

# Report of the Directors

The Directors have pleasure in submitting to shareholders their Report and the audited financial statements for the year ended 31st December 2022 which are to be presented at the Annual General Meeting to be held at Meeting Room N101 (Expo Drive Entrance) as the principal meeting place and Hall 1A (Expo Drive Entrance) as the additional meeting venue, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 7th June 2023.

## Principal Activities

The principal activities of the Company and its subsidiaries (collectively, the “Group”) are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the Chinese mainland. Particulars of the principal subsidiaries of the Company are shown from pages 190 to 207 of this Annual Report. Revenue and contribution to operating profit are mainly derived from activities carried out in Hong Kong and the Chinese mainland.

## Results and Appropriations

The results of the Group for the year ended 31st December 2022 are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 99 and 100 of this Annual Report respectively.

An interim dividend of HK12 cents per share was paid to shareholders on 15th September 2022 and the Directors recommend a final dividend of HK23 cents per share payable on 26th June 2023 to shareholders whose names are on the register of members of the Company on 15th June 2023.

## Business Review

A review of the business of the Group during the year is provided from pages 2 to 63 of this Annual Report, with particulars of important events affecting the Group that have occurred since the end of the year ended 31st December 2022, an analysis of the Group’s performance using financial key performance indicators, and a discussion of the Group’s future business development plans. A description of the possible risks and uncertainties that the Group faces are set out from pages 56 to 57. The Group’s approach to financial risk management can be found in Note 3 to the consolidated financial statements. In addition, discussions of the Group’s relationships with its key stakeholders, environmental policies and performance, and compliance with relevant laws and regulations that have a significant impact on the Group can be found from pages 26 to 55 and pages 76 to 92, respectively.

The Group complies with all relevant laws and regulations in all material respects in both Hong Kong and the Chinese mainland that have a significant impact on the businesses or operations of the Group’s core business segments, including those related to business ethics, health and safety, employees, customers, and the environment, which are the basic requirements of how we operate.

Preventing gas leakages or explosions in our production and storage facilities, pipelines and networks is a top priority for the Group. In the Hong Kong gas business, the gas safety requirements are covered by the Gas Safety Ordinance (Cap. 51 of the Laws of Hong Kong), with which the Group complies fully at all times. The Group conducts regular reviews of all operating procedures to mitigate these risks and implements targeted strategies for addressing them. The Group also manages its assets according to international standards and external certifications, and maintains insurance coverage against any property damage or financial loss.

The Group collects and keeps customers’ personal data necessary for the provision of the Group’s services. Customers are required to supply personal data to the Group in connection with the opening or operation of gas accounts, and when the Group provides other related facilities and services. The Group takes every step necessary to protect its customers’ data and has established a Personal Data Privacy Policy that sets out its standards for handling customer information. The Group complies with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong).

The Group is governed by the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and all anti-bribery laws, which include zero tolerance towards corruption and related malpractice. The Group complies with the Prevention of Bribery Ordinance. The Group adopts its Code of Conduct and is not aware of any incidents within the Group which contravenes the anti-bribery requirements set out in the Code of Conduct. Moreover, an Anti-fraud Policy is in place to promote integrity as a core company value. The Group further insists that all staff and business partners adhere to both the letter and the spirit of the law during the course of business. All employees are strictly forbidden from giving or accepting bribes and must never offer an advantage to, or ask for an advantage from, customers, suppliers, contractors, regulators and legislators, government authorities or other business partners.

## **Business Review** (Continued)

The Group sets out its commitment to comply with the laws and regulations pertaining to anti-competitive practices, in line with the Group's nine core values. Guidance is provided for staff on the requirements and importance of compliance, as well as the disciplinary actions and possible liabilities they will be subject to in cases of non-compliance. Additionally, the Group closely monitors the Competition Ordinance (Cap. 619 of the Laws of Hong Kong) and reports to the management any developments that could have an adverse effect on the Group.

