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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

2022 ANNUAL RESULTS ANNOUNCEMENT

OVERVIEW OF BUSINESS OPERATIONS

- Despite the impact of pandemic and the rising international energy prices, business of the Group continues to grow steadily with a total gas sales volume (excluding Shanghai Gas Co., Ltd. ("Shanghai Gas")) increased by 5% to 15,246 million cubic metres, while revenue jumped 17% to HK\$20,073 million.
- Profit after taxation attributable to shareholders of the Company decreased by 23% to HK\$965 million.
- A final dividend of 15 HK cents per share is proposed.
- More than 360 projects have been established in 24 provinces/municipalities/autonomous regions on the Chinese Mainland and the business scope covers city gas, renewable energy, etc.
- On 16 March 2023, the Company entered into a legally binding memorandum of understanding with Shenergy (Group) Company Limited ("Shenergy Group") and Shanghai Gas, pursuant to which the Company shall exit from its entire investment of 25% equity interest in Shanghai Gas through a reduction of the capital of Shanghai Gas by the amount held by the Company. For details of the exit, please refer to the Company's joint voluntary announcement dated 16 March 2023. The exit will not affect the further establishment of in-depth strategic partnership between the Company, Shenergy Group and Shanghai Gas. The parties will establish deep and solid strategic relationships in the fields of, among others, natural gas resources and supply chain, renewable energy business, extended services, energy and low-carbon technology.

FINANCIAL HIGHLIGHTS

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

	Audited	
	For The Year Ended 31 December	
	2022	2021
Revenue, HK million dollars	20,073	17,125
Operating profit after taxation attributable to shareholders, HK million dollars	1,023	1,612
Change in fair value of embedded derivative component of convertible bonds, HK million dollars	531	(359)
Share of results of Shanghai Gas, HK million dollars	(589)	-
Profit after taxation attributable to shareholders, HK million dollars	965	1,253
Basic earnings per share, HK cents	30.17	41.53
Gas sales volume, million cubic metres; natural gas equivalent*	15,246	14,579
Number of city gas customers as at 31 December, million households*	15.93	15.09

* *Inclusive of all city gas projects of the Group (excluding Shanghai Gas)*

CHAIRMAN'S STATEMENT

"From green energy to sustainable development, value is not limited to what we offer now, but also how we invest in our future. "

- Dr. Lee Ka-kit

As a Chinese idiom goes: everything starts afresh in a new year. With the gradual recovery worldwide in the post-epidemic era, we can look forward with confidence to 2023. However, looking back at 2022, the global business environment remained challenging as the world battled the ongoing impact of the epidemic, its prevention and control, together with additional factors such as inflation, surging interest rates, geopolitics and armed conflict. Energy prices, too, fluctuated dramatically, slowing down the rate of economic recovery. Additionally, the extensive use of fossil fuels continued to aggravate the climate crisis, severely damaging the ecosystem and creating a serious impact on our living environment and the sustainable development of the human race. As a Company strongly upholding our social responsibilities, our unswerving mission and ambition are to ensure the secure, reliable and economical supply of energy, as we also commit ourselves to protect the environment.

The Chinese Mainland's goals to achieve carbon peak and carbon neutrality by 2030 and 2060 respectively (the "30-60" dual carbon goals) have provided strong support for the development of renewable energy. We began our involvement in the smart energy business as early as 2016. Focusing on this commitment, we changed our name to Towngas Smart Energy Company Limited at the end of 2021. We believe this better reflects our focus and future direction as we increasingly develop and invest in areas such as photovoltaics, energy storage, energy efficiency management, carbon and electricity trading. Over the years, we have been taking this strategy forward, step-by-step in a structured and orderly manner. Along this route, a major milestone is to convert 200 high-emission industrial parks into zero-carbon smart industrial parks by 2025. Our strategic goal is to provide integrated energy solutions while creating new drivers of growth for the Group by growing with and riding this green trend towards the future.

In recent years, there has been strong demand from customers for clean, renewable energy together with energy savings, coupled with emission reductions. The trend is also towards the use of multi-energy, energy and carbon management, as well as other integrated energy services in the process of using energy. As such, at Towngas Smart Energy, we keep enhancing our capabilities in the field of integrated energy services. These range from actively seeking innovative energy technologies and solutions to collaborating with industry leaders to leverage mutual strengths. We invest in, and cultivate, a competent and professional development and operation team, in addition to also establishing a smart energy ecological platform as we continue to offer diversified and integrated services to our many customers.

Annual Results

In the face of the challenging and ever-changing business environment, all our staff members worked hard, serving with dedication, maximising their efforts, and adapting flexibly to new and changing environments. We were thus able to demonstrate strong resilience amid adversity, to achieve sound business development throughout the Group.

Up to the end of 2022, the Group had 363 projects in 24 provinces, autonomous regions and municipalities, including city gas and renewable energy developments. The gas sales volume for the year increased by approximately 5% year on year, whilst the renewable energy segment developed rapidly with 111 new projects secured during the year. The total number of customers of the Group reached 15.93 million, representing an increase of 0.84 million customers during the year. The Company achieved revenue for the year of HK\$20,073 million, representing a year-on-year increase of 17%. Profit attributable to shareholders of the Company decreased by 23% to HK\$965 million.

