 18.03.2025 | 18.03.2025 - 30.04.2025 | 30.04.2025 | - | 1,500,000 | (1,500,000) | - | - |
| Category 2: | | | | | | | | |
| Two highest paid employees (excluding the above Executive Directors who were 3 of the 5 highest paid individuals) during the year | 18.03.2025 | 18.03.2025 - 30.04.2025 | 30.04.2025 | - | 1,200,000 | (1,200,000) | - | - |
| Category 3: Others | | | | | | | | |
| Employee participants | 18.03.2025 | 18.03.2025 - 30.04.2025 | 30.04.2025 | - | 6,600,000 | (6,600,000) | - | - |
| Total | | | | - | 11,600,000 | (11,600,000) | - | - |

The closing price of the shares immediately before the date of grant is HK\$3.51 and the weighted average closing price of the shares immediately before the date on which the award shares were vested is HK\$3.46. Further details of the Share Award Scheme, including the accounting standard and policy adopted and the fair value of the Award Shares at the date of grant are set out in Note 3 and 39 to the consolidated financial statements.

As at 1st January 2025, the trustee had 24,000 shares held in trust for the Share Award Scheme. During the year ended 31st December 2025, the trustee purchased a total of 11,607,000 shares of the Company on the market at an average purchase price of HK\$3.47 per share for the purpose of the Share Award Scheme, and accordingly an aggregate of 11,631,000 shares were available for grant during the period. After the grant of 11,600,000 share awards on 18th March 2025 and the vesting of such shares on 30th April 2025, the trustee holds the remaining 31,000 shares and such shares are available for future grant.

Save as disclosed above, no share awards were lapsed and/or forfeited and no share awards granted were in excess of the 1% individual limit as at the year ended 31st December 2025.

Arrangements to Purchase Shares or Debentures

Saved as the interests disclosed in the “Directors’ Interests or Short Positions in Shares, Underlying Shares and Debentures”, “Share Option Scheme” and “Share Award Scheme”, 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 (including their spouses and children under the age of 18) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-linked Agreement

Issue of New Shares and Convertible Bonds under General Mandate

Pursuant to the subscription agreement dated 25th October 2021 (the “Subscription Agreement”) entered into between the Company and Clean Energy Ecosystem Pte. Ltd. (the “Investor”), the Company had on 18th November 2021 issued (a) 116,783,333 subscription shares at the aggregate subscription price of HK\$583,916,665 (equivalent to HK\$5.00 per subscription share) (the “Share Issue”) and (b) 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. Based on the adjusted conversion price of HK\$6.06 per share subsequent to the adjustment events on 12th July 2022, 11th July 2023 and 12th July 2024 (completion of issue of scrip shares at the value of HK\$4.028 per share, HK\$3.49 per share and HK\$2.9 per share pursuant to the scrip dividend schemes in relation to 2021 final dividend, 2022 final dividend and 2023 final dividend respectively), a maximum number of 365,959,653 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.

As a result of the completion of issue of scrip shares in relation to the 2024 final dividend and special dividend at the value of HK\$3.446 per share pursuant to the scrip dividend scheme of the Company (as detailed in the relevant circular of the Company dated 13th June 2025) on 14th July 2025, the conversion price of the Convertible Bonds has been further adjusted from HK\$6.06 per share to HK\$5.94 per share and the maximum number of shares to be issued by the Company upon full conversion of the Convertible Bonds has been increased from 365,959,653 shares to 373,352,777 shares.

As a result of the completion of issue of scrip shares in relation to the 2025 interim dividend at the value of HK\$3.998 per share pursuant to the scrip dividend scheme of the Company (as detailed in the relevant circular of the Company dated 12th September 2025) on 17th October 2025, the conversion price of the Convertible Bonds has been further adjusted from HK\$5.94 per share to HK\$5.92 per share and the maximum number of shares to be issued by the Company upon full conversion of the Convertible Bonds has been increased from 373,352,777 shares to 374,614,104 shares.

For further details, please refer to the Company’s announcements dated 25th October 2021, 18th November 2021, 12th July 2022, 11th July 2023, 12th July 2024, 14th July 2025 and 17th October 2025.

The aggregate gross proceeds from the Share Issue and the issue of Convertible Bonds were approximately HK\$2,802 million and the aggregate net proceeds were approximately HK\$2,800 million. As at 31st December 2025, none of the Convertible Bonds were converted. The net proceeds raised from the Share Issue and the issue of Convertible Bonds have been fully utilised for business expansion – including investment in smart energy business in years 2021 and 2022.

Equity-linked Agreement *(Continued)*

Issue of New Shares and Convertible Bonds under General Mandate *(Continued)*

Save as disclosed above, no equity-linked agreement(s) was 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 "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/her 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. the Hon. Lee Ka-kit, the Chairman and a Non-executive Director of the Company, is one of the chairmen and a non-executive director of HKCG; Mr. Peter Wong Wai-ye, an Executive Director and the Chief Executive Officer of the Company, is an executive director and the managing 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 environmentally-friendly energy businesses in Hong Kong and the Chinese mainland. 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 31st December 2025, 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 | No. of Shares in which interested | %* |
|---|-------------------------------------|---|-------|
| Rimmer | Trustee | 2,542,547,046 <i>(Notes 1 & 2)</i> | 69.25 |
| Riddick | Trustee | 2,542,547,046 <i>(Notes 1 & 2)</i> | 69.25 |
| Hopkins | Interest of controlled corporations | 2,542,547,046 <i>(Notes 1 & 2)</i> | 69.25 |
| Henderson Development | Interest of controlled corporations | 2,542,547,046 <i>(Notes 1 & 2)</i> | 69.25 |
| Henderson Land Development | Interest of controlled corporations | 2,542,547,046 <i>(Notes 1 & 2)</i> | 69.25 |
| Faxson Investment Limited (“Faxson”) | Interest of controlled corporations | 2,542,547,046 <i>(Notes 1 & 2)</i> | 69.25 |
| HKCG | Interest of controlled corporations | 2,542,547,046 <i>(Notes 2 & 3)</i> | 69.25 |
| Towngas International Company Limited (“TICL”) | Interest of controlled corporation | 2,323,531,202 <i>(Notes 2 & 3)</i> | 63.28 |
| Hong Kong & China Gas (China) Limited (“HK&CG (China)”) | Beneficial owner | 2,323,531,202 <i>(Notes 2 & 3)</i> | 63.28 |
| Towngas Investment Company Limited (“TICL-HK”) | Interest of controlled corporations | 219,015,844 <i>(Notes 2 & 3)</i> | 5.96 |
| Planwise Properties Limited (“Planwise”) | Beneficial owner | 215,351,446 <i>(Notes 2 & 3)</i> | 5.87 |

Substantial Shareholders (Continued)

Long Positions in Shares (Continued)

| Name of shareholder | Capacity | No. of Shares in which interested | %* |
|--|--|-----------------------------------|-------|
| Tang Kok Yew | Interest of controlled corporations | 471,050,984 (Note 4) | 12.83 |
| Capstar Holdings ("Capstar") | Interest of controlled corporations | 471,050,984 (Note 4) | 12.83 |
| Affinity Fund V General Partner Limited ("Affinity Fund V") | Interest of controlled corporations | 471,050,984 (Note 4) | 12.83 |
| Converging Worldview Investments Pte. Ltd. ("Converging Worldview") | Interest of controlled corporations | 471,050,984 (Note 4) | 12.83 |
| Clean Energy Ecosystem Pte. Ltd. ("Clean Energy Ecosystem") | Beneficial owner | 471,050,984 (Note 4) | 12.83 |
| Central Huijin Investment Ltd. ("Central Huijin") | Interest of controlled corporation | 350,350,000 (Note 5) | 9.54 |
| Industrial and Commercial Bank of China Limited ("ICBC") | Interest of controlled corporation | 350,350,000 (Note 5) | 9.54 |
| ICBC International Holdings Limited ("ICBC International") | Interest of controlled corporation | 350,350,000 (Note 5) | 9.54 |
| ICBC International Investment Management Limited ("ICBC International Management") | Interest of controlled corporation | 350,350,000 (Note 5) | 9.54 |
| Victory Ride Holdings Limited ("Victory Ride") | Interests held jointly with another person | 350,350,000 (Note 5) | 9.54 |
| Hongkong Life Insurance Co, Ltd. (弘康人壽保險股份有限公司) | Beneficial owner | 292,545,000 (Note 6) | 7.97 |

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

Substantial Shareholders *(Continued)*

Long Positions in Shares *(Continued)*

Notes:

1. By virtue of the SFO, Rimmer, Riddick and Hopkins are respectively interested in 2,542,547,046 Shares, which are duplicated in the interests described in Notes 2 and 3. All the issued shares in Rimmer, Riddick and Hopkins were beneficially owned by the late Dr. the Hon. Lee Chau-kee and each of his sons, Dr. the Hon. Lee Ka-kit and Dr. Lee Ka-shing will inherit certain shares in Rimmer, Riddick and Hopkins. Rimmer and Riddick (the relevant trustees of the respective discretionary trusts) hold units in a unit trust of which Hopkins is the trustee ("Unit Trust") as described in Note 2, but each is not entitled to any interest in its trust assets which are, in the ordinary course of business, held by Hopkins as trustee of the Unit Trust independently without any reference to shareholders of Hopkins, and each of Dr. the Hon. Lee Ka-kit and Dr. Lee Ka-shing remains to be one of the discretionary beneficiaries of such discretionary trusts.
2. Rimmer and Riddick as trustees of different discretionary trusts held units in the 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 2,542,547,046 Shares in which HKCG was deemed interested 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 TIGL, which in turn was a wholly-owned subsidiary of HKCG, each of TIGL and HKCG was therefore taken to be interested in the 2,323,531,202 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 TIGL-HK, which in turn was a wholly-owned subsidiary of HKCG, each of TIGL-HK and HKCG was therefore taken to be interested in 219,015,844 Shares, which included (a) 215,351,446 Shares held by Planwise; and (b) the 3,664,398 Shares held by Superfun by virtue of Part XV of the SFO.
4. Mr. Tang Kok Yew was taken to be interested in the 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 3.18% of the number of issued Shares as at 31st December 2025); and (ii) unlisted Convertible Bonds, which may be fully converted into 374,614,104 Shares based on the conversion price (subject to adjustment events) of HK\$5.92 per convertible Share (as adjusted after the allotment and issue of scrip shares pursuant to the scrip dividend schemes of the Company on 12th July 2022, 11th July 2023, 12th July 2024, 14th July 2025 and 17th October 2025), pursuant to the Subscription Agreement dated 25th October 2021.
5. Central Huijin was taken to have acquired a security interest in these unlisted Convertible Bonds, which might be fully converted into 350,350,000 Shares through its controlled corporations, ICBC, ICBC International, ICBC International Management and Victory Ride. Victory Ride held these security interests of unlisted Convertible Bonds jointly with another person. The interests were disclosed according to the disclosure of interest filing made by each of Victory Ride, Central Huijin, ICBC, ICBC International and ICBC International Management on 17th August 2022.
6. The interest was disclosed according to the disclosure of interest filing on 30th December 2025.

Substantial Shareholders (Continued)

Long Positions in Shares (Continued)

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31st December 2025, 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 31st December 2025, 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 31st December 2025, 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.

Continuing Connected Transactions

Set out below is the information in relation to the continuing connected transactions that existed during the year ended 31st December 2025 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, as appropriate, in accordance with Rule 14A.56 of the Listing Rules.

Related party transactions set out in note 44 to the consolidated financial statements on page 184 include transactions that constitute connected transactions/continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

1. 2025 Master Pipeline Materials Purchase Transactions

On 6th December 2024, the Company and HKCG entered into an agreement (the "2025 Master Pipeline Materials Purchase Agreement") relating to the purchase of various pipeline construction materials, gas meters and measuring tools by members of the Group from HKCG and its subsidiaries and associates (as defined under the Listing Rules) (the "HKCG CCT Group") (the "2025 Pipeline Materials Purchase Transactions"), for a term commencing from 1st January 2025 to 31st December 2027.

Continuing Connected Transactions (*Continued*)

1. 2025 Master Pipeline Materials Purchase Transactions (*Continued*)

As HKCG is a controlling shareholder of the Company, members of the HKCG CCT Group are connected persons of the Company under the Listing Rules. The entering into of the 2025 Master Pipeline Materials Purchase Agreement and the 2025 Pipeline Materials Purchase Transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Particulars of the 2025 Pipeline Materials Purchase Transactions and the 2025 Master Pipeline Materials Purchase Agreement were disclosed in the announcement of the Company dated 6th December 2024.

The annual cap amounts and the actual amounts of the 2025 Pipeline Materials Purchase Transactions for the year ended 31st December 2025 are disclosed in the section headed “Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31st December 2025” below.

2. Gas and Smart Energy Related Purchase and Sale Transactions, Engineering Works and Consultation Provision and Acquisition Services Transactions and Comprehensive Products and Services Purchase and Sale Transactions

On 12th December 2023, the Company and HKCG entered into:

- (i) the Master Gas and Smart Energy Related Agreement with respect to the purchase of various types of fuel gas, including but not limited to liquefied coalbed methane, compressed natural gas and liquefied natural gas (“Fuel Gas”) and energy related products, 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 (“Energy”) and renting of liquified natural gas storage facilities (the “LNG Storage Facilities”) by members of the Group from members of the HKCG CCT Group (the “2024 Gas and Smart Energy Related Purchase Transactions”) and the purchase of Fuel Gas, Energy and various forms of smart energy services, including but not limited to carbon inventory, carbon verification, carbon peak research, carbon neutrality route planning and carbon neutrality routing (“Smart Energy Services”) by members of the HKCG CCT Group from members of the Group (the “2024 Gas and Smart Energy Related Sale Transactions”);
- (ii) the Master Engineering Works and Consultation Services Agreement with respect to the provision of engineering work and consultation 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 Works and Consultation Provision Services”) by members of the Group to members of the HKCG CCT Group (the “2024 Engineering Works and Consultation Services Provision Transactions”) and the provision of engineering work and consultation services in relation to gas pipelines and corollary equipment installation, construction of municipal building projects, and project management services (including the provision of project management services for the gas facilities projects and construction and installation projects invested or managed by members of the Group) (“Engineering Works and Consultation Acquisition Services”) by members of the HKCG CCT Group to members of the Group (the “2024 Engineering Works and Consultation Services Acquisition Transactions”); and

Continuing Connected Transactions (*Continued*)

2. Gas and Smart Energy Related Purchase and Sale Transactions, Engineering Works and Consultation Provision and Acquisition Services Transactions and Comprehensive Products and Services Purchase and Sale Transactions (*Continued*)

- (iii) the Master Comprehensive Products and Services Agreement with respect to the purchase of flour, edible oils, tea leaves, chili sauce, rice, wine, ginger, other quality agricultural products, quality healthy food, household products, gas stoves, quality gas safety products (such as gas alarms) and quality home gas safety inspection services (“Healthy and Lifestyle Products and Services”) and user authorisation, installation, management, maintenance and the provision of technical supporting services relating to, among others, system software (including but not limited to Towngas Customer Information System (燃氣客戶資訊管理系統), Geographic Information System (燃氣地理信息系統), Supervisory Control and Data Acquisition System (燃氣管網監控及數據採集系統), Mobility Meter Reading Application (移動抄表應用系統), Mobility Regular Safety Inspection Application (移動安檢應用系統) and Mobility Maintenance Service Application (移動維修應用系統) and cloud computing hardware system which manages, operates and monitors network infrastructure of information system (“IT Related Products and Services”) (the “Comprehensive Purchase Products and Services”) by members of the Group from members of the HKCG CCT Group (the “2024 Comprehensive Products and Services Purchase Transactions”) and the purchase of maintenance services, rapid leak detection services, promotion and marketing consulting services and household related services (“Comprehensive Sale Products and Services”) by members of the HKCG CCT Group from members of the Group (the “2024 Comprehensive Products and Services Sale Transactions”),

each for a term of 3 years from 1st January 2024 to 31st December 2026 (the “2024 CCT Master Agreements”).

On 13th September 2024, the Company entered into a supplemental agreement with HKCG to amend the Master Engineering Works and Consultation Services Agreement by revising the maximum aggregate amount receivable by the Group from the HKCG Group per annum in connection with the 2024 Engineering Works and Consultation Provision Services Transactions for the three years ending 31st December 2024, 31st December 2025 and 31st December 2026 (the “Existing Engineering Works and Consultation Provision Services Transactions Annual Caps”). Save for such amendment, all other terms and conditions of the Master Engineering Works and Consultation Services Agreement remain unchanged.

On 6th June 2025, the Company entered into a supplemental agreement with HKCG to amend the Master Gas and Smart Energy Related Agreement by revising the maximum aggregate amount receivable by the Group from the HKCG Group per annum in connection with the 2024 Gas and Smart Energy Related Sale Transactions for the two years ending 31st December 2025 and 31st December 2026 (the “Existing Gas and Smart Energy Related Sale Transactions Annual Caps”). Save for such revision, all other terms and conditions of the Master Gas and Smart Energy Related Agreement remain unchanged.

As HKCG is a controlling shareholder of the Company, members of the HKCG CCT Group are connected persons of the Company under the Listing Rules. The entering into of the 2024 CCT Master Agreements and the transactions contemplated thereunder (the “2024 CCT Transactions”) therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Continuing Connected Transactions (Continued)

2. Gas and Smart Energy Related Purchase and Sale Transactions, Engineering Works and Consultation Provision and Acquisition Services Transactions and Comprehensive Products and Services Purchase and Sale Transactions (Continued)

Particulars of the (1) 2024 Gas and Smart Energy Related Purchase Transactions; (2) 2024 Gas and Smart Energy Related Sale Transactions; (3) 2024 Engineering Works and Consultation Services Provision Transactions; (4) 2024 Engineering Works and Consultation Services Acquisition Transactions; (5) 2024 Comprehensive Products and Services Purchase Transactions; and (6) 2024 Comprehensive Products and Services Sale Transactions were disclosed in the announcement of the Company dated 12th December 2023. Particulars on the amendment to the Existing Engineering Works and Consultation Provision Services Transactions Annual Caps was disclosed in the announcement of the Company dated 13th September 2024 and particulars on the amendment to the Existing Gas and Smart Energy Related Sale Transactions Annual Caps was disclosed in the announcement of the Company dated 6th June 2025.

The annual cap amounts and the actual amounts for the year ended 31st December 2025 of the 2024 CCT Transactions are disclosed in the section headed “Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31st December 2025” below.

Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31st December 2025

The annual caps and actual amounts of the continuing connected transactions of the Group referred to above for the year ended 31st December 2025 are summarised below:

| Transactions | Annual cap amount for the year ended 31st December 2025 <i>(Note 1)</i> | Actual amount for the year ended 31st December 2025 <i>(Note 2)</i> |
|--|--|--|
| (1) 2025 Pipeline Materials Purchase Transactions | RMB100,000,000 (approximately HK\$108,507,000) | RMB43,620,000 (approximately HK\$47,331,000) |
| (2) 2024 Gas and Smart Energy Related Purchase Transactions | RMB290,000,000 (approximately HK\$314,670,000) | RMB80,334,000 (approximately HK\$87,168,000) |
| (3) 2024 Gas and Smart Energy Related Sale Transactions | RMB500,000,000 (approximately HK\$542,535,000) | RMB227,365,000 (approximately HK\$246,707,000) |
| (4) 2024 Engineering Works and Consultation Provision Services Transactions | RMB400,000,000 (approximately HK\$434,028,000) | RMB56,594,000 (approximately HK\$61,408,000) |

Continuing Connected Transactions (Continued)

Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31st December 2025 (Continued)

| Transactions | Annual cap amount for the year ended 31st December 2025 <i>(Note 1)</i> | Actual amount for the year ended 31st December 2025 <i>(Note 2)</i> |
|---|--|--|
| (5) 2024 Engineering Works and Consultation Services Acquisition Transactions | RMB41,000,000 (approximately HK\$44,488,000) | RMB28,215,000 (approximately HK\$30,615,000) |
| (6) 2024 Comprehensive Products and Services Purchase Transactions | RMB272,000,000 (approximately HK\$295,139,000) | RMB157,515,000 (approximately HK\$170,915,000) |
| (7) 2024 Comprehensive Products and Services Sale Transactions | RMB53,000,000 (approximately HK\$57,509,000) | RMB39,990,000 (approximately HK\$43,392,000) |

Notes:

1. Since one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the annual cap amounts for each category of such transactions were more than 0.1% but all of them were less than 5%, such transactions were subject to the reporting, announcement and annual review requirements but were exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.
2. The actual amounts had not exceeded the annual cap amounts as stated in the corresponding agreements as referred to above.

The Board, including the Independent Non-executive Directors, had reviewed and confirmed that the continuing connected transactions as referred to in the section headed "Annual Caps and Actual Amounts of Continuing Connected Transactions for the year ended 31st December 2025" 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.

Related Party Transactions

Details of the related party transactions undertaken in the normal course of business are set out in Note 44 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 31st December 2025 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\$987,000.

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 5 largest suppliers was less than 30% during the year. The percentage of the turnover attributable to the Group's 5 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 Companies Act of the Cayman Islands which would oblige the Company to offer new Shares on pro-rata basis to existing shareholders.

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 31st December 2025, except that the trustee of the Share Award Scheme of the Company, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 11,607,000 issued shares of the Company at a total consideration of approximately HK\$40,206,000.

Emolument Policy

As at 31st December 2025, the Group had 21,677 employees. Total staff costs amounted to HK\$1,459,247,000 for 2025, an increase of HK\$38,015,000 compared to 2024. 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 Option Scheme on 26th May 2022 and a Share Award Scheme on 17th August 2021 providing incentives to Directors and eligible participants, details of which are set out above and in Note 39 to the consolidated financial statements.

Corporate Governance

The Company had complied with all applicable code provisions as set out in the Corporate Governance Code as contained in Appendix C1 to the Listing Rules, as amended from time to time (the "CG Code") throughout the year ended 31st December 2025.

Details of the corporate governance of the Group are set out in the "Corporate Governance Report" on pages 61 to 86 of this Annual Report.

Auditor

The consolidated financial statements of the Company for the year ended 31st December 2025 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.

Lee Ka-kit

Chairman

Hong Kong, 18th March 2026

Corporate Governance Report

Corporate Governance Practices

The Directors and the management team of the Company are dedicated to maintaining high standards of corporate governance. They will continue to exercise leadership, control, enterprise, integrity and judgment so as to achieve continuing prosperity and to act in the best interests of the Company and its shareholders in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the cores of the Company's corporate governance practices.

Throughout 2025, the Company continued to implement and uphold the principles of good corporate governance as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the "CG Code"). The Company has complied with the code provisions of the CG Code, as well as all applicable requirements and provisions of the Environmental, Social and Governance Reporting Code as set out in Appendix C2 to the Listing Rules.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance with all applicable rules and regulations, and foster a solid culture of governance across the Group's business operations and practices so as to ensure its ability to attract investment, protect the rights of shareholders and stakeholders, enhance shareholders' value and fulfill the Group's social responsibility. The Directors will be notified of code provision amendment updates in respect of the CG Code so as to be kept abreast of the latest requirements and be assisted in fulfilling their responsibilities.

Corporate Mission, Vision, Values and Culture

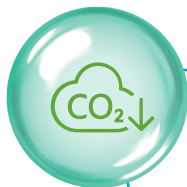
Our vision, mission, and values set out below are the guiding principles that guide us through the sustainable growth of the Group and shape the overall business strategy.



MISSION



Towngas Smart Energy strives to provide our customers with **safe, reliable, clean** and **smart energy** along with **quality services**, while committed to fulfilling our **social responsibility**, ensuring **sustainable business growth**, enhancing our shareholders' **return on investment**, and bringing **long-term benefit** for our **planet, society**, and **stakeholders**.



VISION

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



CORE VALUES



Our business philosophy which aims to improve the environment and provide our customers with reliable, efficient, safe and clean energy extends from the Board to all of our employees of different positions and at all levels.

Throughout the year ended 31st December 2025, the Company continued to strengthen its cultural practice through various initiatives. Details of the initiatives, corporate strategy and long term business model are set out in the “Chairman’s Statement”, “Management Discussion and Analysis” of this Annual Report and 2025 ESG Report.

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

Board of Directors

Key Role and Responsibilities of the Board

The Board is accountable for the long-term sustainable success of the Group. Headed by the Chairman, the Board is responsible for the Group's development, business strategies and financial performance, which include setting and guiding the long-term strategic objectives of the Company with appropriate focus on value creation and risk management, and directing, supervising and monitoring the managerial performance and operating practices of the Group.

The Board strives to foster and promote a corporate culture down to all levels of the Company, and ensure that the corporate culture is reflected in the Company's strategy, business models and operating practices, aligning it with the Company's purpose, values and strategy.

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

Specific matters such as formulating business strategies, establishing corporate values and standards, reviewing financial statements, approving the Company's financial reports and relevant results announcements, budgets, and dividend policy, reviewing risk management and internal control systems, supervising environmental, social and governance-related matters, approving material transactions, etc. are decided by the Board and the daily management, administration and operation of the Group are reserved for management's direction and are reviewed by the Board. In addition, the Directors may seek independent professional advice in appropriate circumstances at the Company's expense.

Corporate Governance Functions

The Board is responsible for performing corporate governance duties including:

- (a) developing and reviewing the Company's policies and practices on corporate governance and considering recommendations addressed to the Company;
- (b) reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- (c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board of Directors (Continued)

Key Role and Responsibilities of the Board

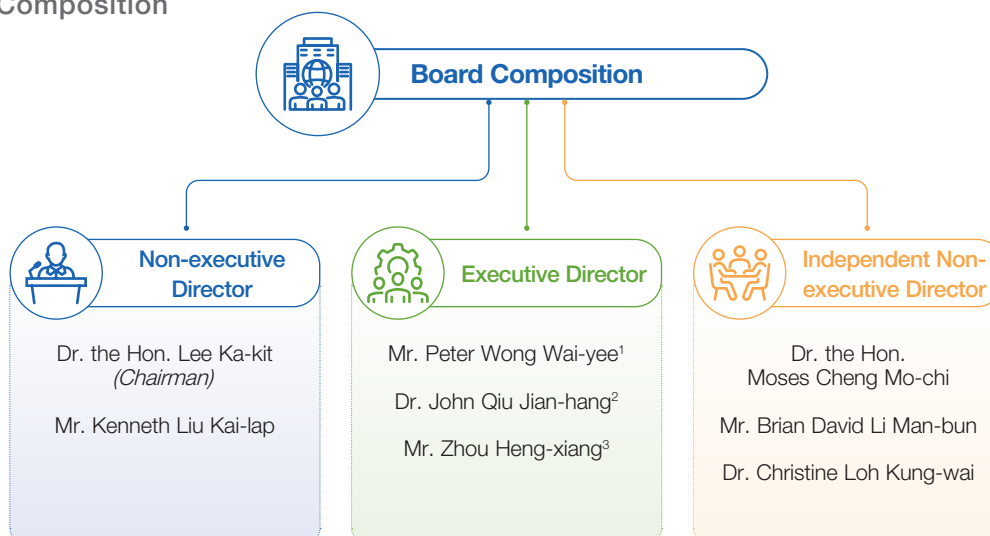


Board Process

The Board meets regularly at least 4 times a year at approximately quarterly intervals. The Directors can attend meetings in person or through electronic means of communication in accordance with the Articles of Association of the Company (the “Articles”). All members of the Board have full and timely access to relevant information. Due notices and accompanying meeting papers were given to all Directors prior to each meeting in accordance with the Articles and the CG Code. The Company Secretary assists the Chairman in preparing agenda for each meeting. The agenda together with relevant meeting papers are sent at least 3 days before the intended date of a Board meeting/a Board Committee meeting. All Directors are given an opportunity to include matters on the agenda for the said meetings.