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 Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "Companies Ordinance") and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") 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 urban water supply, administration of distributed PV power generation, administration of internet and telecommunications, internet security, data and privacy protection, and administration of mineral resources. The Group has set up legal and compliance departments in various business segments in the Chinese mainland to assist and monitor their compliance with laws and regulations that may significantly impact their operations. During the year 2022, the Group's core business segments have complied with, in all material respects, these relevant laws and regulations.

## **Financial Summary**

A summary of the results and of the assets and liabilities of the Group for the last nine financial years is set out on pages 62 and 63 of this Annual Report.

## **Distributable Reserves**

The distributable reserves of the Company as at 31st December 2022 amounted to HK\$10,862 million (2021: HK\$12,499 million) before the proposed final dividend for the year ended 31st December 2022.

## **Shares Issued**

Details of the shares issued by the Company are set out in Note 35 to the consolidated financial statements. There were no movements during the year.

## **Bank Loans, Guaranteed Notes, Medium Term Note Programmes and Convertible Bonds**

Particulars of bank loans, guaranteed notes, Medium Term Note Programmes and convertible bonds of the Company and the Group as at 31st December 2022 are set out in Note 32 to the consolidated financial statements on pages 173 to 175 and Financial Resources Review on pages 58 to 59, respectively.

## **Charitable Donations**

During the year, the Group made charitable donations amounting to approximately HK\$8.6 million (2021: HK\$3.0 million).

### Directors

The Directors of the Company during the year and up to the date of this report were:

#### Non-executive Directors

Dr. Lee Ka-kit (Chairman)

Dr. Lee Ka-shing (Chairman)

Dr. Colin Lam Ko-yin

Mr. Andrew Fung Hau-chung

*(appointed on 14th June 2022)*

#### Independent Non-executive Directors

Dr. the Hon. Sir David Li Kwok-po

Prof. Poon Chung-kwong

Dr. the Hon. Moses Cheng Mo-chi

#### Executive Directors

Mr. Peter Wong Wai-yee\*

Mr. John Ho Hon-ming

Mr. Alfred Chan Wing-kin\*

*(retired on 6th June 2022)*

\* Mr. Peter Wong Wai-yee was appointed as Managing Director upon Mr. Alfred Chan Wing-kin's retirement with effect from the conclusion of the Annual General Meeting of the Company held on 6th June 2022 (the "2022 AGM").

At the 2022 AGM, Dr. Colin Lam Ko-yin and Dr. the Hon. Moses Cheng Mo-chi were re-elected as Directors of the Company. Dr. Lee Ka-kit, Dr. Lee Ka-shing, Dr. the Hon. Sir David Li Kwok-po, Prof. Poon Chung-kwong, Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming held office throughout the year.

According to the Articles of Association of the Company (the "Articles of Association"), one-third of all the directors are subject to retirement by rotation at every annual general meeting. Pursuant to Article 97 of the Articles of Association, Dr. Lee Ka-kit, Dr. the Hon. Sir David Li Kwok-po and Mr. Peter Wong Wai-yee are due to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. Pursuant to Article 91 of the Articles of Association, Mr. Andrew Fung Hau-chung, Non-executive Director, is also due to retire at the forthcoming Annual General Meeting and, being eligible, offer himself for re-appointment. Details of these Directors proposed for re-election are set out in the circular sent together with this Annual Report.

A list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is kept at the Company's registered office and available for inspection by shareholders during office hours.

### Biographical Details of Directors

The biographical details of Directors and senior management who are also Executive Directors are set out from pages 20 to 24 of this Annual Report.