Renewable Energy

The Chinese Mainland's clean energy industry has been undergoing rapid development. To achieve the dual carbon goals, the Chinese Mainland released a series of supporting measures during the year to foster the development of renewable energy-related industries. In 2022, our renewable energy business benefited from the mainland's supportive policies to enjoy accelerated growth.

By the end of 2022, Towngas Smart Energy and its parent company, The Hong Kong and China Gas Company Limited ("HKCG"), had carried out more than 500 renewable energy projects in 22 provinces, autonomous regions and municipalities, together with the development of 80 zero-carbon smart industrial parks. The business scope in these projects spans multi-energy supply (cooling, heating, electricity), photovoltaics, energy storage, charging and swapping stations, as well as integrated energy services for industrial and commercial customers.

Being privileged, with our vast industrial customer base, hand-in-hand with our existing zero-carbon smart industrial parks, low-carbon factories, and business projects, our renewable energy business has rapidly taken shape. These efforts have been further supported by a professional, experienced and highly qualified technical team. During the year, we also stepped up to improve our customer-centric, all-inclusive energy and carbon management services. Thus, in addition to providing green energy, we also provided multi-dimensional integrated services, including carbon management, green electricity trading, energy storage and energy digitalisation to help customers improve their energy use, lower operating costs and participate in carbon and electricity market trading for additional gains.

In April 2022, Tera Planet, a smart energy ecological platform jointly established by Towngas Smart Energy and Tencent Cloud, was officially launched. With its IoT capability, the platform can collect and visualise measurement and operating data, including photovoltaics, energy storage, charging and other platforms, in the data system. This information assists the park in intelligently managing, analysing, forecasting and enhancing the energy data available. Currently, this ecological platform has been put into commercial operation in Hailing District, Taizhou City, Jiangsu Province. It is expected to reduce several hundred thousand tonnes of carbon emissions annually once the project is fully operational.

Fostering synergy and remaining ever-open to innovation, we actively seek collaborations with other parties to advance green energy ventures and explore possibilities for further business development. In 2022, we established a joint venture with CATL called Towngas CATL Smart Energy Technology (Suzhou) Company Limited. This project will independently develop long-lasting energy storage products to the highest safety standards. Products will not only include energy storage batteries and battery cabinets, but also look into the progressive diversification of their applications.

During the year, our parent company HKCG jointly established China's first ten-billion-RMB zero-carbon technology investment fund with IDG Capital. Its aim is to invest in areas such as hydrogen energy, photovoltaics, energy storage and new energy internet. These services will support and empower companies with key technological and manufacturing strengths and economies of scale to expedite their development of zero-carbon urban energy consumption.

We are convinced that forward-looking technology is key to a zero-carbon future. In 2022, we therefore worked with our peers to host the TERA TOUR to the Chinese Mainland under the theme "Pooling Collective Wisdom of Zero-Carbon Technology". We invited industry professionals to jointly explore an integrated smart energy application based on digital transformation and source-grid-load-storage integration. Additionally, focusing on the theme of "Exploring Zero-carbon Innovations for the Future" of the first TERA-Award Smart Energy Innovation Competition, we joined State Power Investment Corporation once again to host the second competition. Our aim is to pool cutting-edge expertise with innovation, new wisdom as well as the latest perceptions to seek breakthroughs in technology bottlenecks and other barriers in the energy sector.

During the year, the Group established the Towngas Energy Academy and conducted R&D in five major fields. These ranged from renewable energy, energy storage and energy digitalisation to hydrogen and fuel cells as well as energy conservation and low carbon emissions. With our close focus on national policies, cutting-edge technologies, industrial demands, and additional applications in related fields, we partnered with a number of higher education institutions such as Tsinghua University, The University of Hong Kong, and The Hong Kong University of Science and Technology to research and develop technologies and solutions for zero-carbon smart industrial parks, low-carbon factories and other applications.

Utility Business

During the year, the Group continued to record a growth in gas sales, with an overall growth in gas sales volume of 5% to approximately 15.25 billion cubic metres. The residential gas sales volume was up 8%, accounting for 20% of total gas sales; industrial gas sales rose 2%, accounting for 51% of the total gas sales volume; wholesale gas sales volume increased by 14% against the previous year, accounting for 18% of the total gas sales volume; commercial gas sales volume decreased by 4%, accounting for 11% of the total gas sales volume, as a result of the epidemic.

The total number of customers of the Group reached 15.93 million, representing an increase of 0.84 million customers during the year, with 10,000 new industrial and commercial users and 0.83 million new residential customers. As of 2022, we held a total of 183 city-gas projects (inclusive of corporate reinvestment projects), representing an increase of 7 projects during the year.

In 2022, we saw the advancement of our strategies in integration, decarbonisation and digitalisation. Building on our vast utility customer base together with our diversifying business applications, we strategically set up our "Gas+" thermal energy business. This venture will strengthen our core competitiveness, deepen the integrated use of multi-energy among our activities, focus on the regional distribution of heat, industrial and commercial energy supply, and residential heating. Just as importantly, it will be able to better serve the demand from public institutions for an energy trusteeship market to provide integrated energy solutions. These activities will also improve profit contributions within the Group.

Against the backdrop of higher energy prices, our strategy for gas sourcing is particularly important. In 2022, the Group established a gas source operation centre to strengthen the coordination and operation of gas sources, as well as to advance the development of our own capacities in the production, supply, storage and sale of natural gas. The enhancement of our gas sourcing channel and the increase in the rate of autonomy in a reasonable manner will also curb the impact of drastic fluctuations in gas prices.