The Board/Board Committee meeting dates for the following year are usually fixed by the Company Secretary with the agreement of other members of the Board, in the fourth quarter of each year. At Board meetings, the Executive Directors will report to the Board on their respective areas of business.

Board Composition



1 Chief Executive Officer

2 Chief Operating Officer – Renewable Business

3 Chief Operating Officer – Mainland Gas Business

Board of Directors (Continued)

Board Composition (Continued)

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

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

| Directors | Length of Tenure (Year) | Current Period of Appointment (Year) |
|---|----------------------------|--|
| Non-executive Directors | | |
| Dr. the Hon. Lee Ka-kit (<i>Chairman</i>) | 4.5 | 1 |
| Mr. Kenneth Liu Kai-lap | 4.5 | 2 |
| Independent Non-executive Directors | | |
| Dr. the Hon. Moses Cheng Mo-chi | 19 | 1 |
| Mr. Brian David Li Man-bun | 19 | 3 |
| Dr. Christine Loh Kung-wai | 4 | 2 |
| Executive Directors | | |
| Mr. Peter Wong Wai-yee | 19 | 3 |
| Mr. Martin Kee Wai-ngai ¹ | 10.5 | 2 ³ |
| Mr. Zhou Heng-xiang ² | 0.5 | 0.5 |
| Dr. John Qiu Jian-hang | 4.5 | 1 |

1 Resigned on 1st September 2025

2 Appointed on 1st September 2025

3 As at the date of resignation of 1st September 2025

Board of Directors *(Continued)*

Board Composition *(Continued)*

Independent Non-executive Directors are identified as such in all corporate communications containing the names of the Directors. An up-to-date list of Directors identifying the Independent Non-executive Directors and the roles and functions of the Directors is available on the websites of the Company and the Stock Exchange.

Biographical details of the Directors and relevant relationships among them are set out from pages 14 to 17 of this Annual Report. Save as disclosed therein, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between any members of the Board, and in particular, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Chairman and the Chief Executive Officer.

Board Independence

The Company recognises that the independence of the Board is a key element of good corporate governance. The Company has adopted the Policy/Mechanism for the Independence of the Board which aims to ensure independent views and input are available to the Board, including that a Director may, upon reasonable request, seek and be provided with separate independent professional advice to assist the relevant Director in discharging his/her duties to the Company where appropriate at the Company's expense.

Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change in his/her personal particulars that may affect his/her independence. No such notification was received by the Company during the year. The Company therefore still considers each Independent Non-executive Director to be independent.

The Nomination Committee is mandated to assess annually the independence of all Independent Non-executive Directors and to affirm if each of them satisfies the criteria of independence as set out in Rule 3.13 of the Listing Rules and is free from any relationships and circumstances which are likely to affect, or could appear to affect, their independent judgement. Every Nomination Committee member abstains from assessing his/her own independence.

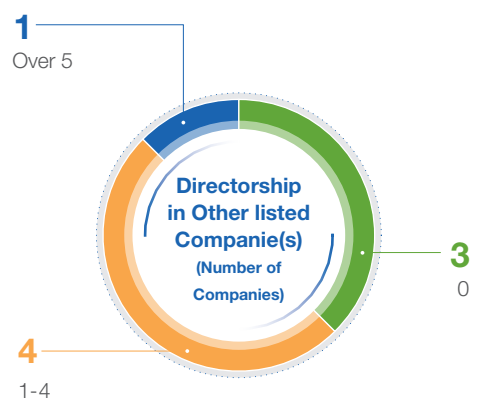
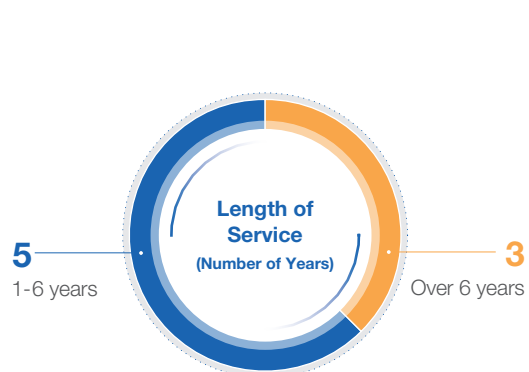
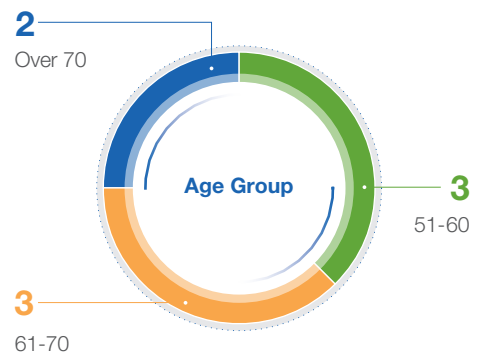
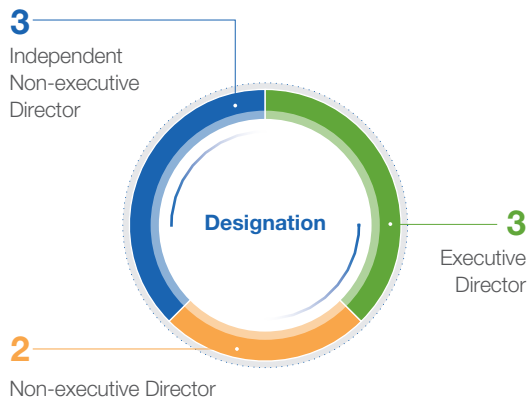
The mechanism in place is subject to annual review by the Board that underpins a strong independent Board. During the year, upon the recommendation of the Nomination Committee, the Board conducted a review and considered that such mechanism was properly implemented and was effective in ensuring that independent views and input are provided to the Board.

Board of Directors (Continued)

Board Diversity

The Company recognises the benefit and value of diversity across the organisation, and endorses the view that a diverse board, with a breadth of perspective, is one of the key drivers of an effective board.

The following chart shows the diversity profile of the Board as at the date of this Annual Report:













Board of Directors (Continued)

Board Diversity (Continued)

Board Expertise

The Board recognises the importance of having a diverse range of skills and expertise among the Directors that align with our strategy, governance and business needs, which enable the Board to effectively discharge its duties and responsibilities in pursuing the Group's strategic objectives and achieving sustainable growth of the Group.

The Board possesses professional skills and experience as shown in the chart below.

| Professional Skills/ Experience | Relevance to the Company | Percentage ratio |
|---|---|--|
| Executive Leadership | Experience in a leading role facilitates understanding of many facets of the Group, including strategy, financial reporting and compliance, risk oversight. |  100% |
| Related Industry knowledge/Experience | Deep industry knowledge assists in understanding the issues faced by the Group and can direct the Company to focus on value drivers. |  100% |
| Governance and Sustainability | Relevant expertise and knowledge are crucial for the Board to discharge its role in ESG responsibilities and drive forward the Company's sustainability initiatives. |  87.5% |
| Public Administration | Relevant experience contributes to compliance with a variety of regulatory requirements and development of constructive relationship with public bodies or organisations. |  50% |
| People Management Experience | Promotes a positive culture across the Group, enables the Company to uphold its core values and achieve long term sustainable performance. |  100% |
| Banking/Financial Literacy/Accounting | Provides oversight, scrutinisation and advice on banking, capital management strategies, corporate finance, capital markets, funds management and financial reporting. |  62.5% |
| Information Technology/ Artificial Intelligence | Provides insights into digital and technology development and artificial intelligence. |  25% |
| Legal and Regulatory Compliance | Provides valuable input from professionals with legal and regulatory experience. |  25% |
| Risk Management and Internal Controls | The Board plays a pivotal role in risk oversight and managing significant risks facing the Company. |  62.5% |
| Chinese Mainland Experience | This is important as the majority of our operations are located within Chinese mainland. Relevant experiences align with the Company's long-term strategy and explore sustainable growth. |  100% |

Note: A Director might have multiple professional backgrounds, skills and experiences.

Board of Directors (Continued)

Board Diversity (Continued)

Board Expertise (Continued)

The Company considers that maintaining a Board with diversity, including gender diversity, is a vital asset to its business. The Company would strive to make up a Board mixed with diversity in age, cultural and educational background, or professional experience as recommended by the Listing Rules (as amended from time to time). While conscious efforts are being taken by the Company to fulfil its pledges, all appointments are ultimately made on a merit basis taking into account of the availability and suitability of the candidates.

During 2025, the Board had 1 female Director, constituting 12.5% of the Board and 33.33% of the Independent Non-executive Directors. The Board considers that the gender diversity in respect of the Board with reference to business needs is satisfactory. The Company targets to maintain at least 1 female representation on the Board. The Company would strive to deploy multiple channels to identify and approach suitable candidates, including referrals from Directors, shareholders, management, advisors of the Company and external executive search firms as and when appropriate that would enhance its composition and diversity, with a view to expanding the competencies, experience and perspectives of the Board as a whole. The Board is committed to further enhancing gender diversity as and when suitable candidates are identified.

In addition to implementing gender diversity at the board level, the Company also actively promotes gender diversity among its senior management and employees as well as those of its subsidiaries. At the ESG Committee meeting held on 11th March 2025, the Employee Policy was adopted. The policy sets out the general principles which guide the Company with the employee (including senior management) related matters, recognising the importance of diversity and is dedicated to building an inclusive workplace.

The gender ratio of all employees of the Group as at 31st December 2025 was 69%: 31% (male to female), which was attributed to the male-dominated nature of work in construction and maintenance of gas pipelines. We are committed to fostering a positive working culture and striving to build an inclusive, equitable and diverse workplace. We respect our employees and evaluate their performance based on professional contribution, without regard to their differences or similarities. Further details on the initiatives taken by the Group to improve gender diversity across the workforce, together with relevant data, can be found in the 2025 ESG Report.

For details of gender diversity at the workforce levels, please refer to the 2025 ESG Report.

Board Diversity Policy

Under the Board Diversity Policy, Board candidates are selected based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and the contribution that the selected candidates will bring to the Board.

During the year, the Nomination Committee has reviewed the implementation and effectiveness of the Board Diversity Policy and considered that it is appropriate and effective.

Board of Directors *(Continued)*

Appointment and Re-election of Directors

All Directors entered into formal letters of appointment with the Company. There is no specific term for each Director's appointment, but subject to the Articles, at least one-third of the Directors shall retire from office but are eligible for re-election by shareholders at each AGM of the Company and each Director shall retire on a rotational basis at least once every 3 years.

The Board had at all times met the requirements of the Listing Rules relating to the appointment of at least 3 independent non-executive directors with at least 1 independent non-executive director possessing appropriate professional qualification, or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules and the appointment of independent non-executive directors representing at least one-third of the Board pursuant to Rule 3.10A of the Listing Rules during the year ended 31st December 2025.

In accordance with the Articles, new appointments to the Board are subject to re-election at the next following AGM after the relevant appointments. Their respective terms of office are subject to the Listing Rules and the provisions of the Articles in force from time to time, including but not limited to, the requirements for retirement, rotation and vacation of office of directors as set forth in the Articles.

Nomination Policy

Pursuant to the Nomination Policy, the Nomination Committee, in determining the suitability of a candidate, will consider a number of factors which include the candidate's skills, knowledge and experience, diversity perspectives set out in the Board Diversity Policy, the candidate's time commitment and standing, taking the Company's corporate strategy and shareholder value into account, and the independence criteria set out Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an independent non-executive director. The above criteria are for reference only and are not meant to be exhaustive or decisive.

If the Board determines that an additional or replacement Director is required, the Nomination Committee (a) will take appropriate measures to identify and nominate a candidate; (b) may consider a candidate recommended or offered for nomination by a shareholder of the Company; and (c) will, on making the recommendation, submit the candidate's biographical details to the Board for consideration. Where a retiring Director, being eligible, offers himself/herself for re-election, the Nomination Committee will consider and, if appropriate, recommend such retiring Director to stand for re-election.

The nomination process is conducted in accordance with the Nomination Policy and the Board Diversity Policy. The Nomination Committee will from time to time review these policies and monitor their implementation to ensure continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

Board of Directors (Continued)

Chairman and Chief Executive Officer

Dr. the Hon. Lee Ka-kit is the Chairman of the Board and Mr. Peter Wong Wai-ye is the Chief Executive Officer. The roles of the Chairman and the Chief Executive Officer are separate and are not performed by the same individual.

The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board and, with the support of Executive Directors and the Company Secretary, seeking to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive, in a timely manner, adequate and reliable information. The Chief Executive Officer is responsible for managing the business of the Group and leading the management team to implement strategies and objectives adopted by the Board. Their respective responsibilities are clearly established.

Meetings

The attendance of each Director at the Board meetings, Board committee meetings and AGM during the year ended 31st December 2025 is set out below:

| Directors | Number of Meetings Attended/Held | | | | | AGM |
|---|----------------------------------|--|------------------------------|--------------------------------|--|-----|
| | Board Meeting | Board Audit and Risk Committee Meeting | Nomination Committee Meeting | Remuneration Committee Meeting | Environmental, Social and Governance Committee Meeting | |
| Non-executive Directors | | | | | | |
| Dr. the Hon. Lee Ka-kit (<i>Chairman</i>) | 4/4 | N/A | 2/2 | N/A | N/A | 1/1 |
| Mr. Kenneth Liu Kai-lap | 4/4 | N/A | N/A | N/A | N/A | 1/1 |
| Independent Non-executive Directors | | | | | | |
| Dr. the Hon. Moses Cheng Mo-chi | 4/4 | 2/2 | 2/2 | 2/2 | N/A | 1/1 |
| Mr. Brian David Li Man-bun | 4/4 | 2/2 | 2/2 | 2/2 | N/A | 1/1 |
| Dr. Christine Loh Kung-wai | 4/4 | 2/2 | 2/2 | 2/2 | 1/1 | 1/1 |
| Executive Directors | | | | | | |
| Mr. Peter Wong Wai-ye | 4/4 | 2/2 ³ | 2/2 ³ | 2/2 ³ | 1/1 | 1/1 |
| Mr. Martin Kee Wai-ngai ¹ | 3/3 | 2/2 ³ | N/A | N/A | 1/1 | 1/1 |
| Mr. Zhou Heng-xiang ² | 1/1 | N/A | N/A | N/A | N/A | N/A |
| Dr. John Qiu Jian-hang | 4/4 | 2/2 ³ | N/A | N/A | 1/1 | 1/1 |

- 1 Resigned on 1st September 2025
- 2 Appointed on 1st September 2025
- 3 In attendance

Board of Directors *(Continued)*

Time Commitment of Directors

Directors give sufficient time and attention to the Group's affairs. The Company also requests the Directors to disclose to the Company semi-annually the directorships held in other listed companies as well as the number and the nature of offices held in public organisations and other significant commitments with an indication of the time involved. The Board believes the balance of skills and experience is appropriate for safeguarding the interests of shareholders and the Group.

Compliance with the Model Code

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. All Directors who held office as at 31st December 2025, following specific enquiry made by the Company, confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the year ended 31st December 2025.

The Company has further adopted a formal model code for securities transactions by its relevant employees (including certain employees of the Company, certain directors or employees of its subsidiaries who are considered to be likely to possess inside information in relation to the Company or its securities) (the "Relevant Employees") on terms no less exacting than the required standard set out in the Model Code.

Policy and Procedures on Disclosure of Inside Information

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

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company. The insurance coverage is reviewed on an annual basis.

Board Performance Review

The Company has implemented regular evaluation of the performance and effectiveness of the Board once every two years in the form of a questionnaire to all Directors individually. Each Director is invited to provide his/her views on the performance of the Board and any suggestions for improving the board process. The results of the evaluation are reviewed by the Nomination Committee and submitted to the Board.

In 2025, a board performance review has been internally conducted for the year ended 31st December 2024 by the Company. Each Director has completed a board performance review questionnaire by providing ratings and comments (if any). Based on the evaluation conducted, the Directors were satisfied with the performance of the Board and considered the Board continued to operate effectively. The evaluation report was presented and reviewed at the meetings of the Nomination Committee and the Board for consideration in March 2025.

The Company will continue to conduct a formal evaluation of the Board's performance, either internally or by an external provider, at least every two years. The next evaluation is scheduled to be conducted within 2027.

Board of Directors (Continued)

Directors' Training and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

Mr. Zhou Heng-xiang (appointed as Executive Director on 1st September 2025) had obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 29th August 2025 and had confirmed he understood his obligations as a director of the Company.

To ensure that Directors' contribution to the Board/Board committees remains informed, the Company updates and provides continuous professional development, including training materials on the roles, functions and responsibilities of the board, its committees and its directors, and board effectiveness; the Company's obligations and directors' duties under Hong Kong law and the Listing Rules, and key legal and regulatory developments (including Listing Rule updates) relevant to the discharge of such obligations and duties; corporate governance and environmental, social and governance ("ESG") matters; risk management and internal controls as well as anti-corruption and risk management training materials made available by the Independent Commission Against Corruption to the Directors from time to time.

In addition, all Directors are provided with monthly updates on the latest developments in the industry, business trends and strategies relevant to the Company, major business segments operating performance and year-to-date financials. All these will give the Board an overall understanding of the Group's business and other key information about the Group, and will provide up-to-date information to enable them to make informed decisions for the benefit of the Group and to perform their duties as Directors better.

All Directors participated in appropriate continuous professional development and provided the Company with their records of training received for the year ended 31st December 2025. All of these are of sufficient quality adequately support Directors' development of their knowledge and expertise and cover the specified topics as required under Rule 3.09G of the Listing Rules.

All Directors have provided the Company with a record of the training they received during the year ended 31st December 2025 which included reading regulatory updates or information relevant to the Group or its businesses or attending and/or giving talks at seminars and/or conferences.

Board of Directors (Continued)

Directors' Training and Continuous Professional Development (Continued)

| Directors | Types of training | |
|---|---|---|
| | Attending or giving talks at seminars and/or conferences and/or forums and/or briefings | Reading newspapers, journals and/or other materials |
| Non-executive Directors | | |
| Dr. the Hon. Lee Ka-kit (<i>Chairman</i>) | ✓ | ✓ |
| Mr. Kenneth Liu Kai-lap | ✓ | ✓ |
| Independent Non-executive Directors | | |
| Dr. the Hon. Moses Cheng Mo-chi | ✓ | ✓ |
| Mr. Brian David Li Man-bun | ✓ | ✓ |
| Dr. Christine Loh Kung-wai | ✓ | ✓ |
| Executive Directors | | |
| Mr. Peter Wong Wai-yee | ✓ | ✓ |
| Mr. Martin Kee Wai-ngai ¹ | ✓ | ✓ |
| Mr. Zhou Heng-xiang ² | ✓ | ✓ |
| Dr. John Qiu Jian-hang | ✓ | ✓ |

1 Resigned on 1st September 2025

2 Appointed on 1st September 2025

Board Committees

The Company has set up a number of committees of the Board, including the Board Audit and Risk Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.



Board Audit and Risk Committee

Mr. Brian David Li Man-bun (*Chairman*)*
Dr. the Hon. Moses Cheng Mo-chi*
Dr. Christine Loh Kung-wai*



Remuneration Committee

Dr. the Hon. Moses Cheng Mo-chi (*Chairman*)*
Mr. Brian David Li Man-bun*
Dr. Christine Loh Kung-wai*



Nomination Committee

Dr. the Hon. Lee Ka-kit (*Chairman*)
Dr. the Hon. Moses Cheng Mo-chi*
Mr. Brian David Li Man-bun*
Dr. Christine Loh Kung-wai*



Environmental, Social and Governance Committee

Dr. Christine Loh Kung-wai (*Chairman*)*
Mr. Peter Wong Wai-yee
Dr. John Qiu Jian-hang
Mr. Zhou Heng-xiang

* Independent Non-executive Director

Board Committees *(Continued)*

Board Audit and Risk Committee

The Board Audit and Risk Committee reports directly to the Board, reviews the Company's financial information, and oversees the Company's financial reporting system, risk management and internal control systems to protect the interests of the Company's shareholders.

The Board Audit and Risk Committee meets regularly with the Company's external auditor to discuss various accounting issues, and reviews the effectiveness of the risk management and internal control systems of the Group semi-annually. The terms of reference of the Board Audit and Risk Committee have been posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

During the year ended 31st December 2025, the Board Audit and Risk Committee:

- reviewed the external auditor's audit report and management representation letter to the external auditor;
- reviewed the audited consolidated financial statements for the year ended 31st December 2024 and the unaudited consolidated financial statements for the six months ended 30th June 2025;
- reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process, and made recommendations on the re-appointment of the external auditor and approval of their remuneration;
- reviewed the non-audit service fees of the external auditor;
- reviewed the Company's continuing connected transactions for the year ended 31st December 2024;
- reviewed the effectiveness of the Company's financial controls, risk management and internal control systems, including the review of the adequacy of resources, budget, staff qualifications, experience and training programmes of the Company's internal audit, accounting, financial reporting and ESG function;
- reviewed the whistleblowing case report;
- reviewed the 2025 internal audit plan; and
- reviewed matters relating to cyber/information technology security controls.

Board Committees *(Continued)*

Remuneration Committee

The Remuneration Committee's responsibilities include but are not limited to making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, reviewing and approving the special remuneration packages of all Executive Directors with reference to corporate goals and objectives resolved by the Board from time to time, determining, with delegated responsibility, the remuneration packages of individual Executive Directors and making recommendations to the Board on the remuneration of Non-executive Directors, and reviewing and approving the matters relating to share schemes under Chapter 17 of the Listing Rules. Written terms of reference of the Remuneration Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

The emoluments of Directors are determined based on the duties and responsibilities of each Director. All Directors receive fixed fee(s) for their roles as Director and member of the Board Committee(s) as appropriate. Directors' fees are reviewed by the Remuneration Committee with reference to the remuneration level of directors of comparable companies in Hong Kong.

The Directors' fees were reviewed by the Remuneration Committee. During the year ended 31st December 2025, every Director received a Director's fee at the rate of HK\$200,000 per annum (other than Mr. Kenneth Liu Kai-lap) and each Non-executive Director (including Independent Non-executive Directors) serving as a member of the Board Audit and Risk Committee, the Remuneration Committee, the Nomination Committee and Environmental, Social and Governance Committee received additional fees at the rate of HK\$100,000 per annum. The Remuneration Committee considered the fees reasonable in view of the Directors' responsibilities. Details of the remuneration paid to the Directors for the year ended 31st December 2025 are disclosed in the notes to the consolidated financial statements.

The following sets out a summary of the work of the Remuneration Committee for the year ended 31st December 2025:

- reviewed the Directors' fees and determination of the remuneration of the Executive Directors for 2025;
- considered the proposals for granting award shares and share options to Directors and senior management ("the Grant") pursuant to Share Award Scheme and Share Option Scheme, and presented the foregoing matters to the Board, for which the Remuneration Committee took into account factors such as the grantees' historical contributions in business development and operations of the Group over the recent years. In view of this and having considered the Grant: (a) is a recognition of grantees' pivotal roles and responsibilities in steering the management and strategic development of the Company; and (b) will provide the grantees with a valuable opportunity to acquire a personal stake in the Company, thereby reinforcing their commitment to the overall business performance, sustainable development, value enhancement and good corporate governance of the Group; and
- reviewed the remuneration and Directors' fee of Mr. Zhou Heng-xiang (appointed as Executive Director and Chief Operating Officer – Mainland Gas Business on 1st September 2025) for 2025.

The Group will offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of its customer services.

Board Committees *(Continued)*

Nomination Committee

The Nomination Committee's responsibilities include but are not limited to formulating the policy and making recommendations to the Board on nominations and appointments of Directors and Board succession.

The Nomination Committee is also responsible for reviewing the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board, assessing the independence of Independent Non-executive Directors and making recommendations on any proposed changes to the Board. The Nomination Committee shall consider candidates from a range of backgrounds based on criteria set out by the Board. Written terms of reference of the Nomination Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

The following sets out a summary of the work of the Nomination Committee for the year ended 31st December 2025:

- recommended the nomination of Directors for re-election at the AGM of the Company held on 29th May 2025 (the "2025 AGM");
- reviewed the structure, size, composition (including the skills, knowledge and experience), diversity of the Board, independence of Independent Non-executive Directors, and the Directors' time commitment in handling the Company's affairs;
- reviewed the implementation and effectiveness of the Terms of Reference of the Nomination Committee, the Policy/Mechanism for the Independence of the Board, the Board Diversity Policy and the Shareholders Communication Policy, and reviewed the amendments to the aforementioned Terms of Reference and Policies and proposed amendments for the Board's approval and adoption;
- reviewed the evaluation results of the board performance and presented for the Board's consideration; and
- recommended the Board for approval of the appointment of Mr. Zhou Heng-xiang as Executive Director and a member of ESG Committee ("ESG Committee").

The Nomination Committee, having reviewed the Board's composition, nominated Dr. the Hon. Lee Ka-kit, Dr. the Hon. Moses Cheng Mo-chi and Dr. John Qiu Jian-hang to the Board for it to recommend to the shareholders for re-election at the 2025 AGM. The nominations were made in accordance with the Nomination Policy and the selection criteria and diversity of perspectives as listed in the Board Diversity Policy (including without limitation skills, knowledge and experience) and the independence of Independent Non-executive Directors.

Board Committees *(Continued)*

Environmental, Social and Governance Committee

The ESG Committee's responsibilities include but are not limited to assisting the Board in overseeing the Group's ESG development, strategies, policies and practices, and the management of ESG-related issues. In addition, the ESG Committee identifies and reviews ESG issues, risks and opportunities, tracks the Group's ESG performance, and recommends strategies for improvement. Written terms of reference of the ESG Committee have been adopted by the Board and are posted on the websites of the Company and the Stock Exchange, and are regularly reviewed and updated by the Board.