## Disclosure of Interests

### A. Directors

As at 31st December 2022, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

#### Shares and Underlying Shares (Long Positions)

Name of Company	Name of Director	Interest in Shares			Interest in Underlying Shares Pursuant to Share Options	Aggregate Interests	%*
		Personal Interests	Corporate Interests	Other Interests			
The Hong Kong and China Gas Company Limited	Dr. Lee Ka-kit			7,748,692,715 (Note 2)		7,748,692,715	41.53
	Dr. Lee Ka-shing			7,748,692,715 (Note 2)		7,748,692,715	41.53
	Dr. the Hon. Sir David Li Kwok-po	61,000,000				61,000,000	0.33
	Prof. Poon Chung-kwong	243,085 (Note 4)				243,085	0.00
	Mr. John Ho Hon-ming	55,710				55,710	0.00
Lane Success Development Limited	Dr. Lee Ka-kit			9,500 (Note 5)		9,500	95
	Dr. Lee Ka-shing			9,500 (Note 5)		9,500	95
Yieldway International Limited	Dr. Lee Ka-kit			2 (Note 6)		2	100
	Dr. Lee Ka-shing			2 (Note 6)		2	100
Towngas Smart Energy Company Limited ("Towngas Smart Energy")	Dr. Lee Ka-kit			2,162,535,761 (Note 7)		2,162,535,761	66.36
	Dr. Lee Ka-shing			2,162,535,761 (Note 7)		2,162,535,761	66.36
	Mr. Peter Wong Wai-yee	5,120,000			1,800,000 (Note 8)	6,920,000	0.21
	Mr. John Ho Hon-ming	2,033,862			900,000 (Note 8)	2,933,862	0.09

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

## Disclosure of Interests (Continued)

### A. Directors (Continued)

#### *Options to Subscribe for Shares of Towngas Smart Energy (Long Positions)*

Pursuant to the share option scheme of Towngas Smart Energy (the “TSEL Share Option Scheme”), a listed subsidiary of the Company, certain Directors of the Company (who are also directors of Towngas Smart Energy) have been granted options to subscribe for the shares of Towngas Smart Energy, details of which as at 31st December 2022 were as follows:

Name of Company	Name of Director	Date of Grant	Exercise Period	Exercise Price (HK\$)	Number of	Number of
					Shares of Towngas Smart Energy Subject to Outstanding Options as at 01.01.2022*	Shares of Towngas Smart Energy Subject to Outstanding Options as at 31.12.2022*
Towngas Smart Energy	Mr. Peter Wong Wai-yee	25.11.2022	25.11.2023-24.11.2025	3.40	N/A	1,800,000
	Total				N/A	1,800,000
	Mr. John Ho Hon-ming	25.11.2022	25.11.2023-24.11.2025	3.40	N/A	900,000
	Total				N/A	900,000

\* All share options will be vested on the first anniversary of the date of offer (i.e. 25th November 2023).

Save as mentioned above, as at 31st December 2022, there were no other interests or short positions of the Directors of the Company 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 Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## Disclosure of Interests (Continued)

### B. Substantial Shareholders and Others (Long Positions)

As at 31st December 2022, the interests and short positions of every person, other than the Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

	Name of Individual/Company	No. of Shares in which Interested	%*
<b>Substantial Shareholders</b> (a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting)	Dr. the Hon. Lee Shau-kee (Note 3)	7,748,692,715	41.53
	Disralei Investment Limited (Note 1)	4,313,717,809	23.12
	Timpani Investments Limited (Note 1)	5,989,193,083	32.10
	Faxson Investment Limited (Note 1)	7,748,692,715	41.53
	Henderson Land Development Company Limited (Note 1)	7,748,692,715	41.53
	Henderson Development Limited (Note 1)	7,748,692,715	41.53
	Hopkins (Cayman) Limited (Note 2)	7,748,692,715	41.53
	Riddick (Cayman) Limited (Note 2)	7,748,692,715	41.53
<b>Persons other than Substantial Shareholders</b>	Rimmer (Cayman) Limited (Note 2)	7,748,692,715	41.53
	Macrostar Investment Limited (Note 1)	1,759,499,632	9.43
	Chelco Investment Limited (Note 1)	1,759,499,632	9.43
	Medley Investment Limited (Note 1)	1,675,475,274	8.98

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

Save as mentioned above, as at 31st December 2022, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company.