As the demands of users and the market develop and change, Towngas Lifestyle (Shenzhen) Information Services Company Limited ("Towngas Lifestyle"), a subsidiary of HKCG, the parent company of the Group, continues to expand its business boundaries with the aim of providing one-stop services for the Group's city gas users.

In line with the supportive national strategy to expand domestic demand, promote the comprehensive construction of a healthy China and improve community services, we improved and coordinated our healthcare business with strategic plans, complimenting with the business of our parent company, to accelerate the scale and development of our extended business. Thus in 2022, we speeded up the use of our "Moment+" Healthy Life Experience Centres, opening physical stores in Guangdong, Sichuan and Jiangsu. We continued to focus on the two main themes of health and comfort, providing community users with services such as health management, nutrition consultation and cooking classes to meet the increasing needs of the public for a quality lifestyle.

Exiting Shanghai Gas

In 2022, Shanghai went through a severe wave of the COVID-19 epidemic. Shanghai Gas, as an important utility service provider in Shanghai, has made significant efforts and contributions in securing the supply of natural gas in Shanghai during and after the epidemic. At the moment, Shanghai is actively deploying comprehensive economic recovery measures after the epidemic. Shanghai Gas, as an important utility service provider, is actively performing its social responsibilities of, among others, securing the supply of natural gas and stabilising energy costs. In view of the above reasons and taking into account other factors, and after amicable negotiations between the parties, it is agreed that given the current environment of recovery from the epidemic, the exit of the Company from the equity interest in Shanghai Gas will give Shanghai Gas more room and flexibility for its operations at this critical and important moment. For details of the exit, please refer to the Company's joint voluntary announcement dated 16 March 2023. The exit will not affect the further establishment of an in-depth strategic partnership between the Company, Shenergy Group and Shanghai Gas. The parties will establish deep and solid strategic relationships in the fields of, among others, natural gas resources and supply chain, renewable energy business, extended services, energy and low-carbon technology.

Employee and Remuneration Policies

As at 31 December 2022, the Group had 23,663 employees, 99% of whom work on the Chinese Mainland. Employee remuneration is based on individual performance, job nature and the relevant responsibilities involved. Our employees are provided with on-the-job training as well as optimal benefits packages, which include medical welfare, retirement plans, year-end bonuses, as well as other incentives. We encourage a work-life balance among our employees. At the same time, we make every effort to improve their work environment on a continuing basis. Our aim is to help them unleash their full potential, creating a full life for themselves while also contributing to the Group.

Environmental, Social and Governance

Towngas Smart Energy has always attached great importance to the management and performance of environmental, social and governance (ESG). To help achieve the "30-60" dual carbon goals and seize green and low-carbon opportunities, we pushed forward various ESG-related initiatives in a top-down manner, closely engaging with different stakeholders to actively respond to the concerns of the community and capital markets on ESG issues.

As an energy company, safety is our highest priority. 2022 is the year of "TQM - Multi-dimensional Control and Flawless Perfection" for the Group. Centring on this theme, we strengthened management and carried out various tasks to continuously improve safety management and achieve our goal of zero accidents.

In November 2022, together with our parent company HKCG, we jointly held the ESG Symposium 2022, a rare large-scale ESG forum in the industry, covering the entire range of environmental, social and governance issues and attracting more than 5,000 people locally and abroad to participate both online and offline. At the forum, we released the Climate-related and Nature-related Directive Guide, becoming the first Hong Kong company to respond to the Taskforce on Nature-related Financial Disclosures (TNFD) framework in the form of a pilot document, demonstrating our ambition and commitment to addressing climate change and biodiversity risks.

We have demonstrated our commitment to ESG in many ways, announcing our first US\$200 million sustainability-linked bond offering and establishing two key performance indicators for sustainable development during the year. We will pay additional interest if we fail to meet the relevant indicators. In addition, we joined a variety of bodies during the year, including teaming up with China Oil and Gas Methane Alliance and joining the Hong Kong branch of the Climate Governance Initiative as a founding member. Through these initiatives, we will be able to actively exert our influence as a leader in the energy industry and help propel the industry towards greener and greater low-carbon development. Enhancing the governance of the Board of Directors, the Group welcomed the appointment of Dr. Loh Kung Wai Christine as an Independent Non-executive Director of the Company and a member of the Company's Nomination Committee, Remuneration Committee and Environmental, Social and Governance Committee.

During the year, the Group received widespread recognition from the community for our continuous efforts and outstanding performance in the ESG field, achieving a series of outstanding results. Currently, Towngas Smart Energy is included in six major international ESG ratings, with the ratings issued by Sustainalytics, MSCI, FTSE Russell and S&P Global all being upgraded. Additionally, we received a number of important awards and accolades. These include the Environmental and Social Responsible Enterprise award granted by *China Environment News* under the Ministry of Ecology and Environment; "Investor Relations ESG Engagement and Communication of the Year" Award granted by the British Chamber of Commerce Shanghai; the ESG Leading Enterprise Award, ESG Leading Initiative Award and Theme Award (ESG Investing), all granted by the Chinese Edition of *Bloomberg Businessweek*.