On 1st September 2025, Mr. Martin Kee Wai-ngai resigned as a member of the ESG Committee and Mr. Zhou Heng-xiang has been appointed as a member of the ESG Committee. Dr. Christine Loh Kung-wai has been redesignated from a member of the ESG Committee to the chairman of the ESG Committee in place of Mr. Peter Wong Wai-yee, and Mr. Peter Wong Wai-yee would remain a member of the ESG Committee, all with effect from 20th March 2026.

The following sets out a summary of the work of the ESG Committee for the year ended 31st December 2025:

- reviewed the results of the Group's key ESG ratings, including the Hang Seng Corporate Sustainability Index Series, the MSCI ESG Ratings and S&P Global ESG Scores, and discussed the latest requirements and expectations of these ratings;
- reviewed the key performance indicators of ESG Steering Committee, including the performance of decarbonisation efforts, diversity and inclusion, safety and health, cyber security, governance, and supply chain management;
- reviewed the climate-related issues and the related risks and opportunities;
- deliberated the future development of green finance;
- reviewed and evaluated the Company's 2024 ESG Report; and
- reviewed and approved the revised Terms of Reference of ESG Committee and adopted the Employee Policy.

Company Secretary

The Company Secretary is a full-time employee of the Company. The Company Secretary is responsible for assisting the Board to facilitate good information flows and communications among Directors and to ensure Board policy and procedures are followed properly. The Company Secretary is also responsible for provision of professional advice to the Board on implementing corporate governance practices and processes, organising general meetings of the Company and facilitating the induction and professional development of the Directors.

During the year under review, Ms. Elsa Wong Lai-kin, the Company Secretary of the Company, confirmed that she had taken no less than 15 hours of relevant professional training.

Independence of External Auditor

The external auditor of the Company is Deloitte Touche Tohmatsu (“Deloitte”). The Board Audit and Risk Committee is mandated to ensure the continuing auditor’s objectivity and safeguard the independence of the auditor. The Board and the Board Audit and Risk Committee are satisfied with Deloitte’s findings, independence, objectivity and effectiveness in the annual audit and review of the unaudited interim results of the Group and their audit and review fees. A statement by Deloitte about their reporting responsibilities for the financial statements of the Group for the year ended 31st December 2025 is included in the Independent Auditor’s Report on pages 87 to 91 of this Annual Report. Up to the date of this Annual Report, the Board Audit and Risk Committee has considered and approved Deloitte as the external auditor of the Group for the reporting year and the corresponding audit fee estimation.

The total fees charged by Deloitte in respect of audit services for the year ended 31st December 2025 amounted to approximately HK\$9.73 million (2024: approximately HK\$9.50 million). During the year, the total fee charged by Deloitte in respect of non-audit services covering tax services, interim results review services, corporate and advisory services and other reporting services amounted to approximately HK\$1.42 million (2024: approximately HK\$2.01 million).

Directors’ and Auditor’s Responsibility in Preparing Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The statement of the external auditor of the Company regarding their reporting responsibilities for the consolidated financial statements is set out in the Independent Auditor’s Report on pages 87 to 91 of this Annual Report.

Going Concern Basis in Preparing Financial Statements

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Risk Management and Internal Control

The Board is committed to maintaining sound and effective risk management and internal control systems for the Group in order to safeguard the Group's assets and shareholders' interests, as well as to review the effectiveness of such systems.

During the year ended 31st December 2025, the Board, through the Board Audit and Risk Committee, has conducted review of the overall effectiveness of the Group's risk management and internal control systems over financial, operational and compliance controls, information systems security, risk management process, scope and quality of the management's monitoring of risks and internal control systems, the effectiveness of the procedures for financial reporting and compliance with the Listing Rules requirements.

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

Internal Control

The Group has established policies and procedures to ensure that all payments and investments are properly authorised, critical assets and data are safeguarded as well as all company records are accurate and complete. In addition, the Group has a strict Code of Conduct and an Anti-Fraud Policy which provide guidance on the ethical behaviour when handling issues such as bribery and corruption, conflicts of interest, insider dealing, acceptance of gift and entertainment and fair dealing. The Board adopted a Whistleblowing Policy which provides reporting channels and guidance for employees and other stakeholders (e.g. contractors and suppliers) to report possible improprieties in financial reporting or other matters. The Whistleblowing Policy and the Anti-Fraud Policy are available on the Company's website.

Group Audit and Risk Management Department ("GARD"), which is functionally independent of the Group's management team, has unrestricted access to the company records that allows it to review all aspects of the Group's control and governance process. The Board Audit and Risk Committee approves the annual audit plan prepared by GARD. The plan includes financial and operational review, recurring and special audit, and fraud investigation. GARD reports to the Board Audit and Risk Committee semi-annually on the effectiveness of the internal control system, together with the major audit findings and implementation progress of the audit recommendations.

Risk Management and Internal Control *(Continued)*

Risk Management

Risk Management System

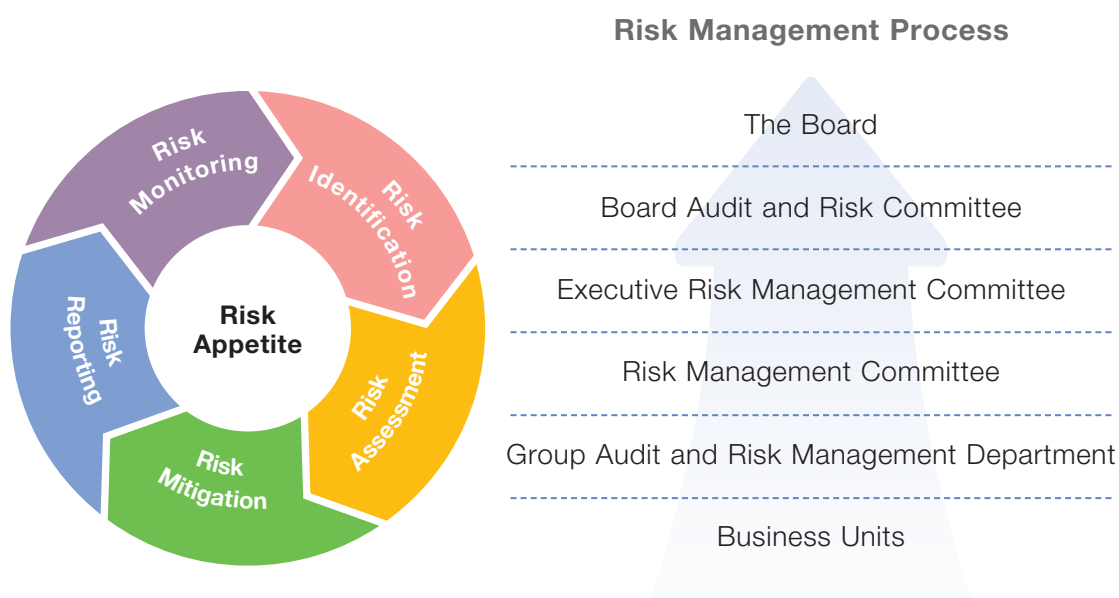
The Group has established risk management system, which is able to effectively identify, assess, mitigate, report and monitor key risks of the Group, to ensure the Group’s business growth and long-term value for the key stakeholders. In this regard, the Group conducts risk assessment semi-annually to ensure that major risks are within the Group’s risk appetite after implementing risk management measures.

The Board Audit and Risk Committee supports the Board in overseeing the overall risk management system and provides assurance to the Board semi-annually that the system is operating effectively. The Executive Risk Management Committee (“ERMC”), which is composed of all Executive Management Members of the Group, is responsible for the risk management system formulation and its effective implementation to maintain risk exposures within the risk appetite. It is assisted by the Risk Management Committee (“RMC”), which mainly comprises risk owners who are also the senior business management, to review the major risk exposure and monitor the implementation of risk-mitigating measures.

Risk Management Process

The risk management process is embedded into the day-to-day operation and is carried out continuously by each business unit and relevant Group functional departments. Priorities would be given to high and medium risks on implementation of risk-mitigating measures by the Group.

GARD also regularly collects and reviews risk assessment results from each business unit and relevant Group functional departments, and reports to the RMC, the ERMC, and the Board Audit and Risk Committee respectively.



Risk Management and Internal Control *(Continued)*

Risk Management *(Continued)*

Risk Management Process (Continued)

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

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

A description of the Group's risk factors is set out on pages 28 to 31 of this Annual Report.

Communication with Shareholders and Investor Relations

An extract of the Company's communication with shareholders and investor relations is set out below:

Communication with Shareholders

- The Board is committed to maintaining an ongoing communication with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors. The Company believes that providing regular communications to shareholders and the market is important to ensure they have the available information reasonably required to make informed assessments of the Group's strategy, operations and financial performance.
- The Company uses a range of communication tools, such as AGMs, analyst briefings, investor briefings, investor webinars, annual reports, various notices, announcements, circulars and press releases, to ensure its shareholders are kept well informed of the Group's key business imperatives.
- The Company has adopted a Shareholders Communication Policy. The policy sets out the framework in place to promote two-way communication with shareholders so as to enable them to engage actively with the Company. It is the Company's general policy to maintain an ongoing dialogue with shareholders and the investment community, including the Company's potential investors and analysts. The Company has reviewed the implementation and effectiveness of its prevailing Shareholders Communication Policy during the year, and considered that multiple channels for communications with shareholders and stakeholders were in place, and therefore believes the Shareholders Communication Policy is still appropriate and effective.

Communication with Shareholders and Investor Relations *(Continued)*

Investor Relations

- The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts.
- On the days of releasing the annual and interim results announcements, the Company also simultaneously holds analyst and investor briefings via live streaming, at which Executive Directors are responsible for presenting key work highlights, operational and financial conditions, ESG performance and group development guidance during the period; and listening to feedback from investor representatives on-site, addressing relevant questions, and facilitating two-way communications.
- The Company maintains a website (www.towngasmartenergy.com) where the Company's announcements and press releases, business developments and operations, financial information, corporate governance report and other information are posted.

General Meetings

- AGMs and other general meetings provide constructive forums to maintain communication with shareholders, and shareholders are encouraged to attend general meetings to ensure a high level of accountability and allow our shareholders to timely understand the strategy and development of the Group. At the 2025 AGM, separate resolutions were proposed by the Chairman in respect of each issue itemised on the agenda. The Chairman of the Board, the chairman of each of the Board Committees, members of senior management, together with representatives from the external auditor, attended the 2025 AGM to answer questions from the Company's shareholders.
- Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Detailed procedures for conducting a poll will be explained to the shareholders in the general meeting so that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of the Stock Exchange and the Company on the day of the general meeting. Moreover, a separate resolution will be proposed by the chairman of a general meeting in respect of each separate issue.

Shareholders' Rights

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

Convening an Extraordinary General Meeting by Shareholders

- Under the Articles, an extraordinary general meeting (“EGM”) shall be convened by the Board on the written requisition of any one or more members of the Company holding as at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carries the right of voting at general meetings of the Company. The shareholders shall make a written requisition to the Board or the Company Secretary of the Company at the principal office of the Company in Hong Kong, specifying the shareholding information of the shareholders, their contact details and the proposal regarding any specified transaction/ business and its supporting documents.

Putting Forward Proposals at Extraordinary General Meeting

- If within 21 days from the date of deposit of the requisition, the Board does not proceed to convene such EGM to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board, provided that any meeting so convened shall not be held after the expiration of 3 months from the date of deposit of the requisition.

Making Enquiries to the Board

- The Company has maintained the Shareholders Communication Policy to handle enquiries put to the Board. In order to enable such enquiries be properly directed, designated contacts, email addresses and enquiry lines of the Company were provided on page 201 of this Annual Report and the Company's website.

Shareholders' Rights (*Continued*)

Procedures for Proposing Candidate(s) for Election as Director(s) at General Meetings

- Pursuant to the Articles, no person other than a retiring Director shall, unless recommended by the Board, be eligible for election as Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Company Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected. Such notices shall have been lodged at the Company's head office and principal place of business. The procedures for proposing candidate(s) for election as Director(s) at general meetings are set out in "Procedures for the Appointment and Election of Directors" of the Corporate Governance section of the Company's website.

Dividend Policy

The Board has adopted a dividend policy in accordance with the applicable laws and regulations as well as the Articles. The aim of this policy is to set out the principles that the Company intends to apply in relation to the declaration and payment of dividends. The Board shall also take into account, inter alia, the Group's operating results, cash flows, financial conditions, capital requirements, future development requirements, and any other factors that the Board may consider relevant in deciding whether to propose a dividend and in determining the dividend amount.

Constitutional Document

The latest version of the Articles is available on both the websites of the Company and the Stock Exchange. During the year ended 31st December 2025, there was no change in the Articles.

Independent Auditor's Report

For the year ended 31st December 2025

Deloitte.

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TO THE SHAREHOLDERS OF TOWNGAS SMART ENERGY COMPANY LIMITED

港華智慧能源有限公司

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Towngas Smart Energy Company Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 92 to 200, which comprise the consolidated statement of financial position as at 31st December 2025, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of goodwill of certain cash-generating units ("CGUs")

We identified impairment assessment of goodwill as a key audit matter due to the significance of the balances to the consolidated financial statements as a whole, combined with the significant judgments made by management in assessing the recoverable amounts of CGUs comprising goodwill, which are derived from value in use calculations by using a discounted cash flow model.

At 31st December 2025, the Group has goodwill with carrying value of approximately HK\$4,844 million relating to CGUs principally engaged in the gas business in the People's Republic of China. Based on the assessment made by management of the Group, no additional impairment provision was recognised in profit or loss during the year ended 31st December 2025 and an accumulated impairment provision of HK\$487 million was recognised as at 31st December 2025. Details are disclosed in Note 21 to the consolidated financial statements.

As disclosed in Note 4 to the consolidated financial statements, during the process of impairment assessment of goodwill, the management considered the assessment of certain CGUs is highly judgemental and is dependent on key inputs and assumptions used including the discounted cash flow forecast based on budgets approved by management of Group, discount rates and growth rates.

The carrying value of the goodwill in relation to the identified CGUs amounted to approximately HK\$893 million.

Our procedures in relation to impairment assessment of goodwill of the identified CGUs included:

- Understanding the Group's impairment assessment process, including the impairment model adopted, and the key inputs and assumptions used;
- Evaluating the appropriateness of impairment model applied by the management;
- Evaluating the historical accuracy of cash flow forecasts prepared by management by comparing the actual results to the historical cash flow forecast;
- Evaluating the discount rates applied in the forecast by comparing them to economic data relevant to the risk specific to the CGUs; and
- Assessing the reasonableness of the inputs and assumptions made in the budgets and growth rates.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is LEUNG, Chui Shan (practising certificate number: P05731).

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong

18th March 2026

Consolidated Income Statement

For the year ended 31st December 2025

| | NOTES | 2025 HK\$'000 | 2024 HK\$'000 |
|--------------------------------------|-------|---------------------|------------------|
| Revenue | 7 & 8 | 20,912,010 | 21,314,027 |
| Total operating expenses | 9 | (19,527,159) | (19,419,838) |
| | | 1,384,851 | 1,894,189 |
| Other income | 10 | 144,279 | 220,764 |
| Other gains, net | 11 | 390,039 | 179,587 |
| Share of results of associates | 22 | 606,982 | 353,642 |
| Share of results of joint ventures | 23 | 293,776 | 285,569 |
| Finance costs | 12 | (648,436) | (728,603) |
| Profit before taxation | 13 | 2,171,491 | 2,205,148 |
| Taxation | 15 | (419,112) | (408,654) |
| Profit for the year | | 1,752,379 | 1,796,494 |
| Profit for the year attributable to: | | | |
| Shareholders of the Company | | 1,585,355 | 1,606,116 |
| Non-controlling interests | | 167,024 | 190,378 |
| | | 1,752,379 | 1,796,494 |
| | | HK cents | HK cents |
| Earnings per share | 17 | | |
| – Basic | | 44.5 | 47.1 |
| – Diluted | | 42.2 | 42.7 |

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2025

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Profit for the year | 1,752,379 | 1,796,494 |
| Other comprehensive income (expense) 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 | 867,995 | (833,378) |
| Fair value change on investments in equity instruments at fair value through other comprehensive income | (28,612) | (35,792) |
| Income tax relating to items that will not be reclassified to profit or loss | 7,153 | 8,927 |
| <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 | (26,566) | 42,241 |
| Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss | 67,409 | (42,306) |
| | 887,379 | (860,308) |
| Total comprehensive income for the year | 2,639,758 | 936,186 |
| Total comprehensive income for the year attributable to: | | |
| Shareholders of the Company | 2,426,520 | 793,491 |
| Non-controlling interests | 213,238 | 142,695 |
| Total comprehensive income for the year | 2,639,758 | 936,186 |

Consolidated Statement of Financial Position

At 31st December 2025

| | NOTES | 2025 HK\$'000 | 2024 HK\$'000 |
|---|-------|--------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 18 | 29,377,576 | 28,435,338 |
| Right-of-use assets | 19 | 897,748 | 868,439 |
| Intangible assets | 20 | 353,725 | 355,416 |
| Goodwill | 21 | 4,843,763 | 4,629,309 |
| Interests in associates | 22 | 6,420,499 | 4,562,111 |
| Interests in joint ventures | 23 | 4,213,638 | 3,866,526 |
| Equity instruments at fair value through other comprehensive income | 24 | 1,303,970 | 1,274,026 |
| Other financial assets | 29 | 89,352 | 115,918 |
| Restricted deposits | 28 | 63,474 | 5,321 |
| | | 47,563,745 | 44,112,404 |
| Current assets | | | |
| Inventories | 25 | 616,246 | 576,155 |
| Loans to associates | 22 | 28,988 | 37,654 |
| Loans to joint ventures | 23 | 14,294 | 24,596 |
| Trade and other receivables, deposits and prepayments | 26 | 4,343,522 | 4,410,069 |
| Amounts due from non-controlling shareholders | 27 | 141,575 | 135,390 |
| Time deposits over three months | 28 | 37,639 | 25,223 |
| Bank balances and cash | 28 | 2,460,896 | 2,699,885 |
| | | 7,643,160 | 7,908,972 |
| Assets classified as held for sale | 41 | – | 1,021,371 |
| | | 7,643,160 | 8,930,343 |
| Current liabilities | | | |
| Trade and other payables and accrued charges | 30 | 3,809,025 | 4,172,797 |
| Contract liabilities | 31 | 3,631,305 | 3,473,768 |
| Lease liabilities | 32 | 24,986 | 29,681 |
| Amounts due to non-controlling shareholders | 27 | 44,470 | 39,983 |
| Taxation payable | | 1,218,811 | 1,225,582 |
| Borrowings – amounts due within one year | 33 | 4,382,717 | 3,695,547 |
| Loan from ultimate holding company | 34 | 17,528 | 15,113 |
| Loans from associates | 34 | – | 5,462 |
| Loans from joint ventures | 34 | 862 | 3,517 |
| Loans from non-controlling shareholders | 34 | 15,373 | – |
| Convertible bonds | 36 | 2,033,077 | 1,866,938 |
| | | 15,178,154 | 14,528,388 |
| Net current liabilities | | (7,534,994) | (5,598,045) |
| Total assets less current liabilities | | 40,028,751 | 38,514,359 |

| | NOTES | 2025 HK\$'000 | 2024 HK\$'000 |
|---|-------|-------------------|------------------|
| Non-current liabilities | | | |
| Lease liabilities | 32 | 108,755 | 111,143 |
| Borrowings – amounts due after one year | 33 | 10,744,870 | 11,731,460 |
| Deferred taxation | 35 | 1,015,240 | 899,044 |
| Loans from non-controlling shareholders | 34 | – | 14,692 |
| | | 11,868,865 | 12,756,339 |
| Net assets | | | |
| | | 28,159,886 | 25,758,020 |
| Capital and reserves | | | |
| Share capital | 37 | 367,169 | 348,065 |
| Reserves | 38 | 25,354,819 | 23,099,673 |
| Equity attributable to shareholders of the Company | | | |
| | | 25,721,988 | 23,447,738 |
| Non-controlling interests | | | |
| | | 2,437,898 | 2,310,282 |
| Total equity | | | |
| | | 28,159,886 | 25,758,020 |

The consolidated financial statements on pages 92 to 200 were approved and authorised for issue by the Board of Directors (“the Board”) on 18th March 2026 and are signed on its behalf by:

Lee Ka-kit
DIRECTOR

Brian David Li Man-bun
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December 2025

| | Attributable to shareholders of the Company | | | | | | | | | | | |
|---|---|---------------------------|------------------------------|---------------------------|---|--|---|--|-------------------------------|-------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Exchange reserve HK\$'000 | Hedge reserve HK\$'000 | General reserves HK\$'000 (Note 38) | Investment revaluation reserve HK\$'000 | Share-based payment reserve HK\$'000 | Shares held for share award scheme HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total HK\$'000 |
| At 1st January 2025 | 348,065 | 5,884,913 | (593,101) | (92,517) | 789,277 | 804,320 | 9,379 | (108) | 16,297,510 | 23,447,738 | 2,310,282 | 25,758,020 |
| Exchange differences on translation from functional currency to presentation currency | - | - | 821,781 | - | - | - | - | - | - | 821,781 | 46,214 | 867,995 |
| Fair value change on investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | (28,612) | - | - | - | (28,612) | - | (28,612) |
| Income tax relating to items that will not be reclassified to profit or loss | - | - | - | - | - | 7,153 | - | - | - | 7,153 | - | 7,153 |
| Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve | - | - | - | (26,566) | - | - | - | - | - | (26,566) | - | (26,566) |
| Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss | - | - | - | 67,409 | - | - | - | - | 67,409 | - | - | 67,409 |
| Profit for the year | - | - | - | - | - | - | - | - | 1,585,355 | 1,585,355 | 167,024 | 1,752,379 |
| Total comprehensive income (expense) for the year | - | - | 821,781 | 40,843 | - | (21,459) | - | - | 1,585,355 | 2,426,520 | 213,238 | 2,639,758 |
| Issue of shares upon scrip dividend scheme (Note 37) | 18,105 | 623,416 | - | - | - | - | - | - | - | 641,521 | - | 641,521 |
| Share options exercised (Note 37) | 999 | 41,736 | - | - | - | - | (8,776) | - | - | 33,959 | - | 33,959 |
| Share options lapsed | - | - | - | - | - | - | (603) | - | 603 | - | - | - |
| Recognition of share-based payment upon grant of share options | - | - | - | - | - | - | 6,492 | - | - | 6,492 | - | 6,492 |
| Purchase of shares under share award scheme | - | - | - | - | - | - | - | (40,206) | - | (40,206) | - | (40,206) |
| Recognition of share-based payments upon grant of shares under share award scheme | - | - | - | - | - | - | - | 40,207 | 1,205 | 41,412 | - | 41,412 |
| Acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | - | 49,753 | 49,753 |
| Acquisition of additional interests in subsidiaries | - | - | - | - | - | - | - | - | - | - | (50,562) | (50,562) |
| Transfer | - | - | - | - | 148,276 | - | - | - | (148,276) | - | - | - |
| Release of exchange reserve upon deemed disposal/disposal of subsidiaries | - | - | 46,434 | - | - | - | - | - | (46,434) | - | - | - |
| Capital contribution from non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | 28,954 | 28,954 |
| Dividends declared to shareholders of the Company (Note 16) | - | (835,448) | - | - | - | - | - | - | - | (835,448) | - | (835,448) |
| Dividends paid to non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | (113,767) | (113,767) |
| | 19,104 | (170,296) | 46,434 | - | 148,276 | - | (2,887) | 1 | (192,902) | (152,270) | (85,622) | (237,892) |
| At 31st December 2025 | 367,169 | 5,714,617 | 275,114 | (51,674) | 937,553 | 782,861 | 6,492 | (107) | 17,689,963 | 25,721,988 | 2,437,898 | 28,159,886 |

| | Attributable to shareholders of the Company | | | | | | | | | | | |
|---|---|---------------------------|------------------------------|---------------------------|---|--|---|--|-------------------------------|-------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Exchange reserve HK\$'000 | Hedge reserve HK\$'000 | General reserves HK\$'000 (Note 38) | Investment revaluation reserve HK\$'000 | Share-based payment reserve HK\$'000 | Shares held for share award scheme HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 | Non-controlling interests HK\$'000 | Total HK\$'000 |
| At 1st January 2024 | 335,450 | 6,068,407 | 174,722 | (92,452) | 570,460 | 831,185 | 10,247 | (108) | 14,949,301 | 22,847,212 | 2,383,278 | 25,230,490 |
| Exchange differences on translation from functional currency to presentation currency | - | - | (785,695) | - | - | - | - | - | - | (785,695) | (47,683) | (833,378) |
| Fair value change on investments in equity instruments at fair value through other comprehensive income | - | - | - | - | - | (35,792) | - | - | - | (35,792) | - | (35,792) |
| Income tax relating to items that will not be reclassified to profit or loss | - | - | - | - | - | 8,927 | - | - | - | 8,927 | - | 8,927 |
| Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve | - | - | - | 42,241 | - | - | - | - | - | 42,241 | - | 42,241 |
| Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss | - | - | - | (42,306) | - | - | - | - | - | (42,306) | - | (42,306) |
| Profit for the year | - | - | - | - | - | - | - | - | 1,606,116 | 1,606,116 | 190,378 | 1,796,494 |
| Total comprehensive (expense) income for the year | - | - | (785,695) | (65) | - | (26,865) | - | - | 1,606,116 | 793,491 | 142,695 | 936,186 |
| Issue of shares upon scrip dividend scheme (Note 37) | 12,615 | 353,223 | - | - | - | - | - | - | 365,838 | - | - | 365,838 |
| Share options lapsed | - | - | - | - | - | - | (868) | - | 868 | - | - | - |
| Acquisition of additional interests in subsidiaries | - | - | - | - | - | - | - | - | (22,086) | (22,086) | (21,256) | (43,342) |
| Transfer | - | - | - | - | 216,816 | - | - | - | (216,816) | - | - | - |
| Deemed disposal/disposal of subsidiaries (Note 40) | - | - | - | - | 2,001 | - | - | - | (2,001) | - | (40,076) | (40,076) |
| Release of exchange reserve upon deemed disposal/disposal of subsidiaries | - | - | 17,872 | - | - | - | - | - | (17,872) | - | - | - |
| Capital contribution from non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | 24,900 | 24,900 |
| Dividends declared to shareholders of the Company (Note 16) | - | (536,717) | - | - | - | - | - | - | (536,717) | - | - | (536,717) |
| Dividends paid to non-controlling shareholders of subsidiaries | - | - | - | - | - | - | - | - | - | - | (179,259) | (179,259) |
| | 12,615 | (183,494) | 17,872 | - | 218,817 | - | (868) | - | (257,907) | (192,965) | (215,691) | (408,656) |
| At 31st December 2024 | 348,065 | 5,884,913 | (593,101) | (92,517) | 789,277 | 804,320 | 9,379 | (108) | 16,297,510 | 23,447,738 | 2,310,282 | 25,758,020 |