Notes:

- These 7,748,692,715 shares were beneficially owned by Macrostar Investment Limited ("Macrostar"), Medley Investment Limited ("Medley") and Disralei Investment Limited ("Disralei"). Macrostar was a wholly-owned subsidiary of Chelco Investment Limited, which was in turn, a wholly-owned subsidiary of Faxson Investment Limited ("FIL"). Medley and Disralei were wholly-owned subsidiaries of Timpani Investments Limited, which was in turn, a wholly-owned subsidiary of FIL. FIL was a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD.
- These 7,748,692,715 shares are duplicated in the interests described in Note 1. Hopkins (Cayman) Limited ("Hopkins") owned all the issued ordinary shares which carry the voting rights in the share capital of HD as trustee of a unit trust ("Unit Trust"). Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of the respective discretionary trusts, held units in the Unit Trust. Dr. Lee Ka-kit and Dr. Lee Ka-shing, as discretionary beneficiaries of the discretionary trusts, were taken to have duties of disclosure in relation to these shares by virtue of Part XV of the SFO.
- These 7,748,692,715 shares are duplicated in the interests described in Notes 1 and 2. Dr. the Hon. Lee Shau-kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins and was taken to be interested in these shares by virtue of Part XV of the SFO.
- These 243,085 shares were jointly held by Prof. Poon Chung-kwong and his spouse.
- These 9,500 shares in Lane Success Development Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 4,500 shares) and a wholly-owned subsidiary of HLD (as to 5,000 shares). Dr. Lee Ka-kit and Dr. Lee Ka-shing were taken to be interested in HLD and the Company as set out in Notes 1 and 2 by virtue of Part XV of the SFO.
- These 2 shares in Yieldway International Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 1 share) and a wholly-owned subsidiary of HLD (as to 1 share). Dr. Lee Ka-kit and Dr. Lee Ka-shing were taken to be interested in HLD and the Company as set out in Notes 1 and 2 by virtue of Part XV of the SFO.
- These 2,162,535,761 shares in Towngas Smart Energy representing approximately 66.36% of the total number of issued shares in Towngas Smart Energy were beneficially owned by Hong Kong & China Gas (China) Limited (as to 1,976,254,212 shares), Planwise Properties Limited (as to 183,164,833 shares) and Superfun Enterprises Limited (as to 3,116,716 shares), wholly-owned subsidiaries of the Company. Dr. Lee Ka-kit and Dr. Lee Ka-shing were taken to be interested in the Company as set out in Notes 1 and 2 by virtue of Part XV of the SFO.
- These options represent personal interests held by the Directors.

## Equity-Linked Agreements

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

## Arrangements to Purchase Shares or Debentures

### A. Subscription Agreements of Towngas Smart Energy

On 18th March 2022, Towngas Smart Energy entered into a subscription agreement respectively with two Directors of the Company, namely Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming, whereby Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming conditionally agreed to subscribe for, and Towngas Smart Energy conditionally agreed to issue 1,800,000 and 900,000 shares of Towngas Smart Energy respectively at the subscription price of HK\$3.69 per subscription share in cash, representing the respective aggregate consideration of HK\$6,642,000 and HK\$3,321,000, on and subject to the terms and conditions set out therein.

Relevant shares of Towngas Smart Energy were accordingly allotted and issued to Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming on 17th June 2022.

### B. Share Option Scheme of Towngas Smart Energy

Pursuant to the resolution passed by the shareholders of Towngas Smart Energy at the annual general meeting of Towngas Smart Energy held on 26th May 2022 and the resolution passed by the shareholders of the Company at the 2022 AGM, the TSEL Share Option Scheme was adopted by Towngas Smart Energy.

During the year, 1,800,000 and 900,000 share options of Towngas Smart Energy were granted to two Directors of the Company, namely Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming respectively under the TSEL Share Option Scheme. Details of which as at 31st December 2022 are set out in “Disclosure of Interests” in this report.