We continue to promote green living to our employees and the general public through large-scale events, and work with various groups in need to convey our warmth and care. During the year, we hosted five major events under the theme "Embracing Dual Carbon and Traveling Green" to encourage our employees to live a green, low-carbon and healthy lifestyle with concrete action. At the same time, we continued to offer support to schools, impoverished students and their families through our Gentle Breeze Movement. This ongoing initiative seeks to improve teaching facilities while also donating books and school supplies.

Since the establishment of Gentle Breeze Movement in 2013, one of our major charity brands, Towngas Smart Energy has donated over RMB3.5 million in support of more than 30 schools. In addition, we have been supporting the Firefly Project since 2009, and are also a platinum partner of the BEA Charity Fund. Over the years, Towngas Smart Energy and the Shanghai Soong Ching Ling Foundation - BEA Charity Fund have been the title co-sponsors of seven Firefly Centres in Wenchuan, Sichuan; Linqi, Shandong; Hangzhou, Zhejiang; Longkou, Shandong; Taishan, Shandong; Anqing, Anhui; as well as Luliang in Yunnan. Under this initiative, we donate teaching equipment and other supplies, such as stationery, to improve conditions in under-resourced schools. As life progressively returns to normal, we will launch a new round of funding for the Firefly Project in 2023.

Business Outlook

Although the Chinese Mainland's city gas industry faced a myriad of challenges in 2022, the demand for natural gas is bound to pick up as social and economic activities continue to recover. Energy transformation and ongoing upgrading, as well as the continuing rate of urban expansion in the post-epidemic era, will also contribute to this growing market. The demand for residential gas is also expected to grow steadily, and new demand from customers in industries such as lithium batteries and photovoltaic glass will also soar. As such, natural gas will see many new growth opportunities.

The country requires greater acceleration in the development of renewable energy, with non-fossil energy accounting for 20% of energy consumption by 2025 and 25% by 2030. Guided by these policies and goals, the installed capacity of the Chinese Mainland's new photovoltaic power generation nearly doubled in 2022, with the installed capacity of industrial and commercial distributed photovoltaics enjoying the fastest growth. Renewable energy on the Chinese Mainland, as represented by photovoltaics and energy storage, is growing rapidly. As the unit cost of electricity continues to decline in this area, market competitiveness will be enhanced, maintaining optimistic growth into the future.

Hydrogen is an energy with tremendous potential among non-fossil energies and is expected to become an important means for the Chinese Mainland to achieve its goals for carbon peak and carbon neutrality. Based on the national hydrogen energy development plan and the Group's research on hydrogen doping in pipelines, we have begun preliminary work in our pilot project for hydrogen doping in our natural gas pipelines.

We are convinced that each generation has its own mission. Thus, lying ahead, we have both an extraordinary cause as well as a new and glorious path for development. Whilst looking ahead with pride and confidence, we are fully aware that in an environment where both opportunities and challenges abound, we must have sufficient ability and strength to withstand the storms, as well as the vision and competence to seize the opportunities. To this end, we will continue to increase our investment to ensure the transformation of every aspect of our technological innovation, as we promote the quality development of our various business activities. We will continue to improve our ESG efforts and constantly pay attention to and promote the sustainable development of both our society and our world.

On behalf of the Group's Board of Directors, I would like to express our tremendous gratitude to customers, shareholders, investors and all the people from every walk of life who have long followed and supported the development of Towngas Smart Energy. Our many thanks too, to all our dedicated colleagues who have risen so magnificently to meet the many difficulties encountered during the year, and for all their diligence and hard work.