Consolidated Statement of Cash Flows

For the year ended 31st December 2025

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Profit before taxation | 2,171,491 | 2,205,148 |
| Adjustments for: | | |
| Share of results of associates | (606,982) | (353,642) |
| Share of results of joint ventures | (293,776) | (285,569) |
| Impairment provision of goodwill | – | 30,815 |
| Impairment provision of property, plant and equipment | – | 116,075 |
| Impairment loss of trade receivables, net of reversal | 25,927 | 33,221 |
| Depreciation of property, plant and equipment | 1,246,469 | 1,165,899 |
| Depreciation of right-of-use assets | 57,995 | 54,705 |
| Amortisation of intangible assets | 17,691 | 17,706 |
| Loss on disposal of property, plant and equipment | 7,953 | 8,032 |
| Loss on disposal of right-of-use assets | – | 195 |
| Gain on deemed disposal/disposal of subsidiaries | (233,205) | (195,627) |
| Gain on deemed partial disposal of associates | (51,228) | (24,059) |
| Gain from restructuring of extended business | (101,687) | (33,582) |
| Interest expenses | 641,901 | 720,378 |
| Interest income | (26,763) | (66,969) |
| Change in fair value of embedded derivative component of convertible bonds | (12,154) | (75,558) |
| Dividend income from equity instruments at fair value through other comprehensive income | (40,507) | (36,959) |
| Exchange loss (gain), net | 282 | (5,878) |
| Share-based payment expenses | 47,904 | – |
| Operating cash flows before changes in working capital | 2,851,311 | 3,274,331 |
| Increase in inventories | (13,057) | (6,968) |
| Increase in trade receivables | (183,529) | (707,233) |
| Increase in other receivables, deposits and prepayments | (215,825) | (515,510) |
| Decrease in amounts due from non-controlling shareholders | 84 | 78,835 |
| Increase in trade payables | 126,366 | 512,492 |
| Decrease in contract liabilities | (3,279) | (40,665) |
| Increase in other payables and accrued charges | 268,359 | 902,731 |
| Increase (decrease) in amounts due to non-controlling shareholders | 2,567 | (31,617) |
| Cash generated from operations | 2,832,997 | 3,466,396 |
| Interest paid | (583,351) | (658,354) |
| Taxation paid | (453,422) | (455,333) |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | 1,796,224 | 2,352,709 |

| | NOTES | 2025 HK\$'000 | 2024 HK\$'000 |
|--|-------|--------------------|------------------|
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (2,348,671) | (3,826,241) |
| Payments for right-of-use assets | | (22,494) | (15,491) |
| Proceeds from disposal of property, plant and equipment | | 1,676 | 75,675 |
| Proceeds from disposal of right-of-use assets | | – | 1,999 |
| Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired) | 44 | – | (57,668) |
| Acquisition of a subsidiary (net of cash and cash equivalents acquired) | 40 | (41,747) | – |
| Payments for acquisition of subsidiaries in prior year | | – | (101,669) |
| Deemed disposal/disposal of subsidiaries (net of cash and cash equivalents disposed) | 40 | 996,997 | 659,497 |
| Consideration received for disposal of subsidiaries in prior year | | 410,373 | – |
| Acquisition of associates | | – | (11,344) |
| Acquisition of joint ventures | 44 | – | (8,659) |
| Capital contribution to associates | | (51,000) | (56,093) |
| Disposal of an associate | | – | 5,093 |
| Repayment of loans to associates | | 38,389 | 52,566 |
| Advances to associates | | (131,987) | (291,442) |
| Capital contribution to joint ventures | | (9,742) | (30,078) |
| Repayment of loans to joint ventures | | 25,076 | 185,387 |
| Advances to joint ventures | | (95,149) | (124,597) |
| Acquisition of equity instruments at fair value through other comprehensive income | | (280) | (7) |
| Withdrawal of restricted deposits | | – | 101,868 |
| Placement of restricted deposits | | (56,424) | – |
| Increase in time deposits over three months | | (10,960) | (4,452) |
| Interest received | | 26,763 | 66,969 |
| Dividends received from associates | | 352,872 | 326,342 |
| Dividends received from joint ventures | | 219,836 | 248,347 |
| Dividend income from equity instruments at fair value through other comprehensive income | | 40,507 | 36,959 |
| NET CASH USED IN INVESTING ACTIVITIES | | (655,965) | (2,767,039) |

Consolidated Statement of Cash Flows

For the year ended 31st December 2025

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|--------------------|--------------------|
| FINANCING ACTIVITIES | | |
| Purchase of shares held for share award scheme | (40,206) | – |
| Proceeds from exercise of share options | 33,959 | – |
| Acquisition of additional interests in subsidiaries | (50,562) | (43,342) |
| Capital contribution from non-controlling shareholders of subsidiaries | 28,954 | 24,900 |
| Dividends paid to shareholders of the Company | (193,927) | (170,879) |
| Dividends paid to non-controlling shareholders of subsidiaries | (113,767) | (179,259) |
| Loan from ultimate holding company | 17,079 | 65,878 |
| Repayment of loan from ultimate holding company | (15,408) | (78,545) |
| Advances from associates | – | 5,432 |
| Repayment of loans from associates | (5,569) | – |
| Advances from joint ventures | 840 | 3,275 |
| Repayment of loans from joint ventures | (3,586) | (26,801) |
| New bank and other loans raised | 9,822,462 | 8,665,448 |
| Repayments of bank and other loans | (10,928,556) | (8,995,734) |
| Repayment of lease liabilities | (46,711) | (133,213) |
| NET CASH USED IN FINANCING ACTIVITIES | (1,494,998) | (862,840) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (354,739) | (1,277,170) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 2,699,885 | 4,083,884 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 115,750 | (106,829) |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 2,460,896 | 2,699,885 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Bank balances and cash | 2,460,896 | 2,699,885 |

Notes to the Consolidated Financial Statements

For the year ended 31st December 2025

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands on 16th November 2000 under the Companies Law (Revised) Chapter 22 of the Cayman Islands as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors of the Company (“Directors”), the Group’s parent holding company and the ultimate controlling shareholder is The Hong Kong and China Gas Company Limited (“HKCG”), a limited company incorporated in Hong Kong with its shares listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the Annual Report.

The functional currency of the Company is Renminbi (“RMB”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$” or “HKD”). The reason for selecting HKD as its presentation currency is because the Company is a public company incorporated in the Cayman Islands with its shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales of piped gas, renewable energy and other types of energy, construction of gas pipelines, the sales of gas appliances and related products, and other value-added services in the People’s Republic of China (the “PRC”).

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to an HKFRS Accounting Standard that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standard as 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 1st January 2025 for the preparation of the consolidated financial statements:

| | |
|-----------------------|-------------------------|
| Amendments to HKAS 21 | Lack of Exchangeability |
|-----------------------|-------------------------|

The application of the amendments to an HKFRS Accounting Standard in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS *(Continued)*

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

| | |
|---|--|
| HKFRS 18 Amendments to HKFRS Accounting Standards | Presentation and Disclosure in Financial Statements ³ Annual Improvements to HKFRS Accounting Standards – Volume 11 ² |
| Amendments to HKFRS 9 and HKFRS 7 | Amendments to the Classification and Measurement of Financial Instruments ² |
| Amendments to HKFRS 9 and HKFRS 7 Amendments to HKFRS 10 and HKAS 28 | Contracts Referencing Nature-dependent Electricity ² Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |
| Amendments to HKAS 21 | Translation to a Hyperinflationary Presentation Currency ³ |

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1st January 2026.

³ Effective for annual periods beginning on or after 1st January 2027.

Except for the new HKFRS Accounting Standard mentioned below, the Directors anticipate that the application of all other amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 “Presentation and Disclosure in Financial Statements”

HKFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 “Presentation of Financial Statements”. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures (“MPMs”) in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some paragraphs in HKAS 1 have been moved to HKAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (the title of which will be changed to “Basis of Preparation of Financial Statements” upon effective of HKFRS 18) and HKFRS 7 “Financial Instruments: Disclosures”. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1st January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and position of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated income statement. Additional disclosures required for the Group’s MPMs will be disclosed in a separate note to the consolidated financial statements. The Group currently presents interest paid in operating activities, which will be classified in the financing activities on adoption of the new standard, in the consolidated statement of cash flows. The Group is in the process of assessing the MPMs to be disclosed and other items included in other income and other gains, net which should be classified in the operating activities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence the decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

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\$7,535 million as at 31st December 2025. The Group’s current liabilities as at 31st December 2025 included borrowings of approximately HK\$4,383 million that are repayable within one year from the end of the reporting period.

As at 31st December 2025, the unissued portion of the Group’s Medium Term Note Programme (“MTN Programme”) amounted to approximately HK\$12,896 million and unutilised facilities from banks and its parent company HKCG amounted to approximately HK\$11,891 million (“Facilities”). When considering the Group’s ability to continue as a going concern, the Directors considered that the Group’s borrowings of approximately HK\$4,383 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 of the internally generated funds, the available amount of funds to be raised from the MTN Programme 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.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Basis of consolidation (Continued)

When necessary, adjustments are made to financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisition

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Business combinations or asset acquisition (Continued)

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the “Conceptual Framework”) except for transactions and events within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC) - Int 21 “Levies”, in which the Group applies HKAS 37 or HK(IFRIC) - Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based Payment” at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Business combinations or asset acquisition (Continued)

Business combinations (Continued)

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 “Leases”) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and is not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired.

For goodwill arising on an acquisition in an annual period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that annual period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group’s policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method until disposal of the portion that is classified as held for sale takes place. If the Group has lost significant influence/joint control over the associates/joint ventures after the disposal takes place, the Group accounts for any retained interest in the associates/joint ventures in accordance with HKFRS 9. If the Group has retained significant influence/joint control over the associates/joint ventures after the disposal takes place, the Group continues to account for the remaining interest using equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Investments in associates and joint ventures (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 “Impairment of Assets” as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Changes in the Group’s interests in associates and joint ventures

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Assets classified as held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Revenue from contracts with customers (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which recognises revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, contracts in which the Group bills the construction work performed for gas connection facilities), the Group recognises revenue in the amount to which the Group has the right to invoice.

Performance obligations for contracts with customers

Sales of piped gas and energy and gas-related products

Revenue from sales of piped gas and energy is recognised when control of the piped gas and energy has transferred to the customers, being at the point the gas and energy is delivered to the customers.

Revenue from sales of other goods is recognised when control of the goods has transferred to the customers, being at the point the goods are delivered to the customers.

Gas connection

Revenue from gas connection, which relates to contracts for construction of gas connection facilities, is recognised when control of the services underlying the performance obligations in the contracts are transferred to the customers, which is recognised over time or at a point in time depending on the terms of the contracts and actual work performed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method, as follows:

| | |
|--------------------------------|---------------|
| Buildings | 15 – 30 years |
| Gas and other pipelines | 25 – 40 years |
| Plant and equipment and others | 5 – 30 years |

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Ownership interest in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Construction in progress

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs.

The lease payments represent fixed payments (including in-substance fixed payment) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Exclusive operating rights for city pipeline network

Exclusive operating rights for city pipeline network are stated at cost less accumulated amortisation and any identified impairment loss. The cost incurred for the acquisition of exclusive operating rights is capitalised and amortised on a straight-line basis over the estimated useful life.

Distribution network

Distribution network is stated at cost less accumulated amortisation and any identified impairment loss.

The estimated useful life and amortisation method of intangible assets are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Impairment on property, plant and equipment, right-of-use assets and intangible assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets is estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets (other than goodwill) (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit or a group of cash-generating units in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 “Revenue from Contracts with Customers”. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except derivatives designated in cash flow hedging relationships and except that at the initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including loans to associates and joint ventures, trade and other receivables, deposits, amounts due from non-controlling shareholders, restricted deposits, time deposits over three months and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of past events and current conditions at the reporting date as well as the forecast of future economic conditions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The Group always recognise lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

The Group uses a practical expedient in estimating ECL on not credit-impaired trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis after taking into consideration of past due information and relevant credit information such as forward-looking information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset (which is the gross carrying amount less any impairment allowance).

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Other financial liabilities

Other financial liabilities including trade and other payables, borrowings, debt component of convertible bonds, amounts due to non-controlling shareholders, loans from ultimate holding company, non-controlling shareholders, associates and joint ventures are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a cross currency swap contract as the hedging instrument for all of its hedging relationships involving cross currency swap contracts.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that is designated and qualifies as cash flow hedges is recognised in other comprehensive income and accumulated in the hedge reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the “other gains, net” line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedge reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Financial instruments (Continued)

Hedge accounting (Continued)

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss or the hedged item otherwise affects profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. HKD) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve (attributed to non-controlling interests as appropriate).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Foreign currencies (Continued)

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. HKD) are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in the exchange reserve are not reclassified to profit or loss subsequently.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other grants are presented under "other income".

Retirement benefits costs

Payments to defined contribution retirement benefit schemes including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

3.2 Material accounting policy information *(Continued)*

Share award scheme

The consideration paid by the trustee for purchasing the Company's shares from the market is presented as "shares held for share award scheme" and the amount is deducted from total equity.

Share-based payments

Share awards and share options granted to employees and connected persons

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve and shares held for share award scheme). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share awards granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium. When shares held for share award scheme are vested, the difference on the amounts previously recognised in shares held for share award scheme and the amount recognised in profit or loss as share-based payments is transferred to retained profits.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained earnings.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management has made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances such as climate change. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment of goodwill

The assessment for each of the city-gas projects is based on value in use approach using the discounted cash flow method. The estimated cash flows used in the assessment are derived based on the most recent financial budget for the next five years approved by management. Cash flows beyond 5-year period until the end of the relevant concession periods have been extrapolated using growth rates from 3% to 6% (2024: 3% to 6%) per annum, which is based on internal and external factors relating to the CGUs. Discount rates ranging between 9.0% to 15.0% (2024: 9.0% to 15.5%) were used to reflect the current market assessments of the time value of money and the risks specific to the CGUs. In relation to the city-gas business in the PRC operated by the Group's subsidiaries, the carrying value of goodwill related to these individual city-gas projects as at 31st December 2025 amounted to HK\$4,843,763,000 (2024: HK\$4,629,309,000), net of an impairment provision of HK\$486,608,000 (2024: HK\$465,061,000). During the year ended 31st December 2025, the management of the Group considered that no additional impairment provision was necessary (2024: an impairment provision of HK\$30,815,000 was made).

The key inputs and assumptions used in the assessment of certain CGUs are highly judgemental and are heavily dependent on the discounted cash flow forecast based on budgets approved by management of Group, the discount rates and growth rates. The adoption of key assumptions and input data may be subject to changes in facts and circumstances and may result in significant financial impact. The carrying value of the goodwill in relation to the identified CGUs amounted to HK\$893,130,000 (2024: HK\$853,588,000). The assessment is sensitive to changes in estimates. Details are disclosed in Note 21.

ECL assessment of trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar common risk characteristics. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information including but not limited to the expected economic conditions in the PRC (i.e. the corporate default rate forecasts for utilities, renewable energy and construction sectors affecting the ability of the customers to settle the debtors), that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

These assessments and measurements are sensitive to changes in estimates. Details are disclosed in Note 6.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes convertible bonds, borrowings, loans from ultimate holding company, non-controlling shareholders, associates and joint ventures disclosed in Notes 36, 33 and 34, respectively, equity attributable to shareholders of the Company, comprising issued share capital and reserves, and non-controlling interests.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 40% determined as the proportion of net debt to total equity plus net debt (the "Gearing Ratio").

The Gearing Ratio at the reporting date was as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---------------------------------|--------------------|------------------|
| Debt ⁽ⁱ⁾ | 15,161,350 | 15,465,791 |
| Convertible bonds | 2,033,077 | 1,866,938 |
| Restricted deposits | (63,474) | (5,321) |
| Time deposits over three months | (37,639) | (25,223) |
| Bank balances and cash | (2,460,896) | (2,699,885) |
| Net debt | 14,632,418 | 14,602,300 |
| Total equity ⁽ⁱⁱ⁾ | 28,159,886 | 25,758,020 |
| Gearing Ratio ⁽ⁱⁱⁱ⁾ | 34% | 36% |

- (i) Debt is defined as long-term and short-term borrowings and loans from ultimate holding company, non-controlling shareholders, associates and joint ventures, as detailed in Notes 33 and 34, respectively.
- (ii) Total equity includes all capital and reserves of the Group and non-controlling interests.
- (iii) Being the proportion of net debt of HK\$14,632,418,000 (2024: HK\$14,602,300,000) to total equity plus net debt of HK\$42,792,304,000 (2024: HK\$40,360,320,000).

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Financial assets | | |
| Amortised cost | 6,469,144 | 6,676,588 |
| Derivative financial instruments | 89,352 | 115,918 |
| Equity instruments at FVTOCI | 1,303,970 | 1,274,026 |
| Financial liabilities | | |
| Amortised cost | 20,378,999 | 20,881,938 |
| Embedded derivative component of convertible bonds | 5,676 | 17,346 |

Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, loans to associates, loans to joint ventures, other financial assets, trade and other receivables, deposits, amounts due from non-controlling shareholders, restricted deposits, time deposits over three months, bank balances and cash, trade and other payables, lease liabilities, amounts due to non-controlling shareholders, loans from ultimate holding company, non-controlling shareholders, associates and joint ventures, convertible bonds and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain bank balances and cash and bank and other borrowings are denominated in foreign currencies which expose the Group to foreign currency risk.

Details of the Group's bank balances and cash, time deposits over three months and bank and other borrowings, denominated in United States dollars ("US\$" or "USD") and HKD at the end of the reporting period are set out in Notes 28 and 33 respectively. In addition, the Group has intra-group balances denominated in currency other than the functional currency of the respective group entities.

The Group entered into cross currency swap contracts with certain financial institutions to reduce or hedge its exposure to currency fluctuation risk. Those cross currency swap contracts are designated as effective hedging instrument for certain borrowings denominated in USD with hedge accounting used (see Note 29 for details). The Group reviewed the continuing effectiveness of the designated hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instrument and the hedged item for assessing the hedge effectiveness. The Directors considered the Group's net exposure to foreign currency risk to the extent that it is under an effective hedging relationship as insignificant.

The management continues to monitor foreign exchange exposure and will consider hedging other significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 10% (2024: 10%) in exchange rate of USD and HKD against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (excluding derivative financial instruments) and adjusts their translation at the end of each reporting period for a 10% (2024: 10%) change in foreign currency rates.

The sensitivity analysis includes bank balances and cash denominated in currencies other than the functional currency of the respective group entities. The sensitivity analysis excludes the effect on foreign currency denominated borrowings that are under an effective hedging relationship as the Group's net exposure to currency risk arising from the hedging relationship is insignificant. A positive number below indicates an increase in profit after taxation where RMB strengthens by 10% (2024: 10%) against USD and HKD. For a 10% (2024: 10%) weakening of RMB against USD and HKD, there would be an equal but opposite impact on the profit after taxation, and the balances below would be negative.

| | 2025 HK\$'000 | 2024 HK\$'000 |
|-----------------------|------------------|------------------|
| Profit after taxation | 1,961 | 1,567 |

No sensitivity analysis has been presented for derivatives that are designated as hedging instruments because the Group's net exposure to currency risk arising from the hedging relationship is insignificant.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, short-term bank deposits, loans to joint ventures and associates, loans from ultimate holding company, non-controlling shareholders, associates and joint ventures, debt component of convertible bonds and lease liabilities. The management monitors interest rate exposure and will consider hedging significant interest rate exposure in accordance with the hedging policy of the Group. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Prime Rate arising from the Group's RMB bank loans, the fluctuation of basic borrowing rate announced by the People's Bank of China arising from the Group's RMB bank loans.

The management continues to monitor interest rate exposure and will consider hedging other significant interest rate exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments (excluding derivative financial instruments) at the end of the reporting period. For variable-rate bank loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2024: 100 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2024: 100 basis points) higher/lower and all other variables were held constant, the Group's profit after taxation for the year ended 31st December 2025 would decrease/increase by HK\$29,910,000 (2024: HK\$25,376,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings to which hedge accounting is not applied.

No sensitivity analysis has been presented for derivatives that are designated as hedging instruments because the Group's net exposure to interest rate risk arising from the hedging relationship is insignificant.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities measured at FVTOCI. In addition, the Group also invested in certain unquoted equity securities for long-term strategic purposes which had been designated as FVTOCI. The Group currently does not have a hedging policy in relation to the price risk. However, the management will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date. Sensitivity analysis for the unquoted equity securities with fair value measurement categorised within Level 3 is disclosed in the fair value measurement section of this note.

If the prices of the respective listed equity securities with fair value measurement categorised within Level 1 had been 10% (2024: 10%) higher/lower, the Group's investment revaluation reserve would increase/decrease by HK\$88,345,000 (2024: HK\$87,708,000) as a result of the changes in fair value of the investments, net of tax.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

The Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amounts of the Group's financial assets (excluding equity instruments at FVTOCI) as stated in the consolidated statement of financial position.

The Group's internal credit risk grading assessment comprises the following categories:

| Category | Description | Trade receivables | Other financial assets |
|------------|---|---------------------------------------|---------------------------------------|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts | Lifetime ECL – not credit-impaired | 12m ECL |
| Watch list | Debtor frequently repays after due date but usually settle in full | Lifetime ECL – not credit-impaired | 12m ECL |
| Doubtful | There have been significant increases in credit risk since initial recognition through information developed internally or external resources | Lifetime ECL – not credit-impaired | Lifetime ECL – not credit-impaired |
| Loss | There is evidence indicating the asset is credit-impaired | Lifetime ECL – credit-impaired | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Lifetime ECL – credit-impaired | Lifetime ECL – credit-impaired |

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

| Financial assets at amortised cost | Notes | Internal credit rating | 12m ECL or lifetime ECL | Gross carrying amount as at 31st December | |
|---|-------|------------------------|---------------------------------------|---|------------------|
| | | | | 2025 HK\$'000 | 2024 HK\$'000 |
| Loans to associates | 22 | Low risk | 12m ECL | 28,988 | 37,654 |
| Loans to joint ventures | 23 | Low risk | 12m ECL | 14,294 | 24,596 |
| Trade receivables | 26 | (note) | Lifetime ECL – not credit-impaired | 2,240,843 | 2,057,348 |
| | | Loss | Lifetime ECL – credit-impaired | 212,694 | 185,411 |
| | | | | 2,453,537 | 2,242,759 |
| Other receivables and deposits | 26 | Low risk | 12m ECL | 546,563 | 689,184 |
| Consideration receivable for disposal of subsidiaries | 26 | Low risk | 12m ECL | 386,416 | 616,664 |
| Amounts due from associates | 26 | Low risk | 12m ECL | 404,739 | 285,066 |
| Amounts due from joint ventures | 26 | Low risk | 12m ECL | 200,332 | 111,797 |
| Amounts due from related companies | 26 | Low risk | 12m ECL | – | 40,214 |
| Amounts due from non-controlling shareholders | 27 | Low risk | 12m ECL | 141,575 | 135,390 |
| Restricted deposits | 28 | N/A | 12m ECL | 63,474 | 5,321 |
| Time deposits over three months | 28 | N/A | 12m ECL | 37,639 | 25,223 |
| Bank balances and cash | 28 | N/A | 12m ECL | 2,460,896 | 2,699,885 |

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items grouped by past due status. When there are indicators that the relevant trade receivables maybe credit impaired, the relevant amount will be assessed for ECL individually.

The Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

The Group used estimated loss rates based on aging for classes with different credit risk characteristics and exposures, and the estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is effectively managed. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on provision matrix.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Provision matrix – debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the Group's assessment of historical credit loss experience of the existing debtors, including the business relationships with the debtors and historical subsequent settlements, the Group does not consider that default occurs for those contractual payments that are more than 90 days past due for certain debtors. The Group used estimated loss rates ranging from less than 1.1% to 43.0% (2024: 1.1% to 49.2%) for trade receivables not credit-impaired based on aging for classes with different credit risk characteristics and exposures, and the estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information, including but not limited to the expected economic conditions in the PRC, i.e. the corporate default rate forecasts for utilities, renewable energy and construction sectors affecting the ability of the customers to settle the debtors, that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

| | Lifetime ECL (not credit- impaired) HK\$'000 | Lifetime ECL (credit- impaired)* HK\$'000 | Total HK\$'000 |
|-----------------------------------|---|--|-------------------|
| At 1st January 2024 | 35,452 | 178,462 | 213,914 |
| Exchange realignment | (2,242) | (7,728) | (9,970) |
| Impairment losses recognised, net | 21,744 | 11,477 | 33,221 |
| Transfer to credit-impaired | (3,200) | 3,200 | – |
| At 31st December 2024 | 51,754 | 185,411 | 237,165 |
| Exchange realignment | 2,461 | 9,068 | 11,529 |
| Impairment written-off | – | (5,312) | (5,312) |
| Impairment losses recognised, net | 9,304 | 16,623 | 25,927 |
| Transfer to credit-impaired | (6,904) | 6,904 | – |
| At 31st December 2025 | 56,615 | 212,694 | 269,309 |

* Full provision was made for respective credit-impaired trade receivables.

During the year ended 31st December 2025, the Group provided HK\$25,927,000 (2024: HK\$33,221,000) impairment allowance, net of reversals, for trade receivables based on the provision matrix and individual assessment.

Restricted deposits, time deposits over three months and bank balances

The management considered the credit risks on restricted deposits, time deposits over three months and bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies, and the loss allowance is immaterial.

Loans to associates and joint ventures and amounts due from associates, joint ventures, non-controlling shareholders and related companies

The management, having considered the financial background and good creditability of the associates, joint ventures, non-controlling shareholders and related companies, believes the credit risk is minimal and the loss allowance is immaterial. Management will closely monitor the financial position of each counterparty to ensure overdue debts are recovered in a timely manner.