Apart from the above, as disclosed in the Report of the Directors for the year ended 31st December 2021, 66,409 shares in EcoCeres, Inc., a non wholly-owned subsidiary of the Company, were beneficially owned by Everwealth Investment A, L.P. (the “Limited Partnership”) in which Mr. Alfred Chan Wing-kin (retired as Managing Director and Executive Director with effect from the conclusion of the 2022 AGM), as a limited partner, had committed to make capital contribution of USD2,237,452 to the Limited Partnership representing more than one-third of the total capital contribution requirements of the Limited Partnership. The capital contribution was completed during the year.

Save as mentioned above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' Interests in Competing Businesses

Pursuant to Rule 8.10 of the Listing Rules, the interests of Directors of the Company in businesses which might compete with the Group during the year ended 31st December 2022 and as at 31st December 2022 were as follows:

Mr. Peter Wong Wai-ye, Mr. John Ho Hon-ming and Mr. Alfred Chan Wing-kin (retired as Managing Director and Executive Director with effect from the conclusion of the 2022 AGM), Directors of the Company, have held directorships in companies engaged in the same businesses of production, distribution and marketing of gas in the Chinese mainland as the Group. Although some of the businesses carried out by those companies are similar to the businesses carried out by the Group, they are of different scale and/or at different locations, and the Group, has been operating independently of, and at arm's length from, the businesses of those companies. Therefore, the Board is of the view that the businesses of those companies did not compete with the businesses of the Group.

## Service Contracts

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## Connected Transactions

During the year, the Company had the following connected transactions, each of which, as disclosed by way of announcement, was subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules since each of the applicable percentage ratios was less than 5%:

1. As disclosed in an announcement of the Company dated 1st April 2022, (a) U-Tech Engineering Company Limited ("U-Tech"), a wholly-owned subsidiary of the Company, had by countersigning and returning to Ultra Keen Holdings Limited ("Ultra Keen"), a company which is indirectly owned as to 30% by Henderson Land Development Company Limited ("HLD", together with its subsidiaries, "HLD Group"), on 1st April 2022 a first letter of nomination in respect of the confirmation of the nomination of U-Tech as the sub-contractor to carry out the works relating to installation of fire services system (the "Fire Services Installation Works") at the maximum contract sum of HK\$49,292,600 (comprising the fixed contract sum of HK\$49,194,250 and the aggregate fees for the optional maintenance service for the Fire Services Installation Works for the first five years after the expiry of the defects liability period in which U-Tech may provide at a yearly rate of HK\$19,670); and (b) Alpha Idea International Limited ("Alpha Idea"), a wholly-owned subsidiary of the Company, had by countersigning and returning to Ultra Keen, on 1st April 2022 a second letter of nomination in respect of the confirmation of the nomination of Alpha Idea as the sub-contractor to carry out the works relating to supply and installation of town gas system and gas water heaters at the fixed contract sum of HK\$31,508,800, both at the residential development situated at N.K.I.L. 6554, Area 4A, Site 2, Kai Tak, Kowloon, Hong Kong for Ultra Keen. As Ultra Keen is an associate (as defined in the Listing Rules) of HLD (a controlling shareholder of the Company), Ultra Keen is a connected person of the Company under the Listing Rules and the aforesaid transactions therefore constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

## Connected Transactions (Continued)

2. As disclosed in an announcement of the Company dated 2nd September 2022 (the “Announcement”), as at the date of the Announcement, (i) Towngas Telecommunications Fixed Network Limited (a wholly-owned subsidiary of the Company) had been engaged by Henderson Real Estate Agency Limited (“HREAL”, a wholly-owned subsidiary of HLD) (in respect of items 1 and 2 below), Asia Charming Limited (“Asia Charming”, a wholly-owned subsidiary of HLD) (in respect of item 3 below) and South Crown Development Limited (“South Crown”, a wholly-owned subsidiary of HLD) (in respect of items 4 and 5 below); (ii) Alpha Idea had been engaged by Fortress Star Limited (“Fortress Star”, a wholly-owned subsidiary of HLD) (in respect of item 6 below), First Mate Development Limited (“First Mate”, a wholly-owned subsidiary of HLD) (in respect of item 7 below) and South Crown (in respect of item 8 below); and (iii) the Company had been engaged by Asia Charming (in respect of item 9 below), for the carrying out of various works at various sites (the “Installation Works”) of HLD Group’s re-development projects (the “Projects”) in Hung Hom (collectively referred to as the “Previous Transactions”) at a total fixed contract sum of HK\$27,327,340. Details of the Previous Transactions are disclosed for informational purpose below:

Item	Date	Subject Matter	Location	Contract Sum
1	19th October 2021	The supply and installation of 5G router and data SIM with firewall solution	30-44 Gillies Avenue South/ 75-77 Baker Street, Hung Hom	HK\$69,600
2	25th February 2022	The supply of 1G broadband service with firewall solution	30-44 Gillies Avenue South/ 75-77 Baker Street, Hung Hom	HK\$188,420
3	13th May 2022	The supply and installation of in-house network cabling	30-44 Gillies Avenue South/ 75-77 Baker Street, Hung Hom	HK\$106,920
4	7th June 2022	The provision of pre-wiring and network cabling for Wi-Fi 6 wireless LAN services	80-86 Baker Street/ 1-21 Whampoa Street, Hung Hom	HK\$127,000
5	7th June 2022	The installation of 5G mobile network	80-86 Baker Street/ 1-21 Whampoa Street, Hung Hom	HK\$1,850,000
6	21st October 2021	The supply and installation of gas services	23-27 Whampoa Street/ 79-81 Baker Street, Hung Hom	HK\$6,871,500
7	21st October 2021	The supply and installation of gas services	46-50 Gillies Avenue South/ 12A-22A Bulkeley Street/ 39-41 Whampoa Street, Hung Hom	HK\$6,337,500
8	11th July 2022	The supply and installation of gas services	80-86 Baker Street/ 1-21 Whampoa Street, Hung Hom	HK\$11,304,000
9	5th July 2022	Works in relation to the diversion of existing gas main	At backlane of 30-50 Gillies Avenue South, Hung Hom	HK\$472,400

## Connected Transactions (Continued)

### 2. (Continued)

On 2nd September 2022, Alpha Idea had by countersigning and returning to Heng Shung Construction Company Limited (“Heng Shung”, a wholly-owned subsidiary of HLD) three sets of tender confirmation letters (the “Tender Confirmation Letters”) in respect of the confirmation of the successful tenders for the carrying out of the supply and installation of kitchen cabinets (the “Kitchen Cabinets Installation Works”) at various sites of the Projects respectively at a total fixed contract sum of HK\$46,554,066. The particulars of the Tender Confirmation Letters are set out below:

Item	Subject Matter	Location	Contract Sum
1	The supply and installation of kitchen cabinets	30-44 Gillies Avenue South/ 75-77 Baker Street, Hung Hom	HK\$15,979,850
2	The supply and installation of kitchen cabinets	23-27 Whampoa Street/ 79-81 Baker Street, Hung Hom	HK\$14,822,897
3	The supply and installation of kitchen cabinets	46-50 Gillies Avenue South/ 12A-22A Bulkeley Street/ 39-41 Whampoa Street, Hung Hom	HK\$15,751,319

As HREAL, Asia Charming, South Crown, Fortress Star, First Mate and Heng Shung are wholly-owned subsidiaries of HLD (a controlling shareholder of the Company), they are connected persons of the Company under the Listing Rules. As such, the Previous Transactions and the transactions in respect of the Kitchen Cabinets Installation Works constituted connected transactions for the Company under Chapter 14A of the Listing Rules. Since the Previous Transactions were conducted on normal commercial terms and all the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Previous Transactions were, in aggregate, less than 0.1%, the Previous Transactions were fully exempt from all disclosure requirements under Chapter 14A of the Listing Rules. Since the Kitchen Cabinets Installation Works would be conducted on normal commercial terms and all the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the transactions under each of the Tender Confirmation Letters were less than 0.1%, such transactions were fully exempt from all disclosure requirements under Chapter 14A of the Listing Rules.