Lee Ka-kit
Chairman

Hong Kong, 16 March 2023

The Board of Directors is pleased to announce the audited results of the Group for the year ended 31 December 2022 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>NOTES</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	20,073,010	17,125,447
Total operating expenses	4	(18,460,572)	(15,019,700)
		1,612,438	2,105,747
Other income		132,586	150,920
Other gains (losses), net		532,256	(390,237)
Share of results of associates		(246,837)	435,807
Share of results of joint ventures		306,026	431,437
Finance costs	5	(752,763)	(588,923)
Profit before taxation	6	1,583,706	2,144,751
Taxation	7	(382,667)	(617,659)
Profit for the year		<u>1,201,039</u>	<u>1,527,092</u>
Profit for the year attributable to:			
Shareholders of the Company		964,855	1,253,202
Non-controlling interests		236,184	273,890
		<u>1,201,039</u>	<u>1,527,092</u>
		<i>HK cents</i>	<i>HK cents</i>
Proposed final dividend per ordinary share	8	<u>15</u>	<u>15</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	9		
– Basic		30.17	41.53
– Diluted		<u>14.38</u>	<u>41.53</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 HK\$'000	2021 HK\$'000
Profit for the year	<u>1,201,039</u>	<u>1,527,092</u>
Other comprehensive (expense) income for the year		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Exchange differences on translation from functional currency to presentation currency	(2,078,755)	823,020
Fair value change on investments in equity instruments at fair value through other comprehensive income	(141,010)	(284,684)
Income tax relating to items that will not be reclassified to profit or loss	36,112	69,983
<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	44,734	(85,137)
Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	<u>(151,211)</u>	<u>116,890</u>
	<u>(2,290,130)</u>	<u>640,072</u>
Total comprehensive (expense) income for the year	<u>(1,089,091)</u>	<u>2,167,164</u>
Total comprehensive (expense) income for the year attributable to:		
Shareholders of the Company	(1,287,188)	1,852,253
Non-controlling interests	<u>198,097</u>	<u>314,911</u>
Total comprehensive (expense) income for the year	<u>(1,089,091)</u>	<u>2,167,164</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		23,500,341	22,810,412
Right-of-use assets		845,134	941,481
Intangible assets		413,533	471,083
Goodwill		5,296,236	5,750,478
Interests in associates		9,760,067	11,183,849
Interests in joint ventures		3,574,969	3,629,468
Loans to associates		49,000	47,313
Equity instruments at fair value through other comprehensive income		1,239,653	1,497,846
Other financial assets		16,927	-
Deposits paid for acquisition of subsidiaries/ an associate		178,662	178,829
		<u>44,874,522</u>	<u>46,510,759</u>
Current assets			
Inventories		682,235	704,509
Loans to associates		53,197	67,207
Loans to joint ventures		171,042	194,873
Trade and other receivables, deposits and prepayments	10	2,912,168	2,463,040
Amounts due from non-controlling shareholders		174,422	215,637
Financial assets at fair value through profit or loss		70,064	-
Time deposits over three months		5,650	9,571
Bank balances and cash		4,000,676	4,071,107
		<u>8,069,454</u>	<u>7,725,944</u>
Current liabilities			
Trade and other payables and accrued charges	11	3,067,180	2,994,759
Contract liabilities		3,850,134	3,939,179
Lease liabilities		23,687	15,312
Amounts due to non-controlling shareholders		82,298	79,855
Taxation payable		1,532,249	1,611,627
Borrowings – amounts due within one year		9,018,808	8,633,082
Loan from ultimate holding company		62,816	66,617
Loans from non-controlling shareholders		7,379	-
Loans from joint ventures		17,404	730
Other financial liabilities		-	29,992
		<u>17,661,955</u>	<u>17,371,153</u>
Net current liabilities		<u>(9,592,501)</u>	<u>(9,645,209)</u>
Total assets less current liabilities		<u>35,282,021</u>	<u>36,865,550</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 31 DECEMBER 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	64,162	60,174
Borrowings – amounts due after one year	8,563,734	7,990,330
Deferred taxation	719,637	830,839
Loans from non-controlling shareholders	15,601	37,518
Other financial liabilities	175	40,694
Convertible bonds	2,055,619	2,733,237
	11,418,928	11,692,792
Net assets	23,863,093	25,172,758
Capital and reserves		
Share capital	325,862	315,989
Reserves	21,178,997	22,579,063
Equity attributable to shareholders of the Company	21,504,859	22,895,052
Non-controlling interests	2,358,234	2,277,706
Total equity	23,863,093	25,172,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. BASIS OF PREPARATION

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately HK\$9,593 million as at 31 December 2022. The Group's liabilities as at 31 December 2022 included borrowings of approximately HK\$9,019 million that are repayable within one year from the end of the reporting period.

As at 31 December 2022, the Group has unutilised source of fund from a Medium Term Note Programme ("MTN Programme") amounting to approximately HK\$13,196 million and unutilised facilities from banks and ultimate controlling shareholder, The Hong Kong and China Gas Company Limited ("HKCG"), amounting to approximately HK\$9,592 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\$9,019 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/creditors and has good credibility.

Taking into account of the internally generated funds, unutilised source of fund from 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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

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

3. SEGMENT INFORMATION

Operating segments

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

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

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

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

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

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

Information regarding these segments is presented below:

	Sales of piped gas and energy HK\$'000	Gas connection HK\$'000	Extended business HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2022				
REVENUE				
Revenue recognised at a point in time	16,664,582	1,793,201	996,785	19,454,568
Revenue recognised over time	<u>-</u>	<u>618,442</u>	<u>-</u>	<u>618,442</u>
External	<u>16,664,582</u>	<u>2,411,643</u>	<u>996,785</u>	<u>20,073,010</u>
Segment results	<u>714,813</u>	<u>979,294</u>	<u>138,481</u>	1,832,588
Other income				132,586
Other gains, net				532,256
Unallocated corporate expenses				(220,150)
Share of results of associates				(246,837)
Share of results of joint ventures				306,026
Finance costs				<u>(752,763)</u>
Profit before taxation				1,583,706
Taxation				<u>(382,667)</u>
Profit for the year				<u>1,201,039</u>

	Sales of piped gas and energy <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Extended business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the year ended 31 December 2021				
REVENUE				
Revenue recognised at a point in time	13,951,433	1,796,237	744,727	16,492,397
Revenue recognised over time	-	633,050	-	633,050
External	<u>13,951,433</u>	<u>2,429,287</u>	<u>744,727</u>	<u>17,125,447</u>
Segment results	<u>1,086,045</u>	<u>1,118,476</u>	<u>89,956</u>	2,294,477
Other income				150,920
Other losses, net				(390,237)
Unallocated corporate expenses				(188,730)
Share of results of associates				435,807
Share of results of joint ventures				431,437
Finance costs				<u>(588,923)</u>
Profit before taxation				2,144,751
Taxation				<u>(617,659)</u>
Profit for the year				<u>1,527,092</u>

4. TOTAL OPERATING EXPENSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gas fuel, stores and materials used	15,507,390	12,254,356
Staff costs	1,355,758	1,303,943
Depreciation and amortisation	918,126	867,895
Other expenses	679,298	593,506
	<u>18,460,572</u>	<u>15,019,700</u>