Other receivables and deposits and consideration receivable for disposal of subsidiaries

Based on the ECL assessment, the credit exposures for other receivables and deposits and consideration receivable for disposal of subsidiaries are considered as low risk and the loss allowance is immaterial because the counterparties consistently have low historical default rate in connection with payments and management makes periodic assessment on their recoverability.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings as a significant source of liquidity. As stated in Note 3, the Directors have considered the Group's liquidity and going concern in light of the fact that the Group's current liabilities exceed its current assets by approximately HK\$7,535 million as at 31st December 2025 (2024: HK\$5,598 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

| | Weighted average effective interest rate | Repayable on demand or less than 1 month HK\$'000 | 1 – 3 months HK\$'000 | 3 months to 1 year HK\$'000 | 1 – 5 years HK\$'000 | Over 5 years HK\$'000 | Total undiscounted cash flows HK\$'000 | Carrying amount at 31st December 2025 HK\$'000 |
|---|---|--|-----------------------------|--------------------------------------|----------------------------|-----------------------------|---|---|
| 2025 | | | | | | | | |
| Trade payables | - | 346,849 | 506,378 | 585,435 | 539,528 | 17,614 | 1,995,804 | 1,995,804 |
| Other payables | - | 1,149,974 | - | - | - | - | 1,149,974 | 1,149,974 |
| Lease liabilities | 5.00% | 2,128 | 4,282 | 19,707 | 59,333 | 84,150 | 169,600 | 133,741 |
| Amounts due to non-controlling shareholders | - | 44,470 | - | - | - | - | 44,470 | 44,470 |
| Loan from ultimate holding company | 2.80% | 17,569 | - | - | - | - | 17,569 | 17,528 |
| Loans from non-controlling shareholders | 4.99% | 15,437 | - | - | - | - | 15,437 | 15,373 |
| Loans from joint ventures | 1.50% | 863 | - | - | - | - | 863 | 862 |
| Bank loans | 3.09% | 752,452 | 460,770 | 2,854,311 | 8,495,068 | 193,519 | 12,756,120 | 11,851,719 |
| Debt component of convertible bonds | 4.00% | - | - | 2,237,341 | - | - | 2,237,341 | 2,027,401 |
| Other loans | 2.49% | - | - | 1,073 | 14,134 | 44,591 | 59,798 | 45,801 |
| Medium term note ("MTN") | 2.49% | - | - | 28,536 | 1,168,012 | - | 1,196,548 | 1,113,586 |
| Sustainability-linked bonds ("SLB") | 4.04% | - | - | 62,359 | 1,590,164 | - | 1,652,523 | 1,558,984 |
| Panda Bonds (note) | 3.85% | - | - | 578,961 | - | - | 578,961 | 557,497 |
| | | 2,329,742 | 971,430 | 6,367,723 | 11,866,239 | 339,874 | 21,875,008 | 20,512,740 |
| Derivatives – gross settlement | | | | | | | | |
| Cross currency swap | | | | | | | | |
| – inflow | | - | - | (62,264) | (1,587,732) | - | (1,649,996) | N/A |
| – outflow | | 16,787 | - | 49,813 | 1,454,645 | - | 1,521,245 | N/A |
| | | 16,787 | - | (12,451) | (133,087) | - | (128,751) | (89,352) |

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

| | Weighted average effective interest rate | Repayable on demand or less than 1 month HK\$'000 | 1 – 3 months HK\$'000 | 3 months to 1 year HK\$'000 | 1 – 5 years HK\$'000 | Over 5 years HK\$'000 | Total undiscounted cash flows HK\$'000 | Carrying amount at 31st December 2024 HK\$'000 |
|---|---|--|-----------------------------|--------------------------------------|----------------------------|-----------------------------|---|---|
| 2024 | | | | | | | | |
| Trade payables | - | 399,912 | 573,141 | 751,056 | 622,740 | 25,154 | 2,372,003 | 2,372,003 |
| Other payables | - | 1,154,569 | - | - | - | - | 1,154,569 | 1,154,569 |
| Lease liabilities | 5.00% | 3,631 | 4,297 | 24,153 | 61,255 | 77,191 | 170,527 | 140,824 |
| Amounts due to non-controlling shareholders | - | 39,983 | - | - | - | - | 39,983 | 39,983 |
| Loan from ultimate holding company | 3.50% | 15,157 | - | - | - | - | 15,157 | 15,113 |
| Loans from non-controlling shareholders | 4.99% | - | - | - | 15,652 | - | 15,652 | 14,692 |
| Loans from associates | 1.50% | 5,469 | - | - | - | - | 5,469 | 5,462 |
| Loans from joint ventures | 1.50% | 3,521 | - | - | - | - | 3,521 | 3,517 |
| Bank loans | 3.83% | 360,111 | 635,883 | 3,140,497 | 8,866,759 | 1,196,041 | 14,199,291 | 12,759,628 |
| Debt component of convertible bonds | 4.00% | - | - | 19,536 | 2,235,004 | - | 2,254,540 | 1,849,592 |
| Other loans | 2.73% | - | - | 22,666 | 14,484 | 16,468 | 53,618 | 46,346 |
| MTN | 2.82% | - | - | 14,900 | 561,941 | - | 576,841 | 532,141 |
| SLB | 4.04% | - | - | 62,243 | 1,649,443 | - | 1,711,686 | 1,556,078 |
| Panda Bonds | 3.60% | - | - | 19,181 | 571,177 | - | 590,358 | 532,814 |
| | | 1,982,353 | 1,213,321 | 4,054,232 | 14,598,455 | 1,314,854 | 23,163,215 | 21,022,762 |
| Derivatives – gross settlement | | | | | | | | |
| Cross currency swap | | | | | | | | |
| - inflow | | - | - | (62,152) | (1,647,028) | - | (1,709,180) | N/A |
| - outflow | | 16,044 | - | 47,608 | 1,453,893 | - | 1,517,545 | N/A |
| | | 16,044 | - | (14,544) | (193,135) | - | (191,635) | (115,918) |

Note: Panda Bonds are defined as debt financing instruments programme registered in the National Association of Financial Market Institutional Investors.

6. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

| Financial assets/liabilities | Fair value as at | | Fair value hierarchy | Valuation technique and key inputs | Significant unobservable inputs |
|--|---------------------------------------|---------------------------------|----------------------|--|--|
| | 31st December 2025 | 31st December 2024 | | | |
| 1) Listed equity investments classified as FVTOCI | Assets – HK\$1,177,933,000 | Assets – HK\$1,169,442,000 | Level 1 | Quoted market price | N/A |
| 2) Cross currency swaps classified as other financial assets | Assets – HK\$89,352,000 | Assets – HK\$115,918,000 | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period). | N/A |
| 3) Unquoted equity investments | Assets – HK\$126,037,000 | Assets – HK\$104,584,000 | Level 3 | Market comparable approach | Market multiples ranging from 0.2 to 2.2 (2024: 0.1 to 1.7) and discount for lack of marketability ranging from 0% to 30% (2024: 0% to 30%) (note a) |
| 4) Embedded derivative component of convertible bonds | Liabilities – HK\$5,676,000 | Liabilities – HK\$17,346,000 | Level 3 | Binomial option pricing model | Expected volatility of 26.8% (2024: 32.6%) (note b) |

Notes:

- The higher the market multiples, the higher the fair value, and vice versa. The higher the discount, the lower the fair value, and vice versa. A reasonably possible change in the unobservable inputs used would not result in a significantly higher or lower fair value measurement.
- An increase in the expected volatility used in isolation would result in an increase in the fair value of the embedded derivative component of convertible bonds and vice versa. A 5% increase/decrease in the expected volatility holding all other variables constant would increase/decrease the fair value of the embedded derivative component of convertible bonds by HK\$7,536,000 or HK\$4,138,000 (2024: HK\$13,582,000 or HK\$9,896,000), respectively.

6. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements (Continued)

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements

| | Unquoted equity investments HK\$'000 | Embedded derivative component of convertible bonds HK\$'000 |
|--|---|--|
| Balance at 1st January 2024 | 115,682 | (94,469) |
| Addition | 7 | – |
| Fair value change recognised in profit or loss | – | 75,558 |
| Fair value change recognised in other comprehensive income | (7,313) | – |
| Currency realignment | (3,792) | 1,565 |
| Balance at 31st December 2024 | 104,584 | (17,346) |
| Addition | 280 | – |
| Fair value change recognised in profit or loss | – | 12,154 |
| Fair value change recognised in other comprehensive income | 15,902 | – |
| Currency realignment | 5,271 | (484) |
| Balance at 31st December 2025 | 126,037 | (5,676) |

The fair value gain recognised in profit or loss relating to embedded derivative component of convertible bonds of HK\$12,154,000 (2024: HK\$75,558,000) is included in “other gains, net” line item.

6. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements *(Continued)*

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the Directors half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

There were no transfer between Level 1, 2 and 3 during both years.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities (except for debt component of convertible bonds, SLB, Panda Bonds and MTN) recorded at amortised cost in the consolidated financial statements approximate their fair values. For debt component of convertible bonds, SLB, Panda Bonds and MTN, the fair values at 31st December 2025 amounted to HK\$2,026,739,000, HK\$1,545,081,000, HK\$560,969,000 and HK\$1,116,286,000 (2024: HK\$1,869,547,000, HK\$1,508,584,000, HK\$543,636,000 and HK\$530,385,000), respectively.

7. REVENUE

As at 31st December 2025, the amounts of transaction price allocated to the remaining performance obligations of gas connection (unsatisfied or partially unsatisfied) are expected to be recognised as revenue within one year and over one year are HK\$1,248,836,000 and HK\$580,010,000 (2024: HK\$1,253,267,000 and HK\$638,662,000), respectively, and the Group's contract liabilities of HK\$1,802,459,000 (2024: HK\$1,647,173,000) relating to sales of piped gas business, gas-related products and services and renewable energy business, in which the respective performance obligations have not been satisfied, are expected to be recognised as revenue within one year.

8. 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.

8. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

In prior years, the Executive Directors assessed the Group's businesses by four operating segments, namely (a) sales of piped gas business, (b) gas connection, (c) renewable energy business and (d) extended business. During the year, as stated in note 40(i), the Group has restructured the extended business and reorganised its internal reporting structure which resulted in changes to the composition of the operating segments and reportable segments. Prior year segment disclosures have been re-presented to conform with the current year's presentation.

The Group redefined its extended business to be the interest in an associate engaged in extended business (as detailed in note 40(i)) and hence the revenue and segment results from sales of gas related household appliances and related products and other related value-added services (formerly known as extended business before restructuring) were grouped under the gas business. Meanwhile, the Executive Directors re-presented certain income or expenses from "unallocated" to "gas business" and "renewable energy business".

In addition, during the year, the Executive Directors commenced to review the segment assets of the Group by gas business, renewable energy business and extended business. Segment liabilities of the Group are not reviewed by the Executive Directors or otherwise provided to the Executive Directors, therefore, are not presented.

Currently, the Group organises the reportable and operating segments as follows

- | | |
|------------------------------|---|
| 1. Gas business | – Sales of piped gas and other gas-related energy, construction of gas pipeline networks under gas connection contracts and sales of gas-related household appliances and related products and other related value-added services |
| 2. Renewable energy business | – Sales of renewable energy (mainly photovoltaic power) and other related energy and services |
| 3. Extended business | – Interest in an associate engaged in sales of gas related household appliances and related products, and other related value-added services |

The Group also provides additional information for the gas business segment in relation to the revenue and results generated by sub-divisions of "sales of piped gas", "gas connection", "gas-related products and services" and "others".

8. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

Segment revenue and results

Information regarding these segments is presented below:

| | Gas business | | | | | Renewable energy business | Extended business | Consolidated |
|--|--------------------|----------------|-----------------------------------|----------|------------|---------------------------|-------------------|--------------|
| | Sales of piped gas | Gas connection | Gas-related products and services | Others | Sub-total | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| For the year ended 31st December 2025 | | | | | | | | |
| REVENUE | | | | | | | | |
| Revenue recognised at a point in time | 17,498,895 | 1,057,652 | 382,527 | - | 18,939,074 | 1,658,669 | - | 20,597,743 |
| Revenue recognised over time | - | 314,267 | - | - | 314,267 | - | - | 314,267 |
| External | 17,498,895 | 1,371,919 | 382,527 | - | 19,253,341 | 1,658,669 | - | 20,912,010 |
| Results | 965,310 | 358,438 | 31,290 | 540,887 | 1,895,925 | 411,973 | 36,415 | 2,344,313 |
| Other income | | | | | | | | 9,112 |
| Other gains, net | | | | | | | | 12,154 |
| Unallocated corporate expenses | | | | | | | | (84,654) |
| Finance costs | | | | | | | | (517,115) |
| Profit before unallocated taxation | | | | | | | | 1,763,810 |
| Taxation – unallocated | | | | | | | | (11,431) |
| Profit for the year | | | | | | | | 1,752,379 |

8. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

Segment revenue and results (Continued)

Information regarding these segments is presented below:

| | Gas business | | | | Sub-total HK\$'000 | Renewable energy business HK\$'000 | Consolidated HK\$'000 |
|---|-----------------------------------|-------------------------------|---|--------------------|-----------------------|---|--------------------------|
| | Sales of piped gas HK\$'000 | Gas connection HK\$'000 | Gas-related products and services HK\$'000 | Others HK\$'000 | | | |
| For the year ended 31st December 2024 (restated) | | | | | | | |
| REVENUE | | | | | | | |
| Revenue recognised at a point in time | 17,056,130 | 1,378,505 | 529,459 | – | 18,964,094 | 1,863,466 | 20,827,560 |
| Revenue recognised over time | – | 486,467 | – | – | 486,467 | – | 486,467 |
| External | 17,056,130 | 1,864,972 | 529,459 | – | 19,450,561 | 1,863,466 | 21,314,027 |
| Results | 1,067,027 | 522,618 | 50,764 | 317,858 | 1,958,267 | 439,347 | 2,397,614 |
| Other income | | | | | | | 11,973 |
| Other gains, net | | | | | | | 109,140 |
| Unallocated corporate expenses | | | | | | | (130,299) |
| Finance costs | | | | | | | (576,531) |
| Profit before unallocated taxation | | | | | | | 1,811,897 |
| Taxation – unallocated | | | | | | | (15,403) |
| Profit for the year | | | | | | | 1,796,494 |

Segment results from gas business, renewable energy business and extended business represent the profit after taxation generated by each segment, excluding certain other income, other gains, net, finance costs, unallocated corporate expenses such as central administration costs and directors' emoluments and withholding tax. These expenses and income are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

8. SEGMENT INFORMATION *(Continued)*

Operating segments *(Continued)*

Segment revenue and results (Continued)

The following is an analysis of the Group's assets by reportable and operating segment:

| | Gas business HK\$'000 | Renewable energy business HK\$'000 | Extended business HK\$'000 | Total HK\$'000 |
|---|--------------------------------------|---|---|---------------------------|
| At 31st December 2025 | | | | |
| Segment assets | 44,916,484 | 9,859,559 | 261,658 | 55,037,701 |
| Unallocated assets: | | | | |
| Other financial assets | | | | 89,352 |
| Bank balance and cash | | | | 79,852 |
| Total assets | | | | 55,206,905 |
| At 31st December 2024 (restated) | | | | |
| Segment assets | 42,822,905 | 9,741,961 | 201,213 | 52,766,079 |
| Unallocated assets: | | | | |
| Other financial assets | | | | 115,918 |
| Bank balance and cash | | | | 160,750 |
| Total assets | | | | 53,042,747 |

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than other financial assets and certain bank balances and cash as these assets are managed on a group basis. Segment liabilities of the Group are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors. Therefore, segment liabilities are not presented.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

All of the Group's revenue was generated in the PRC (place of domicile of the group entities that derive revenue) and over 90% of the Group's non-current assets other than financial instruments were also located in the PRC (place of domicile of the group entities that hold such assets). No individual customer of the Group had contributed sales of over 10% of the total revenue of the Group for both years.

9. TOTAL OPERATING EXPENSES

| | 2025 HK\$'000 | 2024 HK\$'000 |
|-------------------------------------|-------------------|------------------|
| Gas fuel, stores and materials used | 15,891,638 | 15,846,732 |
| Staff costs | 1,459,247 | 1,421,232 |
| Depreciation and amortisation | 1,322,155 | 1,238,310 |
| Other expenses | 854,119 | 913,564 |
| | 19,527,159 | 19,419,838 |

10. OTHER INCOME

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Government grants | 56,170 | 70,523 |
| Dividend income from equity instruments at fair value through other comprehensive income | 40,507 | 36,959 |
| Interest income | 26,763 | 66,969 |
| Others | 20,839 | 46,313 |
| | 144,279 | 220,764 |

11. OTHER GAINS, NET

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Gain on deemed disposal/disposal of subsidiaries (Note 40(ii) and (iii)) | 233,205 | 195,627 |
| Gain from restructuring of extended business (Note 40(i)) | 101,687 | 33,582 |
| Gain on deemed partial disposal/disposal of associates | 51,228 | 24,059 |
| Change in fair value of embedded derivative component of convertible bonds | 12,154 | 75,558 |
| Exchange (loss) gain, net | (282) | 5,878 |
| Loss on disposal of property, plant and equipment | (7,953) | (8,032) |
| Impairment provision of property, plant and equipment | - | (116,075) |
| Impairment provision of goodwill | - | (30,815) |
| Loss on disposal of right-of-use assets | - | (195) |
| | 390,039 | 179,587 |

12. FINANCE COSTS

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Interest on bank and other borrowings | 561,174 | 636,177 |
| Effective interest expense on convertible bonds | 83,986 | 81,609 |
| Bank charges | 6,535 | 8,225 |
| Interest on lease liabilities | 9,561 | 13,473 |
| | 661,256 | 739,484 |
| Less: amounts capitalised | (12,820) | (10,881) |
| | 648,436 | 728,603 |

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate 4.67% (2024: 4.65%) per annum to expenditure on qualifying assets.

13. PROFIT BEFORE TAXATION

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|-------------------|------------------|
| Profit before taxation has been arrived at after charging: | | |
| Directors' remuneration (Note 14) | 24,374 | 39,208 |
| Other staff costs | 1,269,317 | 1,264,593 |
| Retirement benefit scheme contributions for other staff | 133,334 | 117,431 |
| Share-based payments for other staff | 32,222 | – |
| Total staff costs (note) | 1,459,247 | 1,421,232 |
| Cost of inventories sold (note) | 17,389,698 | 17,225,083 |
| Depreciation of property, plant and equipment (note) | 1,246,469 | 1,165,899 |
| Depreciation of right-of-use assets (note) | 57,995 | 54,705 |
| Amortisation of intangible assets (note) | 17,691 | 17,706 |
| Impairment loss of trade receivables, net of reversal | 25,927 | 33,221 |
| Auditor's remuneration | | |
| – audit services | 9,730 | 9,500 |
| – non-audit services | 1,418 | 2,013 |

Note: Cost of inventories sold include staff costs, depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets, which are also included in the respective total amounts disclosed separately above.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments:

The emoluments paid or payable to each of the 9 (2024: 8) directors were as follows:

| | Year ended 31st December 2025 | | | | | | | | | |
|--|-------------------------------|----------------------|----------------------|-----------------|-------------------------|---------------------|-------------------------------------|------------------------|------------------------|-------------------|
| | Executive Directors | | | | Non-Executive Directors | | Independent Non-Executive Directors | | | Total HK\$'000 |
| | Peter Wong | Martin Kee | John Qiu | Zhou Heng-xiang | Lee Ka-kit | Kenneth Liu Kai Lap | Moses Cheng Mo-chi | Brian David Li Man-bun | Christine Loh Kung-wai | |
| | Wai-yee | Wai-ngai | Jian-hang | Heng-xiang | Ka-kit | Kai Lap | Mo-chi | Man-bun | Kung-wai | |
| HK\$'000 (note d) | HK\$'000 (note e) | HK\$'000 (note f) | HK\$'000 (note g) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | |
| Directors' fees (note a) | 200 | 133 | 200 | 67 | 300 | - | 500 | 500 | 600 | 2,500 |
| Other emoluments (note b) | | | | | | | | | | |
| Salaries and other benefits | 1,480 | 1,832 | 2,847 | 929 | - | - | - | - | - | 7,088 |
| Retirement benefit scheme contributions | 148 | 637 | 958 | 331 | - | - | - | - | - | 2,074 |
| Performance and discretionary bonus (note c) | 7,056 | 1,151 | 3,328 | 1,177 | - | - | - | - | - | 12,712 |
| Total emoluments | 8,884 | 3,753 | 7,333 | 2,504 | 300 | - | 500 | 500 | 600 | 24,374 |

| | Year ended 31st December 2024 | | | | | | | | | |
|--|-------------------------------|----------------------|---------------|-------------------------|---------------------|-------------------------------------|------------------------|------------------------|-------------------|--|
| | Executive Directors | | | Non-Executive Directors | | Independent Non-Executive Directors | | | Total HK\$'000 | |
| | Peter Wong | Martin Kee | John Qiu | Lee Ka-kit | Kenneth Liu Kai Lap | Moses Cheng Mo-chi | Brian David Li Man-bun | Christine Loh Kung-wai | | |
| | Wai-yee | Wai-ngai | Jian-hang | Ka-kit | Kai Lap | Mo-chi | Man-bun | Kung-wai | | |
| HK\$'000 (note d) | HK\$'000 (note e) | HK\$'000 (note f) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | | | |
| Directors' fees (note a) | 200 | 200 | 200 | 300 | - | 500 | 500 | 600 | 2,500 | |
| Other emoluments (note b) | | | | | | | | | | |
| Salaries and other benefits | 1,569 | 2,901 | 2,967 | - | - | - | - | - | 7,437 | |
| Retirement benefit scheme contributions | 143 | 1,173 | 987 | - | - | - | - | - | 2,303 | |
| Performance and discretionary bonus (note c) | 6,902 | 3,000 | 3,500 | - | - | - | - | - | 13,402 | |
| Incentive payments (note c) | 6,426 | 1,785 | 5,355 | - | - | - | - | - | 13,566 | |
| Total emoluments | 15,240 | 9,059 | 13,009 | 300 | - | 500 | 500 | 600 | 39,208 | |

Notes:

- The directors' fees of executive directors were mainly for their services as directors of the Company and its subsidiaries and the directors' fees of non-executive directors and independent non-executive directors were mainly for their services as directors of the Company.
- The other emoluments were mainly for their services in connection with the management of the affairs of the Company and the Group.
- The performance, discretionary bonus and incentive payments are determined by the Board from time to time with reference to directors' duties and responsibilities and the Group's performance and profitability. The incentive payments for the year ended 31st December 2024 were settled in the form of shares during the year ended 31st December 2025.
- Mr. Peter Wong Wai-yee is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive Officer.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments: (Continued)

Notes: (Continued)

- (e) Mr. Martin Kee Wai-ngai was also the Chief Operating Officer – Gas Business of the Company and his emoluments disclosed above included those for services rendered by him as the Chief Operating Officer – Gas Business. Mr. Martin Kee Wai-ngai resigned as an Executive Director and Chief Operating Officer – Gas Business with effect from 1st September 2025.
- (f) Dr. John Qiu Jian-hang is also the Chief Operating Officer – Renewable Business of the Company and his emoluments disclosed above include those for services rendered by him as Chief Operating Officer – Renewable Business.
- (g) Mr. Zhou Heng-xiang was appointed as an Executive Director and Chief Operating Officer – Mainland Gas Business of the Company on 1st September 2025 and his emoluments disclosed above include those for services rendered by him as the Chief Operating Officer – Mainland Gas Business.
- (h) No other service contracts were entered into by any directors with the Company.

Employees' emoluments:

For the year ended 31st December 2025, the 5 highest paid individuals of the Group included 3 (2024: 3) Directors, details of their emoluments are included above. The emoluments of the remaining 2 (2024: 2) highest paid individual(s) are as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Salaries and other benefits | 5,081 | 4,762 |
| Performance and discretionary bonus | 3,100 | 3,403 |
| Incentive payments | – | 4,284 |
| Retirement benefit scheme contributions | 373 | 426 |
| | 8,554 | 12,875 |

The emoluments were within the following bands:

| | Number of employees | |
|--------------------------------|---------------------|------|
| | 2025 | 2024 |
| HK\$2,500,001 to HK\$3,000,000 | 1 | – |
| HK\$5,500,001 to HK\$6,000,000 | 1 | – |
| HK\$6,000,001 to HK\$6,500,000 | – | 1 |
| HK\$6,500,001 to HK\$7,000,000 | – | 1 |
| | 2 | 2 |

During both years, no remuneration was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any remunerations for both years.

15. TAXATION

| | 2025 HK\$'000 | 2024 HK\$'000 |
|-----------------------------------|------------------|------------------|
| The charge comprises: | | |
| PRC Enterprise Income Tax ("EIT") | | |
| – current year | 314,103 | 300,629 |
| Deferred taxation (Note 35) | 105,009 | 108,025 |
| | 419,112 | 408,654 |

No provision for Hong Kong Profits Tax has been made as there is no net assessable profit in Hong Kong for both years.

The EIT rates applicable for the Group's PRC subsidiaries range from 15% to 25% (2024: 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 have been granted a concessionary tax rate of 15% by the local tax bureau.

The Group is operating in certain jurisdictions where the Pillar Two Rules are effective. However, as the Group's estimated effective tax rates of all the jurisdictions in which the Group operates are higher than 15%, after taking into account the adjustments under the Global Anti-base Erosion Rules based on management's best estimate, the management of the Group considered the Group is not liable to income taxes under the Pillar Two Rules.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Profit before taxation | 2,171,491 | 2,205,148 |
| Tax at the applicable rate of 25% (note) | 542,873 | 551,287 |
| Tax effect of expenses that are not deductible for tax purposes | 113,808 | 199,552 |
| Tax effect of income that are not taxable for tax purposes | (15,846) | (127,168) |
| Effect of different tax rates of subsidiaries operating in different regions | (51,822) | (138,138) |
| Tax effect of share of results of associates | (151,746) | (88,410) |
| Tax effect of share of results of joint ventures | (73,444) | (71,392) |
| Tax effect of utilisation of tax losses not previously recognised | (2,997) | (8,710) |
| Tax effect of deductible temporary differences not recognised | – | 29,019 |
| Tax effect of tax losses not recognised | 32,326 | 38,196 |
| Withholding tax on undistributed profits | 25,960 | 24,418 |
| Tax charge for the year | 419,112 | 408,654 |

Note: The tax rate of 25% represents EIT which is applicable to most of the Group's operations in the PRC for both years.

16. DIVIDENDS

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Dividends recognised as distribution during the year: | | |
| 2025 interim dividend of HK5 cents per ordinary share (2024: Nil) | 174,129 | – |
| 2024 final dividend of HK16 cents per ordinary share (2024: 2023 final dividend of HK16 cents per ordinary share) | 556,900 | 536,717 |
| 2024 special dividend of HK3 cents per ordinary share (2024: Nil) | 104,419 | – |
| | 835,448 | 536,717 |

Subsequent to the end of the reporting period, a final dividend of HK14 cents per ordinary share (2024: a final dividend of HK16 cents per ordinary share and a special dividend of HK3 cents per ordinary share, totalling HK19 cents per ordinary share), in an aggregate amount of approximately HK\$514,032,000 (2024: HK\$661,319,000) in respect of the year ended 31st December 2025 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.