Each of the Previous Transactions and the transactions in respect of the Kitchen Cabinets Installation Works was separately entered into and negotiated between the relevant parties, and relates to works at different sites of the Projects. However, given that the Installation Works and the Kitchen Cabinets Installation Works would be carried out at sites of the Projects which are within the vicinity of each other, the transactions in respect of the Kitchen Cabinets Installation Works and the Previous Transactions were therefore aggregated for the purpose of the Announcement. As the transactions in respect of the Kitchen Cabinets Installation Works, if aggregated with the Previous Transactions, one of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules was greater than 0.1% but less than 5%, the aforesaid transactions were subject to the reporting and announcement requirements.

The related party transactions set out in Note 40 to the consolidated financial statements include transactions that constitute connected transactions or continuing connected transactions under the Listing Rules for which the disclosure requirements in accordance with Chapter 14A of the Listing Rules had been met.

### Directors' Material Interests in Transactions, Arrangements or Contracts

Except for the "Connected Transactions" as disclosed in this report, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company and the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### Management Contracts

No contracts (as defined in section 543 of the Companies Ordinance) concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### Controlling Shareholders' Interests in Significant Contracts

Save as disclosed in this report, no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries during the year.

### Purchase, Sale or Redemption of Listed Securities

During the year ended 31st December 2022, the trustee of the share award scheme adopted by Towngas Smart Energy (the "TSEL Share Award Scheme"), pursuant to the terms of the rules and trust deed of the TSEL Share Award Scheme, purchased on the Exchange a total of 6,965,000 shares of Towngas Smart Energy at a consideration of approximately HK\$29,897,000.

Saved as mentioned above, 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 2022.

### Permitted Indemnity

Pursuant to the Articles of Association, subject to the provisions of the Companies Ordinance, every Director or other officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him as a director or other officer of the Company in defending any proceedings (whether civil or criminal) in which judgement is given in his favour or he is acquitted or in connection with any application under the Companies Ordinance in which relief is granted to him by the court.

In addition, the indemnity agreements made by the Company, which are currently in force and were in force throughout the financial year, contained permitted indemnity provisions (as permitted under the Companies Ordinance), for the benefit of the Directors of the Company. The Company has maintained appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

### Major Customers and Suppliers

During the year, both the percentage of the purchases attributable to the Group's five largest suppliers combined and the percentage of the turnover attributable to the Group's five largest customers combined were less than 30 per cent of the total purchases and turnover of the Group respectively.

## Employees and Productivity

As at the end of 2022, the number of employees engaged in the town gas business in Hong Kong was 2,110 (2021 year end: 2,106), the number of customers was 1,995,082, and each employee served the equivalent of 946 customers, an increase of 1.4 per cent compared to 2021. Inclusive of employees engaged in businesses such as telecommunications, liquefied petroleum gas vehicular refilling stations and contractual engineering works, the total number of employees engaged in businesses in Hong Kong was 2,352 as at the end of 2022 compared to 2,442 as at the end of 2021. Related manpower costs amounted to HK\$1,257 million for 2022, an increase of HK\$10 million compared to 2021. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to enhance the quality of the Group's customer services constantly.

Exclusive of businesses in Hong Kong, the total number of the Group's employees on the Chinese mainland and other places outside Hong Kong was approximately 53,870 as at the end of 2022, an increase of approximately 1,010 compared to 2021.

On behalf of the Board of Directors, we would like to thank all our employees for their dedication and hard work in creating value for shareholders and customers. During the COVID-19 epidemic, in particular, staff at all levels have performed their duties diligently and tackled different challenges proactively to ensure the safe operation of the Group's public utility businesses in both Hong Kong and the Chinese mainland and to maintain the stable and sustainable development of the Group's other businesses.

## Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report from pages 76 to 92 of this Annual Report.

## Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

## Auditor

The financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment at a fee to be agreed by the Board.

On behalf of the Board

**Lee Ka-kit**  
*Chairman*

**Lee Ka-shing**  
*Chairman*

Hong Kong, 17th March 2023