5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank and other borrowings	680,882	584,598
Effective interest expense on convertible bonds	77,125	9,265
Bank charges	5,831	6,321
Interest on lease liabilities	4,608	3,747
	<u>768,446</u>	<u>603,931</u>
Less: amounts capitalised	<u>(15,683)</u>	<u>(15,008)</u>
	<u>752,763</u>	<u>588,923</u>

6. PROFIT BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before taxation has been arrived at after crediting (charging):		
Amortisation of intangible assets	(19,028)	(19,726)
Depreciation of right-of-use assets	(49,138)	(63,462)
Cost of inventories sold	(16,489,492)	(13,168,902)
Depreciation of property, plant and equipment	(849,960)	(784,707)
Staff costs (note)	(1,355,758)	(1,303,943)
Change in fair value of embedded derivative component of convertible bonds	531,488	(358,643)
Impairment provision of goodwill	-	(60,000)
Impairment provision of plant, property and equipment	-	(8,939)
Impairment loss of trade receivables, net of reversal	(40,330)	(6,274)
Interest income	66,692	40,602
Dividend income from equity instruments		
at fair value through other comprehensive income	39,252	31,719
Gain on disposal of right-of-use assets	3,333	5,409
(Loss) gain on disposal of property, plant and equipment	(1,535)	21,363
Exchange (loss) gain, net	(753)	10,573

Note: During the year ended 31 December 2022, the Company entered into a number of subscription agreements with subscribers pursuant to which a total of 11,663,000 subscription shares be issued by the Company to the subscribers at a subscription price of HK\$3.69 per share in cash. The subscribers include the directors of the Company, directors of subsidiaries of the Company, directors of subsidiaries of HKCG and senior management staff of the Group and HKCG, accordingly the difference between the fair value of shares at date of grant or date of approval (if needed) and subscription price amounting to HK\$4,941,000 in aggregate is recorded as share-based payment expenses and included in staff costs.

7. TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The charge comprises:		
People's Republic of China ("PRC") Enterprise Income Tax ("EIT")		
– current year	330,555	565,638
Deferred taxation	52,112	52,021
	382,667	617,659

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

The EIT rates applicable for the Group's PRC subsidiaries are 15% or 25% (2021: 15% or 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.

8. DIVIDENDS

During the year, a final dividend in respect of the year ended 31 December 2021 of HK\$473,419,000 (2021: HK\$445,340,000 in respect of the year ended 31 December 2020) was recognised as distribution, being 15 HK cents per ordinary share (2021: 15 HK cents per ordinary share).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of 15 HK cents (2021: 15 HK cents) per ordinary share, in an aggregate amount of approximately HK\$487,182,000 (2021: HK\$473,419,000) 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.

9. 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:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Earnings</u>		
Profit for the year attributable to shareholders of the Company for the purpose of basic earnings per share	964,855	1,253,202
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds	77,125	-
Change in fair value of embedded derivative component of convertible bonds	(531,488)	-
	<hr/>	<hr/>
Profit for the year attributable to shareholders of the Company for the purpose of diluted earnings per share	510,492	1,253,202
	<hr/>	<hr/>
	Number of shares	
	2022	2021
	<i>'000</i>	<i>'000</i>
<u>Number of shares</u>		
Weighted average number of ordinary shares in issue less shares held for share award scheme for the purpose of basic earnings per share	3,197,552	3,017,444
Effect of dilutive potential ordinary shares:		
Convertible bonds	352,207	-
Share options	104	-
Weighted average number of subscription shares	2,552	-
Weighted average number of subscription shares that would have issued at market	(2,347)	-
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,550,068	3,017,444
	<hr/>	<hr/>

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.

The computation of diluted earnings per share for the year ended 31 December 2022 does not assume the issue of remaining subscription shares because the subscription price of those shares was higher than the average market price.

The computation of diluted earnings per share for the year ended 31 December 2021 does not assume the conversion of all convertible bonds issued as their assumed conversion would result in an increase in earnings per share.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables (net of allowance for credit losses)	1,538,048	1,241,290
Prepayments	715,002	571,274
Other receivables and deposits	659,118	650,476
	<u>2,912,168</u>	<u>2,463,040</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	1,217,418	952,900
91 to 180 days	52,244	81,132
Over 180 days	268,386	207,258
	<u>1,538,048</u>	<u>1,241,290</u>

11. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	1,682,468	1,587,061
Consideration payable for acquisitions of businesses	74,464	80,700
Other payables and accruals	1,308,972	1,325,645
Amount due to ultimate holding company (note)	<u>1,276</u>	<u>1,353</u>
	<u>3,067,180</u>	<u>2,994,759</u>

Note: The amount is unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 90 days	945,467	905,106
91 to 180 days	209,601	209,004
181 to 360 days	204,877	172,091
Over 360 days	<u>322,523</u>	<u>300,860</u>
	<u>1,682,468</u>	<u>1,587,061</u>

12. EVENT AFTER THE REPORTING PERIOD

On 16 March 2023, the Company entered into a legally binding memorandum of understanding ("MOU") with Shenergy Group and Shanghai Gas, pursuant to which the parties agreed to the exit of the Company from its entire investment of 25% equity interest in Shanghai Gas through a reduction of the capital of Shanghai Gas by the amount held by the Company, the specific arrangements of which are subject to a definitive agreement to be signed between the parties. Shanghai Gas is owned as to 25% by the Company and 75% by Shenergy Group. Such 25% equity interest (represented by RMB333,333,333 in the registered capital of Shanghai Gas) was acquired by the Company through a capital contribution of RMB4,700,000,000 to Shanghai Gas completed in July 2021.