17. 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:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Earnings | | |
| Profit for the year attributable to shareholders of the Company for the purpose of basic earnings per share | 1,585,355 | 1,606,116 |
| Effect of dilutive potential ordinary shares: | | |
| Interest expense on convertible bonds | 83,986 | 81,609 |
| Change in fair value of embedded derivative component of convertible bonds | (12,154) | (75,558) |
| Profit for the year attributable to shareholders of the Company for the purpose of diluted earnings per share | 1,657,187 | 1,612,167 |

17. EARNINGS PER SHARE (Continued)

| | Number of shares | |
|---|------------------|--------------|
| | 2025 '000 | 2024 '000 |
| Number of shares | | |
| Weighted average number of ordinary shares in issue less shares held for share award scheme for the purpose of basic earnings per share | 3,559,610 | 3,413,761 |
| Effect of dilutive potential ordinary shares: | | |
| Convertible bonds | 369,686 | 362,193 |
| Share options | 225 | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 3,929,521 | 3,775,954 |

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 31st 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 those options was higher than the average market price of shares in 2024.

18. PROPERTY, PLANT AND EQUIPMENT

| | Buildings HK\$'000 | Gas and other pipelines HK\$'000 | Plant and equipment and others HK\$'000 | Construction in progress HK\$'000 | Total HK\$'000 |
|---|-----------------------|---|--|---|--------------------|
| COST | | | | | |
| At 1st January 2024 | 3,227,030 | 21,928,331 | 6,291,622 | 3,942,033 | 35,389,016 |
| Currency realignment | (116,865) | (744,648) | (262,170) | (108,094) | (1,231,777) |
| Additions | 196,534 | 567,206 | 1,316,245 | 1,757,137 | 3,837,122 |
| Transfer from right-of-use assets | – | – | 85,167 | – | 85,167 |
| Disposal of subsidiaries (Note 40) | (2,947) | – | (1,846,634) | (38,255) | (1,887,836) |
| Disposals | (50,311) | (27,562) | (63,774) | – | (141,647) |
| Transfers | 345,328 | 870,049 | 1,416,413 | (2,631,790) | – |
| At 31st December 2024 | 3,598,769 | 22,593,376 | 6,936,869 | 2,921,031 | 36,050,045 |
| Currency realignment | 178,215 | 1,078,437 | 320,635 | 167,118 | 1,744,405 |
| Additions | 11,378 | 363,050 | 994,222 | 992,841 | 2,361,491 |
| Acquisition of a subsidiary (Note 40) | 8 | – | 67,037 | – | 67,045 |
| Disposal of subsidiaries (Note 40) | – | – | (1,666,915) | (33,006) | (1,699,921) |
| Disposals/write-off | (92,167) | (849) | – | (119,859) | (212,875) |
| Transfers | – | 762,825 | 875,883 | (1,638,708) | – |
| At 31st December 2025 | 3,696,203 | 24,796,839 | 7,527,731 | 2,289,417 | 38,310,190 |
| DEPRECIATION AND IMPAIRMENT | | | | | |
| At 1st January 2024 | 796,374 | 4,577,636 | 1,459,763 | – | 6,833,773 |
| Currency realignment | (31,404) | (170,870) | (65,800) | (2,322) | (270,396) |
| Provided for the year | 131,030 | 630,938 | 403,931 | – | 1,165,899 |
| Eliminated on disposal of subsidiaries (Note 40) | (650) | – | (172,054) | – | (172,704) |
| Eliminated on disposals/write-off | (3,127) | (6,133) | (48,680) | – | (57,940) |
| Impairment provision recognised (Note 21) | – | – | – | 116,075 | 116,075 |
| At 31st December 2024 | 892,223 | 5,031,571 | 1,577,160 | 113,753 | 7,614,707 |
| Currency realignment | 47,600 | 272,359 | 89,959 | 6,106 | 416,024 |
| Provided for the year | 146,325 | 703,804 | 396,340 | – | 1,246,469 |
| Eliminated on disposal of subsidiaries (Note 40) | – | – | (141,340) | – | (141,340) |
| Eliminated on disposals/write-off | (83,387) | – | – | (119,859) | (203,246) |
| At 31st December 2025 | 1,002,761 | 6,007,734 | 1,922,119 | – | 8,932,614 |
| CARRYING VALUES | | | | | |
| At 31st December 2025 | 2,693,442 | 18,789,105 | 5,605,612 | 2,289,417 | 29,377,576 |
| At 31st December 2024 | 2,706,546 | 17,561,805 | 5,359,709 | 2,807,278 | 28,435,338 |

The buildings situated on land in the PRC are held under medium-term leases.

19. RIGHT-OF-USE ASSETS

| | Leasehold land HK\$'000 | Leased properties and others HK\$'000 | Total HK\$'000 |
|--|-------------------------------|--|-------------------|
| As at 31st December 2025 | | | |
| Carrying amount | 765,971 | 131,777 | 897,748 |
| As at 31st December 2024 | | | |
| Carrying amount | 733,174 | 135,265 | 868,439 |
| For the year ended 31st December 2025 | | | |
| Depreciation charge | (23,632) | (34,363) | (57,995) |
| For the year ended 31st December 2024 | | | |
| Depreciation charge | (20,843) | (33,862) | (54,705) |
| | | 2025 | 2024 |
| | | HK\$'000 | HK\$'000 |
| Total cash outflow for leases | | 69,205 | 148,704 |
| Transfer to property, plant and equipment | | - | 85,167 |
| Additions to right-of-use assets | | 57,466 | 56,757 |

For both years, the Group leases various offices, warehouses, staff dormitory, equipment and vehicles for its operations. Lease contracts other than land leases are entered into for fixed terms ranging from 12 months to 30 years (2024: 12 months to 30 years) while for land leases are entered into for fixed terms ranging from 15 years to 70 years (2024: 15 years to 70 years). Lease terms are negotiated on an individual basis. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

20. INTANGIBLE ASSETS

HK\$'000

COST

| | |
|-----------------------|----------------|
| At 1st January 2024 | 616,392 |
| Currency realignment | (20,074) |
| At 31st December 2024 | 596,318 |
| Currency realignment | 27,625 |
| At 31st December 2025 | 623,943 |

AMORTISATION

| | |
|-----------------------|----------------|
| At 1st January 2024 | 231,398 |
| Currency realignment | (8,202) |
| Provided for the year | 17,706 |
| At 31st December 2024 | 240,902 |
| Currency realignment | 11,625 |
| Provided for the year | 17,691 |
| At 31st December 2025 | 270,218 |

CARRYING VALUES

| | |
|-----------------------|----------------|
| At 31st December 2025 | 353,725 |
| At 31st December 2024 | 355,416 |

The intangible assets represent the Group's exclusive operating rights and distribution network for piped city gas.

The exclusive operating rights and distribution network are amortised on a straight-line basis over a period of 25 to 50 years.

21. GOODWILL

| | HK\$'000 |
|---------------------------------|------------------|
| COST | |
| At 1st January 2024 | 5,265,860 |
| Currency realignment | (171,490) |
| At 31st December 2024 | 5,094,370 |
| Currency realignment | 236,001 |
| At 31st December 2025 | 5,330,371 |
| IMPAIRMENT | |
| At 1st January 2024 | 445,352 |
| Currency realignment | (11,106) |
| Impairment provision recognised | 30,815 |
| At 31st December 2024 | 465,061 |
| Currency realignment | 21,547 |
| At 31st December 2025 | 486,608 |
| CARRYING VALUES | |
| At 31st December 2025 | 4,843,763 |
| At 31st December 2024 | 4,629,309 |

Goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from that business combination. The CGUs are principally engaged in the gas business in the PRC. At the end of the reporting period, the carrying amount of goodwill is presented as follows:

21. GOODWILL (Continued)

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|--------------------|--------------------|
| Hong Kong & China Gas (Qingdao) Limited | 318,740 | 304,629 |
| Hong Kong & China Gas (Zibo) Limited | 342,814 | 327,636 |
| Hong Kong & China Gas (Yantai) Limited | 212,697 | 203,280 |
| Hong Kong & China Gas (Weifang) Limited | 109,349 | 104,508 |
| Hong Kong & China Gas (Weihai) Limited | 265,220 | 253,478 |
| Hong Kong & China Gas (Taian) Limited | 205,176 | 196,092 |
| Hong Kong & China Gas (Maanshan) Limited | 278,521 | 266,190 |
| Hong Kong & China Gas (Anqing) Limited | 263,990 | 252,302 |
| Mianyang Hong Kong & China Gas Co., Ltd. 成都新都港華燃氣有限公司 | 283,791 215,684 | 271,226 206,135 |
| Towngas (BVI) Holdings Limited ("Towngas BVI")* 阜新新邱港華燃氣有限公司 | 395,334 118,677 | 377,833 113,423 |
| Ji Nan Ping Yin Hong Kong & China Gas Co., Ltd. | 120,448 | 115,115 |
| Mianzhu Hong Kong and China Gas Co., Ltd. | 102,145 | 97,622 |
| Boxing HongKong & China Gas Co., Ltd | 86,727 | 82,887 |
| Dafeng Hong Kong and China Gas Company Limited | 244,072 | 233,266 |
| Baotou Hong Kong & China Gas Company Limited | 159,974 | 152,892 |
| Xingyi Hong Kong & China Gas Company Limited | 100,654 | 96,197 |
| Others | 1,019,750 | 974,598 |
| | 4,843,763 | 4,629,309 |

* The operating entities of Towngas BVI are located in the Liaoning and Zhejiang provinces in the PRC.

The recoverable amounts of CGUs are determined from value in use calculations. The value in use calculations are derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management. The key assumptions for the value in use calculations are those regarding the discounted cash flow forecast based on budgets approved by management of Group, discount rates and growth rates. Management estimates discount rates of 9.0% to 15.0% (2024: 9.0% to 15.5%) that reflect the current market assessments of the time value of money and the risks specific to the CGUs. The inputs and assumptions made in the budgets are based on past practices and economic data relevant to the industry.

Cash flows beyond 5-year period until the end of the relevant concession periods have been extrapolated using growth rates from 3% to 6% (2024: 3% to 6%) per annum, which is based on internal and external factors relating to the CGUs. During the year ended 31st December 2024, an impairment provision of HK\$30,815,000 and HK\$116,075,000 was recognised on goodwill and property, plant and equipment, respectively in respect of certain CGUs principally engaged in gas business in North-Eastern China which were underperformed and with expected decline in future cash flows. The recoverable amount of those CGUs based on value in use was HK\$174,000,000 at 31st December 2024 and the management applied discount rates of 15.0%. Based on the assessment made by management of the Group, no additional impairment provision was necessary during the year ended 31st December 2025 and an accumulated impairment provision of HK\$487 million was recognised as at 31st December 2025.

21. GOODWILL (Continued)

Sensitivity analysis

The effect of the reasonably possible change in key assumptions on the calculation of value in use of the CGUs of the gas business, which would cause the carrying amounts to exceed their recoverable amounts is disclosed below.

If the discount rate is increased by 50 basis points and all other variables are held constant, the carrying amounts of the CGUs would be decreased by approximately HK\$4 million (2024: HK\$120 million).

22. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES

Details of the Group's interests in associates are as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Cost of investments in associates | 4,026,984 | 2,722,891 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | 2,393,515 | 1,839,220 |
| | 6,420,499 | 4,562,111 |
| Fair value of listed investments (note) | 7,033,889 | 6,989,709 |
| Loans to associates – current | 28,988 | 37,654 |

Note: The fair value of listed investments is determined based on the quoted market bid price multiplied by the quantity of shares held by the Group.

22. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES *(Continued)*

Details of the Group's principal associates as at the end of the reporting period are as follows:

| Name of entity | Place/form of establishment and operation | Equity interest attributable to the Group | | Principal activities |
|--|---|---|-------|---|
| | | 2025 | 2024 | |
| Changchun Gas Co., Ltd.* | PRC – Company limited by shares | 28.2% | 28.2% | Provision of natural gas and related services and gas pipeline construction |
| Foran Energy Group Co., Ltd.** | PRC – Company limited by shares | 36.6% | 36.6% | Provision of natural gas and related services and gas pipeline construction |
| Shandong Towngas Group Co., Ltd. ("Shandong Towngas")*** | PRC – Sino-foreign equity joint venture | 18.7% | – | Provision of natural gas and related services and gas pipeline construction |

* Its shares are listed on the Shanghai Stock Exchange and its financial information is publicly available.

** Its shares are listed on the Shenzhen Stock Exchange and its financial information is publicly available.

*** The Group is able to exercise significant influence over Shandong Towngas because it has the right to appoint two out of the eleven directors under the articles of association.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

Aggregate information of associates that are not individually material

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| The Group's share of profit for the year | 606,982 | 353,642 |
| Aggregate carrying amount of the Group's interests in these associates | 6,420,499 | 4,562,111 |

The loans to associates are interest bearing at fixed rates ranging from 2.80% to 3.10% (2024: 3.10% to 3.70%) per annum, except for a loan amounted to HK\$33,437,000 as at the year ended 31st December 2024 which is interest free. All the loans are unsecured and repayable on demand.

23. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Cost of investments in joint ventures | 1,714,764 | 1,572,521 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | 2,498,874 | 2,294,005 |
| | 4,213,638 | 3,866,526 |
| Loans to joint ventures | 14,294 | 24,596 |

Details of the Group's principal joint ventures at the end of the reporting period are as follows:

| Name of entity | Place/form of establishment and operation | Equity interest attributable to the Group | | Principal activities |
|--|---|---|-------|--|
| | | 2025 | 2024 | |
| Anqing Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | 50.0% | 50.0% | Provision for natural gas and related services and gas pipeline construction |
| Hangzhou Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | 50.0% | 50.0% | Provision of natural gas and related services and gas pipeline construction |
| Maanshan Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | 50.0% | 50.0% | Provision of natural gas and related services and gas pipeline construction |
| Taian Taishan Hong Kong and China Gas Company Limited (note) | PRC – Sino-foreign equity joint venture | 49.0% | 49.0% | Provision of natural gas and related services and gas pipeline construction |
| Weifang Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | 50.0% | 50.0% | Provision of natural gas and related services and gas pipeline construction |
| Weihai Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | 50.0% | 50.0% | Provision of natural gas and related services and gas pipeline construction |
| Wuhu Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | 50.0% | 50.0% | Provision of natural gas and related services and gas pipeline construction |
| Zibo Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | 50.0% | 50.0% | Provision of natural gas and related services and gas pipeline construction |

Note: The Group is able to exercise the joint control over this company which the decisions about the relevant activities require the unanimous consent of the Group and the joint venturers. Accordingly, this company is regarded as a joint venture of the Group.

23. INTERESTS IN JOINT VENTURES/LOANS TO JOINT VENTURES (Continued)

The above table lists the joint ventures of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other joint ventures would, in the opinion of the Directors, result in particulars of excessive length.

Aggregate information of joint ventures that are not individually material

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| The Group's share of profit for the year | 293,776 | 285,569 |
| Aggregate carrying amount of the Group's interests in these joint ventures | 4,213,638 | 3,866,526 |

The loans to joint ventures are interest bearing at a fixed rate ranging from 2.80% to 3.10% (2024: 3.10% to 3.70%) per annum, unsecured and repayable on demand.

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2025 HK\$'000 | 2024 HK\$'000 |
|----------------------------|------------------|------------------|
| Listed shares in the PRC | 1,177,933 | 1,169,442 |
| Unlisted shares in the PRC | 126,037 | 104,584 |
| | 1,303,970 | 1,274,026 |

These investees are primarily engaged in the provision of natural gas and related services and gas pipeline construction business. These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

25. INVENTORIES

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---------------------------|------------------|------------------|
| Finished goods | 199,106 | 177,714 |
| Materials and consumables | 417,140 | 398,441 |
| | 616,246 | 576,155 |

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Trade receivables (net of allowance for credit losses) | 2,184,228 | 2,005,594 |
| Prepayments | 596,429 | 646,077 |
| Other receivables and deposits | 571,378 | 704,657 |
| Consideration receivable for disposal of subsidiaries | 386,416 | 616,664 |
| Amounts due from associates (note) | 404,739 | 285,066 |
| Amounts due from joint ventures (note) | 200,332 | 111,797 |
| Amounts due from related companies (note) | – | 40,214 |
| | 4,343,522 | 4,410,069 |

Note: The amounts are unsecured, interest-free and repayable on demand.

At 1st January 2024, trade receivables from contracts with customers amounted to HK\$1,464,668,000 (after deducting the allowance for credit losses of HK\$213,914,000).

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables with gross carrying amount of HK\$2,453,537,000 (2024: HK\$2,242,759,000) and allowance for credit losses of HK\$269,309,000 (2024: HK\$237,165,000). 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:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|----------------|------------------|------------------|
| 0 to 90 days | 1,601,299 | 1,486,875 |
| 91 to 180 days | 221,286 | 290,626 |
| Over 180 days | 361,643 | 228,093 |
| | 2,184,228 | 2,005,594 |

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

As at 31st December 2025, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$166,799,000 (2024: HK\$133,237,000) which are past due as at the reporting date. Out of the past due balances, HK\$134,566,000 (2024: HK\$79,116,000) has been past due 90 days or more and is not considered as in default based on the Group's assessment of historical credit loss experience of the existing debtors and all available forward-looking information, including but not limited to the expected economic conditions in the PRC affecting the ability of the customers to settle the debtors and expected subsequent settlements. The Group does not hold any collateral over these balances.

Details of the impairment assessment of trade and other receivables are set out in Note 6.

27. AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS

The amounts due from/to non-controlling shareholders are unsecured, interest-free and repayable on demand.

28. RESTRICTED DEPOSITS, TIME DEPOSITS OVER THREE MONTHS AND BANK BALANCES AND CASH

The restricted deposits, time deposits over three months and bank balances carry interest at prevailing market rates ranging from 0.00% to 2.10% (2024: 0.00% to 2.60%) per annum. The restricted deposits represent deposits placed in banks for backing of operation at an energy trading platform.

At the end of the reporting period, included in the bank balances and cash are the following amounts denominated in currencies other than the functional currency of the relevant entities to which it relates.

| | 2025 HK\$'000 | 2024 HK\$'000 |
|-----|------------------|------------------|
| USD | 13,046 | 13,450 |
| HKD | 13,094 | 7,444 |

29. OTHER FINANCIAL ASSETS

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Other financial assets | | |
| <i>Derivatives (under hedge accounting)</i> | | |
| Cash flow hedge – cross currency swap contract under non-current assets | 89,352 | 115,918 |

The classification of the measurement of the derivative financial instruments at 31st December 2025 and 2024 using the fair value hierarchy is Level 2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Cash flow hedge

During the year ended 31st December 2022, the Group entered into cross currency swap contracts with total notional amounts of USD200,000,000 to minimise the exposure to fluctuations in foreign currency exchange rates of the USD borrowings with total principal amount of USD200,000,000. The critical terms of the cross currency swap and the corresponding USD borrowings were closely aligned and the Directors considered that the cross currency swap were highly effective hedging instruments and qualified as cash flow hedge. During the year ended 31st December 2025, the fair value change of HK\$26,566,000 (2024: HK\$42,241,000) on derivative instruments designated as cash flow hedge was recorded in hedge reserve, and a fair value change of HK\$67,409,000 (2024: HK\$42,306,000) on derivative instrument designated as cash flow hedge reclassified to exchange differences (included in other gains, net) as a debit of HK\$67,409,000 (2024: credit of HK\$42,306,000) in profit or loss.

The major terms of the cross currency swap as at 31st December 2025 and 2024 were set out below:

| Notional amount | Maturity | Exchange rate |
|-----------------|----------|-------------------|
| USD100,000,000 | 2027 | USD1 to RMB6.3885 |
| USD100,000,000 | 2027 | USD1 to RMB6.3760 |

30. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Trade payables | 1,995,804 | 2,372,003 |
| Other payables and accruals | 1,633,036 | 1,598,574 |
| Consideration payable for acquisition of businesses | 178,285 | 68,868 |
| Amount due to ultimate holding company (note) | 1,900 | 2,703 |
| Deferred consideration | – | 130,649 |
| | 3,809,025 | 4,172,797 |

Note: The amount is unsecured, interest-free and repayable on demand.

Trade payable

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:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|-----------------|------------------|------------------|
| 0 to 90 days | 1,170,099 | 1,304,754 |
| 91 to 180 days | 427,641 | 569,405 |
| 181 to 360 days | 150,980 | 217,571 |
| Over 360 days | 247,084 | 280,273 |
| | 1,995,804 | 2,372,003 |

31. CONTRACT LIABILITIES

| | 2025 HK\$'000 | 2024 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Sales of piped gas | 1,657,126 | 1,533,460 |
| Gas connection | 1,828,846 | 1,826,595 |
| Gas-related products and services | 114,713 | 111,695 |
| Renewable energy business | 30,620 | 2,018 |
| | 3,631,305 | 3,473,768 |

31. CONTRACT LIABILITIES (Continued)

At 1st January 2024, contract liabilities amounted to HK\$3,632,142,000.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

| | Sales of piped gas HK\$'000 | Gas connection HK\$'000 | Gas-related products and services HK\$'000 | Renewable energy business HK\$'000 |
|---|---|---------------------------------------|--|--|
| For the year ended 31st December 2025 | | | | |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 1,533,460 | 679,810 | 111,695 | 2,018 |
| For the year ended 31st December 2024 | | | | |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 1,514,038 | 775,132 | 75,695 | 7,630 |

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Sales of piped gas

The Group typically receives deposits or prepayments from customers for piped gas and other gas-related energy before the respective sales and distribution, and this will give rise to contract liabilities at the start of a contract.

Gas connection

The Group receives deposits from customers before the construction work commences, and this will give rise to contract liabilities at the start of a contract.

Gas-related products and services

The Group may receive deposits from customers for sales of gas related household appliances and related products, and other related value-added services at the start of a contract, and this will give rise to contract liabilities at the start of a contract. Balance payments will be received after delivery of goods and services.

Renewable energy business

The Group may receive prepayments from certain customers for renewable energy and other related energy before the respective sales and distribution, and this will give rise to contract liabilities at the start of a contract.

32. LEASE LIABILITIES

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Lease liabilities payable: | | |
| Within one year | 24,986 | 29,681 |
| Within a period of more than one year but not more than two years | 29,550 | 19,471 |
| Within a period of more than two years but not more than five years | 20,701 | 26,497 |
| Within a period of more than five years | 58,504 | 65,175 |
| | 133,741 | 140,824 |
| Less: Amounts due for settlement with 12 months shown under current liabilities | (24,986) | (29,681) |
| Amounts due for settlement after 12 months shown under non-current liabilities | 108,755 | 111,143 |

33. BORROWINGS

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|--------------------|------------------|
| Bank loans – unsecured | 11,851,719 | 12,759,628 |
| SLB – unsecured | 1,558,984 | 1,556,078 |
| Panda Bonds – unsecured | 557,497 | 532,814 |
| MTN – unsecured | 1,113,586 | 532,141 |
| Other loans – unsecured | 45,801 | 46,346 |
| | 15,127,587 | 15,427,007 |
| Carrying amount repayable: | | |
| On demand or within one year | 4,382,717 | 3,695,547 |
| Within a period of more than one year but not exceeding two years | 4,018,116 | 3,162,859 |
| Within a period of more than two years but not exceeding five years | 6,516,045 | 7,477,276 |
| Within a period of more than five years | 210,709 | 1,091,325 |
| | 15,127,587 | 15,427,007 |
| Less: Amount due within one year shown under current liabilities | (4,382,717) | (3,695,547) |
| Amount due after one year shown under non-current liabilities | 10,744,870 | 11,731,460 |

33. BORROWINGS (Continued)

The borrowings mainly comprise of:

| | Interest rate | Carrying amount | |
|---|--|-------------------|------------------|
| | | 2025 HK\$'000 | 2024 HK\$'000 |
| Floating-rate loans: | | | |
| Unsecured RMB bank loans | 1.73% – 5.23% (2024: 2.60% – 5.23%) | 3,981,257 | 3,375,566 |
| Unsecured other loans | 2.04% (2024: 2.04%) | 6,763 | 7,898 |
| Fixed-rate loans: | | | |
| Unsecured RMB bank loans | 1.40% – 4.95% (2024: 2.50% – 4.95%) | 7,870,462 | 9,384,062 |
| Unsecured USD SLB | 4.00% (2024: 4.00%) | 1,558,984 | 1,556,078 |
| Unsecured RMB Panda Bonds | 3.85% (2024: 3.60%) | 557,497 | 532,814 |
| Unsecured RMB MTN | 2.30% – 2.80% (2024: 2.80%) | 1,113,586 | 532,141 |
| Unsecured other loans | 1.15% – 2.71% (2024: 1.15% – 3.87%) | 39,038 | 38,448 |
| Total bank loans and other loans | | 15,127,587 | 15,427,007 |

In respect of bank loans with carrying amount of HK\$7,114 million as at 31st December 2025 (2024: HK\$7,851 million), the Group is required to comply with financial covenants determined based on consolidated tangible net worth, consolidated net borrowings, consolidated assets or current ratio which are tested on a half yearly on a needed basis. The Group has complied with the relevant covenants at each test date on or before the end of the reporting period and classified the related bank loans balances as non-current.

34. LOANS FROM ULTIMATE HOLDING COMPANY, NON-CONTROLLING SHAREHOLDERS, ASSOCIATES AND JOINT VENTURES

At the end of the reporting period, the loan from ultimate holding company carries interest at a fixed rate of 2.80% (2024: 3.50%) per annum and is unsecured and repayable on demand.

At the end of the reporting period, the loans from joint ventures carry interest at a fixed rate of 1.50% (2024: 1.50%) per annum and are unsecured and repayable on demand.

At the end of the reporting period, the loans from non-controlling shareholders carry interest at a fixed rate of 4.99% (2024: 4.99%) per annum and are unsecured.

At 31st December 2024, the loans from associates carried interest at a fixed rate of 1.50% per annum and were unsecured and repayable on demand.