The consideration payable to the Company for the exit is to be agreed between the parties to the MOU (and to be set out in the definitive agreement) based on a valuation of Shanghai Gas as at 28 February 2023 to be conducted by a valuer and subject to the receipt of the required government and regulatory approvals. Pursuant to the MOU, from 1 March 2023, the Company has ceased to have any rights and responsibilities of a shareholder of Shanghai Gas, unless the exit is not completed for any reason. The parties agreed to submit the application documents in relation to the exit to the relevant authorities before 30 June 2023. If the exit is not completed by 31 December 2023, the MOU will be automatically terminated unless agreed otherwise between the parties.

For details of the exit, please refer to the Company's joint voluntary announcement dated 16 March 2023.

Apart from the above event, there have been no other material events occurring after the reporting date.

FINANCIAL REVIEW

Revenue

In 2022, affected by geopolitics, energy supply and demand were unbalanced. Upstream prices rose sharply, which was passed down to end customers. Meanwhile, gas sales also increased. As such, the Group's total revenue increased by 17.2% from HK\$17,125 million in 2021 to HK\$20,073 million in 2022. Revenue from sales of piped gas and energy and extended business recorded growth.

Business Segments	2022 (HK\$ million)	2021 (HK\$ million)	Change (%)
Sales of piped gas and energy	16,664	13,951	19.4
Gas connection	2,412	2,429	-0.7
Extended business	997	745	33.8
Total	20,073	17,125	17.2

In 2022, the total consolidated volume of gas sold of the Group amounted to 4,492 million cubic metres, representing an increase of 6.6% over last year. There were 533,000 new household connections, representing an increase of 1.6% over last year. Revenue from extended business recorded significant growth as the Group actively expanded its extended business.

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 financial year of 2022 amounted to HK\$18,460 million, representing an increase of 22.9% from HK\$15,020 million in the financial year of 2021.

	2022 (HK\$ million)	2021 (HK\$ million)	Change (%)
Gas fuel, stores and materials used	15,507	12,254	26.5
Staff costs	1,356	1,304	4.0
Depreciation and amortisation	918	868	5.8
Other expenses	679	594	14.3
Total	18,460	15,020	22.9

Total operating expenses and total operating expenses as a percentage of revenue in 2022 were higher than that in 2021, mainly attributable to the rise in the purchase price of natural gas in 2022.

Other Income

The decrease in other income compared to that for the financial year of 2021 was mainly due to the decrease in grants and subsidies received from government.

Other Gains (Losses), Net

The increase in other gains compared to that for the financial year of 2021 was mainly due to the change in fair value of embedded derivative component of convertible bonds.

Share of Results of Associates

During the financial year of 2022, share of results of associates was a loss of HK\$247 million, mainly due to the share of loss of Shanghai Gas in the amount of HK\$589 million in the second half of 2022. The main reason for the loss of Shanghai Gas was that the average purchase cost of Shanghai Gas increased significantly due to large fluctuations in international energy prices as a result of the severe geopolitical situation in 2022, and the average selling price of natural gas of Shanghai Gas was lower than the average purchase price due to various factors including the pandemic and lockdown, resulting in a loss of the overall results of Shanghai Gas.

Share of Results of Joint Ventures

During the financial year of 2022, share of results of joint ventures decreased by 29.0% from HK\$431 million last year to HK\$306 million, mainly due to excessive increase in the upstream prices of some joint ventures and the failure to entirely pass them downstream in a timely manner.

Finance Costs

During the financial year of 2022, the finance costs of the Group increased by 27.8% from HK\$589 million last year to HK\$753 million. The increase was mainly due to new bridging loans borrowed for the acquisition of Shanghai Gas, issuance of convertible bonds, sustainability-linked bond and increased bank borrowings for the investment in new projects during the year.

Profit for the Year

During the financial year of 2022, profit for the year amounted to HK\$1,201 million, representing a year-on-year decrease of 21.3%. Profit attributable to shareholders of the Company amounted to HK\$965 million, representing a year-on-year decrease of 23.0%. Excluding the impact of gain from change in fair value of embedded derivative component of convertible bonds of HK\$531 million (2021: loss of HK\$359 million), as well as a share of the loss of Shanghai Gas of HK\$589 million, in the second half of the year, operating profit after taxation attributable to shareholders of the Company was HK\$1,023 million, representing a year-on-year decrease of 36.5%. Basic earnings per share amounted to 30.17 HK cents, representing a year-on-year decrease of 27.4%.

FINAL DIVIDEND

The Board recommended the payment of a final dividend from the share premium account of the Company of 15 HK cents per share (2021 final: 15 HK cents per share) payable to shareholders whose names are on the register of members on 5 June 2023, which is subject to approval by shareholders at the Annual General Meeting ("AGM") and compliance with the Companies Act of the Cayman Islands.

The proposed final dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares in lieu of cash in whole or in part under the scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, rank *pari passu* in all respects with the existing shares in issue on the date of the allotment and issue of the new shares except that they shall not be entitled to the proposed final dividend. The circular containing details of the Scrip Dividend Scheme and the relevant election form is expected to be sent to shareholders on or about 9 June 2023.

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

It is expected that the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be sent by ordinary mail to shareholders at their own risk on or about 11 July 2023.

CLOSURE OF REGISTER OF MEMBERS

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

- (1) from 22 May 2023 to 25 May 2023, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to attend and vote at the AGM; and
- (2) from 1 June 2023 to 5 June 2023, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to the final dividend to be approved at the AGM.

All completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 19 May 2023 and 31 May 2023 respectively.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 25 May 2023. For details of the AGM, please refer to the Notice of AGM which is expected to be published on or about Monday, 17 April 2023.

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 facilities to meet the requirements of day-to-day operations and business development, while also controlling borrowings at a healthy level.

As at 31 December 2022, the Group's bank loans and other loans amounted to HK\$17,583 million (31 December 2021: HK\$16,623 million), of which HK\$9,019 million (31 December 2021: HK\$8,633 million) represented bank loans and other loans due within 1 year, HK\$8,537 million (31 December 2021: HK\$7,968 million) represented bank loans and other loans due between 1 to 5 years, and HK\$27 million (31 December 2021: HK\$22 million) represented bank loans and other loans due over 5 years. Other than the HK\$12,355 million (31 December 2021: HK\$10,442 million) in bank loans and other loans which bore interests at fixed rates, the Group's loans were mainly arranged on a floating interest rate basis. The maturities and interest rates of the loans were arranged to provide sound financial resources and stable interest costs for the Group. The businesses of the Group mainly occurred in mainland China and most transactions, assets and liabilities were stated in Renminbi ("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\$15,624 million (31 December 2021: HK\$15,648 million) and the remaining HK\$1,959 million borrowings were denominated mainly in United States dollars ("USD") as at the end of the year (31 December 2021: HK\$975 million borrowings were denominated mainly in Hong Kong dollars ("HKD") and USD). Cross currency swaps contracts were made to hedge foreign currency risk for most of the non-RMB denominated loans 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\$63 million (31 December 2021: HK\$67 million), approximately HK\$17 million (31 December 2021: HK\$730,000) and approximately HK\$23 million (31 December 2021: HK\$38 million) from the parent company HKCG, joint ventures, and non-controlling shareholders on a fixed interest rate basis respectively.

In April 2022, the Group issued its first 5-year sustainability-linked bond (the "Bond") and successfully raised a total of USD200 million. The Group was also the first energy company to issue sustainability-linked bond in Hong Kong. The Bond was issued under the USD2 billion MTN Programme established in June 2021 and with reference to the Sustainability-Linked Financing Framework of the Group established in March 2022. Proceeds of the Bond were hedged to RMB by cross currency swaps to mitigate foreign currency risk.

As at 31 December 2022, the Group's cash and cash equivalents together with time deposits amounted to HK\$4,006 million (31 December 2021: HK\$4,081 million), of which 99% (31 December 2021: 99%) are RMB-denominated and the rest are denominated in HKD and USD. The gearing ratio (net debt to total equity plus net debt) of the Group as at the end of the year was 39.7% (31 December 2021: 37.9%).

As at 31 December 2022, the Group has unutilised issuance amount under the MTN Programme amounting to approximately HK\$13,196 million and unutilised facilities from banks and HKCG amounting to approximately HK\$9,592 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 its 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". These ratings reflect the credit rating agencies' recognition of the Group's stable business and credit profile.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2022.

FINAL DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2022 of 15 HK cents per share (2021: 15 HK cents per share). The Board also proposed to offer a scrip dividend option to allow shareholders to elect to receive the final dividend wholly or partly in the form of new fully paid shares instead of in cash.

OTHER INFORMATION

Corporate Governance

The Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year.

Compliance with Rule 3.10A of the Listing Rules

As disclosed in the announcement dated 9 March 2022, subsequent to the resignation of Dr. Hu Zhang-hong as an Independent Non-Executive Director on 9 March 2022, the Company did not meet the requirement of Rule 3.10A of the Listing Rules. Following the appointment of Dr. LOH Kung Wai Christine as an Independent Non-Executive Director on 4 April 2022, the Board comprises four Independent Non-Executive Directors representing more than one-third of the members of the Board, which fulfills the requirement under Rule 3.10A of the Listing Rules.

Board Audit and Risk Committee

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

A meeting of the Board Audit and Risk Committee was held on 28 February 2023 to review the Group's audited consolidated financial statements for the year ended 31 December 2022 in conjunction with the Group's internal auditors and Deloitte Touche Tohmatsu, the Group's external auditor.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 6,965,000 Shares at a consideration of approximately HK\$29,897,000.

By Order of the Board

John Ho Hon-ming

Executive Director and Company Secretary

Hong Kong, 16 March 2023

At the date of this announcement, the Board comprises:

Non-Executive Directors:

LEE Ka-kit (*Chairman*)

LIU Kai Lap Kenneth

Executive Directors:

Peter WONG Wai-yee (*Chief Executive Officer*)

John HO Hon-ming (*Company Secretary*)

Martin KEE Wai-ngai (*Chief Operating Officer – Gas Business*)

John QIU Jian-hang (*Chief Operating Officer – Renewable Business*)

Independent Non-Executive Directors:

Moses CHENG Mo-chi

Brian David LI Man-bun

James KWAN Yuk-choi

LOH Kung Wai Christine