35. DEFERRED TAXATION

The following is the major deferred tax liabilities (assets) recognised and movements thereon during the current year:

| | Intangible assets | Undistributed profits of joint ventures/ associates/ subsidiaries | Fair value revaluation of equity instruments at FVTOCI | Right- of-use assets | Lease liabilities | Others | Total |
|---|----------------------|---|--|----------------------------|----------------------|----------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1st January 2024 | 97,304 | 336,569 | 268,728 | 60,948 | (63,819) | 140,253 | 839,983 |
| Currency realignment | (3,095) | (11,116) | (8,573) | (1,471) | 1,536 | (6,284) | (29,003) |
| (Credit) charge to profit or loss | (3,678) | 24,418 | – | (25,661) | 27,077 | 85,869 | 108,025 |
| Credit to other comprehensive income | – | – | (8,927) | – | – | – | (8,927) |
| Withholding tax paid | – | (11,034) | – | – | – | – | (11,034) |
| At 31st December 2024 | 90,531 | 338,837 | 251,228 | 33,816 | (35,206) | 219,838 | 899,044 |
| Currency realignment | 4,033 | 15,879 | 11,450 | 1,504 | (1,544) | 6,081 | 37,403 |
| (Credit) charge to profit or loss | (6,133) | 25,960 | – | (2,376) | 3,315 | 84,243 | 105,009 |
| Credit to other comprehensive income | – | – | (7,153) | – | – | – | (7,153) |
| Withholding tax paid | – | (19,063) | – | – | – | – | (19,063) |
| At 31st December 2025 | 88,431 | 361,613 | 255,525 | 32,944 | (33,435) | 310,162 | 1,015,240 |

Others mainly include accelerated depreciation and ECL provision.

At the end of the reporting period, the Group has unused tax losses of HK\$362,860,000 (2024: HK\$480,172,000) available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will expire progressively until the year 2030 (2024: year 2029).

At the end of the reporting period, the Group has certain temporary differences associated with undistributed earnings of subsidiaries for which no deferred tax liabilities have been recognised as the Group is able to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

36. CONVERTIBLE BONDS

Pursuant to a subscription agreement dated 25th October 2021 entered into by the Company and Clean Energy Ecosystem Pte. Ltd. (the “Investor”), the Company issued and allotted 116,783,333 shares at HK\$5.0 per share and convertible bonds due 2026 of principal amount of RMB1,835,603,000 (equivalent to HK\$2,217,716,000 at an agreed exchange rate) on 18th November 2021. Details of the transactions were disclosed in the Company’s announcements dated 25th October 2021 and 18th November 2021. The convertible bonds entitle the Investor to convert them into ordinary shares of the Company in whole or in part at any time during the conversion period at a conversion price of HK\$6.33 per share, subject to adjustments.

The conversion price of the convertible bonds has been adjusted from HK\$6.33 per share to HK\$6.26, HK\$6.18, HK\$6.06, HK\$5.94 and HK\$5.92 per share as a result of distributions of scrip shares made by the Company to the shareholders since issuance. There was no movement in the number of the convertible bonds during the years ended 31st December 2025 and 2024.

The conversion period commences from the date of issue and will expire on the close of business on the earlier of (i) the date which is 5 business days prior to the maturity date, i.e. 18th November 2026, and (ii) if the convertible bonds shall have been called for redemption prior to the maturity date, the date which is 5 business days prior to the date fixed for redemption. The convertible bonds carry interest at a rate of 1% per annum, which is payable annually in arrears.

The convertible bonds comprise two components:

- The debt component was initially measured at fair value and subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs. The effective interest rate of the debt component is 4% (2024: 4%) per annum.
- The embedded derivative component comprises conversion options, which were initially measured at fair value at date of issuance and the end of each reporting period.

| | Debt component | Embedded derivative component | Total |
|--------------------------------------|---------------------------|--|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 |
| As at 1st January 2024 | 1,857,795 | 94,469 | 1,952,264 |
| Currency realignment | (67,635) | (1,565) | (69,200) |
| Interest expense | 81,609 | – | 81,609 |
| Interest paid | (22,177) | – | (22,177) |
| Gain arising on change of fair value | – | (75,558) | (75,558) |
| As at 31st December 2024 | 1,849,592 | 17,346 | 1,866,938 |
| Currency realignment | 116,000 | 484 | 116,484 |
| Interest expense | 83,986 | – | 83,986 |
| Interest paid | (22,177) | – | (22,177) |
| Gain arising on change of fair value | – | (12,154) | (12,154) |
| As at 31st December 2025 | 2,027,401 | 5,676 | 2,033,077 |

37. SHARE CAPITAL

| | Number of shares | HK\$'000 |
|---|----------------------|----------------|
| At 31st December 2025 | | |
| – Issued and fully paid: Shares of HK\$0.10 each | 3,671,690,180 | 367,169 |
| At 31st December 2024 | | |
| – Issued and fully paid: Shares of HK\$0.10 each | 3,480,651,937 | 348,065 |

Details of the authorised share capital are as follows:

| | Number of shares | HK\$'000 |
|--|---------------------|----------|
| At 1st January 2024, 31st December 2024 and 31st December 2025 | 5,000,000,000 | 500,000 |

A summary of the movements in the issued and fully paid capital of the Company is as follows:

| | Number of shares | HK\$'000 |
|--|----------------------|----------------|
| At 1st January 2024 | 3,354,500,581 | 335,450 |
| Issue of shares upon scrip dividend scheme (note a) | 126,151,356 | 12,615 |
| At 31st December 2024 | 3,480,651,937 | 348,065 |
| Issue of shares upon scrip dividend scheme (notes b and c) | 181,050,243 | 18,105 |
| Share options exercised (note d) | 9,988,000 | 999 |
| At 31st December 2025 | 3,671,690,180 | 367,169 |

Notes:

- (a) On 19th March 2024, a scrip dividend scheme was proposed by the Board, which offers the shareholders of the Company may elect to receive the dividend wholly or partly by the allotment of new shares in lieu of cash. This proposal was approved at the Company's annual general meeting held on 29th May 2024. On 12th July 2024, 126,151,356 shares of HK\$0.10 each were allotted and issued at HK\$2.90 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2023 final dividend under the scrip dividend scheme.
- (b) On 14th March 2025, a scrip dividend scheme was proposed by the Board, which offers the shareholders of the Company may elect to receive the dividend wholly or partly by the allotment of new shares in lieu of cash. This proposal was approved at the Company's annual general meeting held on 29th May 2025. On 14th July 2025, 149,126,070 shares of HK\$0.10 each were allotted and issued at HK\$3.446 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2024 final dividend and special dividend under the scrip dividend scheme.
- (c) On 11th September 2025, a scrip dividend scheme allow the shareholders of the Company may elect to receive the dividend wholly or partly by the allotment of new shares in lieu of cash. On 17th October 2025, 31,924,173 shares of HK\$0.10 each were allotted and issued at HK\$3.998 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2025 interim dividend under the scrip dividend scheme.
- (d) During the year ended 31st December 2025, options were exercised to subscribe for 9,988,000 ordinary shares of the Company of HK\$0.1 each at an aggregate consideration of HK\$33,959,000.

All the shares which were issued in current year/prior year rank pari passu with the then existing shares in all respects.

38. RESERVES

General reserves represent the Enterprise Expansion Fund and General Reserve Fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the PRC. They are not available for distribution.

39. SHARE-BASED PAYMENT TRANSACTIONS

Share award scheme

On 17th August 2021, the Company adopted the share award scheme (the “Scheme”) for the purposes of (a) recognising the contributions by certain directors or employees of the Group (the “eligible participants”) and providing them with incentives in order to retain them for the continual operation and development of the Group; and (b) attracting suitable personnel for the further development of the Group and to contribute to the long-term growth of the Group. Unless terminated earlier by the Board pursuant to the Scheme, the Scheme shall be valid and effective for a period of ten years commencing on 17th August 2021. Tricor Trust (Hong Kong) Limited was appointed as a trustee of the Scheme. Subject to the terms and conditions of the 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. Details of the Scheme were disclosed in the announcement of the Company dated 17th August 2021.

At 31st December 2025, there are 31,000 shares (2024: 24,000 shares) held by the trustee. During the year ended 31st December 2025, an additional 11,607,000 shares (2024: nil) were purchased by the trustee from the market at an average price of approximately HK\$3.46 per share, with an aggregate amount of approximately HK\$40,206,000. During the year ended 31st December 2025, 11,600,000 shares (2024: nil) were granted to the selected directors and eligible employees, and an amount of HK\$41,412,000 being the fair value on date of grant is recognised as share-based payment expenses and included in staff costs when vested during the year. Included in the 11,600,000 shares were 3,800,000 granted to directors and 7,800,000 granted to eligible employees.

Share option scheme

The Company has adopted a share option scheme (the “Share Option Scheme”) pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 26th May 2022 and the Share Option Scheme was also approved by ordinary resolution of the shareholders of HKCG, the parent company of the Company, at HKCG’s annual general meeting on 6th June 2022. The participants include employees and directors of the Group, consultants and other advisors to members of the Group who are also directors and/or senior management staff of subsidiaries of HKCG. The Share Option Scheme is valid and effective for a period of 10 years commencing on 26th May 2022.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants, attracting and retaining persons with the right calibre and experience to work for or make contribution to the Group, fostering a sense of belonging with the Group, and allowing the participants to enjoy the results of the Company achieved through their contributions to the Group.

39. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option scheme *(Continued)*

The maximum number of shares which may be issued under the Share Option Scheme must not (when aggregate with any shares to be issued under any other share option schemes of the Company) exceed 10% of the total number of shares in issue at the date of adoption of the Share Option Scheme. The number of shares in respect of which options may be granted under the Share Option Scheme as at 31st December 2025 was 294,401,534 (2024: 305,515,534).

The maximum number of shares issuable upon the exercise of the share options granted to each eligible participant of the Share Option Scheme within any 12-month period, is limited to 1% of the total number of shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company with such grantee and his associate(s) abstaining from voting.

The exercise period of the share options under Share Option Scheme is determined by the board of directors of the Company and shall end on a date which is not later than 10 years from the date of grant of the options. At the time of grant of the share options, the Company must (a) specify the minimum period(s), if any, for which a share option must be held before it can be exercised in whole or in part, and (b) specify the minimum performance target(s), if any, which must be achieved before the share options can be exercised in whole or in part. The amount payable on acceptance of an offer for grant of share options is HK\$1.00.

The exercise price in respect of any particular option of the Share Option Scheme may be determined by the board of directors of the Company in its absolute discretion and notified to each offeree but may be at least the highest of (i) the closing price of the Company's shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets on the date of offer, which must be a business day; (ii) the average closing price of the Company's shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of a share.

At 31st December 2025, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 11,600,000 (2024: 10,474,000), representing 0.32% (2024: 0.30%) of the shares of the Company in issue at that date.

Details of options granted under the Share Option Scheme are as follows:

| Date of grant | Vesting date | Exercise period | Exercise price HK\$ |
|----------------------|---------------------|--|-------------------------------|
| 25th November 2022 | 25th November 2023 | 25th November 2023 – 24th November 2025 | 3.40 |
| 18th March 2025 | 18th March 2026 | 18th March 2026 – 17th March 2028 | 3.57 |

39. SHARE-BASED PAYMENT TRANSACTIONS (Continued)**Share option scheme (Continued)**

The following table discloses movements of the Company's share options held by the participants pursuant to the Share Option Scheme during the year:

| | Date of grant | Exercise price HK\$ | Number of share options | | | | Outstanding at the end of the year |
|--|--------------------|------------------------|---|-------------------------------|---------------------------------|---|--|
| | | | Outstanding at the beginning of the year | Granted during the year | Exercised during the year | Cancelled/ lapsed during the year | |
| For the year ended 31st December 2025 | | | | | | | |
| Directors | 25th November 2022 | 3.40 | 4,050,000 | - | (4,050,000) | - | - |
| Directors | 18th March 2025 | 3.57 | - | 3,800,000 | - | - | 3,800,000 |
| Others (note) | 25th November 2022 | 3.40 | 6,424,000 | - | (5,938,000) | (486,000) | - |
| Others (note) | 18th March 2025 | 3.57 | - | 7,800,000 | - | - | 7,800,000 |
| | | | 10,474,000 | 11,600,000 | (9,988,000) | (486,000) | 11,600,000 |
| Exercisable at the end of the year | | | | | | | - |
| Weighted average exercise price (HK\$) | | | 3.40 | 3.57 | 3.40 | 3.40 | 3.57 |
| For the year ended 31st December 2024 | | | | | | | |
| Directors | 25th November 2022 | 3.40 | 4,950,000 | - | - | (900,000) | 4,050,000 |
| Others (note) | 25th November 2022 | 3.40 | 6,713,000 | - | - | (289,000) | 6,424,000 |
| | | | 11,663,000 | - | - | (1,189,000) | 10,474,000 |
| Exercisable at the end of the year | | | | | | | 10,474,000 |
| Weighted average exercise price (HK\$) | | | 3.40 | - | - | 3.40 | 3.40 |

The closing share prices immediately prior to 25th November 2022 and 18th March 2025 were HK\$3.42 and HK\$3.54, respectively. In respect of the share options exercised during the year, the weighted average share price at the dates of the exercise was HK\$3.87 (2024: nil).

Note: Other participants represent:

- (i) directors or senior management staff of the subsidiaries of the Company; and
- (ii) directors of both subsidiaries of the Company and of HKCG.

39. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Share option scheme *(Continued)*

During the year ended 31st December 2025, options were exercised to subscribe for 9,988,000 (2024: nil) ordinary shares of the Company of HK\$0.1 each at an aggregate consideration of HK\$33,959,000 (2024: nil) in which HK\$999,000 (2024: nil) was credited to share capital and the balance of HK\$41,736,000 (2024: nil) was credited to the share premium account. Share option reserve of HK\$8,776,000 (2024: nil) has been transferred correspondingly to the share premium account.

During the year ended 31st December 2025, 486,000 (2024: 1,189,000) share options at an exercise price of HK\$3.40 (2024: HK\$3.40) lapsed upon the retirement or resignation of employees and an amount of HK\$603,000 (2024: HK\$868,000) was transferred from share-based payment reserve to the retained earnings.

During the year ended 31st December 2025, 11,600,000 options were granted pursuant to the Share Option Scheme on 18th March 2025. The estimated fair value of the options granted on that date was HK\$8,251,000 (2024: nil).

The fair value was calculated using the Binomial option pricing model. The inputs into the model were as follows:

| Grant date | 18th March 2025 |
|-------------------------|-----------------|
| Share price (HK\$) | 3.57 |
| Exercise price (HK\$) | 3.57 |
| Expected volatility | 35.148% |
| Expected life (years) | 3 |
| Expected dividend yield | 4.482% |
| Risk-free interest rate | 3.119% |

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Change in the subjective input may materially affect the fair value estimates.

The Group recognised a total expense of HK\$6,492,000 for the year ended 31st December 2025 (2024: nil) in relation to share options granted by the Company.

40. ACQUISITION/DISPOSAL OF SUBSIDIARIES

(i) Disposal of extended business companies

For the year ended 31st December 2025

On 25th October 2024, the Group entered into a restructuring agreement with HKCG and Towngas Lifestyle Holding Company Limited ("Towngas Lifestyle"), a wholly-owned subsidiary of HKCG, pursuant to which the Group would transfer certain of its extended business to Towngas Lifestyle and its subsidiaries or associates by way of business transfer and equity interests transfer. The total consideration would be settled by cash of RMB22,432,000 (equivalent to HK\$23,874,000) and an allotment and issue of new shares in Towngas Lifestyle. Upon completion of the transaction, Towngas Lifestyle would become an associate of the Company. Details are set out in the announcements of the Company dated 25th October 2024 and 22nd November 2024.

At 31st December 2024, the Group partially completed the restructuring and 600 new shares, representing approximately 6.38% of the total issued shares of Towngas Lifestyle, were issued to the Group as the first consideration shares, resulting in a gain amounting to HK\$33,582,000 recognised during the year ended 31st December 2024.

During the year ended 31st December 2025, an additional 331 new shares, representing approximately 2.95% of the total issued shares of Towngas Lifestyle, were issued to the Group as the second consideration shares, resulting in a gain amounting to HK\$101,687,000 recognised during the current period. Upon completion of the disposal, the Group held an aggregated equity interest of 9.45% in Towngas Lifestyle.

Analysis of assets and liabilities over which controls were lost:

| | HK\$'000 |
|---|-----------|
| Interests in associates | 74,820 |
| Bank balances and cash | 110,701 |
| Amounts due to group companies | (92,738) |
| | 92,783 |
| Gain arising on disposal of subsidiaries: | |
| Additional interests in an associate | 61,269 |
| Deferred consideration released | 133,201 |
| Net assets disposed of | (92,783) |
| | 101,687 |
| Net cash outflow on disposal: | |
| Bank balances and cash disposed | (110,701) |

40. ACQUISITION/DISPOSAL OF SUBSIDIARIES (Continued)

(ii) Disposal of renewable energy companies

Since 2024, the Group initiated an asset-light model to develop its renewable energy business and divested certain subsidiaries. During the year, the Group has disposed of partial equity interests in numerous subsidiaries which are principally engaged in the renewable energy business, at the aggregate consideration of RMB1,481,782,000 (equivalent to HK\$1,608,940,000) (2024: RMB1,309,164,000 (equivalent to HK\$1,414,261,000)). Upon completion of the disposals, these entities ceased to be the subsidiaries but remained as associates or joint ventures of the Group. In the opinion of the Directors, the disposals are individually immaterial and therefore presented on an aggregated basis.

Analysis of assets and liabilities over which controls were lost:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Property, plant and equipment | 1,558,581 | 1,715,132 |
| Right-of-use assets | 10,112 | 24,740 |
| Inventories | – | 115 |
| Trade and other receivables | 632,877 | 457,497 |
| Taxation recoverable | – | 153 |
| Bank balances and cash | 282,194 | 136,512 |
| Trade and other payables | (904,923) | (841,459) |
| Contract liabilities | (20) | (239) |
| Taxation payable | (1,663) | – |
| Bank borrowings | (24,790) | (39,454) |
| Lease liabilities | (11,080) | (29,716) |
| | 1,541,288 | 1,423,281 |
| Gain on disposal of subsidiaries: | | |
| Consideration received | 1,389,892 | 797,597 |
| Consideration receivable for disposal of subsidiaries | 219,048 | 616,664 |
| Retained interests in associates or joint ventures | 165,553 | 190,602 |
| Net assets disposed of | (1,541,288) | (1,423,281) |
| Non-controlling interests | – | 9,266 |
| | 233,205 | 190,848 |
| Net cash inflow on disposal: | | |
| Consideration received | 1,389,892 | 797,597 |
| Bank balances and cash disposed | (282,194) | (136,512) |
| | 1,107,698 | 661,085 |

40. ACQUISITION/DISPOSAL OF SUBSIDIARIES (Continued)

(iii) Deemed disposal of a gas company

For the year ended 31st December 2024

On 22nd November 2023, Chao Sheng Investments Limited (“Chaosheng”), a wholly-owned subsidiary of the Group which held 60% equity interest in Chaozhou Fengxi Hong Kong and China Gas Co., Ltd. (“Fengxi Gas”), entered into a joint venture agreement with an independent third party and two wholly-owned subsidiaries of HKCG. Pursuant to the joint venture agreement, each of the shareholders agreed to contribute the initial registered capital by cash and additional capital by equity interests in certain subsidiaries. Chaosheng contributed RMB149,500 in cash as initial registered capital of the joint venture company and further contributed 60% equity interest in Fengxi Gas to the joint venture company and held in return an equity interest of 14.95% in the joint venture company. On 7th March 2024, the transaction has been completed and Fengxi Gas ceased to be a subsidiary of the Group.

Analysis of assets and liabilities over which control was lost:

| | HK\$'000 |
|--|-----------|
| Property, plant and equipment | 53,862 |
| Right-of-use assets | 33 |
| Goodwill | 89,268 |
| Inventories | 1,435 |
| Trade and other receivables | 26,968 |
| Bank balances and cash | 1,588 |
| Trade and other payables | (5,223) |
| Contract liabilities | (1,638) |
| Deferred tax liabilities | (304) |
| | 165,989 |
| Gain on deemed disposal of a subsidiary: | |
| Retained interest in an associate | 139,958 |
| Net assets disposed of | (165,989) |
| Non-controlling interests | 30,810 |
| | 4,779 |
| Net cash outflow on deemed disposal: | |
| Bank balances and cash disposed | (1,588) |

40. ACQUISITION/DISPOSAL OF SUBSIDIARIES (Continued)

(iv) Acquisition of a renewable energy company

For the year ended 31st December 2025

On 6th March 2025, the Group acquired 55% equity interest in Changzhou Towngas China Smart Energy Co., Ltd. (“Changzhou Towngas”) at a consideration of RMB57,137,000 (equivalent to HK\$60,810,000).

Changzhou Towngas is principally engaged in renewable energy projects and integrated smart energy projects in Changzhou city and nearby areas.

The net identifiable assets acquired in the acquisition are as follows:

| | HK\$'000 |
|--|---------------|
| Property, plant and equipment | 67,045 |
| Interests in associates | 42,900 |
| Trade and other receivables | 39,166 |
| Trade and other payables | (12,005) |
| Borrowings | (26,543) |
| | <hr/> 110,563 |
| Result on the acquisition: | |
| Consideration paid | 41,747 |
| Consideration payable | 19,063 |
| Non-controlling interests (45% in Changzhou Towngas) | 49,753 |
| Acquiree's fair values of net identifiable assets | (110,563) |
| | <hr/> – |
| Net cash outflow on acquisition: | |
| Consideration paid | (41,747) |

The non-controlling interests (45%) in Changzhou Towngas recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Changzhou Towngas and amounted to HK\$49,753,000.

No proforma information of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January 2025 is presented as contributions are insignificant.

41. ASSETS CLASSIFIED AS HELD FOR SALE

On 26th September 2024, Towngas Investments Limited (“Towngas Investment”), a wholly-owned subsidiary of the Company which held 49% equity interest in an associate, Shandong Jihua Gas Co., Ltd (“Shandong Jihua”), entered into a merger agreement with an independent third party and two wholly-owned subsidiaries of HKCG. Pursuant to the merger agreement, Shandong Jihua would be merged into and absorbed by Shandong Towngas, a joint venture of HKCG (the “Merger”). After the Merger, the registered capital of Shandong Towngas would be the sum of the existing registered capital of Shandong Towngas and Shandong Jihua, and Towngas Investment would hold an equity interest of 18.7% in Shandong Towngas. Upon completion of the transaction, Shandong Jihua would cease to be an associate of the Company but Shandong Towngas would become an associate of the Company. Details are set out in the Company’s announcement dated 26th September 2024 and the circular of the Company dated 31st October 2024.

The Merger was approved in an extraordinary general meeting of the Company on 20th November 2024. In the opinion of the Directors, the completion of the transaction was considered to be highly probable and hence the interest in Shandong Jihua amounting to HK\$1,021,371,000 was classified as asset held for sale and was presented separately in the consolidated statement of financial position at 31st December 2024. The fair value of interest in Shandong Towngas was expected to exceed the net carrying amount of the interest in Shandong Jihua and accordingly, no impairment loss was recognised.

The Merger was completed on 9th December 2025 and Shandong Jihua ceased to be an associate of the Company, while Shandong Towngas became an associate of the Company on the same date, resulting in a gain on deemed disposal amounting to HK\$32,603,000.

42. MAJOR NON-CASH TRANSACTIONS

The Group issued additional shares as scrip dividends during both years as set out in Note 37.

During the year ended 31st December 2025, the Group entered into new lease agreements for the use of offices, warehouses, staff dormitory and equipment for 2 to 25 years (2024: 2 to 25 years) while for leasehold land for 15 to 50 years (2024: 15 to 50 years). On the lease commencement, the Group recognised HK\$34,972,000 (2024: HK\$41,266,000) of right-of-use assets and HK\$34,972,000 (2024: HK\$41,266,000) of lease liabilities.

During the year ended 31st December 2024, the Group exercised options to purchase certain leased assets for use in its operations. Accordingly, right-of-use assets of HK\$85,167,000 was transferred to property, plant and equipment.

During the year ended 31st December 2025, the restructuring agreement entered into by the Group with HKCG and Towngas Lifestyle, pursuant to which the Group transferred certain extended business to Towngas Lifestyle for a consideration settled in the form of shares has been completed. Details are set out in Note 40(i).

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Bank and other loans | Loans from non- controlling shareholders | Loans from associates | Loans from joint ventures | Loan from ultimate holding company | Dividend payable | Debt component of convertible bonds | Lease liabilities | Total |
|---|-------------------------|---|-----------------------------|---------------------------------|---|---------------------|--|----------------------|--------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1st January 2024 | 16,282,071 | 15,187 | 24 | 27,467 | 28,453 | - | 1,857,795 | 255,279 | 18,466,276 |
| Financing cash flows | (330,286) | - | 5,432 | (23,526) | (12,667) | (350,138) | - | (133,213) | (844,398) |
| New leases entered | - | - | - | - | - | - | - | 41,266 | 41,266 |
| Interest expenses | - | - | - | - | - | - | 81,609 | 13,473 | 95,082 |
| Interest paid | - | - | - | - | - | - | (22,177) | - | (22,177) |
| Exchange differences | (485,324) | (495) | 6 | (424) | (673) | - | (67,635) | (6,265) | (560,810) |
| Disposal of subsidiaries | (39,454) | - | - | - | - | - | - | (29,716) | (69,170) |
| Dividend declaration | | | | | | | | | |
| - shareholders of the Company | - | - | - | - | - | 536,717 | - | - | 536,717 |
| - non-controlling shareholders | - | - | - | - | - | 179,259 | - | - | 179,259 |
| Issue of shares upon scrip dividend scheme | - | - | - | - | - | (365,838) | - | - | (365,838) |
| At 31st December 2024 | 15,427,007 | 14,692 | 5,462 | 3,517 | 15,113 | - | 1,849,592 | 140,824 | 17,456,207 |
| Financing cash flows | (1,106,094) | - | (5,569) | (2,746) | 1,671 | (307,694) | - | (46,711) | (1,467,143) |
| New leases entered | - | - | - | - | - | - | - | 34,972 | 34,972 |
| Interest expenses | - | - | - | - | - | - | 83,986 | 9,561 | 93,547 |
| Interest paid | - | - | - | - | - | - | (22,177) | - | (22,177) |
| Exchange differences | 804,921 | 681 | 107 | 91 | 744 | - | 116,000 | 6,175 | 928,719 |
| Acquisition of a subsidiary | 26,543 | - | - | - | - | - | - | - | 26,543 |
| Disposal of subsidiaries | (24,790) | - | - | - | - | - | - | (11,080) | (35,870) |
| Dividend declaration | | | | | | | | | |
| - shareholders of the Company | - | - | - | - | - | 835,448 | - | - | 835,448 |
| - non-controlling shareholders | - | - | - | - | - | 113,767 | - | - | 113,767 |
| Issue of shares upon scrip dividend scheme | - | - | - | - | - | (641,521) | - | - | (641,521) |
| At 31st December 2025 | 15,127,587 | 15,373 | - | 862 | 17,528 | - | 2,027,401 | 133,741 | 17,322,492 |

Note: The amounts reclassified from hedge reserve are excluded in the reconciliation.

44. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the consolidated financial statements, the Group has the following transactions with related parties:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Transactions with fellow subsidiaries (note a): | | |
| Purchase of goods and services | 268,641 | 562,622 |
| Sale of goods and services | 353,799 | 326,602 |
| Transactions with associates and joint ventures of ultimate controlling shareholder (note b): | | |
| Purchase of goods and services | 72,976 | 34,307 |
| Sale of goods and services | 42,709 | 17,386 |
| Transactions with a joint venture (note c): | | |
| Purchase of goods | 200,369 | 113,788 |
| Transactions with associates (note d): | | |
| Purchase of goods | 59,930 | 116,297 |
| Sale of goods | 13,766 | 12,493 |

Notes:

- (a) HKCG has controlling interests in these companies.
- (b) HKCG has significant influences or jointly controlled in these companies.
- (c) The Group jointly controlled this company with an independent third party.
- (d) The Group has significant influences in these companies.

On 8th December 2023, the Group entered into a transfer agreement with a wholly-owned subsidiary of HKCG to acquire its entire equity interests of 50% in Shanghai Electric & Towngas Energy Technology Co., Ltd. ("Shanghai Electric"), 50% in Jilin Electric Power & Towngas Smart Energy (Jinan) Co., Ltd. ("Jilin Electric") and 100% in Suqian Towngas China Photovoltaic Co., Ltd. ("Suqian Towngas") for the consideration of RMB7,372,000, RMB604,000 and RMB53,118,000 (equivalent to HK\$8,003,000, HK\$656,000 and HK\$57,668,000), respectively. The transfers of Shanghai Electric, Jilin Electric and Suqian Towngas were completed on 22nd August 2024, 5th February 2024 and 16th January 2024, respectively. At 31st December 2025, RMB61,094,000 (2024: RMB61,094,000) remained unsettled and included in trade and other payables and accrued charges. Details are set out in the announcement of the Company dated 8th December 2023.

On 19th December 2024, Towngas China Energy Investment Limited ("TCEI"), an indirect wholly-owned subsidiary of the Company, 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 held by it to TCEI at the consideration of RMB57,137,000 (equivalent to HK\$60,810,000). At 31st December 2025, RMB17,912,000 (equivalent to HK\$19,946,000) remained unsettled and included in trade and other payables and accrued charges. Details are disclosed in the announcement of the Company dated 19th December 2024.

The acquisition was completed on 6th March 2025 and Changzhou Towngas became a non-wholly owned subsidiary of the Group.

Emoluments paid to the key management personnel of the Company which represents the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors are set out in Note 14.

45. COMMITMENTS

| | 2025 HK\$'000 | 2024 HK\$'000 |
|---|------------------|------------------|
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: | | |
| – Acquisition of property, plant and equipment | 264,621 | 317,526 |
| – Investments (Note 44) | – | 60,810 |

The Group's share of the capital commitments made jointly with other joint ventures relating to its joint ventures, but not recognised at the end of the reporting date is as follows:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|------------------|------------------|
| Commitments to acquire other venture's ownership interest when a particular event occurs or does not occur in the future | – | 12,080 |

46. RETIREMENT BENEFIT SCHEMES

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. The Group is required to make specific contributions to the retirement schemes at a rate of 12 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions charge for the year ended 31st December 2025 amounted to HK\$132,218,000 (2024: HK\$117,065,000).

The Group has joined a MPF Scheme for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. For the year ended 31st December 2025, the Group made retirement benefit scheme contributions amounting to HK\$3,093,000 (2024: HK\$2,669,000). At 31st December 2025 and 2024, no forfeited contributions are available to reduce the contribution payable in future years.

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of the financial position of the Company:

| | 2025 HK\$'000 | 2024 HK\$'000 |
|--|--------------------|------------------|
| Non-current assets | | |
| Property, plant and equipment | 353 | 533 |
| Investments in subsidiaries | 2,117,855 | 2,117,855 |
| Investment in an associate | 224,286 | 163,559 |
| Loan to subsidiaries | 16,186,546 | 16,226,998 |
| | 18,529,040 | 18,508,945 |
| Current assets | | |
| Loan to an associate | 3,154 | 33,437 |
| Amounts due from subsidiaries | 745,705 | 870,057 |
| Bank balances and cash | 59,832 | 44,323 |
| | 808,691 | 947,817 |
| Current liabilities | | |
| Other payables and accrued charges | 9,700 | 74,724 |
| Amounts due to subsidiaries | 873,804 | 985,500 |
| Amount due to ultimate holding company | 1,900 | 1,957 |
| Borrowings – amounts due within one year | – | 532,141 |
| Convertible bonds | 2,033,077 | 1,866,938 |
| | 2,918,481 | 3,461,260 |
| Net current liabilities | (2,109,790) | (2,513,443) |
| Total assets less current liabilities | 16,419,250 | 15,995,502 |
| Non-current liabilities | | |
| Loan from a subsidiary | 10,848,513 | 10,344,314 |
| Borrowings – amounts due after one year | 599,109 | 532,141 |
| | 11,447,622 | 10,876,455 |
| Net assets | 4,971,628 | 5,119,047 |
| Capital and reserves | | |
| Share capital | 367,169 | 348,065 |
| Reserves | 4,604,459 | 4,770,982 |
| Total equity | 4,971,628 | 5,119,047 |

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

(b) Movement of share capital and reserves of the Company:

| | Share capital | Share premium | Share- based payment reserve | Shares held for share award scheme | Others* | Total |
|---|------------------|------------------|---------------------------------------|---|--------------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1st January 2024 | 335,450 | 6,068,407 | 10,247 | (108) | (648,513) | 5,765,483 |
| Total comprehensive expense for the year | - | - | - | - | (508,994) | (508,994) |
| Deemed contribution | - | - | - | - | 33,437 | 33,437 |
| Issue of shares upon scrip dividend scheme | 12,615 | 353,223 | - | - | - | 365,838 |
| Share options lapsed | - | - | (868) | - | 868 | - |
| Dividends declared to shareholders | - | (536,717) | - | - | - | (536,717) |
| At 31st December 2024 | 348,065 | 5,884,913 | 9,379 | (108) | (1,123,202) | 5,119,047 |
| Total comprehensive expense for the year | - | - | - | - | (189,823) | (189,823) |
| Deemed contribution | 194,674 | 194,674 | - | - | - | - |
| Issue of shares upon scrip dividend scheme | 18,105 | 623,416 | - | - | - | 641,521 |
| Share options exercised | 999 | 41,736 | (8,776) | - | - | 33,959 |
| Share options lapsed | - | - | (603) | - | 603 | - |
| Recognition of share-based payments upon grant of share options | - | - | 6,492 | - | - | 6,492 |
| Purchase of shares under share award scheme | - | - | - | (40,206) | - | (40,206) |
| Recognition of share-based payments upon grant of shares under share award scheme | - | - | - | 40,207 | 1,205 | 41,412 |
| Dividends declared to shareholders | - | (835,448) | - | - | - | (835,448) |
| At 31st December 2025 | 367,169 | 5,714,617 | 6,492 | (107) | (1,116,543) | 4,971,628 |

* Others represent hedge reserve, exchange reserve and accumulated losses.

(c) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries are unsecured, interest-free and are repayable on demand.

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|--|---|---|---|--------|----------------------|
| | | | 2025 | 2024 | |
| Directly-owned subsidiaries | | | | | |
| TCCL (Finance) Limited | HK – Public company limited by shares | HK\$1 | 100.0% | 100.0% | Financing |
| Hong Kong & China Gas (Anqing) Limited | British Virgin Islands (“BVI”) – Limited liability company/Hong Kong (“HK”) | US\$1 | 100.0% | 100.0% | Investment holding |
| Hong Kong & China Gas (Maanshan) Limited | BVI – Limited liability company/HK | US\$1 | 100.0% | 100.0% | Investment holding |
| Hong Kong & China Gas (Qingdao) Limited | BVI – Limited liability company/HK | US\$1 | 100.0% | 100.0% | Investment holding |
| Hong Kong & China Gas (Taian) Limited | BVI – Limited liability company/HK | US\$1 | 100.0% | 100.0% | Investment holding |
| Hong Kong & China Gas (Weifang) Limited | BVI – Limited liability company/HK | US\$1 | 100.0% | 100.0% | Investment holding |
| Hong Kong & China Gas (Weihai) Limited | BVI – Limited liability company/HK | US\$1 | 100.0% | 100.0% | Investment holding |
| Hong Kong & China Gas (Yantai) Limited | BVI – Limited liability company/HK | US\$1 | 100.0% | 100.0% | Investment holding |

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:
(Continued)

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|---|--|---|---|--------|----------------------|
| | | | 2025 | 2024 | |
| Directly-owned subsidiaries <i>(Continued)</i> | | | | | |
| Hong Kong & China Gas (Zibo) Limited | BVI – Limited liability company/HK | US\$1 | 100.0% | 100.0% | Investment holding |
| TCCL (Project Capital) Limited | BVI – Limited liability company | US\$1 | 100.0% | 100.0% | Investment holding |
| TCCL (Project) Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Investment holding |
| Towngas China Group Limited | BVI – Limited liability company/HK | US\$12,821 | 100.0% | 100.0% | Investment holding |
| Towngas China Holdings Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Investment holding |
| TSEL (Gas) Holdings Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Investment holding |
| Indirectly-owned subsidiaries | | | | | |
| TCCL (Project Finance) Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Financing |
| Chao Sheng Investments Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Investment holding |

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:
(Continued)

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|--|--|---|---|--------|----------------------|
| | | | 2025 | 2024 | |
| Indirectly-owned subsidiaries (Continued) | | | | | |
| C-Tech Laundry Investment Company Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Investment holding |
| Hong Kong and China Gas (Dalian) Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Investment holding |
| Hong Kong and China Gas (Zhumadian) Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Investment holding |
| Singkong Investments Limited | HK – Limited liability company | HK\$10,000 | 100.0% | 100.0% | Investment holding |
| Towngas China Energy Investment Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Investment holding |
| Towngas China Energy Investment Limited | PRC – Wholly foreign-owned enterprise | RMB2,250,000,000 | 100.0% | 100.0% | Investment holding |
| Towngas China (Fengxi) Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Investment holding |
| Towngas China (Zhengpugang) Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Investment holding |

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:
(Continued)

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|--|--|---|---|--------|---|
| | | | 2025 | 2024 | |
| Indirectly-owned subsidiaries (Continued) | | | | | |
| Towngas Investments Limited | PRC – Wholly foreign-owned enterprise | US\$200,000,000 | 100.0% | 100.0% | Investment holding |
| Towngas Renewable Energy (HK) Company Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Investment holding |
| TSEL (Gas) Investment Limited | HK – Limited liability company | HK\$100 | 100.0% | 100.0% | Investment holding |
| 內蒙古港億天然氣有限公司 | PRC – Sino-foreign equity joint venture | RMB80,000,000 | 85.0% | 85.0% | Midstream natural gas project |
| Towngas Natural Gas Sales Co., Ltd. | PRC – Wholly foreign-owned enterprise | RMB50,000,000 | 100.0% | 100.0% | Procurement of natural gas sources |
| 阜新新邱港華燃氣有限公司 | PRC – Wholly foreign-owned enterprise | RMB34,000,000 | 100.0% | 100.0% | Provision of gas and related services |
| Baotou Hong Kong & China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB20,000,000 | 85.0% | 85.0% | Provision of natural gas and related services and gas pipeline construction |
| Beipiao Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB56,000,000 | 80.0% | 80.0% | Provision of natural gas and related services and gas pipeline construction |

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:
(Continued)

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|---|--|---|---|--------|---|
| | | | 2025 | 2024 | |
| Indirectly-owned subsidiaries (Continued) | | | | | |
| 本溪滿族自治縣港華天然氣有限公司 | PRC – Wholly foreign-owned enterprise | RMB40,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Boxing HongKong & China Gas Co., Ltd | PRC – Sino-foreign equity joint venture | RMB40,000,000 | 65.0% | 65.0% | Provision of natural gas and related services and gas pipeline construction |
| Cang Xi Hong Kong and China Gas Company Limited | PRC – Wholly foreign-owned enterprise | RMB20,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Cangxian Hong Kong & China Gas Co., Ltd. | PRC – Sino-foreign equity joint venture | RMB10,000,000 | 90.0% | 90.0% | Provision of natural gas and related services and gas pipeline construction |
| Changting Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB22,000,000 | 90.0% | 90.0% | Provision of natural gas and related services and gas pipeline construction |
| Chaoyang Hongkong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | US\$10,791,838 | 90.0% | 90.0% | Provision of natural gas and related services and gas pipeline construction |
| Chengdu Xindu Hong Kong and China Gas Co., Ltd. | PRC – Limited liability company | RMB50,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Chi Ping Hongkong & China Gas Co.Ltd. | PRC – Wholly foreign-owned enterprise | RMB40,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:
(Continued)

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|--|--|---|---|--------|---|
| | | | 2025 | 2024 | |
| Indirectly-owned subsidiaries (Continued) | | | | | |
| Chizhou Hong Kong and China Gas Company Ltd. | PRC – Wholly foreign-owned enterprise | RMB70,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Dafeng Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB80,000,000 | 51.0% | 51.0% | Provision of natural gas and related services and gas pipeline construction |
| Dalian Lvshun Hong Kong and China Gas Co. Ltd. | PRC – Wholly foreign-owned enterprise | US\$15,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Dalian Wafangdian HongKong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB40,000,000 | 90.0% | 90.0% | Provision of natural gas and related services and gas pipeline construction |
| Da Yi Hong Kong and China Gas Company Limited | PRC – Limited liability company | RMB20,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Gongzhuling Hong Kong and China Gas Company Limited | PRC – Wholly foreign-owned enterprise | RMB88,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| 廣西中威管道燃氣發展集團有限公司 | PRC – Wholly foreign-owned enterprise | RMB30,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Guilin Hong Kong & China Gas Co., Ltd. | PRC – Wholly foreign owned enterprise | RMB30,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:
(Continued)

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|--|--|---|---|--------|---|
| | | | 2025 | 2024 | |
| Indirectly-owned subsidiaries (Continued) | | | | | |
| Huang Shan Hong Kong & China Gas Co., Ltd. | PRC – Wholly foreign-owned enterprise | RMB40,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Huzhou Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | US\$10,500,000 | 98.9% | 98.9% | Provision of natural gas and related services and gas pipeline construction |
| Jianping Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB58,000,000 | 80.0% | 80.0% | Provision of natural gas and related services and gas pipeline construction |
| Jianyang Hong Kong & China Gas Co., Ltd. | PRC – Limited liability company | RMB150,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Ji Nan Ping Yin Hong Kong & China Gas Co., Ltd. | PRC – Sino-foreign equity joint venture | RMB200,000,000 | 82.2% | 82.2% | Provision of natural gas and related services and gas pipeline construction |
| Jiajiang Hong Kong & China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB20,000,000 | 70.0% | 70.0% | Provision of natural gas and related services and gas pipeline construction |
| Kazuo Hong Kong & China Gas Co., Ltd. | PRC – Wholly foreign-owned enterprise | US\$6,400,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Laiyang Hong Kong and China Gas Co., Ltd. | PRC – Wholly foreign-owned enterprise | US\$11,520,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:
(Continued)

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|---|--|---|---|--------|---|
| | | | 2025 | 2024 | |
| Indirectly-owned subsidiaries (Continued) | | | | | |
| Lezhi Hong Kong and China Gas Company Limited | PRC – Wholly foreign-owned enterprise | RMB30,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Liuzhou Hong Kong & China Gas Co., Ltd. | PRC – Wholly foreign-owned enterprise | RMB50,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Longkou Hongkong and China Gas Company Limited | PRC – Wholly foreign-owned enterprise | US\$7,070,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Luliang Hong Kong & China Gas Company Limited | PRC – Wholly foreign-owned enterprise | RMB52,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Maanshan Bowang Hong Kong & China Gas Co., Ltd. | PRC – Sino-foreign equity joint venture | US\$10,000,000 | 75.1% | 75.1% | Provision of natural gas and related services and gas pipeline construction |
| Miluo Hong Kong and China Gas Co. Ltd | PRC – Sino-foreign equity joint venture | RMB50,000,000 | 70.0% | 70.0% | Provision of natural gas and related services and gas pipeline construction |
| Meishan Peng Shan Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB20,000,000 | 70.0% | 70.0% | Provision of natural gas and related services and gas pipeline construction |
| Peng Xi Hong Kong and China Gas Company Limited | PRC – Limited liability company | RMB20,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:
(Continued)

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|---|--|---|---|--------|---|
| | | | 2025 | 2024 | |
| Indirectly-owned subsidiaries (Continued) | | | | | |
| Pingchang Hong Kong & China Gas Co., Ltd. | PRC – Sino-foreign equity joint venture | RMB20,000,000 | 90.0% | 90.0% | Provision of natural gas and related services and gas pipeline construction |
| Qingdao Dong Yi Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB30,000,000 | 60.0% | 60.0% | Provision of natural gas and related services and gas pipeline construction |
| Qingdao Zhongji Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB150,000,000 | 90.0% | 90.0% | Provision of natural gas and related services and gas pipeline construction |
| 清遠港華燃氣有限公司 | PRC – Limited liability company | RMB50,000,000 | 80.0% | 80.0% | Provision of natural gas and related services and gas pipeline construction |
| 齊齊哈爾港華燃氣有限公司 | PRC – Sino-foreign equity joint venture | RMB128,561,800 | 61.7% | 61.7% | Provision of natural gas and related services and gas pipeline construction |
| Santai Hong Kong & China Co., Ltd. | PRC – Limited liability company | RMB30,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| 韶關港華燃氣有限公司 | PRC – Limited liability company | RMB50,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Shenyang Hong Kong & China Gas Company Limited | PRC – Wholly foreign-owned enterprise | US\$24,532,434 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:
(Continued)

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|---|--|---|---|--------|---|
| | | | 2025 | 2024 | |
| Indirectly-owned subsidiaries (Continued) | | | | | |
| Siping Hong Kong & China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB45,000,000 | 80.0% | 80.0% | Provision of natural gas and related services and gas pipeline construction |
| 松陽港華燃氣有限公司 | PRC – Limited liability company | RMB80,000,000 | 51.4% | 51.4% | Provision of natural gas and related services and gas pipeline construction |
| Tie Ling Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB332,960,000 | 80.0% | 80.0% | Provision of natural gas and related services and gas pipeline construction |
| Tongshan Hong Kong and China Gas Co. Ltd | PRC – Wholly foreign-owned enterprise | RMB124,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Tongxiang Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | US\$7,000,000 | 76.0% | 76.0% | Provision of natural gas and related services and gas pipeline construction |
| Weiyuan Hong Kong and China Gas Co., Ltd. | PRC – Limited liability company | RMB30,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Xin Jin Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB40,000,000 | 60.0% | 60.0% | Provision of natural gas and related services and gas pipeline construction |
| Xingyi Hong Kong & China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB50,000,000 | 70.0% | 70.0% | Provision of natural gas and related services and gas pipeline construction |

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:
(Continued)

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|---|--|---|---|--------|---|
| | | | 2025 | 2024 | |
| Indirectly-owned subsidiaries (Continued) | | | | | |
| 修水港華燃氣有限公司 | PRC – Sino-foreign equity joint venture | RMB30,000,000 | 60.0% | 60.0% | Provision of natural gas and related services and gas pipeline construction |
| Yang Jiang Hong Kong and China Gas Company Limited | PRC – Wholly foreign-owned enterprise | RMB50,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Yangxin Hongkong & China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB18,000,000 | 76.0% | 76.0% | Provision of natural gas and related services and gas pipeline construction |
| Yifeng Hongkong and China Gas Co., Ltd. | PRC – Wholly foreign-owned enterprise | RMB32,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Yingkou Hong Kong and China Gas Co., Ltd. | PRC – Wholly foreign-owned enterprise | US\$9,400,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |
| Yue Chi Hong Kong and China Gas Company Limited | PRC – Sino-foreign equity joint venture | RMB30,000,000 | 90.0% | 90.0% | Provision of natural gas and related services and gas pipeline construction |
| Zhong Jiang Hong Kong and China Gas Company Limited | PRC – Wholly foreign-owned enterprise | RMB30,000,000 | 100.0% | 100.0% | Provision of natural gas and related services and gas pipeline construction |

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:
(Continued)

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|--|--|---|---|--------|---|
| | | | 2025 | 2024 | |
| Indirectly-owned subsidiaries (Continued) | | | | | |
| Ziyang Hong Kong & China Gas Co., Ltd. | PRC – Sino-foreign equity joint venture | RMB30,000,000 | 90.0% | 90.0% | Provision of natural gas and related services and gas pipeline construction |
| 徐州工業園區中港熱力有限公司 (note) | PRC – Sino-foreign equity joint venture | RMB160,000,000 | 49.8% | 49.8% | Provision of natural gas distributed energy |
| 港華(深圳)綠電有限公司 | PRC – Wholly foreign-owned enterprise | RMB200,000,000 | 100.0% | 100.0% | Renewable energy |
| 濟寧港華智慧能源有限公司 | PRC – Sino-foreign equity joint venture | RMB250,000,000 | 100.0% | 85.0% | Renewable energy |
| Ningbo Gangkun New Energy Technology Co., Ltd. | PRC – Wholly foreign-owned enterprise | RMB1,000,000 | 100.0% | 100.0% | Renewable energy |
| 寧波聯闊新能源有限公司 | PRC – Wholly foreign-owned enterprise | RMB70,000,000 | 100.0% | 100.0% | Renewable energy |
| 青島市萊西港能清潔能源有限公司 | PRC – Wholly foreign-owned enterprise | RMB5,420,000 | 100.0% | 100.0% | Renewable energy |
| 瀋陽港能投智慧能源科技有限公司 | PRC – Wholly foreign-owned enterprise | RMB22,470,000 | 100.0% | 100.0% | Renewable energy |
| 陝西港華建能電力工程有限公司 | PRC – Wholly foreign-owned enterprise | RMB100,000,000 | 100.0% | 100.0% | Renewable energy |

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries as at 31st December 2025 and 2024 are as follows:
(Continued)

| Name of company | Place/form of incorporation/ establishment and operation | Issued and fully paid share capital/ registered capital | Attributable equity interest of the Group | | Principal activities |
|--|--|---|---|--------|--------------------------------|
| | | | 2025 | 2024 | |
| Indirectly-owned subsidiaries (Continued) | | | | | |
| 天津濱海空保港能投新能源有限公司 | PRC – Wholly foreign-owned enterprise | RMB1,941,000 | 100.0% | 100.0% | Renewable energy |
| 濰坊港能投清潔能源有限公司 | PRC – Wholly foreign-owned enterprise | RMB130,000,000 | 100.0% | 100.0% | Renewable energy |
| 宜興環興新能源有限公司 | PRC – Wholly foreign-owned enterprise | RMB23,500,000 | 100.0% | 100.0% | Renewable energy |
| 四川港華合縱能源有限公司 | PRC – Limited liability company | RMB230,000,000 | 98.8% | 98.8% | Upstream project |
| Qiqihar Xingqixiang Gas Company Limited | PRC – Wholly foreign-owned enterprise | RMB60,000,000 | 100.0% | 100.0% | Vehicle gas refilling stations |

Note: The Group is able to exercise power in making decisions over the relevant activities over this company in accordance with memorandum of associations and able to appoint more than half of the board of directors of this company. Accordingly, this company is regarded as a subsidiary of the Group.

None of the subsidiaries had issued any debt securities at the end of the year except for TCCL (Finance) Limited which has issued SLB of approximately HK\$1,559 million and Panda Bonds of approximately HK\$557 million, in which the Group has no interest.

No financial information of the non-wholly owned subsidiaries is disclosed in the consolidated financial statements as the non-controlling interests are not individually material to the Group.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Corporate Information

Board of Directors

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-ye
(Chief Executive Officer)
John Qiu Jian-hang
(Chief Operating Officer –
Renewable Business)
Zhou Heng-xiang
(Chief Operating Officer –
Mainland Gas Business)

Company Secretary

Elsa Wong Lai-kin

Board Audit and Risk Committee

Brian David Li Man-bun (Chairman)
Moses Cheng Mo-chi
Christine Loh Kung-wai

Remuneration Committee

Moses Cheng Mo-chi (Chairman)
Brian David Li Man-bun
Christine Loh Kung-wai

Nomination Committee

Lee Ka-kit (Chairman)
Moses Cheng Mo-chi
Brian David Li Man-bun
Christine Loh Kung-wai

Environmental, Social and Governance Committee

Christine Loh Kung-wai (Chairman)
Peter Wong Wai-ye
John Qiu Jian-hang
Zhou Heng-xiang

Registered Office

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head Office and Principal Place of Business

23rd Floor, 363 Java Road
North Point, Hong Kong

Company's Website

www.towngassmartenergy.com

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel: 2862 8555
Fax: 2865 0990

Hong Kong Branch Share Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel: 2862 8555
Fax: 2865 0990

Auditor

Deloitte Touche Tohmatsu
*Certified Public Accountants and
Registered Public Interest Entity
Auditor*
35/F, One Pacific Place
88 Queensway, Hong Kong

Investor Relations

Group Investor Relations Department
Tel: 2963 2739
Fax: 2911 9005
e-mail: tsel.ir@towngassmartenergy.com

Corporate Affairs Department
Tel: 2963 3493
Fax: 2516 7368
e-mail: cad@towngas.com

Company Secretarial Department
Tel: 2963 3298
Fax: 2561 6618
e-mail: tselcompsec@towngas.com

Financial Calendar

| | |
|------------------------|--|
| Half-Year Results | Announced on Friday, 15th August 2025 |
| Full-Year Results | Announced on Wednesday, 18th March 2026 |
| Annual Report | To be posted to shareholders in late April 2026 |
| Register of Members | (i) To be closed from Wednesday, 20th May 2026 to Wednesday, 27th May 2026, for the purpose of determining entitlement of shareholders to the right to attend and vote at the Annual General Meeting |
| | (ii) To be closed from Tuesday, 2nd June 2026 to Thursday, 4th June 2026, for the purpose of determining Shareholders who qualify for the proposed final dividend |
| Annual General Meeting | To be held on Wednesday, 27th May 2026 |
| Dividends – Interim | HK5 cents – Paid on Friday, 17th October 2025 |
| – Final (Proposed) | HK14 cents – Payable on or about Friday, 14th July 2026 |

Both printed English and Chinese versions of this Annual Report are available upon request from the Company and the Company's branch share registrar free of charge. The website version of this Annual Report is also available on the Company's website.

Towngas Smart Energy Company Limited

23rd Floor, 363 Java Road, North Point, Hong Kong

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